

Essex Pension Fund Board	EPB/07/11
date: 9 March 2011	

Investment Steering Committee (ISC) Quarterly Report

Report by the Head of Investments

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1. Purpose of the Report

1.1 To provide a report on ISC activity since the last Board meeting.

2. Recommendations

2.1 That the Board should note the report.

3. Background

- 3.1 In accordance with the constitution of the Essex Pension Fund the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Board. Since the Board's last meeting the ISC has met once, on 23 February 2011.

4. Report of meeting of ISC on 23 February 2011

- 4.1 This was the annual strategy meeting of the ISC. Hymans Robertson, the investment consultants, provided the Committee with a comprehensive report on the Fund performance for 2009/10 and, as the review had been somewhat delayed, updated the review to 31 December 2010. This review which covered both fund and individual manager performance revealed that the Fund had enjoyed extremely good performance with an absolute return for the year to 31 December 2010 of 14.6%, 2.5% up on the Fund's customised benchmark. At 31 December 2010 the value of the Fund was £3.3 billion, an all time high.
- 4.2 The Committee then undertook a comprehensive review of its investment strategy, first reviewing its framework for investment decision making and then working through that framework to review the strategy. The Committee's investment beliefs were reviewed and confirmed and it was decided to commission an asset liability study to check consistency of the strategy with the funding objectives. The results of the study are to be considered at the next strategy meeting in July 2011. The Committee then fine tuned its existing strategy, making the following small changes which are anticipated to add significant value when taken together:
- Switching the corporate bond portfolio to a LIBOR+ type mandate
 - Moving the conventional gilts portfolio to index linked gilts
 - Extending its private equity and infrastructure investment programmes
- 4.3 The Committee also agreed to certain improvements in its manager monitoring arrangements and instructed officers and advisers to research a number of areas including changes to the benchmarks for equities and property and the potential for investment in agricultural commodities and Cleantech as part of the wider alternatives portfolio.
- 4.4 Finally the Committee agreed that a revised draft Statement of Investment Principles, incorporating both the above changes and a number of actions, designed to bring the investment management arrangements of the Fund into full compliance with statutory guidance, should be sent out for consultation with stakeholders.

5. Link to Essex Pension Fund Objectives

- 5.1 Investments
- 5.1.1 To maximise the returns from investments within reasonable risk parameters.
- 5.1.2 To ensure the Fund is properly managed.

6. Risk Implications

- 6.1 None other than those already identified as part of the Fund's investment strategy.

7. Communication Implications

- 7.1 None

8. Finance and Resources Implications

- 8.1 None other than those already identified as part of the Fund's investment strategy.

9. Background Papers

- 9.1 ISC meeting 23 February 2011– Agenda and minutes.