



Essex County Council

Essex Pension Fund Investment Steering Committee

10:00	Wednesday, 30 November 2022	Committee Room 2 County Hall, Chelmsford, CM1 1QH
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For information about the meeting please ask for:

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6 Urgent Business

To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

7 Part Two Minutes of ISC Meeting held on 12 October 2022

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

8 Quarterly Investment Manager Monitoring

8a Investment Tables: Quarter ended 30 September 2022

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

8b Traffic Light Rating Report

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

9 Responsible Investment (RI) Monitoring Engagement

9a Global Equity Manager Engagement Summary

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

- 9b Equity Allocation Climate Risk Report as at 30 June 2021: Task Force for Climate Related Financial Disclosures (TCFD) Metrics Baseline Results**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 10 Strategic Implementation Framework - Pillar 2 - Evolving existing allocations: Review of the Responsible Investment (RI) approach within the RAFI allocation**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 11 Strategic Implementation Framework - Pillar 1 - Implementing and maintaining existing strategic targets within the investment strategic decision framework: Portfolio Implementation: Global real estate strategic long-term allocation considerations**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 12 Department for Levelling Up, Housing and Communities (DLUHC) Climate Risk Reporting Consultation**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 13 Structural Reform of the LGPS - Pooling Quarterly Update of the ACCESS Joint Committee**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 14 Urgent Exempt Business**
- To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency

Essex Pension Fund Investment Steering Committee	ISC 01
Date: 30 November 2022	

Essex Pension Fund Investment Steering Committee Membership, Apologies and Declarations of Interest

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

This Report is for noting

Executive Summary

Report Type: Governance

No Membership changes since the last meeting.

Declarations have been amended to reflect Cllr M Platt and Cllr S Hoy Membership status on the Audit, Governance and Standards Committee.

No apologies were received for the meeting at the time of writing.

1. Purpose of the Report

- 1.1 To present Membership, Apologies and Declarations of Interest for the 30 November 2022 ISC.

2. Recommendation

- 2.1 That the Committee should note:

- Membership as agreed as shown overleaf;
- Apologies and substitutions; and
- Declarations of Interest to be made by Committee Members in accordance with the Members' Code of Conduct and the Essex Pension Fund's Conflict of Interest Policy.

3. Membership

(Quorum: 4)

5 Conservative Group: 1 Liberal Democrat Group: 1 Non-Aligned Group

Membership

Representing

Councillor S Barker

Essex County Council (Chairman)

Councillor M Platt

Essex County Council (Vice Chairman)

Councillor A Goggin

Essex County Council

Councillor A Hedley

Essex County Council

Councillor M Hoy

Essex County Council

Councillor D King

Essex County Council

Councillor C Souter

Essex County Council

Observers

Councillor C Riley

Castle Point Borough Council

Sandra Child

Scheme Members

Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held in Committee Room 2 at 10:00am on 12 October 2022

1. Membership, Apologies and Declarations of Interest

The report of the Membership, Apologies and Declarations of Interest were received.

Membership

Present:

Essex County Council (ECC)

Cllr S Barker	(Chairman)	
Cllr M Platt	(Vice Chairman)	(arrived at 10:14am)
Cllr A Goggin		
Cllr A Hedley		
Cllr D King		(left at 12:03pm)
Cllr C Souter		

Scheme Employer Representative

Cllr C Riley (Observer via Zoom)

Scheme Member Representative

Sandra Child (UNISON) (Observer)

Cllr M Durham Conservative Substitute Member also attended as an Observer of the meeting together with PSB Member Cllr S George.

The following Officers and Advisers (O&A) were also present in support of the meeting:

Jody Evans	Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Daniel Chessell	Retirement Team Manager
Debbie Hadley	Business Support Administration (via Zoom)
Helen Pennock	Compliance Analyst (Observer)
Marcia Wong	Compliance Officer (via Zoom Observer)
Mark Stevens	Independent Investment Adviser (IIA)
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson

The following Essex Pension Fund Advisory Board (PAB) Members were present as Observers of the meeting:

Andrew Coburn	Pensioner, Ex Essex County Council, UNISON
Cllr M Bracken	Chelmsford City Council (Zoom)
James Durrant	Employer Representative (Zoom)

Members noted that the meeting would be recorded to assist with the production of the Minutes for the meeting.

Opening Remarks

The Chairman welcomed the Committee, Observers and Advisers to the meeting.

Apologies for Absence

It was noted that Cllr M Hoy had sent his apologies along with PSB Member: Rachel Hadley, and PAB Members: Nicola Mark; Debs Hurst; and Stuart Roberts.

It was also noted that Cllr M Platt would be a few minutes late joining the meeting.

