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

Minutes of a meeting of the Essex Pension Fund Investment Steering Committee held at 1:00pm at County Hall, Chelmsford on 22 July 2015

Present

Cllr R Bass (Chairman)	Essex CC
Cllr N Hume (Vice Chairman)	Essex CC
Cllr S Barker	Essex CC
Cllr K Clempner	Essex CC
Cllr N Le Gresley	Essex CC
Cllr J Whitehouse	Essex CC
Cllr K Bobbin (Labour substitute)	Essex CC
Cllr C Riley (Observer representing Employers)	Castle Point DC
Keith Blackburn (Observer representing scheme members)	UNISON

The following Pension Advisory Board members were present:

Mark Paget	Active Member
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The following Advisers were present in support of the meeting;

Keith Neale	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
Samantha Andrews	Investment Manager
Matt Mott	Communications Manager

In addition Legal and General were represented by;

Tim Drayson	Head of Economics
James Sparshott	Head of Local Authorities

1 Apologies for absence

Apologies were received from Cllr S Canning (Essex CC) and Mark Stevens (Independent Adviser).

2 Declaration of Interest

There were none.

3 Minutes

The minutes of the meetings of the Committee which took place on 17 June 2015 and Appointment Sub Committee on 19 June 2015 were approved as a correct record.

4 Structural Reform of LGPS – Budget 2015

Kevin McDonald, Director for Essex Pension Fund, gave an update outlining the latest developments regarding the potential structural reform of the LGPS as a result of the Budget 2015 announcement.

The update was noted.

5 Matters of Interest

Kevin McDonald highlighted to the Committee details of the forthcoming Local Government Chronicle (LGC) Investment Summit in Wales on 10 – 11 September 2015.

Members were asked that if they wish to attend to bring this to the attention of Fund Officers. The report was noted.

6 Urgent Part 1 Business

There were none.

7 Exclusion of the Public

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:

- Manager Presentation;
- Annual Investment Monitoring Report;
- Review of Manager Line up;
- Investment Strategy and Structure Review.

8 Manager Presentation

(Press & public excluded)

The Committee received a presentation from Tim Drayson and James Sparshott on the passive portfolio managed by Legal and General (L&G).

The presentation was noted.

9 Annual Investment Monitoring Report

(Press & public excluded)

The Committee received a presentation from Matt Woodman summarising the investment performance to 31 March 2015 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 of 14.8% was expected to be in the top quantile of the Local Authority League table compiled by State Street.

Following discussions the report was noted.

10 Review of Manager Line Up

(Press & public excluded)

The Committee received a presentation from Matt Woodman which summarised the current views of Hymans Robertson on the capabilities of each of the Fund's managers relative to their peer group universe.

Each manager was assessed against a series of both quantitative and qualitative factors. Matt highlighted that due to poor short term investment performance two managers M&G and GSAM did not pass their respective quantitative hurdle however all managers passed their overall hurdle requirement.

Following discussions the report was noted.

11 Investment Strategy and Structure Review

(Press & public excluded)

The Committee received a presentation from Hymans Robertson in conjunction with the Independent Investment Adviser and the Director for Essex Pension Fund on the review undertaken on the investment strategy and structure of the Fund.

In addition Kevin McDonald, Director for Essex Pension Fund provided the Committee with an update on the cash flow forecast confirming that the rental income received from Aviva Investors and dividend income received from the UK pooled funds managed by L&G will be sufficient to supplement the contribution income receivable to meet benefit payments this year.

The Committee noted:

- The overall structure of the Fund remains robust and no fundamental changes are proposed;
- The Fund's equity allocation to Baillie Gifford has risen above its strategic target by c. 3% over the past few years due to very strong performance.
- Index-linked gilts were c 2% overweight.

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- Within the alternatives portfolio, the Fund's allocation to Infracapital's infrastructure fund is now in run-off and a potential replacement and/or extension will be required in order to achieve and maintain the Fund's strategic target.

Following detailed discussions the Committee **agreed**:

- To rebalance the Fund's current overweight portfolio managed by Baillie Gifford back to within 1% of its strategic target (consistent with the overall Fund rebalancing policy) and use the proceeds c. £100m to increase the allocation of the global equity mandates managed by L&G (RAFI fund) and MG Investments by c. £50m each; and
 - that the implementation be delegated to Officers in consultation with the Advisers;
- No rebalancing of the index-linked gilt portfolio for the moment, but this will remain under review.
- That the currency hedge portfolio remains appropriate and that a 50% currency hedge continue to operate;
- That Officers & Advisers investigate the potential options open to the Fund to replace the Infracapital allocation and that a recommendation be bought back to a future ISC meeting;
- That Officers & Advisers consider a longer term approach to realising income over the next 3 to 5 years in combination with overall risk levels as part of the 2016 funding discussions;
- That the Pension Strategy Board scorecard measure 3.5.1. effective from September 2015 be amended from:

3.5.1 Contribution income adequate to meet benefit payments

to:

3.5.1 Sufficient investment income is available to supplement contribution income to meet benefit payments.

12 Urgent Exempt Business (Press & public excluded)

To mark the occasion of Keith's Neale last meeting, the Chairman made a presentation to Keith in recognition of his contribution to the Fund over the last 17 years in his role as lead officer to the ISC and more recently independent adviser to the Fund.

There being no further business, the meeting closed at 4:45pm.

Chairman
21 October 2015