

Pension Committee Investment Sub-Committee

Date: 26 May 2022

Time: 10:00am- 12:50pm

Place: New Shire Hall, Alconbury Weald

Present: County Councillors A Whelan (Chair), C Rae (Vice-Chair), A Costello and A Sharp; J Walker and L Phanco

Officers: B Barlow, D Cave, S Heywood (virtual), R McRobbie and M Whitby

Advisers/Consultant: J Thurgood and C West (Mercer); S Gervaise-Jones; Olivia Docker, Naomi Green and Patrick Bone (Schroders) (item 31 only)

25. Apologies and Declarations of Interest

There were no apologies for absence.

John Walker declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his son and daughter-in-law were deferred members of the LGPS.

26. Public minutes of the Pension Fund Investment Sub-Committee held 17th February 2022

The public minutes of the Committee meeting held 17th February 2022 were agreed as a correct record.

27. Action Log

The Action Log was noted.

Item 5 – the action on the Climate Action Plan had been superseded by the agenda item on Climate Aware Passive Equity options, which would be considered later in the meeting.

Item 6 – the continuation of the Equity Protection would be signed off by 27/05/22, and a training session for Members would be organised.

28. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 31st March 2022

The Sub-Committee received a report summarising the performance of the Pension Fund for the quarter to 31st March 2022. The following points were highlighted:

- The emergence of inflation, partly driven by supply chain disruptions, especially from China. At the beginning of 2022 this inflation environment had accelerated and central banks had been increasing interest rates in

response. Rising inflation and interest rates had put pressure on asset prices and returns, resulting in some of the negative numbers coming through in performance. However, there was a corresponding reduction in liability values, leading to an increase in funding levels overall;

- The impact of the Russia/Ukraine war – whilst Russia was not a major player in investment markets, it was a leading commodity exporter, and the conflict and sanctions had put a pressure on commodity prices, especially energy;
- In terms of allocations, equities were overweight against strategic targets, but within the tolerances (55% +/-5%). Despite current negative returns, there was marginal outperformance against the benchmark;
- JO Hambro had struggled, mainly due to their Growth style of investment being out of favour in the current economic climate, which favoured value managers such as Dodge & Cox;
- The two MAC funds (Bluebay and M&G) had performed as expected, with inception returns of around 3-3.5%: this was not a large universe of managers, and Bluebay and M&G had performed relatively well;
- The wide ranging performance of Alternatives mandates within the portfolio, which were to be expected, with a particularly pleasing bounceback of Property markets.

Arising from the presentation, there were the following questions:

- Asked about the position with Longview, given their strong outperformance. The Sub-Committee was reminded that Longview had been appointed due to their Quality bias, but had not strictly followed that Quality style. In the short term this had been positive in terms of returns to the Fund, but there were ongoing concerns about this mandate due to the move away from the Quality style;
- In response to a question on Russia and the volatility of markets, Mercer stressed that a long term view needed to be taken, and outlined possible scenarios. Whilst there could be negative figures coming through for some time, central banks were expected to rein in inflation in the longer term;
- The Head of Pensions observed that one of the objectives of MAC was to provide risk and returns similar to equities, whilst offering diversification, and asked Mercer whether this goal had been achieved. Mercer responded that to thoroughly judge performance, the MAC holdings needed to be observed over a market cycle (roughly 3-5 years) to see how they performed compared to e.g. low risk bonds, but they would expect the MAC holdings to add value.

The Chair thanked Mercer for their presentation, and observed that whilst there were some negative figures, these were to be expected in the current

climate, and the Fund was focused on its long term funding objectives for its members.

The Sub-Committee resolved to note the report.

29. 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.

30. Confidential minutes of the Pension Fund Investment Sub Committee held 17th February 2022

The confidential minutes of the Committee meeting held 17th February 2022 were agreed as a correct record.

31. Schroders – Overview of Property Portfolio

The Sub-Committee considered a presentation from Schroders

It was resolved to:

1. note the presentation from Schroders.

(the Schroders representatives left the meeting)

32. Climate Aware Passive Equity Investing

Members considered a deep dive review of climate aware passive equity options.

It was resolved to:

- a) Note the report and presentation from Mercer
- b) Decide which passive equity options the Sub Committee wishes to explore further
- c) Decide the approach by which these options are explored by the Sub Committee
- d) Request the Head of Pensions takes the necessary steps to progress the implementation of passive equity options

33. Private Equity Update

The Sub-Committee considered an update on progress with the Fund's programme of private equity commitments.

It was resolved unanimously to:

- 1) note the Private Equity Funds to which the Fund will subscribe in 2022/23;
- 2) note that a deeper review of Private Equity options will be undertaken during 2022-23 following which deployment recommendations will be presented to the Sub-Committee.

34. ACCESS Asset Pooling Update

The Sub-Committee received an update on progress with the ACCESS asset pooling project.

It was resolved unanimously to:

- 1) note the asset pooling update.