Declarations of Interest

Declarations were received from:

Cllr S Barker declared she was in receipt of an Essex LGPS pension and is a Member on the Audit, Governance and Standards Committee. In addition, she declared that her son was also a member of the Essex Pension Fund and was employed by Essex County Council as a Sustainability Manager;

Cllr M Platt declared that he is a Deputy Cabinet Member and is Vice Chairman of the Audit, Governance and Standards Committee;

Cllr A Goggin declared that his wife and sister were in receipt of an Essex LGPS Pension;

Cllr A Hedley declared that he was in receipt of an Aviva Group Pension, and he is the Chairman of the Audit, Governance and Standards Committee;

Cllr D King declared that he is also a Member of the Audit, Governance and Standards Committee; and

Cllr Riley and Sandra Child declared that they are in receipt of an Essex LGPS Pension.

Resolved:

The Committee noted the report.

2. Minutes of ISC Meeting 15 June 2022

2a. Minutes of ISC AM Meeting 15 June 2022

The Minutes of the AM meeting of the ISC held on 15 June 2022 were approved as a correct record and signed by the Chairman.

The Chairman brought to the attention the Matters Arising, it was noted that:

- a further update in regard to the Strategic Implementation Framework would be provided at Agenda Item 11;
- as agreed at the 15 June 2022 ISC, the annual commitment to the Fund's Private Equity Manager Hamilton Lane had been increased in line with the appreciation of the Fund. In addition, the outcome of the Responsible Investment (RI) Engagement meeting with Hamilton Lane would be provided at Agenda Item 9c;
- as agreed at the 15 June 2022 ISC, the additional commitment to Partners Group Global Infrastructure 2022 would proceed when the fund is launched;
- the further commitment to Stafford Capital Partners in regard to the timber mandate would be discussed at Agenda Item 11 where Stafford Capital Partners will present their Carbon Offset Opportunities Fund to the Committee;
- a £1.5bn investment had been made to the UBS Life Global Equity Sustainable Transition Fund which was launched on 19 September 2022 and a full update would be provided at Agenda Item 11c;
- the Officer & Adviser (O&A), in consultation with the Chairman and Vice Chairman, have explored a suitable interim solution to bridge the gap between the end of the current Emerging Market Equity Manager mandate and the launch of the ACCESS mandates. An update in regard to this transition would be provided as part of Agenda Item 11d; and
- the Marathon mandate has been successfully terminated with the residual balance reinvested within ACCESS' Baillie Gifford's Long Term Global Equity Fund. Further detail would be provided as part of Agenda Item 11d.

2b. Minutes of ISC PM Meeting 15 June 2022

The Minutes of the PM meeting of the ISC held on 15 June 2022 were approved as a correct record and signed by the Chairman.

The Chairman brought to the attention the Matters Arising, it was noted that:

- current progress against the Fund's RI Project Plan would be provided at Agenda Item 4;
- six ISC Members were confirmed to attend the forthcoming Baillie Gifford LGPS Investment Seminar during November 2022;
- Fund Officers have initiated the CEM cost benchmarking review as at 31 March 2022, with results to be brought back to a future ISC meeting; and
- the Essex Pension Fund Strategy Board (PSB), held on 07 July 2022, agreed, in principle, the Local Pension Board (LPB) observer representation at the ACCESS Joint Committee (AJC) would consist of one Scheme Employer and one Scheme Member representative from the Essex Pension Fund Advisory Board (PAB).

3. **Market Commentary Quarter 2 2022**

The Committee received a report from Hymans Robertson detailing the Market returns and their latest views in regard to the global economy.

Mark Stevens, IIA, further presented to Members his perspective on the volatility of current market conditions explaining that the third quarter continued with many of the trends that had been witnessed over the second quarter as highlighted within the report.

With slow economic growth, interest rates continuing to rise, stubborn inflation and the geopolitical events within Europe and Asia, it was noted that inflation was not accelerating but broadening.

In the United Kingdom, concerns regarding the 'mini budget' set out by the new Chancellor caused high volatility in Gilt markets. As a consequence the value of sterling plummeted which led to Bank of England intervention to stabilise the financial markets.

Members were reassured that the press attention around this and in particular Liability Driven Investment strategies (LDI) negatively impacting pensions did not impact the Fund as the Fund did not invest in these types of strategies.

Resolved:

The Committee noted the update and content of the report.

4. **Responsible Investment (RI) Project Plan Update**

Members were provided with an update of the progress made against the Fund's 2022/23 RI Project Plan as agreed at their 15 June 2022 meeting. It was explained that five out of seventeen areas of activity were now complete, with four areas currently in progress.

It was noted one significant area of activity that had been completed since the last meeting was the implementation and subsequent launch of the Fund's new passive equity Environmental, Social and Governance (ESG) Fund.

Resolved:

The Committee noted progress against the Fund's 2022/23 RI Project Plan and the content of the report.

