

Minutes of the meeting of the Essex Pension Fund Investment Steering Committee (ISC) held in Committee Room 2, on 20 February 2019

1. Membership, Apologies and Declarations of Interest.

The report of the Membership, Apologies and Declarations of Interest were received.

Membership Present:

Essex County Council

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)
Cllr A Goggin	
Cllr C Souter	
Cllr L Scordis	
Cllr A Hedley	
Cllr M Maddocks	

Scheme Employer Representatives

Cllr C Riley	(Observer)
--------------	------------

Scheme Member Representatives

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

The following officers and advisors were also present in support:

Kevin McDonald	Director for Essex Pension Fund
Jody Evans	Head of Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Helen Pennock	Compliance Analyst
Mark Stevens	Independent Advisor
Matt Woodman	Hymans Robertson
Samuel Hampton	Hymans Robertson
Ana Lei Ortiz	Hamilton Lane (presentation only)

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

Andrew Coburn	Scheme Member Representative
Debs Hurst	Scheme Member Representative (left at 3pm)

Members noted that the meeting would be recorded to assist with the minutes for the meeting.

Opening Remarks

The Chairman welcomed Cllr M Maddocks to his first meeting as a substantive ISC Member. She also welcomed PAB observers Debs Hurst and Andrew Coburn to the meeting. Samuel Hampton from Hymans Robertson introduced himself to the Committee.

Apologies for Absence

It was noted that PAB members Nicola Mark, Paul Hewitt and Cllr Walsh were unable to attend.

Declarations of Interest

Declarations were received from Cllr S Barker who stated she was in receipt of an Essex LGPS pension and that her son was also a member of the Essex LGPS pension scheme. Cllr A Goggin declared his wife, sister and brother-in-law were in receipt of an Essex LGPS pension. Cllr A Hedley stated that he was in receipt of an Aviva Group pension. Cllr C Riley and Cllr M Maddocks both declared they were in receipt of an Essex LGPS Pension.

2. Minutes

Minutes of the meeting of the ISC held on 28 November 2018 were approved as a correct record and signed by the Chairman.

3. Market Commentary

The Committee received a presentation from Matt Woodman from Hymans Robertson. A verbal overview of the markets in relation to GDP growth, equities, bonds and property was provided.

Resolved:

The Committee noted the update.

4. Schedule of Meetings

The Committee received a presentation from the Director for Essex Pension Fund detailing the planned Committee and Board meetings for the current and next municipal year.

The Director for Essex Pension Fund also notified the Committee of the events/conferences that were on the horizon during 2019/20. Committee Members' particular attention was drawn to the three-yearly Baillie Gifford event in Edinburgh during October 2019. The Committee were reminded that this would replace the October 2019 ISC meeting.

Resolved:

The Committee noted the schedule of meetings for the municipal years 2018/19 and 2019/20 as follows:

Investment Steering Committee

27 March 2019 – 1.00pm

26 June 2019 – 1.00pm

17 July 2019 – 1.00pm

9 & 10 October 2019 – Baillie Gifford Conference (Edinburgh)

27 November 2019 – 1.00pm

19 February 2020 – 1.00pm

25 March 2020 – 1.00pm

Pension Strategy Board

6 March 2019 – 1.00pm

3 July 2019 – 1.00pm

11 September 2019 – 1.00pm

18 December 2019 – 1.00pm

4 March 2020 – 1.00pm

In relation to the Ballie Gifford conference, Officers would be in touch in due course in relation to the travel arrangements.

5. Revised Investment and Funding Risks

The Committee received a report from the Compliance Manager. An overview of the work carried out to date was provided to the Committee along with the revised Investment and Funding risks for comment.

The Chairman asked if matters such as separation and Government intervention in Fund asset allocation decisions had been considered as part of the review. The Director for Essex Pension Fund provided the Committee with a brief overview in relation to separation and Government intervention.

The Director for Essex Pension Fund provided the Committee with a brief presentation on the two main risks that the Committee should focus on, namely I1 and I2.

