

<b>Essex Pension Fund Strategy Board</b>	<b>EPB/25/16</b>
<b>date: 15 September 2016</b>	

### **Investment Steering Committee (ISC) Quarterly Report**

Report by the Director for Essex Pension Fund

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Enquiries to Kevin McDonald on: 0333 0138 488

#### **1. Purpose of the Report**

1.1 To provide a report on ISC activity since the last Board meeting.

#### **2. Recommendations**

2.1 That the Board should note the report.

### **3. Background**

- 3.1 In accordance with its Terms of Reference, the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board (the Board).
- 3.2 Since the Board's last meeting the ISC has met on one occasion on 20 July 2016.

### **4. Report of the meeting of ISC on 20 July 2016**

- 4.1 The Committee noted its new membership, its Terms of Reference, and the appointment of Cllr Bass as Chairman following the 10 May 2016 annual meeting of Essex County Council. Cllr Barker was appointed as Vice Chairman.
- 4.2 The Committee received a brief update outlining the latest developments in respect of the structural reform of the LGPS. Kevin McDonald informed the Committee that, as agreed at the previous week's Pension Strategy Board meeting, the Essex Pension Fund, as a member of the ACCESS participating group, signed the July Submission that formally responded to the Government.
- 4.3 Kevin highlighted at the next ACCESS Chairman's meeting the matter of building or renting the Collective Investment Vehicle would be considered.
- 4.4 The Committee noted the press release of 7 July highlighting the setup of an all Party Parliamentary Group for Local Pension Funds to be chaired by Clive Betts MP.
- 4.5 The main focus of the meeting's business was the yearly review of the Fund's investment managers.
- 4.6 The Committee received a presentation from Hymans Robertson on the Fund's investment performance to 31 March 2016. This was followed by a presentation which summarised their current views on the capability of each of the Fund's managers relative to their peer group universe.
- 4.7 A presentation was received from Aviva Investors on the property portfolio. The presentation covered the background to, implications of and subsequent actions taken in the light of a reporting error within the September 2015 quarterly valuation. This, and the opportunity cost to the Fund was discussed in detail. AVIVA made a proposal designed to address the matter.

Following discussions the Committee agreed:

- that the proposal be accepted without prejudice;
- that Officers and Advisers liaise with Aviva to make the necessary arrangements;
- that Aviva be invited to attend the next Officers and Advisers meeting to follow up on the action points raised; and
- that the presentation be noted.

- 4.8 The Committee received a report on the Institutional Investment Consultant contractual arrangements. It was agreed that Officers will commence the process for re-tendering for Institutional Investment Consultant contract, using the National LGPS Framework. Officers along with Mark Stevens, Independent Investment Adviser will establish a short list of candidates to be interviewed.

## **5. Link to Essex Pension Fund Objectives**

- 5.1 Investments
- To maximise the returns from investments within reasonable risk parameters.
  - To ensure the Fund is properly managed.

## **6. Risk Implications**

- 6.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Statement of Investment Principles.
- 6.2 Officers and advisers will examine the potential risks associated with pooling once the structures and timescales for the migration of Fund assets are better understood. These will then be brought to a future meeting of the ISC for consideration.

## **7. Communication Implications**

- 7.1 The Fund was a signatory on the ACCESS proposal to Government in February and July 2016.

## **8. Finance and Resources Implications**

- 8.1 In addition to the work undertaken by Officers, the costs of participating in ACCESS were approximately £30,000 per Fund for the period between February and July 2016.
- 8.2 Further costs, of a significant nature, will be incurred in the development and establishment of pools.

## **9. Background Papers**

- 9.1 ISC meeting of 20 July 2016 – agenda and draft minutes.
- 9.2 DCLG consultation "Opportunities for collaboration, cost saving and efficiencies" – May 2014
- 9.3 Fund response agreed 9 July 2014
- 9.4 PricewaterhouseCoopers report on establishing Collective Investment Vehicles
- 9.5 25 November 2015 publications released with the Chancellor's Autumn Statement documents :

- (i) criteria for LGPS investment reform
- (ii) a consultation on revised LGPS Investment Regulations and
- (iii) Government's response to the May 2014 consultation on *"Opportunities for collaboration, cost saving and efficiencies"*

9.6 Findings of "Project Pool"

9.7 23 February 2016 ACCESS group submission

9.8 24 March 2016 Minister's letter of response to February submission

9.9 7 April 2016 ACCESS Chairmen's letter to Minister

9.10 20 April 2016 Minister's letter of reply

9.11 29 April 2016 ACCESS Chairmen's letter of Minister

9.12 Government Panel meeting 9 June 2016

9.13 15 July 2016 ACCESS group submission