5. **Financial Reporting Council (FRC) 2020 UK Stewardship Code 2022 Submission Update**

The Investment Manager brought to Members' attention that Essex Pension Fund had been successful in its submission to the FRC 2020 UK Stewardship Code, to becoming a signatory. It was explained that the O&A were currently reviewing the positive but constructive feedback received from the FRC and this will support

Fund Officers to identify key areas for improvement for the next submission in April 2023.

It was acknowledged that it was a huge achievement for the submission to be accepted on the Fund's first attempt and it was highlighted that unlike other funds in different LGPS Pools who were able to rely on assistance from their Pool, the Fund had achieved this independently of ACCESS. Members expressed their thanks to everyone involved in achieving this success.

It was agreed that Fund Officers, as well as posting a news item on the Fund's website, would liaise with the Essex County Council Media Team to issue a press release.

Resolved:

The Committee noted the successful outcome of the Fund's 2020 FRC UK Stewardship Code Submission and the content of the report.

6. Schedule of Future Meetings and Events

Members were reminded of the forthcoming Baillie Gifford LGPS Investment Seminar dates noting that six Committee Members would be attending.

It was also noted that the RI Workshop for 2022/23 had been arranged to take place on Wednesday 18 January 2023.

Resolved:

The Committee noted the content of the report.

7. Urgent Part I Business

There were none.

Exclusion of the Public and Press

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

Resolved:

The Chairman brought to the attention the above statement and the Committee **agreed** to proceed.

8. Part II Minutes of ISC AM meeting 15 June 2022

The Part II Minutes of the AM meeting of the ISC held on 15 June 2022 were approved as a correct record and signed by the Chairman.

The Chairman brought to the attention the Matters Arising, noted the updates provided earlier at Agenda Item 2a.

9. Quarterly Investment Manager Monitoring

9a. Investment Tables: Quarter ended 30 June 2022

The Committee received an update from Mark Stevens, IIA, in regard to the Fund's investment performance for the quarter ended 30 June 2022.

It was noted that the Fund Value fell by 4.9% in the quarter to £9.175bn and overall was flat for the 12 months.

It was brought to Member's attention that three investment managers had breached Triggers 1 and 2 and explanations were provided. It was noted that whilst equities and bonds were posting mixed performance the alternative bucket was very much the star performers for the Fund in the quarter.

Resolved:

The Committee noted the content of the report.

9b. Traffic Light Rating Report

Matt Woodman, Hymans Robertson provided a detailed Traffic Light Rating Report which included their views and RI ratings where available on the Fund's investment managers.

It was highlighted that three of the Fund's Investment Managers had been rated as 'negative' and following decisions made by the ISC at its June 2022 meeting, two of these managers had now been disinvested and their mandates terminated with the third soon to be disinvested and its assets transitioned once the alternative ACCESS Pool strategy was in place, subject to Members ratifying their in-principle decision. It was explained that all Investment Managers would then be rated 'green'

It was explained that as a consequence of the recent RI engagements with Hamilton Lane and Stafford Capital Investors, Hymans were now able to attribute a RI rating to both managers with both rated as 'good'.

Resolved:

The Committee noted the content of the report.

9c. Responsible Investment (RI) Engagement Report: Hamilton Lane Private Equity Manager

The Committee received a report and presentation from Matt Woodman, Hymans Robertson advising the outcome of the engagement meeting held with Hamilton Lane. It was noted that the O&A were happy that Hamilton Lane engaged on ESG

factors, were making progress with ESG integration and taking a proactive approach to the reporting of ESG with the development of 'Novata', a data platform which provides a simple 'on ramp' to collect, store and report on ESG metrics and also provides an analytical and benchmarking tool.

Resolved:

The Committee noted the next steps arising from Hamilton Lane's engagement meeting and the content of the report.

10. Measuring and Monitoring Carbon Intensity and Climate Impact of the Fund's assets reading for Taskforce for Climate Related Financial Disclosures (TCFD)

Members were reminded of the decisions made at their November 2021 meeting to measure and monitor a number of climate metrics as part of TCFD. These being:

- Absolute Emissions Metric;
- Emission Intensity Metric;
- Non-Emissions Based Metrics; and
- Portfolio Alignment Metric.

In addition, at that meeting the Committee agreed a further four metrics which were not mandated through TCFD.

It was explained that since the release of the LGPS TCFD Consultation, the decisions previously made by the Committee were reviewed to ensure they were still appropriate, and it was confirmed that no further decisions were required by the Committee.

It was explained that O&A were in the process of collecting and measuring the metrics for the Fund using the baseline information of 30 June 2021 and that they will present results commencing with the equity mandates baseline exercise at the November meeting, with other mandates to follow at subsequent meetings.

