

Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held in Committee Room 2 at 10.00 am on 28 February 2024

1. Membership, Apologies and Declarations of Interest

The report of the Membership, Apologies and Declarations of Interest was received.

Membership

Present:

Essex County Council (ECC)

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)
Cllr A Goggin	
Cllr A Hedley	
Cllr M Durham	(substitute for Cllr Souter)

Scheme Member Representative

Sandra Child (UNISON) (Observer)

The following Officers and Advisers (O&A) were also present in support of the meeting:

Jody Evans	Director for Essex Pension Fund (arrived 11.05am)
Samantha Andrews	Head of Fund Investments
Amanda Crawford	Head of Fund Compliance and Governance
Senita Kaur	Compliance Analyst
Aleya Miah	Compliance Officer

Mark Stevens	Independent Investment Adviser (IIA)
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson
Elaine Torry	Hymans Robertson
Mitesh Pabari	Hamilton Lane (Item 12a and 12b only)
Jérôme Kamm	Hamilton Lane (Item 12a and 12b only)

The following Investment Steering Committee (ISC) Member and Fund Officers were present via Zoom as Observers of the meeting:

Cllr David King	ISC Member
Suzanne Sinclair	Compliance Analyst
Jamie Dougal	Investment Officer
Kelly Thomas	Investment Officer
Yetunde Akiode	Graduate Pensions Trainee

Members noted that the meeting would be recorded to assist with the production of the minutes for the meeting.

Opening Remarks

The Chairman welcomed the Committee, Observers and Advisers to the meeting extending a special welcome to Elaine Torry, Hymans Robertson who was observing the meeting on this occasion but was being proposed by Hymans Robertson to take over the lead consultant role from John Dickson when he retires in 2025. It was also confirmed that this would be Matt Woodman's last ISC meeting, and that Samuel Hampton will be taking over the supporting role for the Fund going forward. The Committee thanked Matt Woodman for his 20 years' commitment to the Fund and wished him well in his new role.

Members were also made aware that the Director for Essex Pension Fund, due to a conflicting priority was delayed and would be arriving around 11am.

Apologies for Absence

It was noted that ISC Member, Cllr C Souter; Pension Strategy Board (PSB) Members, Cllr J Lamb, and Rachel Hadley; and PAB Members, Nicola Mark, Andrew Coburn, and Debs Hurst had sent their apologies.

Cllr M Hoy was absent from the meeting.

Declarations of Interest

The following Declarations were received:

Cllr S Barker declared she was in receipt of an Essex LGPS pension and is a Member on the Audit, Governance and Standards Committee. In addition, she declared that her son holds a deferred Essex LGPS pension;

Cllr M Platt declared that he is a Deputy Cabinet Member and a Member of the Audit, Governance and Standards Committee;

Cllr M Durham declared that he is a Cabinet Member and a Member of Maldon District Council;

Cllr A Goggin declared that his wife and sister were in receipt of an Essex LGPS Pension;

Cllr A Hedley declared that he was in receipt of an Aviva Group Pension and that he is the Chairman of the Audit, Governance and Standards Committee;

Cllr D King declared that he is also a Member of the Audit, Governance and Standards Committee; and

Sandra Child declared that she is in receipt of an Essex LGPS Pension.

Resolved:

The Committee noted the content of the report.

2. Minutes of the previous Meeting

The Minutes of the ISC meeting held on 29 November 2023 were approved as a correct record and signed by the Chairman.

The Chairman brought to Members' attention one matter arising from the minutes confirming that the Fund's IIA, Mark Stevens, had accepted the offer of a 12-month extension to his contract.

Resolved:

The Committee noted the update from the matter arising.

3. Market Commentary: Quarter 4 2023

The Committee received a report from Hymans Robertson and a verbal update from Mark Stevens, IIA.

Mark Stevens shared with the Committee that the global recession predicted at the beginning of 2023 had not occurred. By mid-year inflation had peaked, largely driven by the US, and corporate margins were more robust than expected with resilient labour markets. Entering the final quarter of 2023, there were some concerns, particularly around Government finances, although the year ended strong with interest rates and inflation rising but remained volatile.

