

# Essex Pension Fund Investment Steering Committee

|              |                                      |   |
|--------------|--------------------------------------|---|
| <b>11:00</b> | <b>Thursday, 12<br/>October 2017</b> | <b>Committee Room<br/>2,<br/>County Hall,<br/>Chelmsford, CM1<br/>1QH</b> |
|--------------|--------------------------------------|---|

**Quorum: 4**

**Membership**

Councillor S Barker  
Councillor S Canning  
Councillor A Goggin  
Councillor G Mohindra  
Councillor L Scordis  
Councillor K Smith  
Councillor C Souter

**Representing**

Essex County Council (Chairman)  
Essex County Council  
Essex County Council  
Essex County Council  
Essex County Council  
Essex County Council  
Essex County Council

**Observers**

Councillor C Riley  
Sandra Child

Castle Point District Council  
UNISON

**For information about the meeting please ask for:**

Kevin McDonald, Director for Essex Pension Fund

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

**Email:** [kevin.mcdonald@essex.gov.uk](mailto:kevin.mcdonald@essex.gov.uk)



Essex County Council

## **Essex County Council and Committees Information**

All Council and Committee Meetings are held in public unless the business is exempt in accordance with the requirements of the Local Government Act 1972.

Most meetings are held at County Hall, Chelmsford, CM1 1LX. A map and directions to County Hall can be found at the following address on the Council's website:  
<http://www.essex.gov.uk/Your-Council/Local-Government-Essex/Pages/Visit-County-Hall.aspx>

There is ramped access to the building for wheelchair users and people with mobility disabilities.

The Council Chamber and Committee Rooms are accessible by lift and are located on the first and second floors of County Hall.

If you have a need for documents in the following formats, large print, Braille, on disk or in alternative languages and easy read please contact the Committee Officer before the meeting takes place. If you have specific access requirements such as access to induction loops, a signer, level access or information in Braille please inform the Committee Officer before the meeting takes place. For any further information contact the Committee Officer.

Induction loop facilities are available in most Meeting Rooms. Specialist head sets are available from Duke Street and E Block Receptions.

The agenda is also available on the Essex County Council website, [www.essex.gov.uk](http://www.essex.gov.uk). From the Home Page, click on 'Your Council', then on 'Meetings and Agendas'. Finally, select the relevant committee from the calendar of meetings.

Please note that an audio recording may be made of the meeting – at the start of the meeting the Chairman will confirm if all or part of the meeting is being recorded.

## **Part 1**

(During consideration of these items the meeting is likely to be open to the press and public)

|          |  | <b>Pages</b>   |
|----------|--|----------------|
| <b>1</b> | <b>Apologies for Absence</b><br><br>To note the receipt (if any)   |                |
| <b>2</b> | <b>Declarations of Interest</b><br>Any declarations of interest to be made by members of the Committee during the meeting will be noted at this stage  |                |
| <b>3</b> | <b>Minutes</b><br>To approve as a correct record the Minutes of the Investment Steering Committee meeting held on 19 July 2017.  | <b>5 - 10</b>  |
| <b>4</b> | <b>Training - LGPS Knowledge and Skills Framework<br/>Module 7 - financial markets</b><br>To note the presentation from the Director for the Essex Pension Fund and the Independent Investment Adviser.  | <b>11 - 12</b> |
| <b>5</b> | <b>Urgent Business</b><br>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.  |                |
| <b>6</b> | <b>Exclusion of the Public</b><br>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). |                |

## **Lunch**

## **Exempt Items**

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public 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 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