Members were informed that the AJC had now agreed 'in principle' a set of RI guidelines. The second stage of this work would entail ACCESS to establish their reporting requirements including those around TCFD. It was explained that currently there are no standard reporting requirements for the LGPS and that due to TCFD currently not being mandatory for the LGPS yet, although some funds had started to report on this voluntarily, and that funds were all at different stages of implementing TCFD Metrics within their portfolios.

It is expected that ACCESS would report on the mandatory four metrics set out by TCFD and measure and benchmark against those. However, the remaining four metrics as agreed by the Committee may need to be measured and monitored independently by the Fund.

Resolved:

The Committee **agreed** to the proposed approach and project plan set out within the report and noted the content of the report.

The Chairman informed Members that the meeting would reconvene at 11:20 following a short adjournment.

The meeting was adjourned at 11:13.

The Committee reconvened at 11:22

11. Strategic Implementation Framework**11a. Bitesize Training: Pillar 3 – Exploring changes to existing or new mandates: impact Investing Priorities and Timberland Opportunities**

John Dickson, Hymans Robertson provided a bitesize training session together with a report setting out background information on the impact timber solution offered by the Fund's timber manager, Stafford Capital Partners, in the form of the Carbon Offset Opportunities Fund.

It was noted that the O&A have taken onboard the Committee's desire for more investment opportunities in this space and as and when appropriate opportunities arise, would bring back these to futures meeting.

Separately, Members were advised that following their decision to consider more impact investing opportunities, Hamilton Lane as part of this year's annual top up commitment had recently committed £10m to a private equity impact fund.

Resolved:

The Committee noted the report and training presentation.

11b. Manager Presentation: Stafford Capital Partners

The Chairman welcomed Stafford Capital Partners: Angus Whitely, CEO; Dermot McCloskey, Vice President; and Stephen Addicott, Managing Partner for Stafford Timberland to the meeting and received a presentation on their Carbon Offset Opportunities Fund.

The Chairman thanked Stafford Timberland for an informative presentation.

Stafford Capital Partners left the meeting at 12:48pm.

Resolved:

The Committee noted the presentation.

11c. Pillar 3 – Exploring changes to existing or new mandates: Impact Investing, Stafford Carbon Offset Opportunities Fund

Members discussed the presentation received from Stafford Capital Partners in conjunction with the report which detailed the ‘in principle’ agreement made at their June 2022 ISC meeting.

John Dickson, Hymans Robertson explained that, in their view, the investment satisfies all the criteria of impact investing and is expected to deliver returns equivalent to those of their core timber funds. It was suggested that this would be a good starting point for the Fund’s impact investing journey.

The Chairman suggested that if Members agreed to make a commitment to this strategy, the Fund could look to do a joint press release with Stafford.

Resolved:

The Committee **agreed**:

- that subject to due diligence, a commitment be made to Stafford Carbon Offset Opportunities Fund;
- that the remaining commitment be made to SIT X; and
- noted the content of the report.

11d. Pillar 2 – Evolving existing allocations and Pillar 3 – Exploring changes to existing or new mandates: Strategic Implementation Progress Update

The Committee received a report from Matt Woodman, Hymans Robertson providing an update on the implementation progress made against the strategic decisions made at the 15 June ISC meeting in regard to Pillars 2 and 3 of the Strategic Implementation Framework.

The Investment Manager advised Members that:

- the UBS Life Global Equity Sustainable Transition Fund was launched on 19 September 2022 and £1.5bn was transitioned from UBS’s regional index funds to the new ESG Fund. A joint press release was subsequently issued between the Fund, UBS and Hymans Robertson in regard to this achievement;
- following the June meeting, the O&A reviewed several interim solutions to look to bridge the management gap between the current Emerging Market (EM) strategy ceasing and the availability of the new ACCESS strategies. It was noted the O&A, in conjunction with the Chairman and Vice Chairman, agreed that the best most cost-effective solution was to disinvest in totality from Stewart Investors and buy an EM equity exchange trade fund (ETF) which would allow the Fund to continue to have seamless exposure to the emerging markets until the point the Fund could transition to the new ACCESS sub funds. It was noted that this had now been actioned and Stewart Investor’s mandate had subsequently been terminated; and
- £110m had been disinvested from Marathon Asset Management to fund the JP Morgan infrastructure drawdown and that the mandate had now been

terminated following the remaining balance being disinvested and used to bring ACCESS' Baillie Gifford's Long Term Global Equity Fund back near its strategic target.

In regard to the 'in principle' decision made at the June ISC meeting around a suitable replacement for the current bond manager it was explained that due diligence had now been undertaken and assurance had been given by the prospective investment manager that the strategy that the 'in principle' decision was based on would be the same strategy that Link would be launching soon for ACCESS. It was therefore recommended that the 'in principle' decision made at the prior meeting be ratified to enable an investment to be made as and when the sub fund was launched.

