

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)
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Scheme Member Representative

Sandra Child (UNISON)	(Observer)
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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