

<b>Essex Pension Fund Strategy Board</b>	<b>EPB/06/18</b>
<b>date: 7 March 2018</b>	

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

Report by the Director for Essex Pension Fund

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

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

#### **2. Recommendations**

- 2.1 The Board **agree**:
- that the report be noted.

### **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 21 February 2018.

### **4. Report of the meeting of ISC on 21 February 2018**

- 4.1 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS. The progress on the key workstreams; Passive Provider Transition; Operator Procurement and Implementation; Sub-fund construction; ACCESS Governance review; client function and support arrangements was outlined.
- 4.2 Members were updated on the timetable and implementation in relation to the transition of the passively managed assets and currency hedge arrangements from the incumbent Legal and General Investment Management (LGIM) to the new ACCESS single passive provider, UBS Asset Management (UBS).
- 4.3 The Committee noted the conclusion of the Operator procurement and the award of the contract to the preferred bidder. It was explained that further progress had also been made on the initial sub fund seeding arrangements.
- 4.4 Members noted that Muse Advisory Ltd had been appointed to assist with the review and development of ACCESS governance arrangements in particular assisting with defining roles & responsibilities and to advise on overlaps and potential gaps, in accordance with accepted best governance practice.
- 4.5 The Committee noted that the ACCESS Joint Committee had met on two occasions on 13 December 2017 and 29 January 2018.
- 4.6 The Committee received a report from the Independent Governance and Administration Adviser outlining the timetable for undertaking a fundamental review of the Fund's objectives and risks. It was agreed that an amendment be made to the investment objective to explicitly reference pooling.
- 4.7 The Committee received a presentation from Hymans Robertson summarising the independent review CEM Benchmarking had undertaken of the overall fees paid by the Fund, investment returns and net value added compared to its peers across the LGPS and global universal for the year to 31 March 2017.
- 4.8 The Committee noted the report of the Officers & Advisers meetings held with both Aviva Investors and Stewart Investors.
- 4.9 The main focus of the meeting's business was the implementation of the new target portfolio structure agreed at the previous meeting.
- 4.10 The Committee also received training presentation from CBRE on global property and a presentation from Alcentra, the private debt manager.

## **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 Investment Strategy Statement.
- 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 cost of ACCESS pool participation is estimated to be £97,000 per Fund in 2017/18. The cost in 2016/17 was £80,000 per Fund.

## **9. Background Papers**

- 9.1 ISC meeting of 21 February 2018 – agenda and draft minutes