Resolved:

The Committee **agreed:**

- to ratify the 'in principle' decision previously made to replace the current bond manager to the recommended fund manager as detailed within the report;
- that the initial transition is implemented by transitioning assets fully and any further rebalancing undertaken is following this, taking into account the wider allocation of the Fund; and
- that the final transition details are delegated to the O&A in consultation with the Chairman and Vice Chairman.

The Committee noted the other strategic implementation progress to date and the content of the report.

12. Structural Reform of the LGPS – Pooling Quarterly Update of ACCESS Joint Committee

The Committee received a report from the Director for Essex Pension Fund detailing the key decisions of the 06 June 2022 ACCESS Joint Committee (AJC) meeting.

It was noted that the AJC agreed:

- the approval 'in principle' of ACCESS' RI guidelines; and
- Hampshire be appointed as the procurement lead authority for:
 - the Real Estate (Property) procurements; and
 - the Operator Services re-procurement as part of the BAU evaluation.

The Director for the Essex Pension Fund explained that the AJC were due to meet on the 12 September 2022 but due to sad news of Her Majesty the Queen passing away this meeting subsequently got rescheduled for 06 October 2022. Unfortunately, due to the meeting not being quorate the decision was made that it would take the form of a briefing meeting and that the meeting would be held virtually. It was noted that an update was provided in regard to ACCESS's Business Plan activities and that the formal business of the meeting would be deferred to the December AJC.

Whilst it was not a formal meeting, Local Pension Board representatives of three Local Authorities of ACCESS were still invited to observe. The Chairman and Vice Chairman of the PAB were in attendance for Essex.

Resolved:

The Committee noted the items listed under section 2.1 of the report.

13. Urgent Exempt Business

There were none.

There being no further business the meeting closed at 1:11pm.

Chairman
30 November 2022

Essex Pension Fund Investment Steering Committee	ISC 03
Date: 30 November 2022	

Market Commentary: Quarter 3 2022

Report by Hymans Robertson

Enquiries to Jody Evans on 03330 138489

This Report is for noting

Executive Summary

Report Type: Monitoring

Key highlights include:

Global composite PMI (which comprises both manufacturing and service surveys) pointed to a further downturn in global economic activity;

The market outlook continued to deteriorate with upwards revisions to inflation forecasts:

US and EU Sovereign bond yields continued to increase on the expectation of further interest rate hikes to stabilise and subsequently reduce inflation from the current high levels;

The UK Government bond yields fell, and sterling rallied following the news of the appointment of Rishi Sunak as the new Prime Minister. Whilst Jeremy Hunt, new Chancellor, reversed many of the previously proposed tax cuts with the promise of more fiscal tightening in his forthcoming November Budget; and

Despite the worsening market conditions global equities posted positive returns for the month of October.

1. Purpose of Report

- 1.1 To update the ISC on recent market conditions.

2. Recommendation

- 2.1 That the Committee should note the content of the report.

Market Brief

October's highlights

- Q3 GDP releases generally surprised to the upside, but the outlook continued to deteriorate with further downwards revisions to consensus forecasts for global growth in 2023, and upwards revisions to inflation forecasts.
- Composite PMIs in many developed markets fell to a level consistent with contraction, confirming the economic slowdown.
- US and EU Sovereign bond yields continue to increase on the expectation of further interest rate hikes to stabilise and subsequently reduce inflation from current high levels.
- UK government bond yields fell as Rishi Sunak was appointed prime minister while new chancellor, Jeremy Hunt, reversed many of the previously proposed tax cuts and promised much more fiscal restraint in the mid-November budget.
- Developed market equities registered healthy returns in October, although emerging market equities continued to fall, and credit spreads generally tightened.
- Sterling rallied as worries around loose fiscal policy abated while the yen continued to weaken as the Bank of Japan maintained its ultra-accommodative monetary policies.

Market Performance to 31 October 2022

UK	Q4 22*	Q3 22	2022	GLOBAL	Q4 22*	Q3 22	2022
EQUITIES	3.1	-3.4	-5.0	EQUITIES	6.0	-4.8	-16.5
BONDS				North America	7.9	-4.7	-18.2
Conventional gilts	3.1	-12.8	-22.8	Europe ex UK	7.1	-4.8	-16.0
Index-linked gilts	-4.4	-9.3	-32.4	Japan	5.2	-1.2	-1.0
Credit	4.0	-11.0	-19.0	Dev. Asia ex Japan	2.7	-5.1	-13.2
PROPERTY**	n/a	-4.1	5.2	Emerging Markets	-3.6	-7.7	-22.1
STERLING				GOVERNMENT BONDS	-0.1	-2.6	-10.1
v US dollar	3.1	-8.1	-15.0	High Yield	2.0	-1.2	-14.4
v Euro	2.2	-1.9	-2.2	Gold	-2.2	-7.4	-10.1
v Japanese yen	5.9	-2.1	9.7	Oil	8.7	-23.3	22.2

Percentage returns in local currency (\$ for Gold and Oil). *All returns to 31/10/2022, **apart from property (30/09/2022).

