



Essex County Council

**Essex Pension Fund
Corporate Services
County Hall
Chelmsford CM1 1LX**

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Essex Pension Fund Investment Steering Committee

**Date: 14 June 2017
Time: 2:00pm
Venue: Committee Room 2**

Officer support to the ISC:

Kevin McDonald, Director for Essex Pension Fund

Telephone 01245 431301 (internal ext 21301) or 0333 0138 488

E Mail: kevin.mcdonald@essex.gov.uk

Agenda

This meeting is open to the public and the press.

These documents can be provided on request in the following formats, large print, braille, or on disk. For further information please contact the Director for Essex Pension Fund.

Agenda

Part I

(Business to be taken in public)

1. Membership

To note Committee's membership as agreed at the annual meeting of Essex County Council on 16 May 2017.

5 Conservative Group: 1 Labour Group: 1 Non-aligned Group

Cllr Susan Barker: Conservative Group
Cllr Stephen Canning: Conservative Group
Cllr Alan Goggin: Conservative Group
Cllr Gagan Mohindra: Conservative Group
Cllr Lee Scordis: Labour Group
Cllr Kerry Smith: Non-aligned Group
Cllr Clive Souter: Conservative Group

Conservative Group substitutes: Cllr John Spence, Cllr Louise McKinlay
Labour Group substitute: Cllr Allan Davies

In addition the Committee also has the following observers:

Mrs Sandra Child (UNISON) – representing scheme members
Cllr Colin Riley (Castle Point Council) – representing scheme employers

2. Chairman

To note the appointment of Cllr Susan Barker, as agreed at the annual meeting of Essex County Council on 16 May 2017.

3. Appointment of Vice Chairman

To appoint the Vice Chairman of the Committee.

4. Apologies for absence

To note the receipt (if any)

5. Terms of Reference

To note a report by the Director for Essex Pension Fund

6. Declarations of Interest

Any declarations of interest to be made by members of the Committee during the meeting will be noted at this stage

7. Arrangements for future meetings

To agree a schedule of meetings for the municipal year 2017/18. The following dates have been proposed:

(2:00pm, unless stated)

Wednesday 19 July 2017

Wednesday 18 October 2017

Wednesday 15 November 2017

Wednesday 21 February 2018

Wednesday 7 March 2018

NB: these dates may require change during the municipal year.

8. Minutes

To approve as a correct record the Minutes of the Investment Steering Committee meeting held on 4 April 2017.

9. LGPS Conferences

To note a report from the Head of the Essex Pension Fund and consider conference attendance during the 2017/18 municipal year.

10. Support arrangements

To consider a presentation from the Director for the Essex Pension Fund.

11. Urgent Part I Business

To consider any matter which, in the opinion of the Chairman, should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.

12. Exclusion of the Public

To consider whether the public (including the press) should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 (exclusion is recommended for the items set out in Part II below).

Part II

(Business to be taken in private)

13. Urgent Exempt Business

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

TRAINING

After the close of the Committee's formal business training sessions will be held on:

- investments and the Fund's approach to asset allocation and portfolio construction; and
- ACCESS and engagement with the Government's pooling agenda

Forthcoming Meetings:

Essex Pension Fund Strategy Board

Wednesday 5 July 2017

2.00pm Committee Room 2, County Hall

Investment Steering Committee

Wednesday 19 July 2017

2.00pm Committee Room 2, County Hall

Essex Pension Fund Investment Steering Committee	AGENDA ITEM 5
date: 14 June 2017	

Terms of Reference

Report by Director for Essex Pension Fund

Enquiries to Kevin McDonald on 01245 431301 or 0333 0138 488

1. Purpose of the Report

- 1.1 To note the Committee's Terms of Reference.

2. Recommendation

- 2.1 It is recommended that the Terms of Reference, set out overleaf in section 3 of this report, are noted.
- 2.2 It is further recommended that the Committee consider the updated Terms of Reference in section 4 of this report.

3. Terms of Reference (ToR)

- 3.1 The ToR the Essex Pension Fund Investment Steering Committee, as reflected within the Constitution of Essex County Council are set out below.

