



Essex County Council

Essex Pension Fund Investment Steering Committee

09:45	Wednesday, 24 March 2021	Online Meeting,
--------------	-------------------------------------	------------------------

The meeting will be open to the public via telephone or online. Details about this are on the next page. Please do not attend County Hall as no one connected with this meeting will be present.

For information about the meeting please ask for:

Amanda Crawford, Compliance Manager

Telephone: 03330 321763

Email: Amanda.crawford@essex.gov.uk

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.

In accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, this meeting will be held via online video conferencing.

Members of the public will be able to view and listen to any items on the agenda unless the Committee has resolved to exclude the press and public from the meeting as a result of the likely disclosure of exempt information as defined by Schedule 12A to the Local Government Act 1972.

How to take part in/watch the meeting:

Participants: (Officers and Members) will have received a personal email with their login details for the meeting. Contact the Compliance Team if you have not received your login.

Members of the public:

Online:

You will need the Zoom app which is available from your app store or from www.zoom.us. The details you need to join the meeting will be published as a Meeting Document, on the Meeting Details page of the Council's website (scroll to the bottom of the page) at least two days prior to the meeting date. The document will be called "Public Access Details".

By phone

Details to join by telephone from the United Kingdom will also be published as a Meeting Document, on the Meeting Details page of the Council's website (scroll to the bottom of the page) at least two days prior to the meeting date. The document will be called "Public Access Details".

You will be asked for a Webinar ID and Password, these will also be published as a Meeting Document, on the Meeting Details page of the Council's website (scroll to the bottom of the page) at least two days prior to the meeting date. The document will be called "Public Access Details".

Accessing Documents

If you have a need for documents in, large print, Braille, on disk or in alternative languages and easy read please contact the Compliance Team before the meeting takes place. For further information about how you can access this meeting, contact the Compliance Team.

The agenda is also available on the Essex County Council website, www.essex.gov.uk From the Home Page, click on 'Running the council', then on 'How decisions are made', then 'council meetings calendar'. 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.

		Pages
1	Essex Pension Fund Investment Steering Committee Membership, Apologies and Declarations of Interest	7 - 8
	To receive a report from the Compliance Manager	
2	Minutes	

2a	Minutes of ISC Meeting 20 January 2021	9 - 20
	To approve as a correct record the minutes of the Committee meeting held on 20 January 2021	
2b	Minutes of ISC Appointment Sub Committee (ASC) Meeting 10 March 2021	21 - 24
	To approve as a correct record the minutes of the Appointment Sub Committee meeting held on 10 March 2021	
3	Outcome of the Responsible Investment Workshop	25 - 38
	To consider a joint report and presentation from the Interim Director for Essex Pension Fund and Investment Manager in consultation with Hymans Robertson and the Independent Investment Adviser	
4	Essex Pension Fund Treasury Management Strategy 2021/22	39 - 66
	To consider a report from the Interim Director for Essex Pension Fund	
5	Capital Markets Outlook: Q4 2020 highlights	67 - 68
	To receive a report from Hymans Robertson which has been provided as a supplement to this pack	
6	Schedule of Future Meetings and Events	69 - 72
	To receive a report from the Compliance Manager	
7	Urgent Business	
	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.	

Exempt Items

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

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or

not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

8 Direct Lending mandate Request for Proposal (RfP) Report

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

9 Direct Lending Interviews

To receive presentations from three Direct Lending Managers and to consider appointing a Direct Lending Manager

10 Structural Reform of the Local Government Pension Scheme - Pooling Quarterly update of ACCESS Joint Committee (AJC)

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

11 Quarterly Investment Manager Monitoring

11a Quarterly Investment Manager Monitoring - Traffic Light Rating Report

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

11b Investment Tables: Quarter ended 31 December 2020

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

11c Baillie Gifford Equity Portfolio Rebalancing

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

12 Investment Strategy

12a Investment Strategy Update: Strategy Implementation Tracker

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

12b Investment Strategy: Next Steps on Strategy Implementation - Stage 4 proposal

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

13 Institutional Investment Consultant (IIC) Arrangements

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

14 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.

