
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 23 March 2016

Present

Cllr R Bass (Chairman)	Essex CC
Cllr S Barker	Essex CC
Cllr S Canning	Essex CC
Cllr N Hume	Essex CC
Cllr K Clempner	Essex CC
Cllr N Le Gresley	Essex CC
Cllr J Whitehouse	Essex CC

Cllr K Bobbin (Labour substitute)	Essex CC
Cllr J Spence (Conservative substitute)	Essex CC

Sandra Child (Observer representing scheme members)	UNISON
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The following Advisers were present in support of the meeting;

Mark Stevens	Independent Adviser
Matt Woodman	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 members were present as observers of the meeting:

Keith Flowers	UNISON
Mark Paget	Active Member

1 Apologies for absence

Apologies were received from Cllr C Riley (ISC employer observer representative).

It was also noted that Cllr R Woodley, Jenny Moore (members of the Essex Pension Fund Strategy Board) Cllr J Galley, Cllr Walsh, Cllr Johnson, James Durrant and Paul Hewitt (members of the Essex Pension Fund Advisory Board) were unable to attend.

2 Declaration of Interest

There were none.

3 Minutes

The minutes of the meetings of the Committee which took place on 22 February 2016 were approved as a correct record.

4 Arrangements for future meetings

The following schedule of meetings for the municipal year 2016/17 was agreed by Members:

(2pm start unless otherwise stated)

21 June 2016 (2:15pm start)
20 July 2016
23 November 2016
20 February 2017
22 March 2017

5 Urgent Part 1 Business

Kevin McDonald, Director for Essex Pension Fund provided an update on the implications to the Pension Fund arising from the 2016 Budget.

Kevin clarified the statement in the Budget in respect of the public service pensions Superannuation Contributions Adjusted for Past Service Experience (SCAPE) discount rate. Kevin explained that the SCAPE discount rate is used to set employer contributions to the unfunded public service pension schemes.

He highlighted that whilst the reduction in the rate from 3% to 2.8% would result in higher employer contributions to those schemes from 2019-20 this would not directly impact Local Government Pension Schemes. It may, however, influence the comparator discount rate used by the Scheme Advisory Board when assessing the LGPS Actuarial Valuation results.

Kevin also highlighted that the Budget stated that Stamp Duty Land Tax (SDLT) would be increased by 1% with immediate effect on non-residential property transactions. Initial discussions with AVIVA suggest that this would result in higher purchase costs; and a one off potential 1% reduction in March's property valuations.

After discussions the Committee **agreed that:**

- Aviva be invited to present at the next ISC meeting; and
- the presentation be noted.

6 Structural Reform of the Local Government Pension Scheme

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

The Committee noted that:

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- as agreed at their 22 February meeting, the Essex Pension Fund as part of the ACCESS participating group, formally responded to the Government's consultation on 23th February 2016;
 - the Budget Statement stated that the Government "will support proposals by local administering authorities to establish both a small number of British Wealth Funds by combining Local Government Pension Scheme assets into much larger investment pools by 2018, and a national Local Government infrastructure investment platform"; and
 - as at the meeting date no formal response to the ACCESS submission on the consultation has yet been issued by DCLG.

7 Statement of Investment Principles (SIP) Review

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 the current process that is undertaken by the Committee of the annual review of the SIP. Kevin outlined that the imminent requirement to produce an Investment Strategy Statement (ISS) and a timetable depending on when the ISS will need to be published.

After discussions the Committee **noted**:

- the current SIP process as outlined in the report;
- the requirement to produce and publish an ISS and the timetable; and
- that the forthcoming ISS will require detailed consideration by the Committee and full consultation with stakeholders.

The Committee **agreed**:

- to the minor presentational revisions made to the SIP, including those highlighted in the report and in the meeting;
- that, in light of no material changes to the principles of the SIP and in view of the pending ISS timetable highlighted, a full stakeholder consultation is not undertaken at this time;
- the SIP, as amended, be passed to the Pension Advisory Board (PAB) for familiarisation and to note; and
- the SIP, as amended, be published.

8 Treasury Management Strategy 2016/17

A report from the Director for Essex Pension Fund was received detailing the Essex Pension Fund Treasury Management Strategy 2016-17.

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 within the next 12 months to realise investment income to make good the shortfall of contribution (both employer and employee) income to meet benefit payments as the Fund continues to mature.

In addition the use of the global liquidity fund facility by the Fund was also updated to reflect that due to its adoption of negative interest rates in May 2015 the Euro GLF facility was not currently being utilised.

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 2016/17 be approved.

9 Global Custodian Services Review

The Committee received a verbal update from Matt Woodman, Hymans Robertson highlighting that at its meeting on 25 November 2015, the ISC agreed to review of the Fund's global custody arrangements undertaken by the Northern Trust Company. As a result, Officers commissioned a review to be undertaken by Hymans Robertson. The review is currently in process and the findings and any recommendations will be brought back to the next ISC meeting.

The report was noted.

10 Matters of Interest

Kevin McDonald updated the Committee with further details of forthcoming investment conferences taking place in 2016.

Members were asked that if they wish to attend to bring this to the attention of Fund Officers. The report was noted.

11 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:

- Q3 December 2015 Investment Tables
- Investment Manager Update – Traffic Light Report
- Update on Investment Managers presenting – Hamilton Lane and Goldman Sachs Asset Management (GSAM).

12 Investment Tables – Q3 December 2015

(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 2015.

The value of the Fund increased from £4.724.6bn as at 30 September 2015 to a value of £4.963.3bn as at 31 December 2015. .

The report was noted.

13 Investment Manager Update – Traffic Light Report

(Press & public excluded)

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 Goldman Sachs Asset Management (GSAM)

(Press & public excluded)

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

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 2016/17; and
- the presentation be noted.

16 Investment Manager Presentation - GSAM

(Press & public excluded)

The Committee received a presentation from Iain Lindsay, Jason Smith and David Thomas of GSAM on the active bond portfolio.

The presentation was noted.

17 Urgent Exempt Business

(Press & public excluded)

There were none.

There being no further business, the meeting closed at 4:40pm.

Chairman
21 June 2016