
Essex Pension Fund **Investment Steering Committee (ISC)**

Minutes of a meeting of the Essex Pension Fund Investment Steering Committee held at 2:00pm at County Hall, Chelmsford on 4 April 2017

Present

Cllr R Bass (Chairman)	Essex CC
Cllr S Barker	Essex CC
Cllr K Clempner	Essex CC
Cllr N Le Gresley	Essex CC
Cllr N Hume	Essex CC
Cllr K Bobbin (Labour substitute)	Essex CC
Cllr C Riley (Observer representing scheme employers)	Castle Point District Council

The following Advisers were present in support of the meeting;

Mark Stevens	Independent Adviser
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson
Rebecca Craddock-Taylor	Hymans Robertson

The following Officers were present in support of the meeting;

Kevin McDonald	Director for Essex Pension Fund
Jody Evans	Head of Essex Pension Fund
Samantha Andrews	Investment Manager

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

Mark Paget	Active Member
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1 Apologies for absence

Apologies were received from Cllr S Canning and Cllr J Whitehouse (Essex CC) and Sandra Child (Observer representing scheme members).

It was also noted that PAB Members Cllr S Walsh, Paul Hewitt and Nicola Mark were unable to attend.

2 Declaration of Interest

There were none.

3 Minutes

The minutes of the meeting of the Committee which took place on 20 February and 24 February 2017 were approved as a correct record.

4 Arrangements for future meeting

The following schedule of meetings for the municipal year 2017/18 was tentatively agreed by Members:

(2:00pm start)
Wednesday 14 June 2017
Wednesday 19 July 2017
Wednesday 18 October 2017
Wednesday 15 November 2017
Wednesday 21 February 2018
Wednesday 7 March 2018

5 Investment Strategy Statement (ISS)

Kevin McDonald introduced a report by the Director for Essex Pension Fund in consultation with Hymans Robertson and with Mark Stevens, Independent Investment Adviser. The report highlighted that the Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 ("2016 Regulations") introduced in November 2016 formalised the requirement for the Pension Fund to prepare and publish an ISS by 1 April 2017. The ISS supersedes the requirement to maintain and publish a Statement of Investment Principles (SIP).

Kevin explained that the ISS, although similar in content to the Fund's current SIP required greater clarity on the Fund's investment approach including the suitability and type of investments, mitigation of risk and environmental, social and governance considerations. In addition, it required the Fund to set out its approach to collaborative investment, including the use of collective investment vehicles – a clear reflection of the reform agenda around pooling.

The timetable for stakeholder consultation and publication of the final ISS was also highlighted.

Following detailed discussions the Committee **noted**:

- the requirement to produce and publish an ISS and the timetable, as highlighted in section 4 of the report.

The Committee **agreed**:

- the draft ISS subject to a couple of minor presentational revisions;
- that the draft ISS be circulated to stakeholders for consultation;
- that the ISS also be an agenda item at the 6 June meeting of the PAB ; and
- the outcome of the stakeholder consultation be brought back to the Committee at the next meeting.

6 Treasury Management Strategy 2017/18

A report from the Director for Essex Pension Fund was received detailing the Essex Pension Fund Treasury Management Strategy 2017/18.

Kevin McDonald highlighted that the Treasury Management Strategy for the Essex Pension Fund replicates to a large extent the Treasury Management Strategy already approved for Essex County Council, but has been adapted to reflect the limited borrowing requirements, use of global custodian and the separate governance arrangements of the Pension Fund.

Kevin highlighted that the draft Treasury Management Strategy cashflow management arrangements had been updated to reflect the revised Finance Schedule and the requirement in April and May to provide additional flexibility with the Northern Trust's global liquidity fund limits to accommodate the lump sum deficit payments payable by employers in respect of the 2016 Actuarial Valuation results. It was highlighted that the Fund in board terms remains cashflow neutral.

Following detailed discussions it was **agreed that**:

- the Fund's cash flow situation be kept under review; and
- the Essex Pension Fund Treasury Management Strategy 2017/18 be approved.

7 Market Outlook and Background

John Dickson from Hymans Robertson gave a verbal update on the markets since the Committees' last meeting. John emphasised that there continues to be short term volatility in the markets due to the uncertainty of the forthcoming Euro elections however, confidence in the US is high, largely as a result of the fall in unemployment.

The update was noted.

8 Urgent Part 1 Business

To mark the occasion of Cllr Bass's last meeting, Cllr Barker, Vice Chairman of the Committee made a presentation in recognition of Cllr Bass's significant contribution to the development of the Funds investment strategy and governance arrangements during his:

- 20 year membership of the Committee, 16 of which as Chairman; and
- 9 years as Chairman of the Essex Pension Fund Strategy Board (PSB).

Cllr Bass noted that this would be the last meeting for Committee Members Cllr Hume, Cllr Le Gresley and Labour Group substitute Cllr Bobbin. Cllr Bass took the opportunity to thank his fellow Members, Officers and Advisers for their continued hard work and support.