Essex Pension Fund Investment Steering Committee	ISC 01
Date: 24 March 2021	

Essex Pension Fund Investment Steering Committee Membership, Apologies and Declarations of Interest

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

1. Purpose of the Report

- 1.1 To present Membership, Apologies and Declarations of Interest for the 24 March 2021 ISC.

2. Recommendation

- 2.1 That the Committee should note:

- Membership as shown opposite;
- Apologies and substitutions; and
- Declarations of Interest to be made by Members in accordance with the Members' Code of Conduct and the Essex Pension Fund's Conflict of Interest Policy.

3. Membership

(Quorum: 4)

6 Conservative Group: 1 Labour Group

Membership

Representing

Councillor S Barker

Essex County Council (Chairman)

Councillor M Platt

Essex County Council (Vice Chairman)

Councillor A Goggin

Essex County Council

Councillor A Hedley

Essex County Council

Councillor M Maddocks*

Essex County Council

Councillor L Scordis

Essex County Council

Councillor C Souter

Essex County Council

Observers

Councillor C Riley

Castle Point Borough Council

Sandra Child

Scheme Members

**Non-Aligned Group have indicated that they do not wish to take their place on this Committee, so it is for the Council to decide the allocation. The Conservative Group, as the majority Group, have indicated that they wish to take the vacancy.*

Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held at 10:00am as an online video conference on 20 January 2021

1. Membership, Apologies and Declarations of Interest

The report of the Membership, Apologies and Declarations of Interest were received.

Membership

Present:

Essex County Council

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)
Cllr A Goggin	
Cllr A Hedley	
Cllr M Maddocks	
Cllr L Scordis	
Cllr C Souter	

Scheme Employer Representative

Cllr C Riley	(Observer)	joined 10:57am
--------------	------------	----------------

Scheme Member Representative

Sandra Child (UNISON)	(Observer)
-----------------------	------------

Cllr M Durham, Substitute Member, attended the meeting as an Observer.

The following Officers and Advisers were also present in support:

Jody Evans	Interim Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Sara Maxey	Employer Manager
Amanda Crawford	Compliance Manager
Helen Pennock	Compliance Analyst
Marcia Wong	Compliance Officer

Mark Stevens	Independent Investment Adviser
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson

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

Cllr M Bracken	Employer Representative
Andrew Coburn	Scheme Member Representative (UNISON)

Members noted that the meeting would be recorded to assist with the Minutes.

Opening Remarks

The Chairman welcomed the Committee and Observers to the meeting.

Apologies for Absence

It was noted that PAB Members: Nicola Mark; Cllr S Walsh; Stuart Roberts; and Debs Hurst sent their apologies.

Declarations of Interest

Declarations were received from:

Cllr S Barker declared she was in receipt of an Essex LGPS pension and that her son was also a member of the Essex LGPS. Cllr S Barker also declared she is an ECC Cabinet Member and sits on the Foreign Travel Committee;

Cllr M Platt declared that he is the Deputy Cabinet Member for Environment & Climate Change Action and is the Vice Chairman of the Audit, Governance and Standards Committee;

Cllr A Goggin declared that his wife, sister and brother-in-law were in receipt of an Essex LGPS pension;

Cllr A Hedley declared that he was in receipt of an Aviva Group Pension and is Chairman of the Audit, Governance and Standards Committee; and

Cllr M Maddocks, Cllr C Riley and Sandra Child declared they were in receipt of an Essex LGPS pension.

Resolved:

The Committee noted the report.

2a. Minutes of ISC meeting 21 October 2020

The Chairman advised the Committee that there was one minor amendment to be made to the 21 October 2020 ISC Minutes on page 15, under item 9b, AJC 17 July 2020, with the sentence to be amended to read 'a 12 month extension until the end of July 2021'. The revised Minutes of the meeting were subsequently approved as a correct record and signed by the Chairman.

Matters Arising. It was noted:

- the approved Investment Strategy Statement (ISS) had been published on the Fund's website on 23 October 2020;
- preparatory work for the Fund to become a signatory of the Financial Reporting Council (FRC) UK Stewardship Code 2020, by the agreed

deadline of March 2022, was in progress and an update be brought to a future meeting;

- the three Operator Amendments approved by the ISC at the last meeting were actioned on 22 October 2020 and the revised Inter Authority Agreement was approved at Full Council on 08 December 2020;
- the AJC Agenda Pack and Summary Note was issued to all Committee Members via email on 23 November 2020;
- the second tranche of rebalancing Baillie Gifford mandate was implemented during December 2020; and
- the revised Investment Scorecard Measures agreed at the last ISC meeting were reported to the 16 December 2020 PSB meeting.

