

Minutes of the meeting of the Investment Steering Committee (ISC) held in Committee Room 2, on 18 July 2018

1. Membership, Apologies, Substitutions and Declarations of Interest.

The report of the Membership, Apologies and Declarations was received and it was noted that:

Membership Present:

Cllr S Barker (Chairman)	Essex County Council
Cllr A Davies (Labour Group substitute attending on behalf of Cllr Scordis)	Essex County Council
Cllr A Erskine (Conservative Group substitute attending on behalf of Cllr Souter)	Essex County Council
Cllr Goggin	Essex County Council
Cllr M Platt (Vice Chairman)	Essex County Council
Sandra Child (Observer representing scheme employees)	UNISON
Cllr C Riley (Observer representing scheme employers)	Castle Point Borough Council

The following Advisers were present in support of the meeting:

Mark Stevens	Independent Adviser
John Dickson	Hymans Robertson
Ian Colvin	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
Helen Pennock	Compliance Analyst

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

Paul Hewitt	Scheme Member Representative
Mark Paget	Scheme Member Representative
Nicola Mark	Independent Chairman of the PAB

The Chairman welcomed observers Nicola Mark, Paul Hewitt and Mark Paget to the meeting.

Apologies for Absence

Apologies were received from Cllr Scordis, Cllr C Souter, Cllr C Pond, Cllr Maddocks and Cllr A Hedley.

It was also noted that Essex Pension Fund Advisory Board members Debs Hurst and Andrew Coburn were unable to attend.

Declaration of Interest

Declarations were received from Cllr S Barker and Cllr C Riley who are in receipt of an Essex LGPS pension. Cllr A Goggin declared his wife, sister and brother-in-law are in receipt of an Essex LGPS pension. Cllr A Davies declared that he has a deferred Essex LGPS pension. Cllr S Barker also asked it be noted that her son is a current member of the Essex Pension Fund.

2. Minutes

It was noted that there were some minor amendments to the draft minutes. These are detailed as per below:

Page 8	Apologises for absence, incorrectly noting Cllr Scordis absence.
Page 9	Item 7 spelling correction.
Page 10	Item 13 first line Investment Adviser should read Strategic Adviser

Resolved:

The revised minutes of the meeting of the Committee which took place on 27 June 2018 were approved as a correct record.

3. Review of the Fund's Governance and Compliance Statement

The Committee considered a report from Ian Colvin, the Independent Governance and Administration Adviser on the progress made to date of the review of the Governance and Compliance Statement.

It was noted that at its 4 July meeting, the Essex Pension Fund Strategy Board agreed that in view of the new 'pooling' landscape the ISC revisit their Terms of Reference (ToR) and that any changes be then incorporated in the final draft of the Statement.

It was explained that the proposed changes to the existing ISC ToR have been designed not to be overly detailed or prescriptive, recognising, that for the near future, the Fund will continue to appoint investment managers while at the same time begin to direct investment through the ACCESS Pool.

The Committee noted that some additional wording had been added to the Compliance Statement around training to add clarity and that decision making flow charts have been included to formally document the process by which Members consider urgent decisions which fall outside of the Committee's normal meeting schedule.

It was also noted PAB members at its 1 June 2018 were invited to provide feedback on the Statement.

Resolved:

The Committee **agree**:

- the revised ISC Terms of Reference;
- that the revised ISC ToR be taken to the 9 October 2018 Full Council meeting for formal ratification;
- any comments by Members in respect of the draft Governance and Compliance Statement be feedback to Officers; and
- that the report be noted.

4. Capital Market Outlook Q2 to date

John Dickson from Hymans gave a verbal update on the markets since the Committees' last meeting.

Resolved:

That the Committee note the verbal update.

5. Urgent Part 1 Business

Kevin McDonald, Director for Essex Pension Fund highlighted to the Committee two upcoming training/conferences.

- LGA Circular 309 LGPS Governance Training Fundamentals XVII
- LGC Investment Summit – Celtic Manor

It was explained that the content of training listed in circular 309 would be covered at PSB and ISC meetings, but encouraged new Members if their diaries permit to attend the 3 day course in London.

Resolved:

The Committee noted the update.

6. Exclusion of the Public and Press (Press & Public excluded)

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:

- Strategy Implementation
- Annual Review of Investment Performance for year ending 31 March 2018
- Annual Review of Manages – Manager Hurdles
- Manager update O & A Briefing Note; Aviva Investors and Stewart Investors
- Update on Managers presenting – Goldman Sachs Asset Management (GSAM)
- Investment Manager Presentation - GSAM
- Investment Manager Presentation – Aviva Investors
- Urgent Exempt Business
- Date of next meeting

7. Strategy Implementation (Press & Public excluded)

The Committee received an update of the strategy review and the progress made to date on the first and second phase of implementing the shift away from equities as agreed at previous ISC meetings.

