

**Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held in Committee Room 2 at 10:00am on 14 June 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 A Goggin	
Cllr A Hedley	
Cllr D King	
Cllr M Platt	(re-elected as Vice Chairman as part of Agenda item 3)
Cllr C Souter	

**Scheme Member Representative**

Sandra Child (UNISON) (Observer)

Cllr M Durham, Conservative Substitute Member, also attended as an Observer of the meeting.

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
Sara Maxey	Head of Actuarial and Funding
Daniel Chessell	Head of Fund Administration and Operations
Amanda Crawford	Head of Fund Compliance and Governance
Suzanne Sinclair	Compliance Analyst
Senita Kaur	Compliance Analyst (Observer)
Mark Stevens	Independent Investment Adviser (IIA)
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson
Samuel Hampton	Hymans Robertson

The following Essex Pension Fund Advisory Board (PAB) Members were present via Zoom as Observers of the meeting:

Christopher Downes	Scheme Member Representative
James Durrant	Employer Representative

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 and introduced Senita Kaur, the new Fund Compliance Analyst, to the Committee.

It was also acknowledged that Cllr Colin Riley would no longer be a Member of the ISC due to not standing for election in May 2023. Cllr Riley was thanked by the Chairman and all Members of the Committee for his commitment to the Fund since 2015.

### **Apologies for Absence**

It was noted that Cllr M Hoy and Substitute Member Cllr Mackrory had sent their apologies, along with PSB Members Cllr George and Rachel Hadley and PAB Members Nicola Mark, Andrew Coburn, Debs Hurst and Stuart Roberts.

### **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 Platt declared that he is a Deputy Cabinet Member and a Member of the Audit, Governance and Standards Committee;

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 as a consequence he would leave the meeting for item 9 on the agenda, and that he is the Chairman of the Audit, Governance and Standards Committee;

Cllr D King declared that he is also a Member of the Audit, Governance and Standards Committee; and

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

### **Resolved:**

The Committee noted the report.

**2. Confirmation of the Appointment of the Essex Pension Fund (EPF) Investment Steering Committee (ISC) Chairman and the Appointment of the Fund's Representative on the ACCESS Joint Committee (JC)**

The Committee received a report from the Head of Fund Compliance and Governance outlining the process in regard to the annual Chairman arrangements for the ISC and the appointment of the Fund's representative on the ACCESS JC. It was noted that at the Essex County Council (ECC) Full Council meeting held on 16 May 2023, Councillor Susan Barker was re-appointed as the Chairman of the ISC for Essex Pension Fund. In addition, it was agreed that the Chairman would be the Fund's representative on the ACCESS JC.

**Resolved:**

The Committee noted the re-appointment of Councillor Susan Barker as Chairman of the ISC as agreed at the ECC Full Council meeting held on 16 May 2023.

The Committee **agreed** that the Chairman of the ISC act as the Fund's representative on the ACCESS JC and that in her absence the Vice Chairman, or any other ISC Member may act as the Fund's representative.

**3. Appointment of Vice Chairman of the Essex Pension Fund (EPF) Investment Steering Committee (ISC)**

The Chairman invited Committee Members to make nominations for the appointment of the Vice Chairman. One nomination was received and then seconded; Councillor Mark Platt was re-appointed as Vice Chairman of the ISC.

**Resolved:**

Councillor Mark Platt be re-appointed as the Vice Chairman of the ISC.

**4. Minutes of the ISC Meeting held on 22 February 2023**

The Minutes of the meeting of the ISC held on 22 February 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:

- the Treasury Management Strategy had been published on the Fund's website;
- an update in regard to the 2023 FRC UK Stewardship Code submission would be provided as part of the Responsible Investment (RI) update during the afternoon ISC meeting;
- the ISC Pamphlet had been published on the Fund's website to assist in future ISC recruitment activities, including elections;
- the percentage of Environmental, Social and Governance (ESG) measures being reported on by investment managers would be included in future reports to the Committee;
- the agreed template for logging RI engagement meetings had been used for



recent engagement meetings which would be reported at the afternoon ISC meeting;

- £70 million had been committed to new private equity opportunities in 2023/24; and
- an update on Impact Investing was provided at Item 10 on the Agenda.