Members were informed that the remaining matters arising would be dealt with through the Agenda Pack.

2b. Minutes of ISC Appointment Sub Committee 09 December 2020

The Minutes of the meeting of the ISC Appointment Sub Committee held on 09 December 2020 were approved as a correct record and signed by the Chairman.

3. Schedule of Future Meetings and Events

The Committee received a report from the Compliance Manager detailing the proposed schedule of meetings for the forthcoming municipal year 2021/22 as follows:

Investment Steering Committee

16 June 2021	10am - 4pm
13 October 2021	10am - 1pm
24 November 2021	10am - 4pm
23 February 2022	10am - 1pm

Training Days

To be confirmed

It was recommended that the current Committee meeting arrangements and structure be further reviewed in 12 months' time as it was felt that the effectiveness of these arrangements had not been fully tested due to the virtual nature of the Committee meetings since July 2020.

Resolved:

The Committee **agreed:**

- the planned meeting dates for 2021/22; and
- the extension of the current meeting arrangements for a further 12 months.

The Committee noted the content of the report.

4. Urgent Part I Business

There were none.

Exclusion of the Public and Press

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

Resolved:

The Chairman brought to the attention the above statement and the Committee **agreed** to proceed.

The Chairman informed Members that the meeting would reconvene at 10:15am following a short adjournment.

The meeting was adjourned at 10:07am

.....

The Committee reconvened at 10:15am

Opening Remarks

The Chairman welcomed back the Committee and Observers.

5. Quarterly Investment Manager Monitoring

5a. Traffic Light Rating Report

Hymans Robertson provided the Committee with a report and presentation which provided a summary of their current views on some of the Fund's Investment Managers including a Responsible Investment rating on the Managers where available.

The Vice Chairman enquired as to whether the traffic light rating RAG status could be reflected throughout the report. It was subsequently confirmed this would be implemented for the next Committee meeting.

An update was also provided in regard to the Property review and it was confirmed that a report along with recommendations would be brought to a future meeting.

Resolved:

The Committee noted the content of the report.

5b. Investment Tables Quarter ended 30 September 2020 and Provisional 31 December 2020 Fund Values.

The Committee received an update from the Independent Investment Adviser on details of the Fund's investment performance against their benchmark for the quarter ended 30 September 2020.

An update was also provided on the provisional value of the Fund as at 31 December 2020.

Members noted that the Fund had reached a new high of £8.4bn.

Resolved:

The Committee noted the content of the report.

5c. Baillie Gifford Equity Portfolio Rebalancing

It was confirmed that the second tranche of Baillie Gifford's rebalancing agreed at the 21 October 2020 meeting had been implemented.

Hymans Robertson explained that Baillie Gifford have since continued to outperform and as such recommended that the Committee proceed with the third tranche of rebalancing its mandate with the possibility that further rebalancing may be required in the future.

The Committee requested further analysis to quantify the effectiveness of the rebalancing implemented to date.

Resolved:

The Committee **agreed:**

- that the remaining third tranche of Baillie Gifford's overweight equity position be trimmed by reducing the overweight position by an additional £110m;
- to use the proceeds from the Baillie Gifford rebalancing to further top up the bond allocation of M&G's active bond mandate; and
- that Baillie Gifford's equity mandate overweight position be monitored and kept under review.

The Committee noted the content of the report.

6. Institutional Consultant Review Competition and Markets Authority (CMA) Strategic Objectives

Members were reminded of the CMA requirement to set strategic objectives for the Fund's Institutional Consultant. Following agreement at the November 2019 meeting, a meeting was held on 10 January 2020 with the ISC Chairman, Vice Chairman, Fund Officers and John Dickson, Hymans Robertson, where an initial baseline assessment against those objectives were agreed.