**7 Training - Asset Liability Modelling**

**8 Essex Strategy Review - Asset Liability Study cover**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

**9 Structural Reform of LGPS pooling**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

**10 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.

**11 Date of Next Meeting  
Investment Steering Committee**

15 November 2017

Time 2pm Committee Room 2, County Hall

**Essex Pension Fund Strategy Board**

TBC December 2017

Time 2pm Committee Room 2, County Hall

---

## **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 19 July 2017**

#### **Present**

|                          |          |
|--------------------------|----------|
| Cllr S Barker (Chairman) | Essex CC |
| Cllr A Goggin            | Essex CC |
| Cllr G Mohindra          | Essex CC |
| Cllr L Scordis           | Essex CC |

|   |                               |
|---|-------------------------------|
| Cllr C Riley (Observer representing scheme employers) | Castle Point District Council |
| Sandra Child (Observer representing scheme employees) | UNISON                        |

The following Advisers were present in support of the meeting;

|                         |                     |
|-------------------------|---------------------|
| Rodney Bass             | Specialist Adviser  |
| Mark Stevens            | Independent Adviser |
| Rebecca Craddock-Taylor | Hymans Robertson    |
| John Dickson            | 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) member was present as observer of the meeting:

|            |               |
|------------|---------------|
| Mark Paget | Active Member |
|------------|---------------|

#### **1 Apologies for absence**

Apologies were received from Cllr S Canning and Cllr C Souter (Essex CC). Cllr K Smith (Essex CC) was absent from the meeting.

It was also noted that PAB Member Paul Hewitt was unable to attend.

#### **2 Declaration of Interest**

Cllr Riley declared that he is in receipt of a LGPS pension. Cllr Goggin confirmed his wife is also in receipt of an LGPS pension. Cllr Mohindra made a declaration that his wife was employed by Aviva, but confirmed that her employment was not with the investment management arm of their business.

#### **3 Minutes**

The minutes of the meeting of the Committee which took place on 14 June 2017 were approved as a correct record.

### **3a Support Arrangements**

Cllr Barker confirmed that following the ISC meeting of 4 April 2017, Mr Bass (former Chairman of the ISC) had been contacted and was pleased to confirm that Mr Bass had accepted the role of Specialist Consultant.

Cllr Barker welcomed Mr Bass to his first meeting, under his new remit of Specialist Consultant.

### **4 Investment Strategy Statement (ISS)**

Kevin McDonald, Director for Essex Pension Fund highlighted that at its meeting of 4 April 2017, the Committee agreed that the draft ISS be subject to a full stakeholder consultation which subsequently concluded on 26 June 2017. It was highlighted that the Fund received 8 responses; 3 from the Fund's investment managers; 3 from scheme employers and 2 from individual scheme members.

It was confirmed that minor changes had made to the ISS to improve clarity and aid understanding.

Following discussions the Committee **agreed**:

- that a letter be drafted to an individual member;
- to the minor presentational revisions made to the ISS, including those highlighted in the report and in the meeting; and
- the ISS, as amended, be published.

### **5 Markets in Financial Instruments Directive Update (MIFID II)**

Kevin McDonald, Director for Essex Pension Fund highlighted the recent developments regarding MiFID II and the potential impact it will have on the Fund.

As previously highlighted to the Committee, Administering Authorities of LGPS Funds are at present classified as 'professional clients'. As a consequence they are able to invest in more complex investment solutions and asset classes. MiFID II when effective would automatically classify LGPS Funds as 'retail clients' thus limiting the investment solutions open to the Fund. Administering Authorities will have the option to 'opt up to Elective Professional Status' subject to meeting certain qualitative and quantitative tests.

It was confirmed that the Financial Conduct Authority (FCA) had now issued its final policy statement setting out the rules for implementation of the (MiFID II) effective from 3 January 2018. The policy sets out the 'opt up' criteria. It was explained that the criteria had been revised so as to make it easier for local authorities administering LGPS pension funds to elect to be treated as 'professional' rather than retail clients.

The Committee **agreed** that:

- Officers in consultation with the Chairman, progress the necessary actions aimed at achieving elective professional status for the Fund w.e.f. 3 January 2018; and
- the report be noted.

---

**6 Urgent Part 1 Business**

Kevin McDonald, Director for Essex Pension Fund was pleased to inform the Committee that the Fund had been shortlisted at the forthcoming LAPF awards.

