

Minutes of the meeting of the Investment Steering Committee (ISC) held in Committee Room 1, on 27 June 2018

1. Membership, Apologies, Substitutions and Declarations of Interest.

The report of the Membership, Apologies and Declarations was received and it was noted that:

Membership Present:

Cllr S Barker (Chairman)	Essex County Council
Cllr A Hedley	Essex County Council
Cllr M Platt	Essex County Council
Cllr C Pond	Essex County Council
Cllr C Souter	Essex County Council

Sandra Child (Observer representing scheme employees)	UNISON
Cllr C Riley (Observer representing scheme employers)	Castle Point Borough Council

The following Advisers were present in support of the meeting:

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

The following Officers were present in support of the meeting:

Kevin McDonald	Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Helen Pennock	Pension Operation Analyst

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

Andrew Coburn	UNISON
Paul Hewitt	Scheme Member Representative
Mark Paget	Scheme Member Representative

Change of Membership

The following changes to the Committee's membership were noted:

Conservative Group

Cllr Stephen Canning replaced with Cllr Mark Platt

Non-Aligned Group

Cllr Dave Blackwell replaced with Cllr Chris Pond

The Chairman welcomed Cllr Platt and Cllr Pond to their first ISC meeting.

Apologies for Absence

Apologies were received from Cllr Goggin, Cllr Scordis and Cllr Maddocks (Essex CC).

It was also noted that Essex Pension Fund Strategy Board Members Cllr Moring and Jenny Moore were unable to attend.

Declaration of Interest

Cllr Barker and Cllr Riley confirmed they are in receipt of an Essex LGPS pension and Cllr Hedley declared he is in receipt of an Aviva Group pension.

2. Appointment of Chairman

It was noted that on 15 May 2018, Cllr Susan Barker was formally reappointed at the annual meeting of Essex County Council, Chairman of the Essex Pension Fund Strategy Board and the Essex Pension Fund Investment Steering Committee.

Resolved:

That the Committee note this.

3. Appointment of Vice-Chairman

It was agreed that Cllr M Platt be appointed Vice-Chairman.

4. Essex Pension Fund Investment Steering Committee Terms of Reference (TOR)

Kevin McDonald highlighted that an unchanged ToR was agreed at the annual meeting of Essex County Council on 15 May 2018. It was noted that further consideration will need to be given to reflect the ACCESS pooling arrangements

Resolved:

That the Committee note the ToR and that a revised ToR be brought to a future meeting.

5. Arrangement for future meetings

The Committee confirmed the schedule of meetings for the municipal year 2018/19.

18 July 2018
17 October 2018
28 November 2018
20 February 2019
27 March 2019

It was reaffirmed that all meetings will commence at 1pm. Members were reminded by the Chairman that if they are unable to attend any of the meetings they should seek to make arrangements to be represented by a group substitute.

The Committee also noted the schedule for the ACCESS Joint Committee:

19 September 2018

10 December 2018

6. Minutes of ISC meeting 28 March 2018

The part 1 minutes of the meeting of the ISC held on 28 March 2018 were approved as a correct record and signed by the Chairman.

7. Capital Market Outlook Q1 2018 to date

Rebecca Craddock-Taylor from Hymans Robertson gave a verbal update, on the markets since the Committees' last meeting. It was highlighted that the short term volatility experienced in the markets earlier in the year has since settled.

Resolved:

That the Committee note the verbal update.

8. Urgent Business

None

Resolved:

9. Exclusion of the Public and Press (Press & Public excluded)

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:

- ISC 28 March 2018 minutes – Part II
- Investment Tables Quarter ended 31 March 2018
- Transitions Update
- Structural Reform of the Local Government Pension Scheme (LGPS) Pooling
 - Progress update
 - Structural reform of the LGPS JC quarterly update
 - Stocklending training
 - Stocklending
 - ACS ACCESS Voting Guidelines
- Urgent Exempt Business
- Date of next meeting

10. Minutes of ISC meeting 28 March 2018 part 2
(Press & Public excluded)

The part 2 minutes of the meeting of the ISC held on 28 March 2018 were approved as a correct record and signed by the Chairman.

11. Investment Tables Quarter ended 31 March 2018
(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 March 2018. The value of the Fund decreased from £6.605bn as at 31 December 2017 to a value of £6.519bn as at 31 March 2018.

Resolved:

That the report be noted.

12. Transitions update
(Press & Public excluded)

The Committee received a verbal update from Rebecca Craddock-Taylor from Hymans Robertson outlining the progress made to date in respect of the implementing the first phase of the transition from equities to alternatives.

It was explained that in April the overweight position of Baillie Gifford global equity mandate had been rebalanced back successfully to within agreed tolerance of its strategic allocation with the proceeds used to bring GSAM's bond mandate back in line with its target allocation. It was also highlighted that both the Stafford and Alcentra mandates which had fallen below target were also given further commitment to bring back in line with its target.