For 2024, the growth outlook remains low and fragile in some economies with the positive belief of avoiding a deep recession. Globally, Government finances remain high and challenged, in particular in Europe. Ongoing global conflicts continue in to 2024; however, with the absence of a global recession, there was a prediction of a moderate return this year.

It was also explained that technology stocks, in particular Artificial Intelligence (AI), continued to dominate returns, however, those returns may not be as good as first expected if the market were to be negatively affected.

Resolved:

The Committee noted the content of the report and the update provided.

4. Essex Pension Fund Treasury Management (TM) Strategy 2024/25

The Head of Fund Investments presented the proposed 2024/25 TM Strategy to the Committee.

It was explained that the Strategy's content is largely unchanged from last year with the following revisions made, based on recommendations from Essex County Council's Treasury Management Team:

- the Fund's Institutional Counterparty Lending List has been revised to increase its 'in-house' banking arrangement facility with Lloyds Banking Group from a £5m limit to £10m; and

- a third Money Market Fund (MMF), The Aberdeen Standard Liquidity Fund, has been added to the Counterparty Lending List, with a maximum limit of £10m.

Resolved:

The Committee **approved** the Essex Pension Fund TM Strategy and noted the content of the report

5. Responsible Investment (RI)**a. RI Project Plan Update**

Members were provided with an update on progress against the Fund's RI Project Plan.

It was noted that overall progress was in line with the RI Project plan with eleven out of sixteen areas of activity now complete and the remaining five areas currently in progress with expectations for them to be completed by the end of the year.

Details of four engagement meetings with the Fund's Private Equity, Direct Lending, Index Tracking Equities and Timberland Investment Managers were included within the agenda pack. O&A were scheduled to meet with Global Equity and Emerging Market Equity Managers on 11 March 2024 and 15 April 2024 respectively. Outcomes from these meetings would be reported at the next ISC.

Resolved:

The Committee noted:

- the progress made against the Fund's 2023/24 RI Project Plan; and
- the content of the report.

b. Financial Reporting Council (FRC) UK Stewardship Code 2024 Submission Update

The Head of Fund Investments reminded the Committee that the FRC UK Stewardship Code 2024 Submission deadline was 31 May 2024. Fund Officers in consultation with Advisers were in the process of drafting the Submission, however, due to timing of the deadline, sought the approval from the ISC to utilise the Out of Committee Decision Making Process to agree the final Submission and for all further Submissions thereafter.

Resolved:

The Committee:

- **agreed** that the Fund adopt the Out of Committee Decision Making Process to agree the final Submission to meet the FRC's application deadline of 31 May 2024;
- that, as the annual deadline is now established, the Fund adopt the Out of Committee Decision-Making process to agree all future Submissions;
- noted the progress to date; the proposed next steps; and the content of the report.

6. Schedule of Future Meetings and Events

Members were reminded of agreed meeting dates in 2024/25:

Wednesday 19 June 2024, 10am – 4pm;
Wednesday 16 October 2024, 10am – 1pm;
Wednesday 27 November 2024, 10am – 4pm; and
Wednesday 26 February 2025, 10am – 1pm.

It was noted that the date proposed for the 2024 RI Investment Workshop clashed with the LGC Investment and Pensions Summit in September 2024 and therefore would be recanvassed with Officers, Advisers and Members.

The proposed 2025/26 dates were provided for provisional agreement by the Committee:

Wednesday 18 June 2025, 10am – 4pm;
Wednesday 15 October 2025, 10am – 1pm;
Wednesday 26 November 2025, 10am – 4pm; and
Wednesday 25 February 2026, 10am – 1pm.

The proposed 2025 RI Workshop for provisional agreement was Friday 19 September 2025 noting that the date would be reviewed in due course to ensure there were no clashes with external Conferences/Seminars.

Members were also made aware of upcoming events in 2024, including Local Government Chronicle (LGC) Investment events and the Local Authority Pension Fund Forum (LAPFF) Annual Conference. Members wishing to attend were asked to notify the Compliance Team.