Quarterly update

- Despite falling at the start of the month, global equities registered healthy returns in October. US and European sovereign bond yields continued to move higher while UK yields fell sharply, as the market staged a partial recovery from September's selloff. Credit spreads tightened with UK investment grade spreads falling more than global peers as technical selling pressure abated. Oil led commodity prices higher and trade-weighted dollar gains were more subdued as the sterling and euro recovered some ground while the Yen continued to depreciate.
- Q3 GDP data released in October generally surprised to the upside. However, as high inflation and tighter monetary policy weighs on consumers and businesses, consensus forecasts suggest growth in the major advanced economies will slow considerably in 2023, with many European economies already flirting with recession.
- The October global composite PMI (which comprises both manufacturing and service surveys) pointed to a further downturn in global economic activity, with output falling in both the manufacturing and service sectors. The composite output and new orders indices both fell to their lowest level since June 2020. With demand weak, geopolitical and market volatility high, and inflationary pressures still elevated, the surveys point to a very challenging near-term growth outlook. The labour market remains resilient, however, with job creation still positive despite the mounting headwinds.

- Year-on-year headline CPI inflation is running at 10.1%, 9.9%, and 8.2%, in the UK, eurozone, and US, respectively. However, of more concern to central bankers, there is evidence of inflation pressures broadening out as tight labour markets place upwards pressure on wages. The equivalent core measures remain well above target at 6.5% in the UK, 6.6% in the US, and 4.8% in the eurozone. Headline inflation is forecast to moderate in 2023 but remain well above target in most major economies. Given it reflects stickier components, any decline in core inflation would likely be more gradual.
- Against this backdrop, the ECB raised its key interest rate by 0.75% p.a. to 2.0% p.a. in October, with the US Federal Reserve and the Bank of England (BoE) delivering similar increases in the first week of November. Further rate rises are expected but UK interest rate expectations have fallen back from recent highs touched in the wake of the “mini” budget. However, market pricing at the end of October still implies the BoE base rate will rise close to 5% p.a. in 2023.
- US and European government bond yields continued to increase as interest rate expectations ratcheted higher. In contrast, UK gilt yields fell sharply in October: the BoE supported markets in the first half of the month before the replacement chancellor unwound almost all of September’s proposed fiscal loosening and Rishi Sunak was appointed prime minister, leading to a more meaningful rally. UK 10-year yields ended the period at 3.5% p.a., 0.6% p.a. below end-September levels while equivalent US and German yields rose 0.3% p.a. and 0.1%, to 4.1% p.a. and 2.1% p.a., respectively.
- UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.5% p.a. to 3.5% p.a. Equivalent US implied inflation rose 0.3% p.a., to 2.5% p.a.
- US and European investment grade credit spreads tightened marginally while equivalent sterling spreads fell 0.2% p.a., to 2.3% p.a., as liquidity-driven selling pressure abated. US and European speculative grade credit spreads fell 0.8% p.a. and 0.5% p.a., to 4.6% p.a. and 5.8% p.a., respectively. Meanwhile, sterling speculative-grade credit spreads rose 0.3% p.a., to 7.3% p.a., as the UK economic outlook darkened.
- Local currency emerging market debt, as measured by the GBI-EM Global Diversified Traded Index, returned –0.9% as a 0.1% p.a. rise in yields and a weakening of emerging market currencies, in aggregate, against the dollar, offset income return. Hard currency debt, as measured by the EMBI Global Diversified Index, returned 0.2% as a decline in spreads offset a rise in underlying US treasury yields
- Global equities performed reasonably well in October despite the worsening of economic conditions, as the FTSE All World Total Return Index rose 6%. Q3 average earnings have been heavily supported by the energy sector, which massively outperformed – in the US, the sector’s earnings rose 134% year-over year. Excluding the energy sector, US Q3 earnings would have declined year-over-year by 5.1%, instead of increasing 2.2%, based on the earnings released to date. Aggregate global earnings growth forecast over 2022 and 2023 fell from 8.6% to 7.4% in October, as forecasters increasingly factored in the weaker outlook.
- Energy, industrials, healthcare, telecoms, and financials all outperformed, in that order, while utilities, consumer discretionary, technology, basic materials, and consumer staples underperformed. North America and Europe ex-UK outperformed, while the UK and Japan marginally underperformed. Heavy falls in Chinese stocks led emerging and Asian markets lower as President Xi Jinping’s re-appointment and replacement of the Politburo Standing Committee with close associates raised concerns about China’s focus on economic growth and the potential impact of redistributive policies on large companies.
- The dollar’s gains were more muted in October, rising 0.2% in trade-weighted terms, as equivalent sterling and euro measures regained some ground, rising 2.9% and 1.6%, respectively. The yen fell a 2.1% in trade-weighted terms, as the Bank of Japan’s currency ultra-accommodative monetary policy offset their attempts to prop up the yen with dollar sales.
- The MSCI UK Monthly Property Index has returned 13.5% in the 12 months to the end of September, but monthly returns entered negative territory in Q3. Capital value declines have been observed across the 3 main commercial sectors, but have been more pronounced in the industrial sector, where values dropped by 3.7% in September, versus declines of 1.8% and 2.3% in the office and retail sectors, respectively. The industrial sector had benefitted most from capital appreciation over last 12 months which may prove difficult to sustain as debt costs and the opportunity cost of capital increases. Meanwhile, a number of UK commercial property funds are limiting withdrawals as pension funds look to sell assets to rebalance portfolios and to meet demands for collateral.


