

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

### **Minutes of a meeting of the Essex Pension Fund Investment Steering Committee held at 2:15pm at County Hall, Chelmsford on 21 June 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
Cllr J Spence (Conservative 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
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
Jody Evans	Head of Essex Pension Fund
Samantha Andrews	Investment Manager

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

Keith Flowers	UNISON
Mark Paget	Active Member
Paul Hewitt	Deferred Member

#### **1 Apologies for absence**

Apologies were received from Cllr S Canning.

It was also noted that Jenny Moore, Cllr R Woodley (members of the Essex Pension Fund Strategy Board) James Durrant, Cllr J Galley, Jenny Hunt and Cllr Walsh (members of the Essex Pension Fund Advisory Board) were unable to attend.

#### **2 Declaration of Interest**

Cllr Riley declared he is in receipt of a pension.

### **3 Minutes**

The minutes of the meetings of the Committee which took place on 23 March 2016 were approved as a correct record.

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

Kevin McDonald, Director for Essex Pension Fund, gave a presentation update outlining the latest developments in respect of structural reform of the LGPS.

For the benefit of Members that were unable to attend the briefing meeting of the 7 June, Kevin began by reiterating the key points from that briefing. The presentation highlighted that since the last ISC meeting of 23 March 2016 Cllr Bass had attended monthly ACCESS Chairman Meetings and significant developments in thinking had been made in respect of the final structure of the pool, the optimal portfolio construction and the broad timetable for agreeing the finalised structure and implementation.

Kevin explained since that last meeting representatives of ACCESS had met on several occasions with Government and HM Treasury. Most recently on 9 June representatives of ACCESS presented to a Government panel consisting of HM Treasury, Cabinet Office, DCLG, the Government Actuaries Department & an independent specialist.

Kevin explained that Officers were in the final stages of finalising the drafting of the July submission and that ACCESS Chairman will receive the draft submission in time for their next meeting of 27 June 2016. The draft submission will then be circulated to remaining Members.

It was highlighted that Cllr Bass in his annual report to Essex County Council on 12 July in highlighting the key areas of work undertaken in the year will include the developments on pooling and will bring to the attention of full Council that at a future meeting, a decision to formalise Essex's membership of the finalised ACCESS structure will be required.

The report was noted.

### **5 Matters of Interest**

Kevin McDonald updated the Committee on forthcoming investment conferences taking place in 2016.

Members were reminded that arrangements in respect of the Baillie Gifford conference would soon need to be finalised and those ISC Members who had yet to confirm to Officers their availability to let Fund Officers know by the end of the month in order that arrangements can be made. The report was noted.

### **6 Urgent Part 1 Business**

Cllr Bass highlighted that the meeting of the Essex CC Cabinet (that had been held earlier in the day) tributes were paid to the murdered MP Jo Cox, and that Cabinet Members had stood in silence. It was noted that a book of condolence had been opened in the Council Foyer.

In addition, Cllr Bass paid his respect to Cllr Archibald who had sadly passed away recently. Cllr Bass paid tribute to the contribution that Cllr Archibald had made to the Committee since its formation back in 1987, highlighting in particular the Chairmanship that Cllr Archibald held during the period 1993 to 1998.

Members were asked to stand and observed a period of silence.

## **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:

- Investment Strategy and Structure Review;
- Custody Review; and
- Aviva accrued income valuation.

## **8 Investment Strategy and Structure Review**

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.

Following discussions the Committee **agreed**:

- that the £25m earmarked for Aviva, but yet to be drawdown be redirected to Alcentra's next direct lending fund, subject to due diligence;
- that the Fund's current equity overweight position be trimmed and that c£35m be redirected to Alcentra's next direct lending fund, subject to due diligence;
- that Officers and Advisers investigate Stafford's next fund offering (SIT VIII);
- that further due diligence by Officers and Advisers be undertaken to look at alternative options for the 2% allocation into Infrastructure;
- that a report be brought back to a future meeting on the concept of 'active tilting'; and
- that further investigation be undertaken by Officers and Advisers regarding the impact of new collateral requirements on the currency overlay mandate.

The Committee noted:

- that the overall structure of the Fund remains appropriate but some ongoing management was required to bring the Fund in line with target;
- that following GSAM's presentation at the last ISC meeting GSAM be invited to the next Officer and Adviser meeting to gain a greater understanding of their use of derivatives in the management of the Fund's portfolio; and

- that the report be noted.

## **9 Global Custodian Services Review**

The Committee received a report from Matt Woodman, Hymans Robertson highlighting the conclusion of the custody review undertaken by Hymans Robertson.

Matt Woodman highlighted that the review concluded that Northern Trust were consistently rated well overall. Whilst there were a few minor issues identified, Officers were working with Advisers to address these issues and bring about improvements in service provision, where required.

The Committee **agreed**:

- to continue with Northern Trust pending the full review of custodian services that will take place as part of the ACCESS pooling project;
- that Officers continue to monitor the provision of custody services provided by Northern Trust on an ongoing basis and when required liaise with the custodian and fund managers to bring about improvements in service level; and
- that the report be noted.

## **10 Urgent Exempt Business**

(Press & public excluded)

Kevin McDonald tabled one item of urgent exempt business in relation to a development regarding Aviva's accrued income valuation and the impact on the benchmark monitoring and currency overlay activity undertaken by Legal and General Investment Management.

The report was noted.

There being no further business, the meeting closed at 4:20pm.

**Chairman**  
**20 July 2016**