It was explained that a follow up meeting had been held on 14 December 2020 where progress against the objectives was reassessed. Members were pleased to note that the direction of travel was positive, however, there were a few areas particularly around the delivery of training that would benefit from further development. Members were requested to take a moment after Item 9 of today's Agenda to provide feedback on the delivery of training that was being piloted in the meeting.

Officers confirmed that in addition to the setting of strategic objectives for the Institutional Consultant the Fund was required to submit to CMA by 7 January 2021 a statement of compliance to that effect. It was confirmed that this had been actioned on 21 December 2020.

Resolved:

The Committee noted:

- the augural assessment against the baseline, as set out in Appendix A of the report, of the strategic objectives of the Fund's Institutional Investment Consultant, Hymans Robertson;
- Fund Officers would periodically monitor and review Hymans Robertson's progress and establish next steps as and when applicable;
- a formal assessment would be undertaken in 12 months' time with Hymans Robertson, and the outcome would be reported back to the ISC in Q4 2021/22;
- in the event that Hymans Robertson are not successful in the upcoming Institutional Investment Consultant re-tender then a formal meeting be arranged with the new consultant at the commencement of the appointment to formalise their strategic objectives;
- note the requirement to submit a compliance statement to the CMA by 07 January 2021 confirming compliance with part 7 of the CMA, by setting strategic objectives for the investment consultant and then annually thereafter.

The Committee noted the content of the report.

7. Structural Reform of the LGPS - Pooling Quarterly update of ACCESS Joint Committee (AJC)

The Interim Director for Essex Pension Fund outlined the latest developments in respect of the structural reform of the LGPS.

It was confirmed that since the last ISC meeting on 21 October 2020 the revised Inter-Authority Agreement (IAA) had been agreed at Essex County Council's Full Council meeting on 8 December and was now reflected within the ECC Constitution. In addition, the three amendments agreed to the Operator Agreement had also been actioned.

It was noted that the ACCESS Joint Committee (AJC) has meet twice since the last ISC meeting, on the 12 November 2020 and 13 January 2021 respectively.

The full Agenda from the meeting held 12 November 2020 was circulated to ISC Members on 23 November 2020 along with a Summary Note which had also been included at Appendix A of the report.

Members were reminded that the main areas of business at the 12 November 2020 AJC included:

- the agreement to the appointment of Engine MHP to provide external communication support;
- an update on sub fund launch progress;
- an update for pooling alternative assets;
- the conclusion of the Key Performance Indicator (KPI) negotiations;
- the procurement for external professional advice to assist on Environment, Social and Governance (ESG)/Responsible Investment (RI) matters;
- an update on Business Plan deliverables and Key Risks; and
- a BAU Evaluation Workshop provided by Hymans Robertson.

The Interim Director for Essex Pension Fund further updated the Committee with the main areas of business covered at the recent 13 January 2021 AJC and reminded Members that the full Agenda of this meeting would be circulated to all Members once the pack and Summary Note were available.

Resolved:

The Committee noted:

- the update in respect of the launch of tranche 5a sub funds and the progress in regard to tranche 4a;
- the update in respect of activities taken place so far in regard to pooling alternative assets and forthcoming plans;
- the contract and supplier relationship management update including the conclusion of the Key Performance Indicators (KPI) negotiations;
- the approach and timetable to procuring external professional advice on Environmental, Social and Governance (ESG) and Responsible Investment (RI) matters to assist in the drafting of ESG and RI Pool guidelines for the ACCESS Pool;
- the outcome of the procurement process and the appointment of Engine MHP to provide external communication support to ACCESS for a fixed term of two years;
- the question and answer update produced by ACCESS's legal advisers, Squire Patton Boggs detailing how fiduciary duties apply with the LGPS;
- the update and progress made against Business Plan deliverables and Budget Forecast;
- ACCESS Pool's key risks, changes to risk profile and risk ratings;
- the Summary Note of 12 November 2020 AJC; and
- the informal workshop held with Hymans Robertson to discuss the initial findings in regard to the Scheduled Business as Usual (BAU) Evaluation.

The Chairman informed Members that the meeting would reconvene at 11:00am following a short adjournment.

The meeting was adjourned at 10:49am

.....