For and on behalf of Hymans Robertson LLP

Additional Notes

Risk Warnings

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

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Essex Pension Fund Investment Steering Committee	ISC 04	
Date: 30 November 2022		

Responsible Investment (RI) Project Plan Update

Report by the Director for Essex Pension Fund

Enquiries to Jody Evans on 03330 138489

This Report is for noting

Executive Summary

Report Type: Monitoring

Overall progress is in line with the RI Project Plan with **five** out of **seventeen** areas of activity now complete, with **eight** areas currently in progress.

The second round of RI engagements meetings with the Fund's equity investment managers have now been completed and the climate metric baselines established for the equity 'bucket' of the Fund's assets.

1. Purpose of the Report

- 1.1 To provide an update and progress against the Fund's RI Project Plan and proposed next steps.

2. Recommendation

- 2.1 The Committee note:

- progress against the Fund's RI Project Plan; and
- the content of the report.

3. Background

- 3.1 At the 15 June 2022 ISC meeting the Committee agreed the 2022/23 RI Project Plan including the workstreams, timings and steps required to be undertaken to achieve this year's Business Plan areas of activity in relation to RI and Stewardship.
- 3.2 Areas of activity includes:
- the drafting of the 2023 Stewardship Code submission;
 - the implementation of the Fund's preferred ESG passive approach;
 - the commencement of the annual review of all investment managers' compliance with the Fund's RI and Stewardship Policy; and
 - a Framework for integrating RI beliefs into the overall Fund construction.
- 3.3 Appendix A provides current progress against the RI Project Plan.

4. Background Papers

- 4.1 Responsible Investment (RI) Project Plan Update, ISC 04, 12 October 2022.
- 4.2 Essex Pension Fund (EPF) - Three Year Business Plan and 2022/23 Budget, PSB 05a, 18 March 2022.
- 4.3 Responsible Investment (RI) Project Plan Update, ISC 05a, 23 February 2022.

Essex Pension Fund

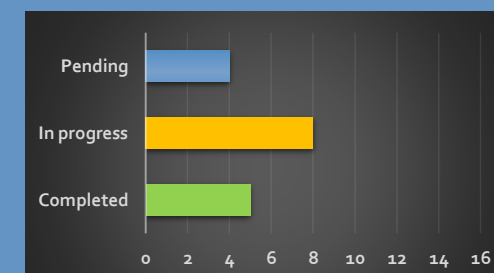
ISC Responsible Investment Project Plan 2022/23