The Committee were advised that the Essex Pension Fund Strategy Board (PSB) would receive the full revised Risk Register at their 6 March 2019 meeting.

Resolved:

Officers would report back to the Chairman in relation to her feedback on separation and Government intervention risks.

No further comments were provided at the meeting and therefore the Committee was asked to provide any further feedback to the Compliance Manager for consideration at the next PSB meeting, due to be held on 6 March 2019.

The Committee noted the report and update.

6. Urgent Part I Business

The Director for Essex Pension Fund brought to the attention to the Committee recent press coverage in relation to the Fund's investment Strategy. Members were informed of the statement the Committee's Chairman provided in response. The released statement confirmed that the Investment Strategy Statement is due to be reviewed later this year, and in line with the approach used in 2017, will be subject to a public consultation.

The Director for Essex Pension Fund highlighted that the Fund had been successful in the "Best use of Private Equity" category at the recent Alternative Investment Institute Peer-to-Peer Awards. It was also noted that later on the Committee's agenda was a presentation from the Fund's private equity manager, Hamilton Lane.

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 to the attention the above statement and the Committee agreed to proceed.

7. Current Bond Portfolio Structure Training

The Committee received a training presentation from Matt Woodman from Hymans Robertson whereby an overview of the Essex Pension Fund's current Bond Portfolio Structure was provided.

Resolved:

The Committee noted the presentation.

8. Bond Portfolio Structure Review

The Committee received a paper and presentation from Hymans Robertson. The Committee were asked to agree:

- the overall structure of the bond mandate remains appropriate, a combination two active bonds mandates complimented by an allocation to index linked gilts passively managed;
- the absolute return strategy remains appropriate in terms of delivering the required characteristics in terms of return, risk and diversification;

- in the interim the bond managers are retained by the Fund whilst ACCESS brings further bond managers onto the pool and procures other managers; and
- a further report be brought back to a future meeting once the suite of bond sub fund options become available.

Resolved:

The Committee noted the report and presentation. In addition, the Committee agreed:

- the overall structure of the bond mandate remains appropriate, a combination two active bonds mandates complimented by an allocation to index linked gilts passively managed;
- the absolute return strategy remains appropriate in terms of delivering the required characteristics in terms of return, risk and diversification;
- in the interim the bond managers are retained by the Fund whilst ACCESS brings further bond managers onto the pool and procures other managers; and
- a further report be brought back to a future meeting once the suite of bond sub fund options become available.

9a. Structural Reform of the Local Government Pension Scheme – Pooling Quarterly update of ACCESS Joint Committee (AJC)

The Committee received a report and presentation from the Director for Essex Pension Fund. Their attention was brought to pages 76 & 77 of the report. The Committee were asked to note:

- Hymans Robertson update;
- Minister's meeting of 6 November 2019;
- launch of ACCESS first sub fund: Baillie Gifford Long Term Global Growth;
- progress to date of Phase 1 and Phase 2 sub-fund seeding arrangements;
- progress and timeline for completing the Governance manual and Inter-authority Agreement (IAA) review;
- timeline for the governance training;
- engagement with S151 Officers;
- progress of the permanent ACCESS Support Unit;
- successful appointment of the ACCESS contract manager;
- Communication plan;
- ACCESS budget for 2018/19 against business plan deliverables; and
- agenda of 10 December 2018 AJC.

Resolved:

The Committee noted the report and update.

9b. Structural Reform of the Local Government Pension Scheme – Pooling Update - Phase 1 Tranche 2 progress update and Tranche 3 Sub funds next steps

The Committee received a report and presentation from the Director for Essex Pension Fund.

It was explained that M&G and Longview assets were successfully transferred on 29 January 2019 and 4 February 2019 respectively, to the ACCESS pool sub funds.

It was also explained that commercial discussions had also concluded with investment managers in relation to populating Phase 1 tranche 3 sub funds. It was noted that the prospects for tranche 3 was currently with the FCA for approval with an expected launch date of May 2019.

