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

Minutes of a meeting of the Essex Pension Fund Investment Steering Committee held at 1:30pm at County Hall, Chelmsford on 22 February 2016

Present

Cllr R Bass (Chairman)	Essex CC
Cllr S Barker	Essex CC
Cllr S Canning	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
 Sandra Child (Observer representing scheme members)	 UNISON

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:

James Durrant	Essex Fire Authority
Keith Flowers	UNISON
Paul Hewitt	Deferred Member
Mark Paget	Active Member

1 Apologies for absence

Apologies were received from Cllr N Hume (Essex CC), and Cllr C Riley (ISC employer observer representative).

The Chairman welcomed Sandra Child (UNISON) to her first meeting of the ISC.

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

2 Declaration of Interest

There were none.

3 Minutes

The minutes of the meetings of the Committee which took place on 25 November 2015 were approved as a correct record.

4 Urgent Part 1 Business

A draft schedule of meetings for the municipal year 2016/17 was tabled for Members consideration. The dates were as follows:

14 June 2016 (note a change from the date on the draft schedule)
20 July 2016
23 November 2016
20 February 2017
22 March 2017

The schedule will be resubmitted for confirmation at the next ISC meeting.

5 Exclusion of the Public

Cllr Le Gresley requested that further consideration be made of whether future structural reform reports continue to be conducted in private going forward.

Officers highlighted that part of the agenda item 6 referred to pending decisions of the S151 Committees of the other Funds, however this point would be considered in future.

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 – Pooling
- Investment Strategy and Structure Review; and
- Review of the Fund's Investment Costs.

6 Structural Reform of the Local Government Pension Scheme – Pooling
(Press & public excluded)

The Committee received a report from Kevin McDonald, Director for Essex Pension Fund in consultation with the Independent Investment Adviser and Hymans Robertson updating the Committee on the findings of "Project Pool", a collaborative joint working group of officers of over 25 LGPS Funds, the emerging pooling group arrangements and the Fund's proposed draft response to the draft LGPS investment regulations.

Following detailed discussions the Committee **noted** that:

- the developments including the Government's announcements released with the Autumn Statement on 25 November 2015 highlighted in paragraph 6.1 of the report; and
- the findings of project POOL as summarised in section 8 and detailed in Annex C of the report.

The Committee **agreed** that:

- the Fund's response to the draft investment Regulations be based on the points made in section 7 of the report and updated (as shown in *italics*) as follows:
 - welcome removal of the old investment limits and the introduction of prudential approach;
 - support for the inclusion of an explicit reference to fiduciary duty within the Regulations;
 - oppose *absolutely* the Secretary of State's power to direct investments without *rigorous* checks and balances;
 - strongly reaffirm the fundamental principle that LGPS investment decisions, including those made with regard to infrastructure, must be based upon each ~~Funds'~~ *Fund's* risk/return objectives; and
 - argue for more time to prepare new ISS (current deadline 1 October).
- the Essex Pension Fund, as administered by Essex County Council, is a signatory on the joint ACCESS submission;
- the Essex Pension Fund participates exclusively within the ACCESS pooling group of funds at this time;
- Officers go back to the ACCESS pooling group and request that the Memorandum of Understanding (MOU) be updated to reflect membership of the Chairman's Steering Group; and
- further details on the approach to pooling are brought to future Committee meetings for ongoing consideration.

7 Investment Strategy and Structure Review (Press & public excluded)

The Committee received a report from Hymans Robertson in conjunction with the Independent Investment Adviser and the Director for Essex Pension Fund which provided a high level health check of the overall Fund structure and addressed outstanding issues with the Fund's Investment Managers.

The Committee **noted** that:

- the overall structure, now well established, remains appropriate given both the Committee's stated investment beliefs and objectives set as part of the

2013 Valuation and as a consequence no changes were proposed to the equity or bond portfolios; and

- the continuing disappointing performance of M&G Investments global equity mandate.

The Committee **agreed** that:

- Baillie Gifford's existing remit of permissible investments be retained and the manager's request to expand this to include unlisted investments be declined at this time;
- a c.1% allocation to Infracapital's continuation fund be made in principle, subject to further investigation by the Officers & Advisors on the final terms of the deal;
- Officers & Advisors undertake additional due diligence on Infracapital's greenfield proposal;
- Officers & Advisors bring back to a future meeting proposals for a longer term approach to realising income over the next 3 to 5 years and in the short/medium term monitor, in particular, the Fund's allocation to property does not become diluted as income continues to be drawn; and
- Hamilton Lane be requested to attend the March ISC meeting in order that the Committee can review the Fund's private equity portfolio and agree future commitments.

8 Review of the Fund's Investment Costs

(Press & public excluded)

Matt Woodman from Hymans Robertson presented a report in conjunction with the Independent Investment Adviser and the Director for Essex Pension Fund. Matt highlighted to the Committee that a review had been undertaken by CEM Benchmarking of the overall fees paid by the Fund to its peers across the globe and compared that to the value added as at 31 March 2015.

The Committee noted the findings of the report.

9 Urgent Exempt Business

(Press & public excluded)

There were none.

There being no further business, the meeting closed at 4:10pm.

Chairman
14 June 2016