

Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held in Committee Room 2 at 10.00 on 11 October 2023**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 Durham	(substituting for Cllr M Platt)
Cllr A Goggin	
Cllr A Hedley	
Cllr M Mackrory	(substituting for Cllr D King)
Cllr C Souter	

Scheme Member Representative

Sandra Child (UNISON)	(Observer)
-----------------------	------------

The following Officers and Advisers (O&A) were also present in support of the meeting:

Jody Evans	Director for Essex Pension Fund
Samantha Andrews	Head of Fund Investments
Amanda Crawford	Head of Fund Compliance and Governance
Senita Kaur	Compliance Analyst
Suzanne Sinclair	Compliance Analyst
Aleya Miah	Compliance Officer
Mark Stevens	Independent Investment Adviser (IIA)
John Dickson	Hymans Robertson
Samuel Hampton	Hymans Robertson
Tom Prince	Hymans Robertson

The following Essex Pension Fund staff were present via Zoom as Observers of the meeting:

Sara Maxey	Head of Actuarial and Funding
Leah Eade	Graduate Pension Trainee
Jamie Dougal	Investment Officer

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 including substitute Members Cllr M Durham, who was substituting for Cllr M Platt, and Cllr M Mackrory, who was substituting for Cllr D King. The Fund's new Compliance Officer, Aleya Miah, was also welcomed to her first ISC meeting having taken over from Marcia Wong who has now retired from the Fund.

Apologies for Absence

It was noted that Cllr M Platt and Cllr D King had sent their apologies, along with PSB Members Rachel Hadley and Cllr J Lamb, and Essex Pension Fund Advisory Board (PAB) Members Nicola Mark, Andrew Coburn, Lloyd Williamson and Debs Hurst.

Cllr M Hoy was absent from the meeting.

Declarations of Interest

The following Declarations were received:

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 holds a deferred Essex LGPS pension;

Cllr M Durham declared he is a Cabinet Member, a Member of Maldon District Council and is a Governor of Essex Partnership University NHS Foundation Trust (EPUT);

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 that he is the Chairman of the Audit, Governance and Standards Committee;

Cllr M Mackrory declared he is in receipt of an Essex LGPS pension and his son is employed by Aviva; and

Sandra Child declared that she is in receipt of an Essex LGPS Pension.

Resolved:

The Committee noted the content of the report.

2. Minutes of the previous Meeting

a. Minutes of ISC morning meeting 14 June 2023

The Minutes of the ISC morning meeting held on 14 June 2023 were approved as a correct record and signed by the Chairman.

The Chairman brought to Members' attention one matter arising from the minutes. It was noted that updates regarding the progress made with the Strategic Implementation Framework will be provided as part of Agenda Items 11, 12 and 13.

Resolved:

The Committee noted the update from the matter arising.

b. Minutes of ISC afternoon meeting 14 June 2023

The Minutes of the ISC afternoon meeting held on 14 June 2023 were approved as a correct record and signed by the Chairman.

The Chairman brought to Members' attention matters arising from the minutes. It was noted that:

- an update regarding the Investment Strategy Statement (ISS) Stakeholder Consultation has been provided at Agenda Item 3; and
- as agreed at the 14 June 2023 meeting, the Deed of Novation relating to Link Fund Solutions contract was sealed by the ECC Monitoring Officer and provided to their solicitors on 22 June 2023.

Resolved:

The Committee noted the updates from the matters arising.

3. Investment Strategy Statement (ISS) – Outcome of the Stakeholder Consultation

The Committee was provided with an update regarding the outcome of the Stakeholder Consultation on the Fund's draft ISS. Members were reminded that the Fund is required to maintain an ISS setting out its principles for governing the Fund's assets.

At the 14 June 2023 ISC meeting, the Committee was presented with the draft ISS, which had been updated to reflect recent developments the Fund had made regarding its Investment Strategy and Responsible Investment (RI) Policy since its last review in 2020 and agreed to release the ISS for a full stakeholder Consultation.

All Fund stakeholders were invited to respond to the Consultation, which was widely publicised on the Fund's website, through the Active Annual Benefit Statements and by email to Fund Employers, Board/Committee Members, Fund Advisers and investment managers. It was also communicated via various employee roadshows held over the course of summer.

The Essex Pension Fund Advisory Board (PAB) received the ISS at their 5 July 2023 meeting. At that meeting Officers received positive feedback particularly around the comprehensiveness of the Consultation. The PAB Chairman also noted that the Statement was interesting, engaging, and easier to digest.

