
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 23 November 2016

Present

Cllr R Bass (Chairman)	Essex CC
Cllr S Barker	Essex CC
Cllr N Hume	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
 Sandra Child (Observer representing scheme members)	 UNISON
Cllr C Riley (Observer representing scheme employers)	Castle Point District Council

The following Advisers were present in support of the meeting;

Mark Stevens	Independent Adviser
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
Joel Ellner	Interim Investment Analyst

The following Essex Pension Fund Advisory Board (PAB) members were present as observers of the meeting:

Keith Flowers	UNISON
Paul Hewitt	Deferred Member
Mark Paget	Active Member

1 Apologies for absence

Apologies were received from Cllr Canning (Essex CC).

It was also noted that Cllr Moring (member of the Essex Pension Fund Strategy Board) was unable to attend.

2 Declaration of Interest

Cllr Riley declared that he is in receipt of a LGPS pension.

3 Minutes

The minutes of the meeting of the Committee which took place on 20 July 2016 were approved as a correct record.

4 Local Government Pension Scheme (LGPS) Reform – Investment Pooling

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 key work streams since the Committee's last meeting was outlined. Members were informed that work was underway in developing an Inter Authority Agreement involving the Monitoring Officers of the 11 ACCESS authorities and assisted by Eversheds.

It was noted that Cllr Bass was one of a number of Chairmen from ACCESS Funds due to attend a forthcoming meeting with Local Minister Marcus Jones. It is understood that arrangements are being made for the Minister to meet representatives of all eight LGPS pools between mid-November and mid-December. The meeting will be an opportunity to discuss the issues highlighted in correspondence with the Secretary of State. The date for the ACCESS meeting is 29 November 2016.

Kevin McDonald highlighted that on 1 November 2016 new Investment Regulations came into force these formalised the requirement for the Pension Fund to publish an Investment Strategy Statement (ISS) by 1 April 2017. The ISS supersedes the requirement to maintain and review a SIP. Whilst there are many similarities between the SIP and the ISS the main difference is the requirement of Fund's to set out their approach to pooling and the proportion of investments which will be invested in the pool.

The Committee **agreed** that:

- Officers in conjunction with ACCESS colleagues and Advisers bring a draft of the ISS to the Committee's March meeting; and
- the presentation be noted.

5 Market Commentary

Matt Woodman from Hymans Robertson gave a verbal update on the markets since the Committees' last meeting in particular highlighting the reaction of markets to the recent US Election and the ongoing effect of the Brexit announcement. Matt emphasised that there continues to be short term volatility in the markets.

The update was noted.

6 MiFID II update

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

It was highlighted that at present Administering Authorities of LGPS Funds are classified as 'professional clients'. As a consequence they are able to invest in more complex investment solutions and asset classes. MiFID II would automatically

classify LGPS Funds as 'retail clients' thus limiting the investment solutions open to the Fund. Whilst Administering Authorities will have the option to 'opt up to Elective Professional Status' subject to meeting certain qualitative and quantitative tests, key areas of clarification are still being sought on how certain criteria will be applied.

The Committee **agreed** that:

- Officers in conjunction with the Fund's Advisers draft a response to the FCA consultation on the implementation proposals for MiFID II; and
- the report be noted.

7 Matters of Interest

Kevin McDonald was delighted in informing the Committee that the Fund had been recognised at the annual Local Government Chronicle (LGC) Investment Awards on 9 November receiving highly commended in the category of 'Fund of the Year (above £5bn)'.

The Fund as part of their participation in Project Pool was also successful in winning 'Best Collaboration'.

Kevin highlighted to the Committee the forthcoming LGC investment Seminar taking place in March 2017.

The report was noted.

8 Urgent Part 1 Business

There were none.

9 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:

- September 2016 Investment Tables;
- Infrastructure Procurement Process;
- Investment Manager Update:
 - Officer & Adviser Briefing Note; and
 - Traffic Light Report;
- Update on Investment Manager presenting – M&G Investments and Marathon Asset Management;
- Investment Manager Presentation – M&G Investments;
- Investment Manager Presentation – Marathon Asset Management; and
- Institutional Investment Consultant – contractual arrangements.

10 Investment Tables – Q3 September 2016

(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 September 2016.

The value of the Fund increased from £5.227bn as at 30 June 2016 to a value of £5.559bn as at 30 September 2016.

The report was noted.

11 Infrastructure Procurement Process

(Press & public excluded)

The Committee received a presentation from Matt Woodman summarising the outcome of the due diligence undertaken by Officers and Advisers in relation to the 2% infrastructure allocation that will vacated by Infracapital when the Infracapital's fund is wound up during 2017.

The Committee **agreed** that:

- Fund Officers in conjunction with Fund Advisers commence an open OJEU process with the aim of enabling shortlisted candidates to be interviewed by Committee Members at the February 2017 strategy meeting;
- Infracapital proposal letter be accepted; and
- the report was noted.

12 Investment Manager Update

(Press & public excluded)

12a) Officer & Adviser Briefing Note

(Press & public excluded)

Matt Woodman highlighted that at its meeting of 20 July 2016 the Committee agreed that Officers and Advisers meet with Aviva Investors. Matt confirmed that a meeting took place on 14 October where Officers and Advisers had the opportunity to meet Anna Rule's replacement, David Diemer.

Following discussions the Committee **agreed** that:

- the property mandate managed by Aviva be reviewed at the February ISC Strategy meeting; and
- the report be noted.

12b) 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.

13 Update on Investment Managers presenting – M&G Investments and Marathon Asset Management
(Press & public excluded)

The Committee received a report from Matt Woodman from Hymans Robertson on M&G Investments and Marathon.

The report was noted.

14 Investment Manager Presentation – M&G Investment
(Press & public excluded)

The Committee received a presentation from Orla Haughley and Alex Araujo from M&G Investments on the active global equity mandate.

After discussion the presentation was noted.

15 Investment Manager Presentation –Marathon Asset Management
(Press & public excluded)

The Committee received a presentation from Graeme Neuff and Charles Carter on the active global equity portfolio.

The presentation was noted.

At 3:55pm Matt Woodman from Hymans Robertson left the room.

16 Institutional Investment Consultant –contractual arrangements

Kevin McDonald explained that Officers have drafted the Invitation to Tender (ITT) documentation in relation to the re-tendering, via the National LGPS Framework for the Institutional Investment Consultant contract. Officers along with Mark Stevens, Independent Investment Adviser will establish a short list of candidates to be interviewed.

The Committee **agreed** that:

- a short-list be circulated to all ISC Members;
- an Appointment Sub-Committee be established consisting of Cllr Bass (Chairman), Cllr Barker (Vice Chairman) and Cllr Clempner;
- an interview date be agreed with the Appointment Sub-Committee; and
- the report be noted.

17 Urgent Exempt Business
(Press & public excluded)

There was none.

There being no further business, the meeting closed at 4:05pm.

Chairman
20 February 2017