

Minutes of the meeting of the Essex Pension Fund Investment Steering Committee (ISC) held in Committee Room 2, on 17 July 2019

1. Membership, Apologies and Declarations of Interest

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

Membership Present:

Essex County Council

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)
Cllr C Souter	
Cllr L Scordis	
Cllr A Hedley	
Cllr M Maddocks	

arrived 1:08pm
left at 3:00pm

Scheme Employer Representatives

Cllr C Riley	(Observer)
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arrived 1:05pm

Scheme Member Representatives

Sandra Child (UNISON)	(Observer)
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The following officers and advisors were also present in support:

Kevin McDonald	Director for Essex Pension Fund
Jody Evans	Head of Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Marcia Wong	Compliance Officer
Mark Stevens	Independent Advisor
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson

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

Opening Remarks

The Chairman welcomed the Committee.

Apologies for Absence

It was noted that Cllr Goggin, Cllr Davies and Cllr Erskine, along with PAB members Nicola Mark and Debs Hurst were unable to attend the meeting.

Declarations of Interest

Declarations were received from Cllr S Barker who stated she was in receipt of an Essex LGPS pension and that her son was also a member of the Essex LGPS pension scheme. Cllr A Hedley stated that he was in receipt of an Aviva Group pension. Cllr C Riley and Cllr M Maddocks declared they were also in receipt of an Essex LGPS Pension.

Resolved:

The Committee noted the report.

2. Minutes

Minutes of the meeting of the ISC held on 26 June 2019 were approved as a correct record and signed by the Chairman.

3. Investment Strategy Statement (ISS) Review: Responsible Investment (RI)

The Director for Essex Pension Fund introduced this item to the Committee setting out the requirements and timeline to review the Fund's Investment Strategy Statement.

It was highlighted that a review of both the ISS and Funding Strategy would take place during the municipal year by the ISC and Essex Pension Fund Strategy Board respectively, with both subject to stakeholder consultation.

Hymans Robertson outlined for the Committee the four key areas that the ISS review will focus on and in particular the approach to the responsible investment aspects contained within the ISS.

Members were advised that a RI workshop would be arranged for October 2019 to kick off this review.

Resolved:

The Committee agreed:

- the timeline for reviewing the ISS with a focus on agreeing an approach to the RI aspects contained in the ISS;
- that a presentation from Local Authority Pension Fund Forum (LAPFF) on collaborative responsible investment take place at the ISC's November meeting; and
- to note the report.

4. Schedule of Meetings

The Committee received a presentation from the Compliance Manager detailing the planned Committee and Board meetings for the municipal year.

The Compliance Manager also notified the Committee of the events/conferences that were on the horizon during 2019/20. Members were advised to contact the Compliance Manager if they would like to attend any of the events discussed.

Investment Steering Committee

8, 9 & 10 October 2019 – Baillie Gifford Conference (Edinburgh)
27 November 2019 – 1.00pm
19 February 2020 – 1.00pm
25 March 2020 – 1.00pm

Pension Strategy Board

11 September 2019 – 1.00pm
18 December 2019 – 1.00pm
4 March 2020 – 1.00pm

Resolved:

The Committee noted the schedule of meetings for 2019/20.

5. Urgent Part I Business

No matters arising.

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 to the attention the above statement and the Committee agreed to proceed.

6. Review of Investment Performance for the year ended 31 March 2019

The Committee received a report and presentation from Hymans Robertson summarising the investment performance for the year ended 31 March 2019 of the Investment Managers of the Fund, along with a synopsis of the market conditions during the year.

It was noted that the Fund's performance for the year ended 31 March 2019 of 8.5% was ahead of benchmark and was again above the Actuary's investment return assumption used for the triennial valuation.

Resolved:

The Committee noted the report.

The Chairman informed the Committee that item 8 would be taken prior to item 7 on the agenda.

8. Review of the Fund's fees compared to Peers

The Committee received a report from Hymans Robertson summarising the independent review CEM Benchmarking had undertaken of the overall fees paid by the Fund, investment returns and net value added compared to its peers across the LGPS and global universal for the year to 31 March 2018. Separately a review was also undertaken by Hymans Robertson of the fees paid by the Fund in respect of the management of alternative assets classes.

Resolved:

The Committee agreed:

- CEM undertake a cost benchmarking review as at 31 March 2019; and
- noted the content of the report.

7. Review of Investment Manager Benchmarks

The Committee received a report and presentation from Hymans Robertson, in consultation with the Independent Investment Advisor and Director for Essex Pension Fund. Members were provided with an overview on current benchmarks for equity, bond and alternative investments.

Suggested amendments to current benchmarks was discussed and considered by the Committee.