Resolved:

The Committee:

- **agreed** the proposed provisional ISC meeting dates for 2024/25; and
- noted the content of the report.

7. Urgent Part I Business

The Chairman highlighted that Essex Pension Fund had been shortlisted for three awards at the Pension Age Awards 2024 – DB Scheme of the Year, Pension Scheme Communication Award and Best Investment Strategy Award. The Chairman was pleased to announce that Essex Pension Fund had won the Best Investment Strategy Award 2024. The Committee congratulated the Fund on their achievement.

Exclusion of the Public and Press

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local

Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

Resolved:

The Chairman brought the above statement to Members' attention and the Committee **agreed** to proceed.

8. Quarterly Investment Manager Monitoring

a. Investment Tables: Quarter ended 31 December 2023

Mark Stevens, IIA, provided the Committee with an update on the value of the Fund and its constituent portfolios, performance against benchmarks, and assets under ACCESS pool governance as at 31 December 2023.

The Fund ended 2023 in a strong position with its value increasing by 4.5% in the quarter to £10.314bn. The Head of Fund Investments confirmed that the current Fund value was just over £10.5bn. The Fund has positively been able to match its benchmark over the last 3 years.

2023 proved to be positive for equity markets driven by the 'super 7' technology stocks performances. However, overall, a mixed year for the Fund's Managers. Members were advised of the strong and weaker performers within the quarter and that a few managers had triggered under performance breaches but overall, collectively they had provided a very robust set of returns owing to diversification within the asset classes.

Resolved:

The Committee noted the content of the report.

b. Traffic Light Rating Report

Members were advised that since the last ISC meeting in November 2023, there had been no change to either Investment Manager ratings or RI ratings for Managers who had been in place for some time.

As per Members' request an additional column had been added to the traffic light report to include Environmental, Social and Governance (ESG) data coverage for each mandate and these had been updated to reflect 2023 data.

The report had been updated to capture the Fund's new Investment in Fidelity's Investment Grade Credit and ratings were provided for the two new Emerging Market mandates of Columbia and Robeco.

The Committee were also made aware that Aviva would be replaced next quarter with the Fund's new UK Property Manager, CBRE.

Resolved:

The Committee noted the content of the report.

9. Investment Manager Monitoring – Responsible Investment (RI) Engagement Reports

a. Permira

Matt Woodman, Hymans Robertson, reported on the first RI engagement meeting held with O&A and Permira on its Direct Lending Mandate which focused on four key engagement topics: RI governance and firm culture; integration of ESG into Investment processes; active ownership; and engagement.

The O&A were particularly satisfied with Permira's serious approach to RI and the initiative approach they have adopted around margin ratchets to encourage better RI practice.

It was noted that follow up meetings would include progress on net zero targets, demonstration of appropriate stewardship approach and evidence of overall improvement through margin ratchets.

Resolved:

The Committee noted:

- the next steps arising from the engagement meeting; and
- the content of the report.

b. Hamilton Lane – Private Equity Mandate

The Committee was provided with an update on the second RI engagement meeting with Hamilton Lane on its Private Equity Mandate.

It was explained that Hamilton Lane's long-term performance was impressive and progress on their RI approach was different from that of other managers met with over the last three months.

The Committee were reminded that Hamilton Lane would be presenting later in the meeting today and that Members could raise any questions relating to their RI approach.

Resolved:

The Committee noted:

- the next steps arising from the engagement meeting; and
- the content of the report.

c. Stafford International Timberland (Stafford)– Timberland Mandate

Stafford also had its second RI engagement meeting on its Timberland Mandate. It was advised that that, given the infancy of RI within the timberland asset class, the O&A were satisfied with Stafford thoughtful approach to RI showing their commitment to understanding climate related risks.

The focus of follow up is to monitor the developments in Stafford's firm-wide net

zero commitment and how they can aid developments towards managers centralising reporting across the industry.