It was acknowledged that the Fund would be losing considerable experience with the retirement of several long standing ISC Members and that arrangements after the 4 May 2017 County Council elections may include significant change. Initial

discussions had already taken place with Cllr Finch (Leader of the Council) Cllr Bass and Margaret Lee (s151 officer) on how the new Committee may be supported, particularly on pooling and constitutional matters.

Further consideration will be given to any additional consultancy support requirements after the election, and any proposals will be brought to the June meeting of the Committee.

9 Exclusion of the Public

Resolved:

That the Public (including the press) be excluded from the meeting during consideration of the following items on the grounds that they involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972:

- Structural Reform of the Local Government Pension Scheme (LGPS) – Investment Pooling;
- Infrastructure Procurement Process;
- Q3 December 2016 Investment Tables;
- Investment Manager Update – Traffic Light Report;
- Update on Investment Managers presenting – Hamilton Lane and Baillie Gifford;
- Investment Manager Presentation – Hamilton Lane; and
- Investment Manager Presentation – Baillie Gifford.

10 Structural Reform of the Local Government Pension Scheme (LGPS) – Investment Pooling (Press & public excluded)

Kevin McDonald, Director for Essex Pension Fund, gave an update outlining the latest developments in respect of the structural reform of the LGPS.

It was highlighted that at its meeting on 14 February 2017, full Council had noted that it would be asked to approve an Inter Authority Agreement at a future Council meeting once the shadow ACCESS joint committee (ACCESS Chairmen) had made a final recommendation on either a Collective Investment Vehicle (CIV) or Collective Joint Procurement (CJP).

It was noted that following the February ACCESS Chairmen's meeting a letter was sent to the Minister in reply to the Minister's 27 January 2017 letter. It had been understood that a reply from the Minister would be received prior to the ACCESS Chairmen's meeting of 22 March. Although a reply was received that day, it did not arrive until after the meeting had finished.

It was explained that the Minister's 22 March letter was significantly shorter than that of 27 January largely due to the removal of various erroneous references. Although the wording appears similar to that adopted in previous correspondence, this letter however, was explicit in its expectation for a collective investment vehicle (CIV) to be established. In the view of the Committee, this letter was now sufficient for the purposes of ACCESS to be able to pursue the CIV approach to pooling.

It is understood that consideration of the Ministers 22 March letter will take place at the ACCESS Chairmen's 19 April meeting.

The progress on two key work streams was outlined. Members were informed that work was underway in finalising the Invitation to Tender (ITT) documentation for the collective procurement of passive management via the National LGPS Framework and that dialogue was well underway prior to issuing the ITT for the Operator procurement process.

The Committee **noted**:

- the requirement that a future meeting of full Council be asked to approve an IAA once the ACCESS Chairmen's meeting made a recommendation on the approach to pooling;
- the Minister's letter of 22 March 2017 and considered it sufficient for the purposes of ACCESS now pursuing the CIV approach to pooling;
- that the ACCESS Chairmen would consider the above letter at their meeting on 19 April; and
- that appropriate arrangements for full Council on 14 May would be made thereafter.

The Committee further **noted**:

- the arrangements for the outcome of the passive manager procurement framework;
- the progress and timetable for the operator procurement; and
- the content of the presentation.

11 Infrastructure Procurement Process

(Press & public excluded)

The Committee received an update from Matt Woodman from Hymans Robertson outlining the progress made with the appointment of the two new infrastructure managers IFM Investors and JP Morgan, as agreed by the Committee at their 20 February 2017 meeting.

Matt highlighted that the Fund was successful in achieving the 31 March 2017 close for both funds. It is expected that IFM Investors will drawdown its commitment over a period of 12 to 18 months whilst JP Morgan will be fully committed on 5 April.

The report was noted.

12 Q3 December 2016 Investment Tables

(Press & public excluded)

The Committee received a report from Kevin McDonald, Director for Essex Pension Fund in consultation with Mark Stevens Independent Investment Adviser, which gave details of the Fund's investment performance for the quarter ended 31 December 2016.

The value of the Fund increased from £5.559bn as at 30 September 2016 to a value of £5.739bn as at 31 December 2016.

The report was noted.

13 Investment Manager Update – Traffic Light Report

The Committee received a report from Matt Woodman which summarised the current views of Hymans Robertson on each of the Fund's managers.

The report was noted.

14 Update on Investment Managers presenting – Hamilton Lane and Baillie Gifford (Press & public excluded)

The Committee received a report from Matt Woodman from Hymans Robertson on Hamilton Lane and Baillie Gifford.

Following discussions the report was noted.

15 Investment Manager Presentation – Hamilton Lane (Press & public excluded)

The Committee received a presentation from Ana Lei Ortiz from Hamilton Lane on the private equity mandate.

It was **agreed that**:

- a further £50m be committed to new Private Equity opportunities in 2017/18; and
- the presentation be noted.

16 Investment Manager Presentation – Baillie Gifford (Press & public excluded)

The Committee received a presentation from Tom Wright from Baillie Gifford on the active global equity mandate.

17 Urgent Exempt Business (Press & public excluded)

There was none.

There being no further business, the meeting closed at 4:30pm.

Chairman
14 June 2017