The twelve-week Consultation concluded on 24 September 2023 resulting in twenty-four responses being received, a 50% response rate improvement from the 2020 Consultation. Of which 75% confirmed they were supportive of the direction the Fund was taking in evolving its investment strategy and RI Policy. In addition, an overwhelming 83% of the responses were from active Scheme Members.

Resolved:

The Committee **agreed:**

- the minor presentational changes made to the ISS, as detailed in section 6 of the report; and
- to approve the updated ISS for publication as shown in Appendix A of the report.

The Committee noted:

- that the ISS was passed to the PAB for noting; and
- the content of the report.

4. Outcome of Responsible Investment (RI) Workshop

The Director for Essex Pension Fund thanked the Committee for attending the RI Workshop held on 18 September 2023 and provided an overview of the items discussed. This included:

- Impact Investing with the focus of the session on 'impact' in the Real Estate asset class;
- the development of a Net Zero Journey Plan; and
- engagement revisited with the focus of the session on sustainability in the fixed income asset class.

A discussion was held regarding how impact investing worked in the real estate space specifically around refurbishing properties that in a few years would potentially not be fit for purpose.

Following a discussion, Members requested a training session from an impact property manager to understand how it would work in practice in particular, how such investments can generate sufficient returns and that it be brought to the next meeting.

Resolved:

The Committee noted the content of the report.

5. Market Commentary: Quarter 2 2023

The Committee received a report from Hymans Robertson and a presentation the Independent Investment Adviser (IIA), Mark Stevens, detailing the Market Returns and his views on the global economy during quarter 2 of 2023.

It was confirmed that a lot had happened since the June quarter being reported on of which he would update the Committee at the next ISC meeting in November.

Since the June 2023 ISC meeting, markets have continued to rise steadily, in particular within equity markets, and therefore the much-anticipated widespread recession has not materialised.

Sterling was strong versus other major currencies due to the Bank of England raising interest rates and although inflation was high, it now looked like it was levelling off.

In addition, the June quarter performance was enhanced by market excitement around the emerging Artificial Intelligence (AI) industry.

The Committee were made aware of possible issues arising around falling property values within the UK property market, impacted by interest rates, and that although Government Bond markets had not been strong in quarter two, they were stable.

Members were reminded that at the end of March quarter there had been unease about banks potentially collapsing following the surprise news around Silicon Valley Bank and although the threat dissipated quickly, this threat could re-emerge in the future.

Resolved:

The Committee noted the content of the report.

6. Responsible Investment (RI) Project Plan Update

The Head of Fund Investments provided the Committee with an update on progress against the Fund's RI Project Plan.

It was noted that six out of fifteen areas of activity were now complete, with three areas currently in progress.

It was highlighted that on 30 August 2023, following its Spring 2023 assessment, the Financial Reporting Council (FRC) published its updated list of signatories to the UK Stewardship Code confirming that Essex Pension Fund had been successful in its Submission in retaining the Fund's signatory status. Members applauded this achievement for the Fund and Committee.

Resolved:

The Committee noted:

- the progress made against the Fund's 2023/24 RI Project Plan; and
- the content of the report.

7. Schedule of Future Meetings and Events

Members were reminded of the agreed schedule of future meeting dates for the remainder of the municipal year and were made aware of the forthcoming ACCESS Investor Day due to be held on Thursday 30 November 2023.

A poster focusing on the key items on the ACCESS Investor Day agenda was provided to Members highlighting that all ACCESS investment managers would be in attendance including potential managers. In addition, it was also confirmed that Waystone, Link Fund Solutions' successor, would also be in attendance.

Resolved:

The Committee noted the content of the report.

8. Urgent Part I Business

There was 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 the above statement to Members' attention and the Committee **agreed** to proceed.

9. Part II Minutes of ISC morning meeting 14 June 2023

The Minutes of the Part II ISC morning meeting held on 14 June 2023 were approved as a correct record and signed by the Chairman.

10. Quarterly Investment Manager Monitoring

a. Investment Tables: Quarter ended 30 June 2023

Mark Stevens, IIA, provided the Committee with an update on the value of the Fund and its constituent portfolios, performance against benchmarks, and assets under ACCESS Pool Governance as at 30 June 2023.

It was explained that the Fund value has remained robust with the help of two investment managers benefiting from the AI excitement. Members were also informed that good diversification among the Fund's investments helped to maintain stability and that the skills of managers and the blend between them can assist in withstanding market changes and trends.

