

Pension Committee Investment Sub-Committee

Date: 29 February 2024

Time: 10:00am-12.27pm

Place: New Shire Hall, Alconbury Weald

Present: County Councillors A Whelan (Chair), M Black (Vice Chair), A Costello and P McDonald; Fenland District Councillor C Boden; Howard Nelson

Officers: B Barlow, D Cave and M Whitby

Adviser/Consultants: J Crowther and C West (Mercer); S Gervaise-Jones

101. Apologies and Declarations of Interest

Apologies were received from Liz Brennan.

102. Public minutes of the Pension Fund Investment Sub-Committee held 16th November 2022

The public minutes of the Committee meeting held 16th November 2023 were agreed as a correct record.

103. Action Log

The Sub-Committee reviewed the Action Log.

The Action Log was noted.

104. Petitions and Public Questions

No petitions or public questions were received.

105. Stewardship and Engagement Update

The Committee considered an update on stewardship and engagement matters relating to the Fund's investments. In future this report would be considered at every Investment Sub-Committee meeting.

The report outlined activity during the three months to 30 September 2023 for assets held within the ACCESS pool, and also engagement activity for those funds held directly. A summary of the Local Authority Pension Fund Forum (LAPFF) engagement and voting activity for the quarter to 31 December 2023 was also included.

For the three ACCESS Sub-Funds, there had been 136 voting opportunities within the three-month period, and there were only three instances where votes were not cast, or managers chose to abstain from voting. Of the votes cast, 112 were in favour, and 21 against management proposals. There were no instances where the ACCESS voting policy had been overridden. The report aimed to provide a flavour of engagement activities, with further detail available on request.

At 30 September 2023, the Fund's ACCESS investment managers held a total of 155 assets and held 26 engagements with companies. There were 5 engagements on environmental topics, 10 on social topics and 11 relating to governance. Examples were given for each manager.

A summary of the Local Authority Pension Fund Forum (LAPFF) engagement and voting activity for the period between October to December 2023 was provided. Members noted the detailed example of LAPFF's engagement with Nestlé.

A Member queried the comment about the "voting alliance" with LAPFF? Officers explained that if LAPFF wanted to raise the profile of, or challenge a particular issue, LAPFF would circulate an alert indicating how they would like the vote to be exercised, e.g. on climate change, where the guidance may be to not vote for Directors who did not have a good transition plan. The ACCESS Pool had its own voting policy, and LAPFF may have a different view on some issues – the intention was to align, as far as possible, the ACCESS voting policy with LAPFF. Any differences between the ACCESS pool and LAPFF were reported. An example was given where there was a difference on voting with regard to Apple, on Human Rights and governance issues.

A Member asked if there were any themes on votes against resolutions? It was noted that issues such as auditor tenure (USA) had been an issue.

A Member was pleased to note the positive engagement by LAPFF, reinforcing collaboratively the engagement work by ACCESS and the Fund.

The Sub-Committee resolved to note the report.

106. Cambridgeshire Pension Fund Public Monitoring Report- 31 December 2023

The Sub-Committee received the public report summarising the performance of the Pension Fund for the quarter to 31 December 2023.

Members noted:

- the Fund's assets had increased over the quarter by around £190M to almost £4.45bn as at 31 December 2023. The estimated funding level at that date was 156%, down from 167% the previous quarter. This reflected a fall in Gilt yields and an increase in liability values;

- over the quarter, several asset transitions were undertaken in order to move towards the Fund's target strategic asset allocation;
- the Fund had underperformed the benchmark over the quarter and the year. However, this was due in part to the quirks around benchmarking: the main contributor to underperformance had been Private Equity, which was benchmarked against the Global Equity index. Dodge & Cox had also underperformed in this Quarter, having performed well previously;
- there had been a positive market backdrop for most of the quarter, the key standout exception being Commodities. Globally, inflation rates were reducing, which had boosted equity market expectations, with strong performance, especially in the US tech sector;
- there had been strong performance in the Quarter for listed Equities and Fixed Income, but for Alternatives it had been a more challenging time.

Individual Members raised the following points in relation to the report:

- asked if the reduction in funding level heralded the start of a downward trend. Officers advised that this was a fluctuation – the funding level had since risen, but there were likely to be further fluctuations, reflecting market sensitivity to interest rates. In the autumn of 2023, long dated gilt yields reduced, fuelling market expectations of further interest rate reductions, but these had not materialised. Longer term, it was expected that the overall funding level would drift down, but it remained in a very healthy funding position, especially given the long-term nature of the Fund;
- queried the poor performance of UBS Infrastructure. Mercer explained that this was a legacy closed-ended equity fund, and represented around 0.1% of the Fund's total assets. There was little chance of turnaround at this late stage of the investment, and it was not really possible or worthwhile to extricate from this investment at this stage in the investment lifecycle;
- a Member was pleased to note the good performance of Sustainable Equities over 2023 (23.7% increase);
- a Member observed that whilst Gilts were a good measure for Pension Fund Liabilities over the long term, when there was short term instability in Gilts markets, they were less useful. She asked if there was a better way to measure Liabilities? Mercer advised that an alternative metric was CPI inflation i.e. current Liabilities increasing at CPI.

It was resolved unanimously to note the report.

107. Exclusion of Press and Public

The Sub-Committee resolved that the press and public be excluded from the meeting for the following items on the grounds that they contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information) and that it would not be in the public interest for this information to be disclosed as they contained commercially sensitive information.

108. Cambridgeshire Pension Fund Private Monitoring Report – 31 December 2023

The Sub-Committee received the private report summarising the performance of the Pension Fund for the quarter to 31 December 2023.

It was resolved to note the report.

109. Confidential minutes of the Pension Fund Investment Sub-Committee held 16th November 2023.

The confidential minutes of the Committee meeting held 16th November 2023 were agreed as a correct record.

110. Investment Strategy Review – Implementation

The Sub-Committee received an update on the implementation of the new Investment Strategy.

It was unanimously resolved to approve the report recommendations, as amended.

With the Sub-Committee's agreement, it was agreed to take the following two items out of sequence:

111. UK Core Property Review

The Sub-Committee received an update on the Core UK property review, presently under the management of Schroders as an Indirect Property portfolio.

It was unanimously resolved to approve the report recommendations.

112. Equity Portfolio Review

The Sub-Committee received a report which presented and discussed the outcome of the beliefs survey with the Investment Sub-Committee (ISC), and made recommendations for the next steps for the Equity Portfolio Review.

It was unanimously resolved to approve the report recommendations.

Chair