Membership: seven members of the Council:

- i. to approve and to review annually the content of the Statement of Investment Principles;
- ii. to appoint and to review Investment Managers, Custodians and Advisors;
- iii. to assess the quality and performance of each Investment Manager annually in conjunction with investment advisers and the Section 151 Officer;
- iv. to set the investment parameters within which the Investment Managers can operate and review these annually;
- v. to monitor compliance of the investment arrangements with the Statement of Investment Principles;
- vi. to assess the risks assumed by the Fund at a global level as well as on a manager by manager basis;
- vii. to approve and review the asset allocation benchmark for the Fund;
- viii. to approve and to review annually the content of the Pension Fund Treasury Management Strategy; and
- ix. to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board.

- 3.2 ***It is recommended*** that these are noted.

4. Updated and re-ordered Terms of Reference

- 4.1 The 2016 Investment Regulations required all LGPS Funds in England & Wales to publish an Investment Strategy Statement (ISS) by 1 April 2017. The Essex draft ISS was published in late March 2017
- 4.2 The ISS replaces the Statement of Investment Principles (SIP) to which the Committee's current ToR makes direct reference. In view of this, an update has been made to the ToR reflecting this revised requirement.

4.3 In addition, Fund officers in consultation with advisers, considered the grouping and structure of the individual terms, with a view to making the ordering more logical.

4.4 The updated (for the ISS) and re-ordered ToR are set out below.

Membership: seven members of the Council:

- i. to approve and annually review the content of the Investment Strategy Statement;
- ii. to monitor compliance of the investment arrangements with the Investment Strategy Statement;
- iii. to approve and review the asset allocation benchmark for the Fund;
- iv. to assess the risks assumed by the Fund at a global level as well as on a manager by manager basis;
- v. to appoint and review investment Managers, Custodian and Advisors;
- vi. to set the investment parameters within which the Investment Managers can operate and review these annually;
- vii. to assess the quality and performance of each Investment Manager annually in conjunction with investment advisers and the Section 151 Officer;
- viii. to approve and to review annually the content of the Pension Fund Treasury Management Strategy; and
- ix. to submit quarterly reports on its activities to the Essex Pension Fund Board.

4.5 ***It is recommended*** that these are considered by the Committee.

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 4 April 2017

Present

Cllr R Bass (Chairman)	Essex CC
Cllr S Barker	Essex CC
Cllr K Clempner	Essex CC
Cllr N Le Gresley	Essex CC
Cllr N Hume	Essex CC
 Cllr K Bobbin (Labour substitute)	 Essex CC
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
Rebecca Craddock-Taylor	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 (PAB) members were present as observers of the meeting:

Mark Paget	Active Member
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1 Apologies for absence

Apologies were received from Cllr S Canning and Cllr J Whitehouse (Essex CC) and Sandra Child (Observer representing scheme members).

It was also noted that PAB Members Cllr S Walsh, Paul Hewitt and Nicola Mark were unable to attend.

2 Declaration of Interest

There were none.

3 Minutes

The minutes of the meeting of the Committee which took place on 20 February and 24 February 2017 were approved as a correct record.

4 Arrangements for future meeting

The following schedule of meetings for the municipal year 2017/18 was tentatively agreed by Members:

(2:00pm start)
Wednesday 14 June 2017
Wednesday 19 July 2017
Wednesday 18 October 2017
Wednesday 15 November 2017
Wednesday 21 February 2018
Wednesday 7 March 2018

5 Investment Strategy Statement (ISS)

Kevin McDonald introduced a report by the Director for Essex Pension Fund in consultation with Hymans Robertson and with Mark Stevens, Independent Investment Adviser. The report highlighted that the Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 ("2016 Regulations") introduced in November 2016 formalised the requirement for the Pension Fund to prepare and publish an ISS by 1 April 2017. The ISS supersedes the requirement to maintain and publish a Statement of Investment Principles (SIP).

Kevin explained that the ISS, although similar in content to the Fund's current SIP required greater clarity on the Fund's investment approach including the suitability and type of investments, mitigation of risk and environmental, social and governance considerations. In addition, it required the Fund to set out its approach to collaborative investment, including the use of collective investment vehicles – a clear reflection of the reform agenda around pooling.

The timetable for stakeholder consultation and publication of the final ISS was also highlighted.

Following detailed discussions the Committee **noted**:

- the requirement to produce and publish an ISS and the timetable, as highlighted in section 4 of the report.

The Committee **agreed**:

- the draft ISS subject to a couple of minor presentational revisions;
- that the draft ISS be circulated to stakeholders for consultation;
- that the ISS also be an agenda item at the 6 June meeting of the PAB ; and
- the outcome of the stakeholder consultation be brought back to the Committee at the next meeting.

