

Essex Pension Fund
Investment Steering Committee (ISC)

Minutes of a meeting of the Essex Pension Fund Investment Steering Committee held at 1:00pm at County Hall, Chelmsford on 23 July 2014

Present

Cllr R L Bass (Chairman)	Essex CC
Cllr N Hume	Essex CC
Cllr S Barker	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

The following Essex Pension Fund Board members were present;

Charles Garbett	Essex Pension Fund Board
Cllr Seagars	Essex Pension Fund Board

The following Advisers were present in support of the meeting;

Keith Neale	Independent Adviser
Matt Woodman	Hymans Robertson
Claire Ballantyne	Hymans Robertson
Phil Spencer	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

1 Apologies for absence

Apologies were received from Margaret Lee (Executive Director for Corporate Services & Corporate Operations) and Keith Blackburn (Observer representing scheme members, UNISON)

2 Declaration of Interest

There were none.

3 Minutes

The minutes of the meeting of the Committee which took place on 18 June 2014 were approved as a correct record.

4 Matters of Interest

Kevin McDonald highlighted to the Committee details of the forthcoming Local Government Chronicle (LGC) Investment Summit in Wales on 8 – 10 September 2014.

Members were asked that if they wish to attend to bring this to the attention of Fund Officers by the end of the month. The report was noted.

5 Urgent Part 1 Business

There were none.

6 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:

- Annual Investment Monitoring Report;
- Review of Manager Line Up;
- Review of Investment Manager Benchmarks;
- Illiquid Debt Mandate RfP Analysis Report;
- Manager Presentation - Alcentra;
- Manager Presentation - Highbridge; and
- Manager Presentation - Partners

7 Annual Investment Monitoring Report

(Press & public excluded)

Kevin McDonald highlighted to the Committee the Total Fund performance previously reported at the 18 June meeting was in the process of being revised.

Following investigations by Officers & Advisers it has been established that some of Northern Trust's property valuations required revision. An increase in the annual return was expected. A provisional estimation of approximately 9.5% had been made, but the full process had yet to be completed. In addition the benchmark for the year had also been revised downward from 9.8% to 9.5% due to a property related adjustment.

The Committee then received a presentation from Matt Woodman summarising the investment performance to 31 March 2014 of the investment managers of the Fund along with a synopsis of market conditions during this time.

Following discussions the report was noted.

8 Review of Manager Line Up

(Press & public excluded)

The Committee received a presentation from Matt Woodman 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. All managers passed both hurdles except Marathon. Matt Woodman highlighted that Marathon didn't reach its qualitative hurdle following the departure of one of the three co-founding partners in late 2012. Despite this, performance has however remained strong over this period.

Matt Woodman also highlighted that a review of manager fees had been undertaken and had shown that Essex was paying on average below the UK pension fund market universe for most managers.

Following discussions the report was noted.

9 Review of Investment Manager Benchmarks

(Press & public excluded)

The Committee received a presentation from Matt Woodman which considered how appropriate the individual benchmark indices were for each Fund Manager. Matt explained as the Fund and markets have evolved over the last few years some of the benchmarks have become less appropriate and in respect of the global equity managers less comparable.

Following discussions **it was agreed:**

- To amend the benchmarks to as follows:

Equity

- to amend the benchmark with Longview from the MSCI World Index to the MSCI AC World Index to be in line with the other global equity managers;
- measure all active equity index returns on a gross of withholding tax basis;
- to discuss with the Custodian a move towards producing performance net of fees;

Bonds

- to amend the benchmark with M&G from 1 month LIBOR to 1 month LIBOR plus 2% p.a.;
- to amend the benchmark with GSAM from 3 month LIBOR to 3 month LIBOR plus 2% p.a.

Alternatives

- amend the benchmarks of both infrastructure mandates from 3 month LIBOR to CPI + 4%;
- introduce the MSCI World PME Index as a benchmark for Hamilton Lane's private equity mandate;
- formalise the NCREIF Timberland Index as a benchmark for Stafford's timberland index for both manager and ISC reporting; and
- adopt the IPD UK Quarterly Property Index for Aviva's mandate.

10 Illiquid Debt Mandate RfP Analysis Report

(Press & public excluded)

The Committee received a presentation from Claire Ballantyne from Hymans Robertson outlining the Illiquid Debt mandate selection process to date.

It was explained that of the 32 managers that had applied for the Request for a Proposals (RfP), 15 were completed and returned. Each submission was evaluated against the qualifying criteria. Of which 3 managers; Alcentra, Highbridge and Partners met the required qualifying score and were then invited to interview.

Following discussions the report was noted.

11 Manager Presentation - Alcentra

(Press & public excluded)

The Committee received a presentation from Simon Perry and Paul Hatfield.

12 Manager Presentation – Highbridge

(Press & public excluded)

The Committee received a presentation from Purnima Puri and Jennifer Severance.

13 Investment Manager Presentation – Partners

(Press & public excluded)

The Committee received a presentation from Stefan Naf and Juri Jenkner.

Following consideration of the presentations and discussion **it was agreed:**

- the officers and advisers be authorised to finalise the arrangements with the Committees preferred Manager and report back; and
- that in light of the Committee's decision and the recent publication of the Law Commission's report on the *Fiduciary Duties of Investment Intermediaries* a revised draft SIP be brought to the next ISC meeting for the Committee's consideration.

14 Urgent Exempt Business

(Press and public excluded)

There was none.

There being no further business, the meeting closed at 5:05pm.

Chairman
22 October 2014