Deliverables	Decisions and actions	Meeting Date	Due	Priority	Status	
RI Training	Training as and when required	as required	Q4	Medium	In progress	
Proposed scope and Project Plan	Agree scope of activities and Project Plan	15 June 2022	Q1	High	Completed	
Climate metrics (for manager monitoring, TCFD metrics and targets)	Establish climate metrics baseline and targets	30 November 2022	Q3	High	In progress	
Climate metrics (for manager monitoring, TCFD metrics and targets)	Climate metrics targets following establishment of baseline	22 February 2023	Q4	High	In progress	
Proposal on Index Tracking Equity benchmarks	Agree final solution based on the ISC's preferred approach	15 June 2022	Q1	High	Completed	
Proposal on Index Tracking Equity benchmarks	Implement the ISC's preferred solution	12 October 2022	Q3	Medium	Completed	
Proposal on bringing the RAFI Index Tracking Equity benchmark in line with the Fund's RI Policy	Agree approach to RAFI index tracking equity benchmark	12 October 2022	Q3	Medium	In progress	
Proposal on bringing the RAFI Index Tracking Equity benchmark in line with the Fund's RI Policy	Implement the ISC's preferred solution	22 February 2023	Q4	Medium	Pending	
Agree the Strategic Responsible Investment Framework	Propose Framework for integrating RI beliefs into the overall Fund construction	15 June 2022	Q1	High	Completed	
Strategic Responsible Investment Framework	Commence assessment of options for more impactful investing within the existing portfolio construction	15 June 2022	Q1	High	Completed	
Meet Managers with focus on RI themes	Identify areas for ongoing engagement with Managers	12 October 2022	Q3	Medium	In progress	
Enact Engagement Plan with all managers including progress to date	Establish a Engagement Meeting Plan for O&A and ISC	12 October 2022	Q3	Medium	In progress	
Early draft of Stewardship Code submission (template with gaps)	<ul style="list-style-type: none"> Agree approach to passive equity benchmarks and Agree climate metrics baseline Identify areas for ongoing engagement with manager 	30 November 2022	Q3	Medium	In progress	
Meet Managers with focus on RI themes	Identify areas for ongoing engagement with Managers	30 November 2022	Q3	Medium	In progress	
Final draft of Stewardship Code submission	<ul style="list-style-type: none"> Delegate completion of Stewardship Code submission to O&A for submission by 30 April 2023 Identify areas for ongoing engagement with managers 	22 February 2023	Q4	Medium	Pending	
Annual review of Managers' compliance with Fund's RI and Stewardship Policy	<ul style="list-style-type: none"> Identify areas for ongoing engagement with Managers 	22 February 2023	Q4	Medium	Pending	
Meet Managers with focus on RI themes	<ul style="list-style-type: none"> Identify areas for ongoing engagement with Managers 	22 February 2023	Q4	Medium	Pending	

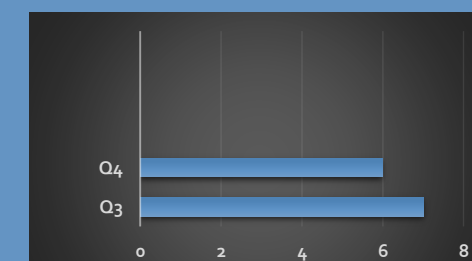
PROGRESS : 18 November 2022



TASKS SUMMARY



ON THE HORIZON



Essex Pension Fund Investment Steering Committee	ISC 05
Date: 30 November 2022	

Schedule of Future Meetings and Events

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

This Report requires a decision

Executive Summary

This report notifies Members that the previously agreed ISC Meeting date for February 2024 needs to be changed due to the publication of the school term time calendar.

In addition, Members are being reminded of the forthcoming Training Day.

1. Purpose of the Report

- 1.1 To provide the Committee with an update on the schedule of future meetings and events.

2. Recommendation

- 2.1 That the Committee **agree** the proposed date change for the February 2024 meeting as detailed in Section 6.
- 2.2 That the Committee note the content of the report.

3. Background

- 3.1 The Committee were made aware, at their meeting on 27 November 2019, that future meetings and events would be brought to each meeting to ensure, where applicable, these will be authorised according to internal Essex County Council (ECC) processes, formerly known as the Foreign Travel Committee.

4. Upcoming Event(s)

- 4.1 Fund Officers will continue to ensure a review of the advertised Conferences/Seminars is carried out in line with the Knowledge and Skills Strategy taking into consideration individual's Training Needs Analysis and the Fund's carbon footprint, will communicate any suitable Conferences either through emails and/or this Agenda Item.
- 4.2 The Compliance Team have been made aware of the below detailed upcoming event for the Committee to consider:

External Training Events	
LGC Investment Seminar Carden Park	Thursday 30 and Friday 31 March 2023 Agenda to follow

5. Schedule of Meetings

- 5.1 The schedule of meetings agreed for the remaining of the municipal year 2022/23 are as follows:

Investment Steering Committee	
Wednesday 22 February 2023	10:00 – 13:00

Training Days	
Responsible Investment Workshop	Wednesday 18 January 12:30 to 17:00

6. 2023/24 Schedule of Future Meetings

- 6.1 At the 23 February 2022 meeting, the Committee agreed the ISC schedule of future meetings for 2023/24. Members were made aware at the time that the planned date for February may need to be reviewed once the 2023/24 School Term calendar had been published. The selected date has fallen within the February 2024 half term and it is therefore recommended that this date is changed:

Investment Steering Committee		
<i>Previously Agreed as:</i> Wednesday 21 February 2024	<i>Recommended as:</i> Wednesday 27 February 2024	10am – 1pm (to be agreed)

7. Finance and Resources Implications

- 7.1 If an event cost more than £500 for one member or £1,000 in total, then prior approval for any travel is compulsory by ECC.

8. Background Papers

- 8.1 Schedule of Future Meetings and Events, ISC 06, 12 October 2022.
- 8.2 Schedule of Future Meetings and Events, ISC 06, 23 February 2022.