It was highlighted that the underperformance of some of the Investment managers was largely due to lag in private market valuations and that one of the managers' underlying portfolio was doing well despite comparison against their benchmark.

Resolved:

The Committee noted the content of the report.

b. Traffic Light Rating Report

Tom Prince, Hymans Robertson, advised Members that since the last ISC meeting in June 2023, there had been no change to either investment manager ratings or RI ratings for the Fund's investment managers.

Members were advised that the report now listed Permira, the Fund's Direct Lending Manager. In addition, Members discussed the managers whose ratings were accompanied by some minor concerns raised by Hymans Robertson.

Resolved:

The Committee noted the content of the report.

The Chairman informed Members the meeting would break for a short adjournment.

The meeting was adjourned at 11:10am.

.....

The Committee reconvened at 11:15am.

11. Strategic Implementation Framework – Pillar 3 – Exploring changes to existing or new mandates**UK Property Manager Arrangements – CBRE Review**

John Dickson, Hyman Robertson, introduced the next three agenda items highlighting the following:

- the Investment Strategy Review concluded the Fund has a high probability of achieving its funding objectives;
- asset liability modelling concluded that there was scope to de-risk the Investment Strategy;
- the ISC agreed to reduce the equity allocation by 5-10% and increase the bond allocation by 5-10%, and;
- rebalancing would be carried out incrementally in a measured manner with the initial step involving a 5% transfer from equities to bonds.

The Committee were reminded that they agreed to terminate Aviva's appointment as the Fund's core UK property manager at their June ISC meeting and therefore have been placed on 'care and maintenance' pending the appointment of a new manager. It was agreed that the ISC would review the credentials of CBRE in the first instance.

It was highlighted that ACCESS have selected CBRE as their preferred UK core property manager and Hymans also rated their investment capabilities highly and

assessed their RI capabilities as 'good' which should provide the Committee with an extra layer of confidence.

Hymans Robertson have a positive view of them particularly since CBRE have proposed a dedicated team and coherent approach with single management and have a clear focus on property assets and a global capability.

It was recommended that CBRE be invited to attend a future ISC.

Resolved:

The Committee agreed:

- to appoint CRBE 'in principle' to manage the Fund's UK Core Property Mandate;
- that Officers, in consultation with Advisers, agree the Investment Management Agreement (IMA) and transition plans with CBRE and that details be brought back to the ISC for ratification;
- that CBRE be invited to present to the ISC at the November meeting; and
- the content of the report be noted.

12. Strategic Implementation Framework – Pillar 1 – Implementing and maintaining strategic targets & Pillar 3 – Exploring changes to existing or new mandates

Investment Structure Review - Bonds

Samuel Hampton and Tom Prince, Hymans Robertson, presented a set of recommendations for the structure review of the bond portfolio to bring it in line with its target allocation of 18% - 23% and asked Members to consider the merits of rebalancing the existing bond mandates and the potential introduction of a new investment grade credit mandate.

The criteria used to assess managers in the space included:

- solutions in the ACCESS pool (three funds fell into this category);
- actively managed;
- high level of liquidity and credit quality;
- medium duration of c. 6 years;
- in line with the move to de-risk, operating in developed rather than emerging markets.

Analysis concluded that of the three funds already in the ACCESS pool, two of them met these criteria. Members were advised that both would be attending the LINK investor day, giving Members who are planning on attending an opportunity to meet representatives.

Hymans recommended rebalancing the existing bond allocation which was currently overweight to M&G Alpha Opportunities Fund (due to proxy allocation for direct lending) and underweight to Janus Henderson MAC (a legacy position following the recent replacement of GSAM) by bringing the Janus Henderson MAC fund back to its target allocation. They further recommended continuing to use

M&G Alpha Opportunities fund as a proxy for the direct lending allocation. It was noted that retaining discipline in rebalancing ensures good governance processes are followed.

Resolved:

The Committee agreed:

- the increase in the Fund's bond target will be achieved by introducing a new investment grade credit mandate;
- Officers and Advisers undertake further due diligence on the two funds available through the ACCESS pool;
- Janus Henderson MAC fund be rebalanced back to its target allocation of 5.5% using the overweight position of the M&G Alpha Opportunities fund;
- M&G Alpha Opportunities mandate continue to be used as a proxy for the direct lending allocation; and
- the content of the report be noted.

**13. Strategy Implementation Framework – Pillar 1 – Implementing and maintaining strategic targets
Investment Structure Review – Equity Portfolio**

Samuel Hampton, Hymans Robertson, presented a set of recommendations for the structure review of the equity portfolio to bring it in line with its target allocation of 45%.

