
Essex Pension Fund **Investment Steering Committee (ISC)**

Minutes of a meeting of the Essex Pension Fund Investment Steering Committee held at 14:00pm at County Hall, Chelmsford on 15 November 2017

Present

Cllr S Barker (Chairman)	Essex CC
Cllr S Canning	Essex CC
Cllr A Davies (Labour Group Substitute)	Essex CC
Cllr A Goggin	Essex CC
Cllr A Hedley	Essex CC
Cllr M Maddocks (Conservative Group Substitute)	Essex CC

The following Advisers were present in support of the meeting;

Rodney Bass	Specialist Adviser
Mark Stevens	Independent Adviser
John Dickson	Hymans Robertson
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 (PAB) members were present as observers of the meeting:

Andrew Coburn	UNISON
Mark Paget	Active Member
Paul Hewitt	Deferred Member

Change of Membership

The following changes to the Committee's membership were noted:

Conservative Group

Cllr Gahan Mohindra replaced with Cllr Anthony Hedley

Conservative Group Substitutes

Cllr John Spence replaced with Cllr Andy Erskine

Cllr Louise McKinlay replaced with Cllr Malcolm Maddocks

The Chairman welcomed Cllr Hedley, Cllr Maddocks and Cllr Davies to their first meeting and appreciation was expressed with the timely manner in which investment training had been completed.

1 Apologies for absence

Apologies were received from Cllr C Souter, Cllr Scordis and Cllr K Smith.

2 Declaration of Interest

Cllr Goggin declared that his wife and brother-in-law were in receipt of an Essex LGPS pension. Cllr Barker, Cllr Riley and Cllr Maddocks confirmed they are also in receipt of an Essex LGPS pension. Cllr Davies declared he is a deferred member of the Essex Pension Fund and Cllr Hedley declared he is in receipt of an Aviva Group pension.

3 Minutes

The minutes of the meeting of the Committee which took place on 12 October 2017 were approved as a correct record.

4 Matters of Interest

Kevin McDonald, Director for Essex Pension Fund highlighted two forthcoming conferences that the Committee may wish to consider in attending: LAPF Strategic Investment Forum in February 2018; and the LGC Investment Seminar on 1- 2 March 2018.

Members were asked to contact Officers by Friday 1 December if they were interested in attending either event.

The report was noted.

5 MiFID II Update

Kevin McDonald, Director for Essex Pension Fund and Samantha Andrews, Investment Manager updated the Committee on progress made in respect of the “opt up” process in regard to MiFID II.

As previously highlighted to the Committee, Administering Authorities of LGPS Funds are at present classified as ‘professional clients’. As a consequence they are able to invest in more complex investment solutions and asset classes. MiFID II when effective would automatically classify LGPS Funds as ‘retail clients’ thus limiting the investment solutions open to the Fund. Administering Authorities have the option to ‘opt up to Elective Professional Status’ subject to meeting certain qualitative and quantitative tests.

It was noted that Officers in consultation with the Chairman had completed the necessary opt up documentation and submitted to all the relevant parties its formal ‘opt up to Elective Profession Status’ request.

It was noted that the Fund had received 75% of letters back to date accepting the Fund’s opt up request and of the fund managers still to send formal confirmations all had intimated that this would be received in advance of the 3 January 2018 deadline.

It was highlighted that the Essex Pension Fund Strategy Board (PSB) at its next meeting would be undertaking a review of the Fund’s risk register and that the specific MiFID risk would be re-assessed in light of the above.

6 Urgent Part I Business

Kevin McDonald, Director for Essex Pension Fund highlighted that funds and local councils across England and Wales had received letters all similar in nature, requesting LGPS pension funds to consider dis-investment of fossil fuel companies.

After discussions it was **agreed** that:

- minor amendments be made to the draft response;
- the Chairman email all Essex County Council Members requesting them to redirect any enquiries received of this nature to Kevin McDonald for reply; and
- the response be uploaded on the Essex Pension Fund website.

7 Exclusion of the public

(Press & Public excluded)

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:

- Investment Tables – Quarter ended June 2017
- Investment Manager Update – Officer & Adviser Briefing Note
- Investment Manager Update - Traffic Light Report
- Review of Investment Strategy – Equity to Alternatives Asset Switch
- Structural Reform of the Local Government Pension Scheme (LGPS) – Pooling
- Investment Manager Presentation – UBS Asset Management

8 Investment Tables – Quarter ended June 2017

(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 30 June 2017. High level provisional 30 September 2017 were also tabled at the meeting.

The value of the Fund increased from £6.031bn as at 31 March 2017 to a provisional value of £6.350bn as at 30 September 2017.

It was **agreed** that September tables be circulated via email to Members when finalised and the report be noted.

9 Investment Manager Update – Officer & Adviser Briefing Note

(Press & Public excluded)

The Committee received a report on the Officer & Adviser meetings held with both Legal & General (L&G) and UBS in respect of the pending passive provider transition.

After discussions the Committee **agreed** that for the remainder of 2017/18:

- L&G continue to manage the passive assets in unhedged index funds;

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- the short term currency overlay solution proposed by L&G whereby the portfolio managed by L&G be placed in a fund wrapper. The 'wrapper' will facilitate the Fund's existing currency hedging arrangement in line with the new collateral regulation requirements commencing on 3 January 2018 whilst the UBS transition be implemented.

The Committee **agreed** that in early 2018:

- assets be transferred from L&G into UBS, once all existing versions of the pooled funds are available;
- L&G close out the segregated currency overlay programme;
- the currency overlay be implemented at UBS using the hedged version of the pooled funds;
- a report be brought back to a future ISC updating the Committee on the extent of the overlay achieved with the new arrangement and whether any further action be required; and
- the content of the report be noted.

10 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.

11 Review of Investment Strategy – Equity to Alternatives Asset Switch

(Press & Public excluded)

The Committee received a presentation from Matt Woodman from Hymans Robertson setting out considerations and making recommendations on the transfer of up to 15% of the strategic allocation from equities to return seeking alternative assets following the recent review of the current investment strategy.

Following discussions the Committee **agreed** that:

- in principle the equity strategic allocation be reduced from 60% to 45%;
- the basis of the equity disinvestment be considered by the Committee at its next meeting;
- details of the target allocations and timing be confirmed at future meetings;
- and the report be noted

12 Structural Reform of Local Government Pension Scheme (LGPS) - Pooling

(Press & public excluded)

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

The progress on the Operator procurement and client function workstreams were outlined.

Members were informed that the Operator procurement was at the final stages of the process, the preferred supplier identified with a final recommendation to be brought to the Joint Committee on 13 December. This would be followed by the PSB ratification of the decision on 18 December with the contract due to commence on 1 February 2018.

The update was noted.

13 Investment Manager Presentation – UBS Asset Management

The Committee received a presentation from Ian Ashment, Miles Illingworth and Marina Sariyiannis from UBS Asset Management, the newly appointed passive provider.

Following discussions the report was noted.

14 Urgent Exempt Business

(Press & public excluded)

There were none.

There being no further business, the meeting closed at 4.40pm

Chairman
21 February 2018