Resolved:

The Committee noted the report and update.

9c. Ministry of Housing, Communities and Local Government (MHCLG) Guidance on LGPS Asset Pooling – Informal Consultation with interested parties

The Committee received a report from the Director for Essex Pension Fund.

The Committee were asked to note:

- the consultation issued by MHCLG on the new LGPS Statutory Guidance on Asset Pooling;
- the timetable for formalising a response to the consultation; and
- the content of the report.

The Committee were asked to agree:

- Essex be a signatory on the joint ACCESS response to the Government's consultation; and
- the final ACCESS response would come back to the March 2019 ISC meeting for noting.

Resolved:

The Committee agreed:

- Essex be a signatory on the joint ACCESS response to the Government's consultation; and
- the final ACCESS response would come back to the March 2019 ISC meeting for noting.

The Committee noted the report and update.

10. Marathon Disinvestment update

The Committee received a report from Hymans Robertson in consultation with the Independent Investment Advisor and the Director for Essex Pension Fund.

An update was provided of the Officer and Advisor discussions with Marathon in respect of beginning the process of disinvesting from the global equity mandate.

The Committee were asked to agree:

- that in light of changing market conditions to proceed with the 2% disinvestment from Marathon with the monies being transferred into the passive equity strategies managed by UBS, rather than index linked gilts as previously agreed by the ISC at their November meeting; and
- to rebalance the passive equity strategies managed by UBS in line with the central regional benchmarks.

Resolved:

The Committee agreed:

- that in light of changing market conditions to proceed with the 2% disinvestment from Marathon with the monies being transferred into the passive equity strategies managed by UBS, rather than index linked gilts as previously agreed by the ISC at their November meeting; and
- to rebalance the passive equity strategies managed by UBS in line with the central regional benchmarks.

The Committee noted the report and update.

11. ISC Briefing Note – Partners Group

The Committee received a report from Hymans Robertson in consultation with the Independent Investment Advisor and the Director for Essex Pension Fund.

An update was provided on the Fund's infrastructure manager, Partners Group. Consideration was given to maintaining its target allocation of 4%.

The Committee were asked to agree:

- a further £60m be committed to the 2018 Partners Group Global Infrastructure fund and that a further £60m be committed in principle to the 2019 Direct Infrastructure fund due to be launched later in the year.

Resolved:

The Committee agreed:

- a further £60m be committed to the 2018 Partners Group Global Infrastructure fund and that a further £60m be committed in principle

to the 2019 Direct Infrastructure fund due to be launched later in the year.

The Committee noted the report and update.

12. Investment Manager update – ISC Briefing Note on Manager Presenting

The Committee received a report from Hymans Robertson on Hamilton Lane.

The Committee were asked to agree:

- a further £50m be committed to new private equity opportunities in 2019/2020.

Resolved:

The Committee noted the report.

13. Investment Manager Presentation – Hamilton Lane

The Chairman welcomed and introduced Ana Lei Ortiz from Hamilton Lane who provided the Committee with a presentation in relation to the private equity portfolio.

Resolved:

The Committee noted the presentation.

The Fund's recent private equity award was noted, and the Chairman expressed the Committee's thanks to Hamilton Lane.

Ana Lei Ortiz then left the meeting.

Resolved:

The Committee agreed:

- a further £50m be committed to new private equity opportunities in 2019/2020.

14. Urgent Exempt Business

None.

15. Closing Remarks

The Chairman asked for the Fund to provide the Committee with a forward work plan of what Investment Managers would be seen at which meetings. The Director for Essex Pension Fund stated that this is being considered as part of the revised Business Plan.

The Chairman reaffirmed that the next PSB would take place on Wednesday 6 March 2019 at 1pm.

The Chairman reaffirmed that the next ISC would take place on Wednesday 27 March 2019 at 1pm.

There being no further business the meeting closed at 3.52pm.

A handwritten signature in black ink, appearing to read "Ron Parker".

Chairman
27 March 2019