Members were kindly reminded to provide their contact details to Officers so arrangements can be made in respect of their InfoBoard registration setup.

**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:

- Structural Reform of the Local Government Pension Scheme (LGPS) – Pooling;
- Q4 March 2017 Investment Tables;
- Investment Manager Update – O&A briefing note;
- Update on Investment Managers presenting – Stafford Timberland and Partners Group;
- Investment Manager Presentation – Stafford Timberland; and
- Investment Manager Presentation – Partners Group.

**8 Structural Reform of the Local Government Pension Scheme – 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.

The progress on the four key work streams; Governance Client Function; Sub-Fund design; Operator Procurement and Passive Provider Procurement was outlined. Members were informed that work was underway in finalising the Invitation to Tender (ITT) documentation for the Operator procurement and that the outcome from the collective procurement of the passive management via the National LGPS Framework would be soon be finalised.

It was also confirmed that the augural meeting of the Joint Governance Committee would take place on 31 July 2017 and that Cllr Canning would deputise for Cllr Barker who unfortunately, will be unable to attend the meeting.

The Committee noted:

- the four workstreams that are currently in progress;
- the progress made in respect of finalising the ITT documentation for the Operator procurement; and
- that the outcome of the Passive Procurement will be communicated to the Joint Governance Committee before being brought back to the ISC for ratification.

---

**9 March 2017 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 March 2017.

The value of the Fund increased from £5.739bn as at 31 December 2016 to a value of £6.031bn as at 31 March 2017.

The report was noted.

**10 Annual Review of Investment Performance for the year ended 31 March 2017**

(Press & public excluded)

The Committee received a presentation from Rebecca Craddock-Taylor from Hymans summarising the investment performance to 31 March 2017 of the investment managers of the Fund along with a synopsis of market conditions during this time.

It was noted that the Fund's performance for the year ending 31 March 2017 was 20.1% which was 2.5% ahead of the Fund's benchmark.

Following discussions the report was noted.

**11 Investment Manager Update - Officer & Adviser Briefing Note**

(Press & public excluded)

The Committee received a report on the Officer & Adviser meeting held on 3 July 2017 at which Legal & General (L&G) and Stewart Investors was present.

After discussions the Committee **agree** that:

- further discussions be held to ascertain the background to the recent personnel departures at Stewart Investors;
- the solution proposed by L&G whereby the portfolio managed by L&G be placed in a fund wrapper, the wrapper would then facilitate the Fund's existing currency hedge arrangements in line with new collateral regulations requirements;
- Officers in conjunction with Advisers proceed with the necessary paperwork;
- Advisers are to discuss the recent personnel departures at Stewart Investors with Commonwealth Bank of Australia; and
- the report be noted.

**12 Update on Investment Managers presenting – Stafford Timberland and Partners Group**

(Press & public excluded)

The Committee received a report from John Dickson from Hymans Robertson on Stafford Timberland and Partners Group.

Following discussions the report was noted.



### **13 Investment Manager Presentation – Stafford Timberland**

(Press & public excluded)

The Committee received a presentation from Angus Whitely and Steve Addicott from Stafford Timberland on the timber mandate.

It was **agreed** that:

- a further £40m be committed to Stafford's SIT VIII Fund;
- Officers in conjunction with Advisers complete the necessary due diligence and paperwork; and
- the presentation be noted.

### **14 Investment Manager Presentation – Partners Group**

(Press & public excluded)

The Committee received a presentation from Sarah Brewer and Esther Peiner from Partners Group on the infrastructure mandate.

The presentation was noted.

### **15 Urgent Exempt Business**

(Press & public excluded)

There was none.

There being no further business, the meeting closed at 5.10pm.

