PENSIONS COMMITTEE, 24 JANUARY 2024 – EXEMPT MINUTES

Agenda item 8: Pension Fund Performance Monitoring for the Quarter ended September 2023

Officers from CBRE Investment Management had reviewed the fund's performance against benchmark and reported there were no issues of concern. The fund had performed well in the market over the last year with preferred growth areas being apartments for rent and healthcare related real estate.

Over the last three years, the fund had underperformed against benchmark due to factors such as Covid-19 and high interest rates. Performance had been protected in response to high interest rates with for example shorter leases for office accommodation meaning reduced exposure in this sector. Offices were being used less due to working from home which had led to the fund reducing investments in this area.

There was a rolling maturity schedule for loans taken by the fund with 70% at fixed rate and 30% at a floating rate. The increase in private credit income had been a deliberate decision which would increase the income protection of the fund. This also allowed protection against changing interest rates.

The fund was operating ahead of the industry sustainability benchmark. Software was used to assess the physical risks of an asset and all assets in the fund had been mapped.

There was not thought to be a major risk from the difficulties facing High Streets as investment was more in warehouses than retail areas. The fund advisers added that they did not have any concerns over fund allocations. It was also clarified that the CBRE fund was invested in other funds that owned properties directly and used specialist managers for this.

A Member asked if the pension fund had exposure to property classes. There was a 10% real estate allocation in the fund. Moving this into the CIV was unlikely to be cost effective.