Resolved:

The Committee agreed;

Equity Benchmark

- no changes to the equity passive and active benchmarks would be taken forward;

Bond Benchmarks

- no change to the passive index linked bond benchmark would be taken forward;
- to amend the benchmark for the active cash plus bond mandates from 1-month LIBOR with an outperformance target of 2% p.a. to now include the target within the benchmark to be now 1-month LIBOR + 2% p.a;

Alternative Benchmarks

- to adopt the following benchmarks for assessing the short term, long term and the proxy component for the composition of the total Fund quarterly benchmark for the alternative mandate benchmarks;

Infrastructure

- long term benchmark: Absolute return of 8% p.a. (reflecting income + expected growth);
- short term benchmark: For JP Morgan and IFM only, 6% p.a. (reflecting income only);
- proxy component for total Fund quarterly benchmark: 6% p.a.;

Private equity

- long term benchmark: MSCI World PME Index + 3% p.a.;
- short term benchmark: n/a;
- proxy component for total Fund quarterly benchmark: MSCI AC World Index (TR Gross);

Timberland

- long term benchmark: Absolute IRR of 8% p.a. (reflecting income + expected growth);
- short term benchmark: n/a;
- proxy component for total Fund quarterly benchmark: NCREIF Timberland Index (if available);

UK Property

- IPD PPFI All Balanced Funds Index with a performance target of +1% p.a. for all assessment periods;

Global Property

- long term benchmark: IRR of 9% p.a. (reflecting income + expected growth);
- short term benchmark: n/a;
- proxy component for total Fund quarterly benchmark: 6% p.a. (reflecting income only);

Direct lending

- long term benchmark: IRR of 8% p.a.;
- short term benchmark: n/a;
- proxy component for total Fund quarterly benchmark: LIBOR + 6% p.a.

9. Strategy De-risking Plans

The Committee received a report and presentation from Hymans Robertson, in consultation with the Independent Investment Advisor and Director for Essex Pension Fund. Members were reminded of the de-risking progress made in respect of reducing the Fund's strategic allocation to equities outlining the strategic decisions previously agreed over the last 18 months and the timetable for decisions still pending agreement.

Resolved:

The Committee agreed:

- that in light of changing market conditions to proceed with the 2% disinvestment from Marathon with 1% of the monies being transferred into the passive equity strategies managed by UBS in line with the central benchmark allocation and 1% to M&G Alpha Opportunities rather than redirect the full amount to the passively managed UBS equities strategies as previously agreed; and
- to note the progress made to date and the content of the report.

10. Currency Hedge Review

The Committee received a report and presentation from Hymans Robertson in consultation with the Independent Investment Advisor and Director for Essex Pension Fund on the Fund's currency hedge arrangements.

Resolved:

Following discussions, the Committee agreed:

- to take no action in relation to the currency hedge central target of 50% as currently the currency hedge is within the desired zone at a total Fund level;
- to consider the currency hedge target at a total Fund level rather than the equity portfolio only;
- to consider switching to the GBP hedged share classes for IFM and JPM as and when further allocations are made to their funds;
- that a report outlining the above considerations be brought to a future meeting; and
- to note the content of the report.

11. Structural Reform of LGPS Pooling Quarterly Joint Committee Update

The Head of Essex Pension Fund gave an update on recent development in relation to Pooling.

It was noted that the agenda included the latest Joint Committee meeting Agenda Pack of which Members may recall that due to timing, a verbal update was provided at their last meeting.

The Committee were informed that representatives of ACCESS met with civil servants on 4 July 2019 to discuss ACCESS's response to the Ministry of Housing, Communities and Local Government (MHCLG) informal consultation in regard to guidance on LGPS asset pooling. It was noted that a formal consultation is now expected to be issued after the summer recess.

The Committee were advised that Link were organising in consultation with ACCESS Officer Working Group an ACCESS Investor Day. Members were asked to note the potential date of 16 October 2019 and that Officers of the Fund will share more information with the ISC when it becomes available.

The Head of Essex Pension Fund updated the Committee that the current S151 Officer, Margaret Lee, would be stepping down in August 2019 and her S151 role would be filled by Nicole Wood.

An update was also provided in regard to the recruitment of the ACCESS Director. It was noted that following interviews a suitable candidate had been identified and a recommendation has been put forward to the Host Authority to appoint the candidate on a secondment basis. Officers of the Fund will notify the ISC when this has been formally agreed.

Resolved:

The Committee noted:

- progress on MHCLG consultation on the draft investment pooling guidance and meeting with Civil Servants on 4 July 2019;
- launch of tranche 3 sub funds;
- progress to date of Phase 2 sub-fund seeding arrangements;
- progress to date in respect of pooling ACCESS illiquid assets;
- final sign off of the ACCESS Governance manual and the revised Inter-Authority Agreement (IAA) for referral back to administering authorities monitoring officers to progress through each authority's respective governance processes;
- progress of the permanent ACCESS Support Unit and host authority arrangements;
- update on the appointment of the ACCESS Director;
- contract management update;
- the draft ACCESS Annual Report and arrangements for final sign off;
- 2018/19 budget outturn and update on business plan deliverables; and
- agenda of 11 June 2019 AJC.

12. Urgent Exempt Business

No matters arising.

13. Closing Remarks

There being no further business the meeting closed at 3:17pm.

Chairman
27 November 2019