Resolved:

The Committee noted:

- the next steps arising from the engagement meeting; and
- the content of the report.

d. UBS – Index Tracking Mandate

The Committee noted the second RI engagement meeting with UBS on its Index Tracking Mandate.

Members were informed that the implementation of the Sustainable Transition fund was completed effectively, and that UBS were able to demonstrate that whilst they operate a centralised engagement programme, these aligned with the engagement activity and the Fund's RI priorities.

The complexities in ESG and climate related data were acknowledged by the O&A, however, they were satisfied that UBS were making use of a variety of data providers which assisted in providing greater assurance around the data sets provided.

It was noted that whilst the strategy was still in its infancy it was on target to meet its objective of 7% p.a. decarbonisation. The follow up would include continuing monitoring progress against the Fund's decarbonisation pathway.

Resolved:

The Committee noted:

- the next steps arising from the engagement meeting; and
- the content of the report.

e. RI Engagement Priorities

Members were reminded that at the February 2023 ISC meeting, it was agreed to focus on a subset of four RI engagement priorities: Climate Change; Resource Scarcity; Employee Relations; and Company Board Structure.

Although it is good practice to review these annually, ensuring relevancy, it was recommended that as meaningful progress takes time, the Fund continue to focus on the same subset of RI Priorities for the medium term (3-5 years).

Resolved:

The Committee **agreed:**

- to continue to monitor the subset of RI Priorities during 2024 of:
 - Climate Change;
 - Resource Scarcity;
 - Employee Relations; and
 - Company Board Structure

- to review the Fund's RI Priorities periodically; and
- to note the content of the report.

10. Carbon Emissions Training

Members received a training presentation from John Dickson, Hymans Robertson, regarding Carbon Emissions covering the purpose of Carbon Emissions (limiting Global Warming) and a refresh on Scope 1, 2 and 3 emissions (Direct and Indirect emissions and the challenges faced when reporting through Taskforce for Climate-Related Financial Disclosures (TCFD)).

Resolved:

The Committee noted the training presentation.

11. TCFD Metrics

The Committee was reminded of the 2021 baseline reported at the February 2022 meeting. It was explained that a review against the baseline had been undertaken for the Fund's overall allocation in line with the same 'metrics and targets' pillar of TCFD for 2023.

A reminder of the metrics measured was presented and Members were delighted to note the significant overall progress in reducing the Fund's carbon exposure. Weighted Average Carbon Intensity (WACI) had fallen c57% with the carbon footprint falling by c63%. It was also confirmed that data coverage had improved through the year, but it was recognised that there was still work to be done in the bond and alternative allocations.

The outcome of the 2023 assessment showed that the Fund has made substantial progress in reducing its carbon footprint since the 2021 baseline with the Fund reaching its 2030 50% carbon footprint decarbonisation target against the 2021 baseline seven years early. The Committee was congratulated on this achievement, however, was made aware the remaining journey was expected to be one of slower improvement.

Key areas of focus for 2024 were driving progress through Manager engagements and 'real world' change to extend the 50% decarbonisation target.

Resolved:

The Committee **agreed:**

- to reassess progress in line with the 'metrics and targets' pillar of TCFD for the calendar year 2024;
- for consideration be given in 2024 to extending its 50% decarbonisation target, exploring more sustainable climate solutions as and when appropriate and targeted engagement with Managers around encouraging real world change; and
- to note the content of the report.

12. Manager Presentation

a. Hamilton Lane Impact Investment in Private Equity Training

The Chairman welcomed Mitesh Pabari and Jérôme Kamm from Hamilton Lane, the Fund's Private Equity Manager, to the meeting and received a training presentation on Impact Investing in Private Equity.

Resolved:

The Committee noted the presentation.

b. Market Update and Essex Portfolio

The Committee received a further presentation from Hamilton Lane covering a Market Update and more specifically the performance of the Essex Portfolio.

The Chairman thanked Hamilton Lane for their presentations.

