

Essex Pension Fund Strategy Board	PSB 07
Date: 12 September 2018	

Investment Steering Committee (ISC) Quarterly Report

Report by the Director for Essex Pension Fund

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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 The Board agree:

- that the report be noted.

3. Background

- 3.1 In accordance with its Terms of Reference, the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board (the Board).
- 3.2 Since the Board's last meeting the ISC has met on two occasions 27 June and 18 July 2018.

4. Report of the meeting of ISC on 27 June 2018

- 4.1 The Committee noted changes to its membership, its Terms of Reference, and the appointment of Cllr Susan Barker as Chairman following the 15 May 2018 annual meeting of Essex County Council. Cllr Mark Platt was appointed as Vice Chairman.
- 4.2 A report on the Q4 March 2018 Investments Tables, which detailed the Fund's market value and investment manager performance, was discussed. It was noted that the Fund's value had fallen from £6.605bn as at 31 December 2017 to a value of £6.519bn as at 31 March 2018.
- 4.3 The Committee noted an update from Hymans Robertson outlining the progress made in implementing the first phase of the transition from equities to alternatives.
- 4.4 It was explained that in April the overweight position of Baillie Gifford global equity mandate had been rebalanced back successfully to within agreed tolerance of its strategic allocation with the proceeds used to bring GSAM's bond mandate back in line with its target allocation. It was also highlighted that both the Stafford and Alcentra mandates which had fallen below target were also given further commitment to bring back in line with its target.
- 4.5 The main focus of the meetings business was an update outlining the latest developments in respect of the structural reform of the LGPS.
- 4.6 A presentation was received from John Wright, Strategic Adviser to the ACCESS pool whereby the progress made to date in respect of the ACCESS Pool establishment, governance manual, operations and sub fund launch was outlined.
- 4.7 Members were informed that Officers, assisted by ACCESS's legal advisors Squires have been working with Link, the Operator to finalise the prospectus for submission to the Financial Conduct Authority (FCA). It was noted that whilst

there had been a few delays whilst clarification was sought it was hoped that the submission would be imminent.

- 4.8 It was noted that with the assistance of Muse and Squires, Officers had made substantial progress in formulating much of the content of the Governance Manual.
- 4.9 The Committee received a training presentation from Northern Trust, Link's ACS depository and custodian servicer provider on stock lending. An overview of stock lending principles and examples was also outlined. It was agreed in principle that the Fund adopt a policy to lend stock as part of the terms to invest within the ACCESS pooling arrangements.
- 4.10 The Committee also agreed to adopt the ACCESS voting guidelines as part of the terms of investing in the equity sub funds of the ACCESS ACS.

5. Report of the meeting of ISC on 18 July 2018

- 5.1 The Committee received an update from the Independent Governance and Administration Adviser on the progress made to date on the review of the Governance and Compliance Statement. Consideration was also given to the revised ISC Terms of Reference (ToR) which were updated to reflect the new 'pooling' landscape. It was agreed that the revised ISC ToR be taken to Full Council for formal ratification.
- 5.2 The Committee noted the report of the Officers & Advisers meetings held with both Aviva Investors and Stewart Investors.
- 5.3 The main focus of the meeting's business was the yearly review of the Fund's investment managers.
- 5.4 The Committee received a presentation from Hymans Robertson on the Fund's investment performance to 31 March 2018. This was followed by a presentation which summarised their current views on the capability of each of the Fund's managers relative to their peer group universe.
- 5.5 Presentations were received from Goldman Sachs Asset Management on the active bond mandate and Aviva Investors on the property portfolio. The Aviva presentation covered the background to the recent review undertaken of its business model whereby the decision was made to sell its £5.3bn AUM real estate multi manager business to LaSalle Investment Management.

The Committee agreed subject to due diligence that the delegation consent be signed.

- 5.6 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS. It was confirmed that ACCESS was awaiting a formal response to the half yearly progress update sent to the Ministry of Housing, Communities & Local Government in April. It was also noted that a meeting of the S151 Officers of the ACCESS Authorities had been scheduled for 25 July whereby the ACCESS support unit arrangements were due to be discussed further.

6. Link to Essex Pension Fund Objectives

6.1 Investments

- To maximise the returns from investments within reasonable risk parameters.
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented.

7. Risk Implications

- 7.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Investment Strategy Statement.
- 7.2 Officers and advisers will examine the potential risks associated with pooling once the structures and timescales for the migration of Fund assets are better understood. These will then be brought to a future meeting of the ISC for consideration.

8. Communication Implications

- 8.1 The Fund was a signatory on the ACCESS proposal to Government in February and July 2016.

9. Finance and Resources Implications

- 9.1 In addition to the work undertaken by Officers, the cost of ACCESS pool participation per Fund is estimated to be £105,000 in 2018/19. The cost to the Fund was £94,000 and £80,000 in 2017/18 and 2016/17 respectively.

10. Background Papers

- 10.1 ISC meeting of 27 June 2018 – agenda and draft minutes.
- 10.2 ISC meeting of 18 July 2018 – agenda and draft minutes.