Resolved:

That the update be noted.

13. Structural Reform of LGPS Pooling
(Press & Public excluded)

13a: Progress Update

The Committee received a presentation from John Wright, Investment Adviser to the ACCESS pool which provided an update on progress made to date in respect of the ACCESS Pool establishment, in particular governance, operations and sub fund launch.

It was explained that Officers assisted by ACCESS's legal advisors Squires have been working with Link, the Operator to finalise the prospectus for submission to the Financial Conduct Authority (FCA). It was noted that whilst there had been a few delays whilst clarification was sought it was hoped that the submission would be imminent.

It was noted that with the help of Muse and Squires, Officers had made substantial progress in formulating much of the content of the Governance Manual.

Resolved:

After discussions the presentation was noted.

13b: Structural Reform of LGPS pooling quarterly JC update

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

Members were informed that the ACCESS Joint Committee had met on two occasions since the last ISC meeting.

Kevin McDonald explained that a piece of work had been undertaken to determine the tasks and skill set required in populating the permanent ACCESS Support Unit (ASU). It was noted that four role responsibilities had been identified made up of 3 FTE ASU dedicated posts: Programme Manager; Contract Manager; Support Administrator whilst the other post, Technical Officer would be on a virtual basis drawing upon the technical skill set of OWG officers within the ACCESS Authorities.

It was confirmed that ACCESS S151 Officers had met on 25 May to discuss the proposed ASU arrangements and in particular to identify suitable candidates to act as the Host Authority. It was explained that 8 out of 11 Authorities were represented and that Essex had expressed an interest to take on the Host Authority responsibility.

It was confirmed that all ACCESS Authorities have now been consulted and agreement had been reached that Essex County Council be Host Authority and that recruitment to the ASU could now commence.

Resolved:

The Committee noted:

- the progress of the prospectus submission to the FCA and Phase 1 sub-fund seeding arrangements;
- the progress of the Governance manual;
- the engagement with S151 Officers;
- the progress of the permanent ACCESS Support Unit;
- that Essex County Council be the Host Authority;
- the ACCESS business plan and budget for 2018/19; and
- the agenda of 26 April and 11 June 2018 AJC.

13c: Stocklending training

The Committee received a training presentation from Neil Young and Mark Jones from Northern Trust, Link's Authorised Contractual Scheme (ACS) depository and custodian service provider on stock lending.

Resolved:

After discussions the presentation was noted.

13d: Stock Lending

The Committee received a report from Hymans Robertson in consultation with the Independent Investment Adviser and Director for Essex Pension Fund providing an overview of stock lending principles and setting out a proposal that the Fund should, in principle, adopt a policy to lend stock as part of the terms to invest within the ACCESS pooling arrangements.

John Dickson walked through with the Committee examples of how stock lending worked in practice.

Resolved:

After discussions it was **agreed**:

- in principle, to adopt the future ACCESS Securities Lending Policy as part of the terms to invest in the sub funds of the ACCESS ACS;
- the Fund's Investment Strategy Statement (ISS) be amended in due course to reflect this decision; and
- the report be noted.

13e: ACS ACCESS Voting Guidelines

Kevin McDonald, Director for Essex Pension Fund, set out a proposal to adopt ACCESS's voting guidelines as part of the terms of investing in equity sub funds of the ACCESS Authorised Contractual Scheme (ACS).

It was explained that Link recognises that as the Manager of the ACCESS ACS it has a responsibility as Operator, and to its investors the ACCESS funds, to promote good corporate governance and management in the companies in which the Fund invests and it requires investment managers appointed to manage the Fund to exercise the voting rights attached to investments held in the Fund. The establishment of equity sub-funds that hold directly held equity investments will require voting guidelines to be set out to exercise shareholder rights.

To this end Link have reviewed all of the ACCESS funds' ISSs and following consultation with the On-boarding Sub-Group have drafted voting guidelines for ACCESS which are drawn from current practice within ACCESS and in line with guidance from the Investment Association.

Resolved:

After further discussions it was agreed that:

- the Committee adopt the ACCESS voting guidelines as part of the terms to invest in the equity sub funds of the ACCESS ACS;
- the Fund's Investment Strategy Statement (ISS) be amended in due course to reflect this decision; and
- the content of the report be noted.

14. Urgent Exempt Business
(Press & Public excluded)

None

15. Date of Next Meeting
(Press & Public excluded)

To note the next Essex Pension Fund Strategy Board is on Wednesday 4 July 2018 at 1pm in Committee Room 2.

To note the next Investment Steering Committee is on Wednesday 18 July 2018 at 1pm in Committee Room 2.

There being no further business the meeting closed at 3.35pm

Chairman
18 July 2018