**Chairman**  
**12 October 2017**



|                                      |                      |
|--------------------------------------|----------------------|
| <b>Investment Steering Committee</b> | <b>AGENDA ITEM 4</b> |
| date: 12 October 2017                |                      |

**LGPS Knowledge & Skills Framework: Module 7 - financial products & market knowledge**

Report by the Director for Essex Pension Fund in consultation with the Independent Investment Adviser, Mark Stevens

---

Enquiries to Kevin McDonald on 03330 138488

**1. Purpose of the Report**

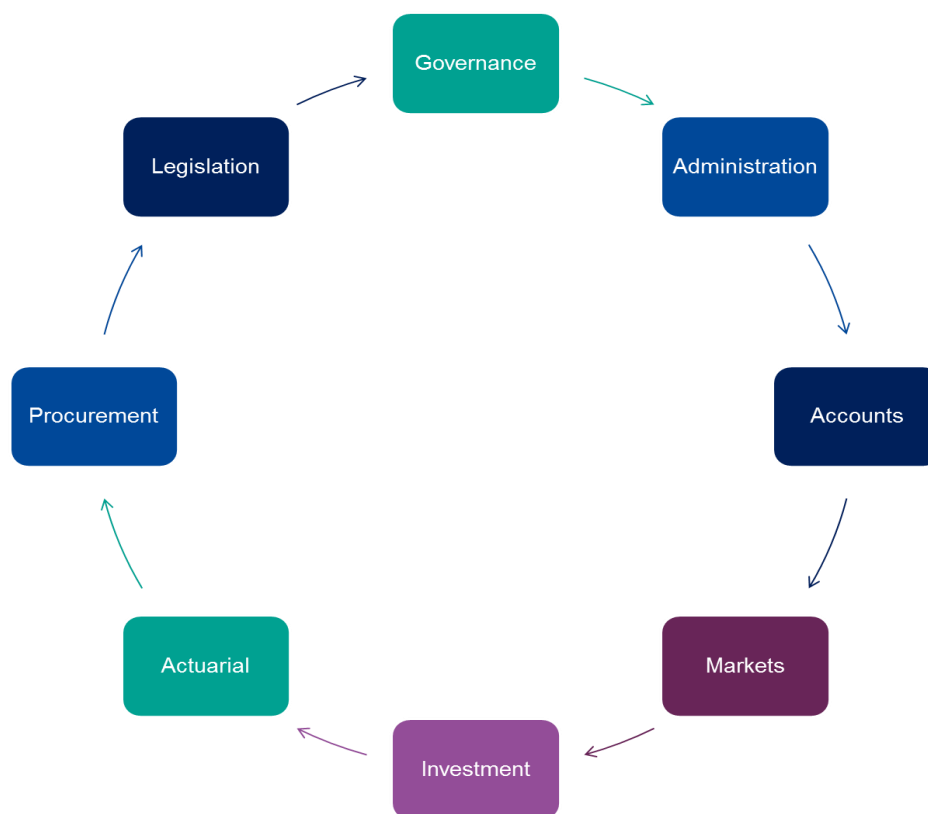
- 1.1 To set the context for the training to be delivered in the first part of Committee's meeting.

**2. Recommendation**

- 2.1 To note the report.

### 3. Knowledge & Skills training

- 3.1 CIPFA have developed a knowledge & skills framework setting out the requirements for both elected members and practitioners who have an involvement in the LGPS. This when applied with the Pension Regulator's Code of Practice that sets out the key principles and statements provides a structure on which to measure the skills and knowledge required for effective decision making in the LGPS.
- 3.2 The eight modules of the framework are set out below and the intention is to cover each module before March 2019. Each module requires the completion of a number of multiple choice questions.



### 4. Progress to date and immediate plans:

|            |  |
|------------|--|
| Accounts   | The <i>Accounting &amp; Audit Regulations</i> training was delivered at the Pension Strategy Board on <b>13 September</b>    |
| Markets    | The <i>Financial Products &amp; Market Knowledge</i> training will take place at this ISC meeting ( <b>12 October</b> )      |
| Investment | The <i>Investment Performance &amp; Risk Management</i> training is scheduled for the next ISC meeting on <b>15 November</b> |