Pension Fund Committee Investment Sub-Committee Minutes (Public Version)

Date:	11 September 2025
Time:	10.00 a.m. – 12:20 p.m.
Venue:	Red Kite Room, New Shire Hall
Present:	Councillors Geoff Seeff (Chair), Alison Whelan (Vice-Chair), Stefan Fisher, and David Keane; Councillor Imtiaz Ali and Howard Nelson; Liz Brennan

Advisers:	Jonathan Crowther	Mercer
	Caroline Fawcett	Cambridge and Counties Bank
	Sam Gervaise-Jones	Independent Adviser
	Michelle Ibbs	Cambridge and Counties Bank
	Chris West	Mercer
Observers:	Councillor Mike Black	Pension Fund Committee member and substitute representative on the ACCESS Joint Committee

14. Apologies for Absence and Declarations of Interest

The Chair welcomed Councillor Imtiaz Ali as a new representative of other local authorities on the Investment Sub-Committee.

There were no apologies for absence.

There were no declarations of interest.

15. Minutes – 26 June 2025 (Public Version)

The public version of the minutes of the meeting on 26 June 2025 were approved as an accurate record and signed by the Chair.

The committee noted the minutes action log.

16. Public Questions and Petitions

No public questions or petitions were received.

17. Stewardship and Engagement Update

The Sub-Committee received an update report on stewardship and engagement matters relating to the Pension Fund's investments, which included details of voting and engagement by investment managers in relation to the Pension Fund's current holdings between April and June 2025. The report also provided the Sub-Committee with an update on the development of the 2024/25 Stewardship Code Submission. The report included an appendix which was exempt from publication as it contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

While discussing the report, individual members:

- Drew attention to the companies and indexes listed in the report as having shown no improvement or only moderate improvement following engagement with the Local Authority Pension Fund Forum (LAPFF), and it was confirmed that engagement would continue to take place throughout the duration of investment in any such companies.

- Queried whether engagement with companies was generally considered to be effective or have much impact. It was argued that it would be less likely for investment managers to invest in companies that did not have positive outcomes from engagements, which itself created pressure on them to make relevant changes. It was also suggested that future iterations of the report could provide more detailed information on such improvements, particularly when they were a direct result of an engagement process.

- Requested further information on investments in Glencore PLC and it was agreed to provide members with an update from the relevant investment manager on their current investments and understanding of the company. **Action required**

- Confirmed that members could be provided with more detailed information on specific engagements if they submitted requests.

It was resolved unanimously to:

a) Note the report; and

b) Delegate authority to approve and sign off the 2024/25 Stewardship Code submission to the Head of Pensions, in consultation with the Chair and Vice-Chair of the Pension Fund Investment Sub-Committee.

18. Investment Current Topics

The Sub-Committee received a report from Mercer on current investment topics, which provided an analysis of 2025 global markets to date and an outlook for the remainder of the year, while also assessing diversification and net zero initiatives.

While discussing the report, individual members:

- Queried to what extent the Pension Fund hedged its investments in foreign equity markets and to what extent it was exposed to fluctuations in such markets. Members were informed that the Fund hedged some of its equity investments, particularly following the Sub-Committee's previous concerns about the strength of the US dollar, although it was clarified that it did not hedge against all foreign currencies that it was involved with. Such an approach could be carried out through an overlay structure, and it was suggested that the subsequent strategy would result in hedging against between 40% and 60% of investments, which was a similar level to the situation with current investments.

- Requested further information on the move to increase diversification, seeking clarification on the level of stress testing that was being carried out as part of the process. Members were informed that the Investment Strategy Review involved assessments of different asset allocation strategies and their stresses, in terms of the value of risk and how they could impact the Fund balanced against their potential impact through expected returns.

- Noted that some asset managers were withdrawing from collaborative climate change initiatives, as set out on page 44 of the agenda, and expressed concern that they could be moving away from considering best practice on reducing climate risk. It was highlighted that not all organisations agreed on how to address certain issues, and members were informed that while such asset managers continued to engage and behave positively on these issues, there had been concern over the way in which such initiatives were managed and financed. It was noted that the asset managers that had withdrawn from CA100+ were not used significantly by the Fund and that they would continue to be held to account by all their clients.

- Expressed concern about continuing uncertainty in the US economy and the potential impacts of tariffs on wider markets, as well as the impacts of other regional conflicts. Members were informed that global markets were now reacting more sanguinely to the US economy's relatively unstable situation in comparison to their more significant initial responses and were instead generally focussing on wider economic issues. It was argued that while investors did not expect the US to default on its debts, they were subsequently demanding higher levels of compensation for lending. As for other geopolitical events around the world, it was suggested that there were currently not any that had a direct impact on investment markets similar to that of 2022.

- Suggested that the central bank policy of reducing interest rates to make money more affordable was contradicted by bond markets saying it was becoming more expensive. Given that corporate spreads had become very narrow, one member expressed concern that such an extreme scenario could lead to large movements or corrections, and sought clarification on what the Fund was doing to mitigate against any potential catalyst before the Investment Strategy Review had been completed. Members were informed that while short term rates were influenced by central banks, long term rates were more reflective of the supply and demand of bonds, which were currently at a high yield that would only decrease if balancing factor changed, either by the UK ceasing to issue bonds or through a combination of higher taxes and less public spending. It was argued that corporations' balances were currently relatively healthy and were not expected to need to react to significant catalysts, such as a recession, in the next twelve months, with reduced short term rates providing further relief for their spreads. Members were assured that the Fund had mitigation measures in place for catalysts and that it was protected by natural hedging, with diversification providing additional protection.

The report was noted.

19. Cambridgeshire Pension Fund Quarterly Monitoring Report (Public)

The Sub-Committee received the public section of the Pension Fund's Quarterly Monitoring Report, which provided information on funding, asset allocation and performance to 30 June 2025.

While discussing the report, individual members:

- Established that the value of the Cambridge and Counties Bank listed in the Manager Allocation table on page 58 of the agenda only reflected the value of the Fund's 50% ownership in the bank. It was further clarified that an external valuation of the bank was captured on an annual basis as part of the closedown process and therefore the figure represented the bank's value from earlier in the past year.

- Expressed concern about the relationship with UBS Infrastructure over the past five years and sought clarification on what the Fund was doing to either improve the situation or terminate the relationship. Members were informed that it was a legacy investment that was approaching an end and that there were ongoing efforts to redeem as much of the remaining £4.1m value over the next 12-18 months as it was closed down.

- Sought clarification on the basis of the return calculations for infrastructure funds. Members were informed that the calculation included a combination of realised and unrealised returns. For smaller legacy mandates, the majority were realised returns with only small residual values of portfolio assets left within the infrastructure fund, whereas for larger, open-ended vehicles, the majority were unrealised returns which represented the value of the underlying portfolio assets.

20. Exclusion of Public and Press

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

21. Cambridgeshire Pension Fund Quarterly Performance Report (Exempt)

The Sub-Committee received the exempt section of the Pension Fund's Quarterly Monitoring Report. The report was exempt from publication as it contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

The report was noted.

22. Minutes – 26 June 2025 (Exempt Version)

The exempt version of the minutes of the meeting on 26 June 2025 were approved as an accurate record and signed by the Chair.

23. Cambridge and Counties Bank (Exempt)

The Investment Sub-Committee received a report on the Cambridge and Counties Bank. The report was exempt from publication as it contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

It was resolved to approve the recommendations.

24. Equity Portfolio Review Update (Exempt)

The Sub-Committee received an update report on the progress of the equity portfolio review. The report was exempt from publication as it contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

The report was noted.

(Chair)