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

Minutes of a meeting of the Essex Pension Fund Investment Steering Committee held at 2:00pm at County Hall, Chelmsford on 19 July 2017

Present

Cllr S Barker (Chairman)	Essex CC
Cllr A Goggin	Essex CC
Cllr G Mohindra	Essex CC
Cllr L Scordis	Essex CC

Cllr C Riley (Observer representing scheme employers)	Castle Point District Council
Sandra Child (Observer representing scheme employees)	UNISON

The following Advisers were present in support of the meeting;

Rodney Bass	Specialist Adviser
Mark Stevens	Independent Adviser
Rebecca Craddock-Taylor	Hymans Robertson
John Dickson	Hymans Robertson

The following Officers were present in support of the meeting;

Kevin McDonald	Director for Essex Pension Fund
Samantha Andrews	Investment Manager

The following Essex Pension Fund Advisory Board (PAB) member was present as observer of the meeting:

Mark Paget	Active Member
------------	---------------

1 Apologies for absence

Apologies were received from Cllr S Canning and Cllr C Souter (Essex CC). Cllr K Smith (Essex CC) was absent from the meeting.

It was also noted that PAB Member Paul Hewitt was unable to attend.

2 Declaration of Interest

Cllr Riley declared that he is in receipt of a LGPS pension. Cllr Goggin confirmed his wife is also in receipt of an LGPS pension. Cllr Mohindra made a declaration that his wife was employed by Aviva, but confirmed that her employment was not with the investment management arm of their business.

3 Minutes

The minutes of the meeting of the Committee which took place on 14 June 2017 were approved as a correct record.

3a Support Arrangements

Cllr Barker confirmed that following the ISC meeting of 4 April 2017, Mr Bass (former Chairman of the ISC) had been contacted and was pleased to confirm that Mr Bass had accepted the role of Specialist Consultant.

Cllr Barker welcomed Mr Bass to his first meeting, under his new remit of Specialist Consultant.

4 Investment Strategy Statement (ISS)

Kevin McDonald, Director for Essex Pension Fund highlighted that at its meeting of 4 April 2017, the Committee agreed that the draft ISS be subject to a full stakeholder consultation which subsequently concluded on 26 June 2017. It was highlighted that the Fund received 8 responses; 3 from the Fund's investment managers; 3 from scheme employers and 2 from individual scheme members.

It was confirmed that minor changes had made to the ISS to improve clarity and aid understanding.

Following discussions the Committee **agreed**:

- that a letter be drafted to an individual member;
- to the minor presentational revisions made to the ISS, including those highlighted in the report and in the meeting; and
- the ISS, as amended, be published.

5 Markets in Financial Instruments Directive Update (MIFID II)

Kevin McDonald, Director for Essex Pension Fund highlighted the recent developments regarding MiFID II and the potential impact it will have on the Fund.

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 will have the option to 'opt up to Elective Professional Status' subject to meeting certain qualitative and quantitative tests.

It was confirmed that the Financial Conduct Authority (FCA) had now issued its final policy statement setting out the rules for implementation of the (MiFID II) effective from 3 January 2018. The policy sets out the 'opt up' criteria. It was explained that the criteria had been revised so as to make it easier for local authorities administering LGPS pension funds to elect to be treated as 'professional' rather than retail clients.

The Committee **agreed** that:

- Officers in consultation with the Chairman, progress the necessary actions aimed at achieving elective professional status for the Fund w.e.f. 3 January 2018; and
- the report be noted.

6 Urgent Part 1 Business

Kevin McDonald, Director for Essex Pension Fund was pleased to inform the Committee that the Fund had been shortlisted at the forthcoming LAPF awards.

Members were kindly reminded to provide their contact details to Officers so arrangements can be made in respect of their InfoBoard registration setup.

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:

- Structural Reform of the Local Government Pension Scheme (LGPS) – Pooling;
- Q4 March 2017 Investment Tables;
- Investment Manager Update – O&A briefing note;
- Update on Investment Managers presenting – Stafford Timberland and Partners Group;
- Investment Manager Presentation – Stafford Timberland; and
- Investment Manager Presentation – Partners Group.

8 Structural Reform of the Local Government Pension Scheme – 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 four key work streams; Governance Client Function; Sub-Fund design; Operator Procurement and Passive Provider Procurement was outlined. Members were informed that work was underway in finalising the Invitation to Tender (ITT) documentation for the Operator procurement and that the outcome from the collective procurement of the passive management via the National LGPS Framework would be soon be finalised.

It was also confirmed that the augural meeting of the Joint Governance Committee would take place on 31 July 2017 and that Cllr Canning would deputise for Cllr Barker who unfortunately, will be unable to attend the meeting.

The Committee noted:

- the four workstreams that are currently in progress;
- the progress made in respect of finalising the ITT documentation for the Operator procurement; and
- that the outcome of the Passive Procurement will be communicated to the Joint Governance Committee before being brought back to the ISC for ratification.

9 March 2017 Investment Tables

(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 31 March 2017.

The value of the Fund increased from £5.739bn as at 31 December 2016 to a value of £6.031bn as at 31 March 2017.

The report was noted.

10 Annual Review of Investment Performance for the year ended 31 March 2017

(Press & public excluded)

The Committee received a presentation from Rebecca Craddock-Taylor from Hymans summarising the investment performance to 31 March 2017 of the investment managers of the Fund along with a synopsis of market conditions during this time.

It was noted that the Fund's performance for the year ending 31 March 2017 was 20.1% which was 2.5% ahead of the Fund's benchmark.

Following discussions the report was noted.

11 Investment Manager Update - Officer & Adviser Briefing Note

(Press & public excluded)

The Committee received a report on the Officer & Adviser meeting held on 3 July 2017 at which Legal & General (L&G) and Stewart Investors was present.

After discussions the Committee **agree** that:

- the solution proposed by L&G whereby the portfolio managed by L&G be placed in a fund wrapper, the wrapper would then facilitate the Fund's existing currency hedge arrangements in line with new collateral regulations requirements;
- Officers in conjunction with Advisers proceed with the necessary paperwork; and
- the report be noted.

12 Update on Investment Managers presenting – Stafford Timberland and Partners Group

(Press & public excluded)

The Committee received a report from Rebecca Craddock-Taylor from Hymans Robertson on Stafford Timberland and Partners Group.

Following discussions the report was noted.

13 Investment Manager Presentation – Stafford Timberland

(Press & public excluded)

The Committee received a presentation from Angus Whitely and Steve Addicott from Stafford Timberland on the timber mandate.

It was **agreed** that:

- a further £40m be committed to Stafford's SIT VIII Fund;
- Officers in conjunction with Advisers complete the necessary due diligence and paperwork; and
- the presentation be noted.

14 Investment Manager Presentation – Partners Group

(Press & public excluded)

The Committee received a presentation from Sarah Brewer and Esther Peiner from Partners Group on the infrastructure mandate.

The presentation was noted.

15 Urgent Exempt Business

(Press & public excluded)

There was none.

There being no further business, the meeting closed at 5.10pm.

Chairman
5 October 2017