6 Treasury Management Strategy 2017/18

A report from the Director for Essex Pension Fund was received detailing the Essex Pension Fund Treasury Management Strategy 2017/18.

Kevin McDonald highlighted that the Treasury Management Strategy for the Essex Pension Fund replicates to a large extent the Treasury Management Strategy already approved for Essex County Council, but has been adapted to reflect the limited borrowing requirements, use of global custodian and the separate governance arrangements of the Pension Fund.

Kevin highlighted that the draft Treasury Management Strategy cashflow management arrangements had been updated to reflect the revised Finance Schedule and the requirement in April and May to provide additional flexibility with the Northern Trust's global liquidity fund limits to accommodate the lump sum deficit payments payable by employers in respect of the 2016 Actuarial Valuation results. It was highlighted that the Fund in board terms remains cashflow neutral.

Following detailed discussions it was **agreed that:**

- the Fund's cash flow situation be kept under review; and
- the Essex Pension Fund Treasury Management Strategy 2017/18 be approved.

7 Market Outlook and Background

John Dickson from Hymans Robertson gave a verbal update on the markets since the Committees' last meeting. John emphasised that there continues to be short term volatility in the markets due to the uncertainty of the forthcoming Euro elections however, confidence in the US is high, largely as a result of the fall in unemployment.

The update was noted.

8 Urgent Part 1 Business

To mark the occasion of Cllr Bass's last meeting, Cllr Barker, Vice Chairman of the Committee made a presentation in recognition of Cllr Bass's significant contribution to the development of the Funds investment strategy and governance arrangements during his:

- 20 year membership of the Committee, 16 of which as Chairman; and
- 9 years as Chairman of the Essex Pension Fund Strategy Board (PSB).

Cllr Bass noted that this would be the last meeting for Committee Members Cllr Hume, Cllr Le Gresley and Labour Group substitute Cllr Bobbin. Cllr Bass took the opportunity to thank his fellow Members, Officers and Advisers for their continued hard work and support.

It was acknowledged that the Fund would be losing considerable experience with the retirement of several long standing ISC Members and that arrangements after the 4 May 2017 County Council elections may include significant change. Initial

discussions had already taken place with Cllr Finch (Leader of the Council) Cllr Bass and Margaret Lee (s151 officer) on how the new Committee may be supported, particularly on pooling and constitutional matters.

Further consideration will be given to any additional consultancy support requirements after the election, and any proposals will be brought to the June meeting of the Committee.

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:

- Structural Reform of the Local Government Pension Scheme (LGPS) – Investment Pooling;
- Infrastructure Procurement Process;
- Q3 December 2016 Investment Tables;
- Investment Manager Update – Traffic Light Report;
- Update on Investment Managers presenting – Hamilton Lane and Baillie Gifford;
- Investment Manager Presentation – Hamilton Lane; and
- Investment Manager Presentation – Baillie Gifford.

10 Structural Reform of the Local Government Pension Scheme (LGPS) – Investment Pooling

(Press & public excluded)

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

It was highlighted that at its meeting on 14 February 2017, full Council had noted that it would be asked to approve an Inter Authority Agreement at a future Council meeting once the shadow ACCESS joint committee (ACCESS Chairmen) had made a final recommendation on either a Collective Investment Vehicle (CIV) or Collective Joint Procurement (CJP).

It was noted that following the February ACCESS Chairmen's meeting a letter was sent to the Minister in reply to the Minister's 27 January 2017 letter. It had been understood that a reply from the Minister would be received prior to the ACCESS Chairmen's meeting of 22 March. Although a reply was received that day, it did not arrive until after the meeting had finished.

It was explained that the Minister's 22 March letter was significantly shorter than that of 27 January largely due to the removal of various erroneous references. Although the wording appears similar to that adopted in previous correspondence, this letter however, was explicit in its expectation for a collective investment vehicle (CIV) to be established. In the view of the Committee, this letter was now sufficient for the purposes of ACCESS to be able to pursue the CIV approach to pooling.

It is understood that consideration of the Ministers 22 March letter will take place at the ACCESS Chairmen's 19 April meeting.

The progress on two key work streams was outlined. Members were informed that work was underway in finalising the Invitation to Tender (ITT) documentation for the collective procurement of passive management via the National LGPS Framework and that dialogue was well underway prior to issuing the ITT for the Operator procurement process.