**Resolved:**

The Committee noted the updates from the matters arising.

Cllr Platt thanked the Head of Fund Compliance and Governance for the extremely useful short video prepared for Members summarising decisions agreed at the previous meeting.

**5. Essex Pension Fund Investment Steering Committee Terms of Reference**

The Head of Fund Compliance and Governance explained that at the first meeting of each municipal year, the ISC was required to review its Terms of Reference (TOR). The Committee was presented with the TOR which had recently been thoroughly revised and agreed by the Essex Pension Fund Strategy Board (PSB) at their meeting on 07 December 2022.

It was recommended that, in light of the recent full review, no further changes were required at this time.

**Resolved:**

The Committee noted the TOR as set out in Appendix A of the report.

**6. 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.

**7. Strategic Review – Bitesize Training**

Members received a training presentation from John Dickson and Samuel Hampton, Hymans Robertson in regard to the Investment Strategy Review and the Asset Liability Model (ALM) underpinning it.

It was explained that the Strategy Review could fall within either Pillar 1 – Implementing and maintaining the existing strategic targets, or Pillar 2 – Evolving existing allocations, of the Strategic Implementation Framework, depending on the decisions made. As background it was explained that the Strategic Review was an iterative process undertaken every three years as a minimum, its purpose being to assess whether both current and alternative investment strategies are expected to achieve the key objectives of the Fund – paying benefits and maintaining low, stable contributions – and which strategy is best-suited to do so. A key tool in making this assessment was the ALM.

The ALM projects assets and liabilities for each of the next twenty years, modelling 5,000 simulations to test the robustness and resilience of different investment strategies starting with the current strategy. The hardest and most important element of the ALM is the assumptions underlying the simulations. The output whilst high level, allows an assessment of the impact of different investment strategies, different levels of contribution, one-off changes in asset values and different valuation bases over the long-term, and thereby assists in selecting the best strategy based on the optimum balance between the two core objectives of generating enough investment return to cover the Fund's commitments at the lowest risk. Many of the scenarios modelled reflected different real-world historical market conditions.

It was noted that the Committee had previously agreed that a 70% probability of a strategy achieving the core objectives would be considered a good outcome.

**Resolved:**

The Committee noted the training presentation.

**8. Strategic Implementation Framework – Pillar 3 – Exploring changes to existing or new mandates: Investment Strategy Review Analysis and Conclusions – June 2023**

The Committee considered a report from Hymans Robertson providing an update on the Fund's funding and investment strategy position following the 2022 Actuarial Valuation.

The Strategy had been reviewed using the ALM techniques described in the bitesize training session and was used to answer three questions:

- Could the Fund continue with its diversification and de-risking plans?
- Could it go further?
- Having regard to implementation practicalities, *should* it go further?

As a reminder it was explained that the 2022 Actuarial Valuation outcome indicated a funding level of 102.3% (up 5% from 2019) after adjustments resulting in a surplus of £0.18bn. The discount rate was assumed at 4.3% p.a., a smoothing adjustment of 98.8% had been applied and a stability reserve of 15% built in.

The Fund's current investment strategy included increasing levels of diversification, specifically reducing equity to the 40-45% range (a range which allows flexibility to



respond to market conditions).

Five alternative strategies were considered and the outcomes for the current strategy and two alternatives (with increased investments in bonds) were shown. All the options considered were expected to deliver both the required rate of investment return and reduce downside risk. It was also noted that each of these strategies had a c92% success of continuing to maintain a 100% funding level in 20 years, with a reduced equity allocation offered the advantage of smoothing the journey.

The review concluded that the current plan continued to make sense and that there was plenty of scope to move to the lower end of the current target equity range (40%) over the next 12 – 18 months without compromising achievement of the Fund's objectives.

