

<b>Essex Pension Fund Board</b>	<b>EPB/38/11</b>
<b>date: 14 December 2011</b>	

### **Investment Steering Committee (ISC) Quarterly Report**

Report by the Head of Investments

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#### **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. Since the Board's last meeting the ISC has met twice, on 12 October 2011 and 17 November 2011.

### **4. Report of meeting of ISC on 12 October 2011**

- 4.1 At its meeting the ISC was presented with an update on the markets and a performance report for the Fund and individual managers up to 30 June 2011. The Fund's value had risen marginally from £3.414bn at 31 March 2011 to £3.419bn at 30 June 2011.
- 4.2 The ISC received a report on the currency mandate managed by Record Currency Management and agreed that their mandate should be terminated.
- 4.3 Following an update on the procurement process for the timber mandate, the ISC interviewed two timber managers and, following consideration of their proposals, agreed to make an initial investment of €50m (approx.£43m) in the Stafford Timberland Fund. The Committee also confirmed its intention to make further allocations at some point in the future to bring the total Timber investment up to 2% of the Fund (approximately £60m).
- 4.4 The ISC also received a report on progress with the reprocurement of global custody services.

### **5. Report of meeting of ISC on 17 November 2011**

- 5.1 The ISC was presented with a further update on the markets and a performance report for the Fund and individual managers up to 30 September 2011. The Fund's value had fallen to £3.092bn at 31 September 2011. Two investment management firms, First State and Fidelity, who respectively manage emerging market and global equities for the Fund, presented reports on their performance and strategy to the Committee.
- 5.2 The Committee considered those aspects of the "Review of the Effectiveness of the Board and ISC" that the Board had specifically referred to the ISC and decided that:
- no changes should be made to the existing membership of the ISC or the voting rights of ISC Members and Observers;
  - a whole day should be set aside for each of the strategy days held each year; and
  - the communication arrangements currently in place for the publication of ISC minutes, consultation on the Statement of Investment Principles and for Employer Forums were considered to be adequate.
- 5.3 The ISC received a further update on the reprocurement of global custody services and on the independent investment adviser position scheduled for

market testing by 31 July 2012. Progress with the global custody tender was noted and it was agreed that, with effect from 1 August 2012, the number of independent investment advisers to the ISC should be reduced from two to one.

## **6. Link to Essex Pension Fund Objectives**

### **6.1 Investments**

6.1.1 To maximise the returns from investments within reasonable risk parameters.

6.1.2 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 12 October 2011– Agenda and minutes.

10.2 ISC meeting 17 November 2011– Agenda and minutes.