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.

It was emphasised that it will take 2 to 3 years to fully implement and that some decisions around the alternative space are still to be made. Proposals in respect of these decisions will be brought to future ISC meetings as and when opportunities arise. The Chairman commented on the excellent progress made to date.

Resolved:

That the report, progress and content be noted.

As introduction to the next two items the Director for Essex Pension Fund explained that the ISC held 6 meeting each year; 4 quarterly monitoring meetings and 2 strategy meetings. For the benefit of new Members an explanation was provided both of the form and structure of these meetings.

8. Annual Review of Investment Performance for the year ended 31 March 2018 (Press & Public excluded)

The Committee received a presentation from John Dickson from Hymans Robertson summarising the investment performance to 31 March 2018 of the investment managers of the Fund along with a synopsis of the market conditions during this time.

It was noted that the Fund's performance for the year ending 31 March 2018 of 7.6% was ahead of benchmark and above the Actuary's investment return assumption used for the triennial valuation.

Resolved:

Following discussions the report and content was noted.

9. Annual Review of Managers – Manager Hurdles (Press & Public excluded)

The Committee received a presentation from John Dickson which summarised the current views of Hymans Robertson on the capabilities of each of the Fund's managers relative to their peer group universe. Each manager was assessed against a series of both quantitative and qualitative factors. John highlighted that only one of the Fund's manager, Aviva Investors fell short of their overall hurdle requirement and that whilst M&G and Stewarts quantitative score was affected by disappointing short term

performance all equity and bond managers passed their respective overall hurdle requirement.

Resolved:

Following discussions the presentation was noted.

10. Manager Update: O & A Briefing Note Aviva Investors and Stewart Investors (Press & Public excluded)

The Committee received a report from Hymans Roberson on the Officer and Adviser meeting held with Stewart Investors and Aviva Investors on 8 June 2018.

Resolved:

After discussions the Committee **agree** that:

- no change be made to Aviva's mandate at this time;
- Aviva's mandate be further considered in conjunction with the outcome of the global property selection process; and
- the content of the Stewart Investors and Aviva Investors report be noted.

11. Update on Manager presenting – Goldman Sachs Asset Management (GSAM) (Press & Public excluded)

The Committee received a report from John Dickson, Hymans Robertson on GSAM.

Resolved:

The report was noted.

12. Investment Manager Presentation – GSAM (Press & Public excluded)

The Committee received a presentation from Iain Lindsay, Jason Smith and Jason Freeman from GSAM on the active bond mandate.

Resolved:

Following discussions the presentation was noted.

13. Investment Manager Presentation – Aviva (Press & Public excluded)

The Committee received a presentation from Catriona Allen and Sarah Emerson, Aviva Investors and Anne Lucking from LaSalle.

Sarah Emberson from Aviva Investors explained that after reviewing their business model Aviva had taken the decision to sell their £5.3bn AUM real estate multi manager business (REMM) to LaSalle Investment Management.

It was confirmed that for clients of Aviva it would be business as usual and that there would be no impact on the Fund in terms of personnel or commercial terms. It was explained that Aviva Investors would continue to retain overall responsibility for the mandate, the management, however of the indirect part of the mandate would be delegated to LaSalle.

It was explained the expectation was that the transition from Aviva to LaSalle would commence in October, as such Aviva would be looking to seek consent from its clients by the end of August.

Resolved:

Following discussions it was **agreed** that:

- Officers in conjunction with legal services undertake a review of the delegation consent in line with the Fund's Investment Management Agreement;
- the delegation consent be signed, subject to due diligence above; and
- the presentation be noted.

14. Pooling

The Director for Essex Pension Fund gave an update on recent development. It was explained that following the half yearly ACCESS progress update to the Ministry of Housing, Communities & Local Government (MHLG) in April a formal response was imminent.

It was noted that the next Joint Committee meeting is on 19 September, and an update of that meeting will be brought to the next ISC meeting in October. It was also confirmed that a meeting of the S151 Officers of the ACCESS authorities had been scheduled for 25 July whereby they would discuss amongst other topics the ACCESS support unit arrangements.

Resolved:

Following discussions the update was noted.

**15. Urgent Exempt Business
(Press & Public excluded)**

None

**16. Date of Next Meeting
(Press & Public excluded)**

To note the next Essex Pension Fund Strategy Board is on Wednesday 12 September 2018 at 1pm in Committee Room 2.

To note the next Investment Steering Committee is on Wednesday 17 October 2018 at 1pm in Committee Room 2.

There being no further business the meeting closed at 4:24pm

**Chairman
17 October 2018**