In addition, there was scope to go beyond the current plans on purely a risk and return assessment but there were practical and implementation reasons to hold off at present, including allowing time to implement the Fund's current plans to take effect including its commitment to impact investing solutions and the potential impact on the liability discount rate.

Following a discussion, the following actions were agreed:

- to maintain the current course of a 50% equity target and build the alternative allocations to target;
- to plot details of the next steps for the October meeting including the proposed structure of the increase to bond portfolios and the implications for the equity portfolio structure as the allocation reduces; and
- to explore potential further steps and their implications as part of the structure review due later in the year, including the effects on the RI approach, liability discount rate and future service cost.

It was noted that there was a push from central government to extend pooling while simultaneously promoting investment in growth, mainly in the alternative space.

**Resolved:**

The Committee agreed that:

- the Fund is in a strong position from a funding level perspective and can therefore proceed with the planned changes to the investment strategy;
- there is merit in further de-risking the investment strategy over the next twelve to eighteen months;
- the implementation of the planned strategic changes should be brought to a future ISC meeting; and
- the content of the report be noted.

The Chairman informed Members that the meeting would reconvene at 11.05am following a short adjournment.

The meeting was adjourned at 11.00am.

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The Committee reconvened at 11.05am.

**9. Strategic Implementation Framework – Pillar 3 – Exploring changes to existing or new mandates: UK Property Mandate Review – June 2023**

Cllr Hedley left the meeting for this item.

Members received a report from Matt Woodman, Hymans Robertson of the review of the current UK property mandate managed by Aviva and the assessment of their ability to deliver the Fund's long-term objectives from a core UK real estate perspective.

Within the Fund's 37% allocation to alternatives, 10% was allocated to UK property and it was noted that this asset class had been underweight by 2-3% over the last 12-18 months. If, given the decisions made in item 8 above, the Fund were to increase investment in this area, it was appropriate and timely to consider holistically the Fund's approach to this asset class going forward.

**Resolved:**

The Committee **agreed** that:

- a further review be undertaken of the Fund's UK core property manager and the outcome be brought back to the October ISC; and
- the content of the report be noted.

**10. Strategic Implementation Framework – Pillar 3 – Exploring changes to existing or new mandates: Impact Investing - Partners Group LIFE II fund**

Members were reminded of the Responsible Investment Framework which set out the Fund's beliefs from an RI perspective, including the key belief that investments should deliver environmental and social benefits provided that doing so does not hinder the Fund's ability to meet its financial objectives, and its intention to invest £1bn in impact solutions within the alternative asset space.

The case for investment specifically in Partners Group LIFE II fund was outlined, explaining that at the February 2023 ISC meeting the Committee explored the existing infrastructure portfolio and concluded that the approach adopted by Partners Group, the Fund's existing Infrastructure manager was in alignment with Fund RI Policy and priorities, being appropriate to achieve impact objectives without diluting financial return. It was explained that Partners was a private markets specialist with a long track record in infrastructure and private equity and the investment being considered was able to demonstrate its commitment to the principles of additionality, intentionality and measurability. To ensure a sufficiently diverse opportunity, it was agreed that the impact solution should span both within infrastructure and private equity.

It was explained that £70 million had been identified for re-investment it being the distributions due back from other Partner Group infrastructure funds in the next few years.

As the ISC was firmly convinced of the investment case, the Vice Chairman proposed a £100 million investment be considered rather than the £70 million suggested in the report to take account of not only the distribution cashflow projection by the expected growth of the Fund. This was supported by the Committee.

**Resolved:**

The Committee **agreed** that:

- the Fund make a £100 million commitment to Partners Group LIFE II fund, subject to final due diligence;
- final due diligence and implementation be delegated to Officer and Advisers; and
- the content of the report be noted.

**11. Urgent Exempt Business**

There was none.

There being no further business the meeting closed at 11.45 am.



**Chairman**  
**11 October 2023**