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

Minutes of a meeting of the Essex Pension Fund Investment Steering Committee held at 13:00pm at County Hall, Chelmsford on 28 March 2018

1 Membership, Apologies and Declaration of Interest

Membership

Present

Cllr S Barker (Chairman)	Essex CC
Cllr A Erskine (Conservative Group Substitute attending on behalf of Cllr S Canning)	Essex CC
Cllr A Goggin	Essex CC
Cllr A Hedley	Essex CC
Cllr M Maddocks (Conservative Group Substitute attending on behalf of Cllr Souter)	Essex CC
Cllr L Scordis*	Essex CC

* Attended the meeting from 1.15pm

Sandra Child (Observer representing scheme employees)	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
Rebecca Craddock Taylor	Hymans Robertson
Matt Woodman	Hymans Robertson

The following Officers were present in support of the meeting;

Kevin McDonald	Director for Essex Pension Fund
Samantha Andrews	Investment Manager

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

Andrew Coburn	UNISON
Paul Hewitt	Deferred Member
Mark Paget	Active Member

Apologies for absence

Apologies were received from Cllr S Canning and Cllr C Souter (ECC Members).

It was noted that Cllr D Blackwell had tendered his resignation forthwith from both the ISC and the Essex Pension Fund Strategy Board.

Declaration of Interest

Cllr Goggin declared that his wife, sister and brother-in-law were in receipt of an Essex LGPS pension. Cllr Barker and Cllr Maddocks confirmed they are also in receipt of an Essex LGPS pension and Cllr Hedley declared he is in receipt of an Aviva Group pension.

2 Minutes

The part one minutes of the meeting of the Committee which took place on 21 February 2018 was approved as a correct record.

3 Arrangements for Future Meetings

The Committee received a schedule of meetings for the municipal year 2018/19.

27 June 2018
18 July 2018
17 October 2018
28 November 2018
20 February 2019
27 March 2019

It was reaffirmed that all meetings will commence at 1pm and that the schedule of dates be noted.

4 Treasury Management Strategy

A report from the Director for Essex Pension Fund was received detailing the Essex Pension Fund Treasury Management Strategy 2018/19.

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.

The Committee was reminded that at its 21 February meeting it agreed a medium term programme whereby, as opportunities arise, a proportion of the equity strategic allocation be redeployed away from equities towards alternatives. As such it was agreed that up to 1% of the Fund's asset could be held in cash, separate to that the managers may hold for efficient portfolio management in expectation of a drawdown notice or other cashflow requirement for the Fund.

In light of this decision it was confirmed that the draft Treasury Management Strategy cashflow management arrangements have been updated to provide the additional flexibility with the Northern Trust's and BNP Paribas global liquidity fund limits so as to accommodate the gradual move in the strategic allocation.

It was confirmed that the Fund in broad 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 2018/19 be approved.

5 Market Background and Outlook Q4 2017

Matt Woodman from Hymans Robertson gave a verbal update on the markets since the Committees' last meeting in particular highlighting the short term volatility experienced in the markets over the last few weeks.

Following discussions the update was noted.

6 Urgent Part I Business

There was none.

7 Exclusion of the public

(Press & Public excluded)

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:

- ISC 21 February 2018 minutes – Part II
- Investment Tables as at 31 December 2017
- Training Session - Stock Lending
- Stock Lending
- Investment Strategy Review – Implementing the transition from equity to alternatives update
- Structural Reform of the Local Government Pension Scheme (LGPS) Pooling – AJC Quarterly update
- Update on investment managers presenting: ISC Briefing note
- Investment Manager Presentation – Hamilton Lane
- Independent Investment Adviser (IIA) procurement

8 Investment Tables as at 31 December 2017

(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 2017.

The value of the Fund increased from £6.350bn as at 30 September 2017 to a value of £6.605bn as at 31 December 2017.

The report was noted.

9 Training Session - Stock lending

(Press & public excluded)

The Committee received a training presentation from Matt Woodman from Hymans Robertson whereby an overview of stock lending was provided.

The presentation was noted.

10 Stock Lending

(Press & public excluded)

The Committee received a report on stock lending and initial proposals in relation to whether the Fund should adopt a policy to lend stock as part of the ACCESS pooling arrangements.

After discussions it was **agreed**:

- to give further consideration as to whether Essex is prepared to agree to stock lending on its assets currently held on a segregated basis within the ACCESS pool;
- that additional training be given at a future meeting;
- that a further report be brought to a future meeting detailing ACCESS stock lending proposal; and
- the report be noted.

11 Review of Investment Strategy – Implementing the transition from equity to alternatives

(Press & Public excluded)

The Committee received a verbal update from Matt Woodman from Hymans Robertson outlining an initial timetable in relation to implementing the first phase of the transition from equities to alternatives.

The update was noted.

12 Structural Reform of Local Government Pension Scheme (LGPS) – Pooling quarterly Joint Committee (JC) Update

(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.

The progress on the Operator implementation, sub fund construction, ACCESS Governance review, client function and support arrangements workstreams were outlined.

Members were informed that the Operator contract was now live.

It was confirmed that initial negotiations with Baillie Gifford had commenced in respect of the construction of the first sub-fund. It was highlighted that the delay in signing the contract had meant the timing of each sub-fund tranche had resulted in a 4 week slippage to the original timetable first communicated.

It was noted that MUSE had commenced phase two of their governance review and that the JC have agreed the 'Statement of Purpose' wording and draft contents of the Governance Manual.

After discussions it was **agreed that**:

-
- pending a successful conclusion of Link's negotiations with Baillie Gifford the Fund's assets currently managed by Baillie Gifford be transitioned into the sub-fund once launched;
 - an assessment be made prior to the sub-fund launch of the Baillie Gifford allocation to be transitioned and a recommendation be brought to a future meeting; and
 - the report be noted.

13 Update on Investment Managers presenting – ISC Briefing note Hamilton Lane
(Press & Public excluded)

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

Following discussions the report was noted.

14 Investment Manager Presentation – Hamilton Lane
(Press & Public excluded)

The Committee received a presentation from Jim Strang from Hamilton Lane, the Fund's Private equity manager.

It was **agreed that**:

- a further £50m be committed to new Private Equity opportunities in 2018/19; and
- the presentation be noted.

15 Urgent Exempt Business
(Press & public excluded)

The exempt minutes of the meeting of the Committee which took place on 21 February 2018 was approved as a correct record.

16 Independent Investment Adviser (IIA) procurement
(Press & public excluded)

Kevin McDonald explained that Mark Stevens', the Independent Investment Adviser to the Fund contract is due to expire at the end of July 2018.

It was noted that since the May 2017 County Council elections the membership of the Committee had undergone significant change at a time when the Committee has every increasing demands in respect of the de-risking programme and the pooling agenda. It was therefore felt of the two options considered that there was merit in maintaining the existing arrangements.

After discussions it was **agreed that**:

- an extension to the Fund's existing contract with Mark Stevens on the same commercial terms be made to cover the period 1 August 2018 to 31 July 2020; and
- the report be noted.

17 Date of Next Meeting
(Press & public excluded)

The Committee noted that the date of the next meeting was 27 June 2018.

There being no further business, the meeting closed at 4.05pm

Chairman
27 June 2018