Hamilton Lane left the meeting at 12.55pm

Resolved:

The Committee noted the presentation.

c. Strategic Implementation Framework – Pillar 1 – Implementing and maintaining existing strategic targets within the investment decision framework: ISC Briefing note – Private equity rolling commitment review

John Dickson, Hymans Robertson, provided a report on the Fund's Private Equity Mandate managed by Hamilton Lane outlining the outcome of the commitment review undertaken on the Fund's strategic allocation target of 4.0%.

It was recommended that the Fund agree to a further annual commitment of £70m for the upcoming Financial Year, maintaining the 4% target, and that the rolling commitment programme be reviewed again next year.

Resolved:

The Committee **agreed:**

- a further £70m be committed to new private equity opportunities in 2024/2025;
- to review the commitment again in twelve months; and
- the content of the report be noted.

13. Structural Reform of the LGPS – Pooling

a. Quarterly Update of ACCESS Joint Committee (AJC)

The Director for Essex Pension Fund presented to the Committee the outcome of the AJC meeting which took place on 04 December 2023.

It was explained that the main areas of business discussed included the

recommendation for Local Authorities to agree the proposed ACCESS Business Plan and Budget for 2024/25. In addition, updates were provided in regard to: the Third Party Review of the ACCESS Support Unit (ASU); the Government's response to the latest Pooling Consultation and ACCESS 's next steps; the agreement, following professional investment advice, that JP Morgan and IFM would now count as pool aligned and occupy the 'income' and 'growth' infrastructure building blocks; and that Tavistock was confirmed as the newly appointed ACCESS communication partner.

The Chairman requested that the Director for ASU be invited to a future ISC meeting to present to the Committee.

Resolved:

The Committee **agreed:**

- the proposed ACCESS Business Plan activities for 2024/25;
- ACCESS Authorities' S151 Officers' recommendation to accept the 2024/25 ACCESS Budget totaling £1.707m (£155,174 per Administering Authority) to support the 2024/25 Business Plan; and
- to note activity at the AJC meeting on 04 December 2023.

b. Local Government Pensions Scheme (LGPS): Next Steps on Investments Consultation

The Committee received an update from the Director for Essex Pension Fund on the Government's response to the Pooling Consultation issued on 22 November 2023, which included multiple proposals highlighting that Government will issue further Pooling Guidance.

Fund Officers had undertaken an initial assessment of the impact of the Government's proposals and believed that the Fund is in a good place to demonstrating its commitment to Pooling. Prior to the Fund amending any reporting processes currently in place and fully implementing some of the recommendations, revised Regulations and/or guidance would need to be issued by the Department for Levelling Up, Housing and Communications (DLUHC).

Resolved:

The Committee noted the content of the report.

The Chairman thanked Advisers for their contribution to the meeting and requested them to leave the room for the next item to be taken.

Advisers left the meeting at 1.30pm

14. Institutional Consultant Review of Competition and Markets Authority (CMA) Strategic Objectives

The Director for Essex Pension Fund presented the outcome of the fourth annual CMA Strategic Objective Assessment undertaken on 23 November 2023 with the

Fund's Institutional Investment Consultant, Hymans Robertson, which was reviewed by the Chairman and Vice Chairman of the ISC and Fund Officers.

It was highlighted that the assessment showed good progress against objectives and that the contract relationship was working well with no areas of concern identified.

Members were reminded that CMA requires the Fund to submit an annual Statement of Compliance by 07 January 2024 to confirm that strategic objectives are in place. This was actioned on 18 December 2023.

Resolved:

The Committee noted:

- the Assessment of the strategic objectives of the Fund's Institutional Investment Consultant, Hymans Robertson;
- Fund Officers to periodically monitor and review Hymans Robertson's progress and establish next steps as and when applicable;
- a formal assessment be undertaken in 12 months' time with Hymans Robertson, and the outcome to be reported back to the ISC in Q4 2024/25;
- the Fund's compliance with the requirement to submit a Compliance Statement to the CMA by 07 January 2024 confirming compliance with Part 7 of the CMA, by setting strategic objectives for the investment consultant and then annually thereafter; and
- the content of the report.

15. Urgent Exempt Business

There being none, the meeting closed at 1.38 pm.

Chairman
19 June 2024