The Committee **noted**:

- the requirement that a future meeting of full Council be asked to approve an IAA once the ACCESS Chairmen's meeting made a recommendation on the approach to pooling;
- the Minister's letter of 22 March 2017 and considered it sufficient for the purposes of ACCESS now pursuing the CIV approach to pooling;
- that the ACCESS Chairmen would consider the above letter at their meeting on 19 April; and
- that appropriate arrangements for full Council on 14 May would be made thereafter.

The Committee further **noted**:

- the arrangements for the outcome of the passive manager procurement framework;
- the progress and timetable for the operator procurement; and
- the content of the presentation.

11 Infrastructure Procurement Process

(Press & public excluded)

The Committee received an update from Matt Woodman from Hymans Robertson outlining the progress made with the appointment of the two new infrastructure managers IFM Investors and JP Morgan, as agreed by the Committee at their 20 February 2017 meeting.

Matt highlighted that the Fund was successful in achieving the 31 March 2017 close for both funds. It is expected that IFM Investors will drawdown its commitment over a period of 12 to 18 months whilst JP Morgan will be fully committed on 5 April.

The report was noted.

12 Q3 December 2016 Investment Tables

(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 31 December 2016.

The value of the Fund increased from £5.559bn as at 30 September 2016 to a value of £5.739bn as at 31 December 2016.

The report was noted.

13 Investment Manager Update – Traffic Light Report

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.

14 Update on Investment Managers presenting – Hamilton Lane and Baillie Gifford (Press & public excluded)

The Committee received a report from Matt Woodman from Hymans Robertson on Hamilton Lane and Baillie Gifford.

Following discussions the report was noted.

15 Investment Manager Presentation – Hamilton Lane
(Press & public excluded)

The Committee received a presentation from Ana Lei Ortiz from Hamilton Lane on the private equity mandate.

It was **agreed that**:

- a further £50m be committed to new Private Equity opportunities in 2017/18; and
- the presentation be noted.

16 Investment Manager Presentation – Baillie Gifford
(Press & public excluded)

The Committee received a presentation from Tom Wright from Baillie Gifford on the active global equity mandate.

17 Urgent Exempt Business
(Press & public excluded)

There was none.

There being no further business, the meeting closed at 4:30pm.

Chairman
14 June 2017

Essex Pension Fund Investment Steering Committee	AGENDA ITEM 9
date: 14 June 2017	

LGPS Conferences

Report by Head of Essex Pension Fund
Enquiries to Jody Evans 03330 138 489

1. Purpose of the Report

- 1.1 To highlight the various investment conferences and training events that will be taking place in 2017 & 2018.

2. Recommendation

- 2.1 That the Committee note the content of the report and notify the Head of Essex Pension Fund if you wish to attend.

3. External Conferences

3.1 LGA LGPS Conference, Bournemouth

The 14th Annual LGA Local Authority Conference will take place at the Marriott Highcliffe Hotel, Bournemouth on 29 – 30 June 2017. The cost for this event is £515 +vat.

3.2 LGC Investment Summit – Celtic Manor Resort, Newport, South Wales

The LGC Investment Summit 2017 is being held 6 – 8 September 2017 at Celtic Manor Resort, Newport, South Wales. The approximate cost per delegate is £1049 +vat if booked by 23rd June 2017, or if booked after this date £1099+vnt.

3.3 LGC Investment Seminar – De Vere Carden Park, near Chester

The LGC Investment Seminar 2018 is being held in Feb/ March 2018 at De Vere Carden Park near Chester. The confirmed dates and a programme of the seminar is not yet available. The approximate cost per delegate (for LGC conference) is approximately £1049 +vat.

3.4 PLSA – Local Authority Conference - De Vere Cotswold Water Park, near Gloucestershire.

The next Local Authority Conference will take place at the De Vere Cotswold Water Park Hotel in Gloucestershire on 21-23 May 2018. Registration and Programme details will be available by the end of January 2018. The approximate cost per delegate is £400 +vat.

3.5 Officers will provide details on all of the above as and when they become available. In addition information on any new events will also be provided.

4. External Training Events

4.1 On occasion day long conferences are held in London. These are offered by organisations such as the LGA (Local Government Association), CIPFA (Chartered Institute of Public Finance and Accountancy) and other Investment specialists. The costs associated with these range from free places up to £400 per delegate.

4.2 Currently we are aware of two events organised by the CIPFA Pension Network, a New Member training course on 20 June 2017 and a course on Governance in a changing environment on 12 July 2017. These courses are £345 + vat.

4.3 Officers will provide details on all of the above as and when they become available. In addition information on any new events will also be provided.