

Essex Pension Fund Board	EPB/33/12
date: 13 December 2012	

Investment Steering Committee (ISC) Quarterly Report

Report by the Head of Investments

Enquiries to Martin Quinn on 01245 431412

1. Purpose of the Report

- 1.1 To provide a report on ISC activity since the last Board meeting.

2. Recommendations

- 2.1 That the Board should note the report.

3. Background

- 3.1 In accordance with the constitution of the Essex Pension Fund the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Board.
- 3.2 Since the Board's last meeting the ISC has met twice, on 10 October 2012 and 28 November 2012.

4. Report of meeting of ISC on 10 October 2012

- 4.1 As this was one of the ISC's regular quarterly meetings, the ISC was presented with an update on the markets and individual managers up to 30 September 2012 and a performance report for the Fund up to 30 June 2012. The Fund's value had fallen from £3.520bn at 31 March 2012 to £3.394bn at 30 June 2012.
- 4.2 The Committee received a report from the Group Manager Investments on the transition to the Fund's new global custodian, Northern Trust. All segregated assets had been successfully transferred on 1 October 2012, as agreed by the Committee. Monitoring by officers of all aspects of the transition will continue until completion.
- 4.3 The ISC then received presentations from two of its investment managers – Marathon Investment Management Limited and Aviva Investors Limited, having first reviewed background reports from the officers and advisors in regard to the two managers.
- 4.4 The Chairman read out a letter received from Tony Hardy thanking the Members for his leaving gift and for the opportunity they gave to him to work with the Essex Pension Fund.

5. Report of the meeting of the ISC on 28 November 2012

- 5.1 The ISC was provided with a verbal update on the markets by Hymans Robertson and a performance report for the Fund up to 30 September 2012. The Fund's value had risen from £3.394bn at 30 June 2012 to £3.512bn by 30 September 2012.
- 5.2 Proposed dates for meetings of the ISC for the Municipal year 2013/14 were submitted and provisionally agreed but will need to be confirmed by the Committee at its first meeting in the new Municipal year.
- 5.3 Details of a consultation exercise being undertaken by CLG in regard to possible changes to the LGPS (Management and Investment of Funds) Regulations to remove potential barriers to investment by LGPS funds in infrastructure were reported to the Committee. Consideration was given to a draft response that had been prepared and it was approved.
- 5.4 Reports of officer and adviser meetings with two managers since the last committee were noted. The unanimous recommendation by officers and advisers

that the Alliance Bernstein mandate should be terminated with immediate effect was agreed.

5.5 The ISC then received a background report by Hymans Robertson on Baillie Gifford followed by a presentation from Baillie Gifford on the management of its investment mandate. The ISC were reminded of the invitation for members to attend Baillie Gifford's local authority seminar to be held in Edinburgh on 2/3 October 2013.

5.6 The Committee then considered a report by Hymans Robertson, in consultation with Keith Neale and officers, on their review of equity management arrangements. After discussion of the proposals it was agreed that further research should be carried out on the basis for a new target allocation for the equity portfolio and brought back to the ISC at its February meeting. The implementation of the termination of the Alliance Bernstein mandate, the transfer of assets to Legal & General Investment Management and the commencement of a global equity procurement process were delegated to officers.

6. Link to Essex Pension Fund Objectives

6.1 Investments
To maximise the returns from investments within reasonable risk parameters.
To ensure the Fund is properly managed.

7. Risk Implications

7.1 None other than those already identified as part of the Fund's investment strategy.

8. Communication Implications

8.1 None

9. Finance and Resources Implications

9.1 None other than those already identified as part of the Fund's investment strategy.

10. Background Papers

10.1 ISC meeting 10 October 2012– Agenda and minutes.

10.2 ISC meeting 28 November 2012 – Agenda and draft minutes