It was explained that a pro rata reduction across the equity portfolio would be the default position, but the following factors needed to be considered:

- active vs index tracking;
- emerging market equity exposure;
- index tracking composition; and
- style tilts.

It was noted that a slight deviation from the pro rata approach, namely allocating 4% to Columbia Threadneedle and Robeco, offered the desired explicit exposure to emerging markets with the Fund's other global equity mandates offering fluctuating exposure.

The report recommended that the Fund retain a broadly equal split between active and index tracking solutions within the overall equity portfolio, target a 4% standalone allocation to emerging market (EM) equities which will ensure that the Fund retains diversification from a regional perspective and that the Fund maintain a broadly neutral 'style' tilt which Hymans Robertson believed would be a suitable approach providing additional diversification for the portfolio.

Resolved:

The Committee agreed:

- the equity portfolio be brought in line with a 45% target allocation in the first instance;
- to maintain a specific allocation to emerging market equities of 4% of the

- Fund split equally between Columbia Threadneedle and Robeco;
- the global equity mandates target allocations of Baillie Gifford, Longview, and M&G each be trimmed from 7.0% to 6.2% of the Fund;
- the global and RAFI index tracking mandates target allocations managed by UBS be trimmed from 16.2% to 15.1% and 8.2% to 7.3% of the Fund respectively;
- the implementation and timing of the strategic allocation changes be delegated to Officers in consultation with Advisers; and
- the content of the report be noted.

14. Structural Reform of the LGPS – Pooling Quarterly Update of ACCESS Joint Committee (AJC)

The Director for Essex Pension Fund reported on the two meetings of the AJC since the last ISC meeting.

It was explained that at the 05 June 2023 AJC, Cllr Kemp-Gee (Hampshire) and Cllr Barker (Essex) were re-elected as the Chairman and Vice Chairman of the AJC for a further two-year term respectively.

In addition, an update on the BAU Evaluation and the pending acquisition of Link Fund Solutions by Waystone was noted along with the requirement for Essex to enact a Deed of Novation.

AJC Members were also advised that discussions were still ongoing and verbal assurance had been received from Apex CEO that the MJ Hudson team supporting ACCESS would be transferred to Apex and would continue to support ACCESS on the outstanding actions regarding the real estate asset class.

The Committee were reminded that at their 14 June 2023 meeting they agreed:

- ACCESS's RI Guidelines for formal adoption by ACCESS; and
- for Officers to enact the Deed of Novation in regard to Link's contract as and when required.

It was further explained that at the 04 September 2023 AJC, further discussions were held regarding the developments around the sale of Link Fund Solutions to Waystone as well as the developments around the sale of MJ Hudson's investment advisory arm of the business to Apex.

The AJC also discussed the proposed ACCESS response to the latest Pooling Consultation and were updated with the news that two ACCESS emerging market equity sub funds had now been launched; the outcome of the RI/Environmental, Social and Governance (ESG) Adviser Phase II procurement; updates on the Third-Party Review Communication Adviser Procurement; and the Operator retender timetable.

ISC Members were also made aware of recent events including the enactment of the Deed of Novation which was sealed by the ECC Monitoring Officer on 22 June

2023 which resulted in the successful transition of Link Fund Solutions to Waystone as of 09 October 2023, in addition the successful purchase of MJ Hudson by Apex.

Resolved:

The Committee noted the content of the report.

15. Local Government Pensions Scheme (LGPS): Next steps on investments Consultation

Members were reminded that at the 22 March 2023 Essex Pension Fund Strategy Board (PSB) meeting, the PSB agreed to enact the Out of Committee Decision-Making Process as detailed within the Fund's Governance Policy and Compliance Statement for any pending consultations requiring Board/Committee approval outside their agreed schedule of future meetings.

The Out of Committee Decision-Making process was enacted on 27 September 2023 allowing ISC Members to approve the Fund's response to the Department for Levelling Up, Housing and Communities (DLUHC) regarding the LGPS: Next steps on investments Consultation ahead of the 02 October 2023 deadline.

The Fund's response supported the response developed by the ACCESS pool in collaboration with the ACCESS Administering Authorities and was presented to the Committee noting that it was submitted to DLUHC on 02 October 2023.

Resolved:

The Committee noted:

- the response to the LGPS: Next steps on investments Consultation; and
- the content of the report.

16. Urgent Exempt Business

There being none, the meeting closed at 12.02 pm.

Chairman
29 November 2023