The Committee reconvened at 11:00am

8. Investment Strategy Review – Asset Liability Review

The Committee received an interactive training session from John Dickson, Hymans Robertson on the theory on Asset Liability Modelling. This was followed by a presentation on the results of the Asset Liability Review undertaken as part of the wider review of the Fund's Investment Strategy following the 2019 Actuarial Valuation.

Whilst Members agreed that the programme of de-risking remained appropriate, it was suggested in light of the results whether the composition of Stage 3 needed to be revisited to avoid unnecessary churn and cost in the future.

Resolved:

The Committee **agreed**:

- that Stage 3 of the de-risking programme, moving to 45% equities remains appropriate and as such to continue to implement Stage 3 taking consideration of the results of the Asset Liability Review;
- following the completion of Stage 3 and it being well established to give further consideration as to whether there is merit in further de-risking;
- at that point, to conduct some scenario testing to assess what action might be taken if the funding position was to improve or deteriorate significantly; and
- the analysis and conclusions in the report be noted.

The Chairman informed Members that the meeting would reconvene at 12:40pm following an adjournment for lunch.

The meeting was adjourned at 12:06pm

.....

The Committee reconvened at 12:45pm

9. Responsible Investment (RI) Policy/Passive Review

The Committee received a training session from Matt Woodman, Hymans Robertson on how the ISC can ensure that the Fund's passively managed assets are invested in line with the Fund's RI Policy. It was explained that unlike actively managed assets, the ISC could influence the stocks held by the passive manager

by defining the benchmark index to be tracked. Following a brief recap of the Fund's RI Policy and the Beliefs that helped formulate the Policy the Committee was split into two breakout groups to discuss their views. These were then reported back to the main Committee meeting.

Resolved:

The Committee noted:

- these discussions formed the start of a process and that further deliberation would be held at a future meeting; and
- the training and presentation.

10. Procurements

10a. The Provision of Global Custodian Services Arrangements

The Committee received a report from the Investment Manager outlining a proposal in regard to the re-procurement for the provision of the Fund's Global Custodian Services.

It was explained that the current arrangements with Northern Trust will terminate on 11 September 2021. Members were reminded of the Committee's decision in 2016 following the outcome of the Service Review of the custodian arrangements whereby Members were keen to participate in a collective ACCESS solution.

It was explained that the Fund, along with other ACCESS representatives, have over the last 12 months been working with the National LGPS Framework Team to establish a new Custodian Framework which is due to go live during February 2021. It was therefore, proposed that consideration be given to collectively procure a global custodian with other participating ACCESS funds with the outcome to be brought back to a future meeting for ratification.

Resolved:

The Committee **agreed:**

- the Fund participate in the collective procurement of the provision of Global Custodian Services with other participating ACCESS funds, utilising the LGPS Custodian Services Framework with the outcome to be reported back to the Committee at a future meeting.

The Committee noted the content of the report.

An update was also provided in regard to the procurement for a new Direct Lending mandate, agreed at the 21 October 2020 ISC meeting with the intention that, interviews with the shortlisted candidates be held at the next ISC meeting on 24 March 2021.

10b. Independent Investment Adviser (IIA) Arrangements Update

The Interim Director for Essex Pension Fund provided an update on the outcome of the IIA re-tender process.

Members were reminded that following their previous meeting the seven candidates longlisted were invited to an interview with Officers in November from which a shortlist of the three highest scoring candidates were identified.

The top three candidates were invited to be interviewed by the ISC ASC made up of Cllr Platt, Cllr Hedley and Sandra Child on 09 December 2020.

Following deliberation Mark Stevens was reappointed to the position of the IIA commencing on 01 January 2021, for a term of three years, with an option to extended for a further two years, subject to periodic review.

The Vice Chairman thanked the other ASC Members for their participation and extended his thanks to Officers for their hard work and recommended for future adviser procurement appointments the establishment of an ISC ASC.

Resolved:

The Committee noted the outcome of the ISC ASC on the 09 December 2020.

The Chairman requested John Dickson and Matt Woodman, from Hymans Robertson to leave the virtual meeting room to enable the following Agenda Item to be discussed.

John Dickson and Matt Woodman left the meeting at 13:52pm.

10c. Institutional Investment Consultant (IIC) Arrangements

The Committee received a report from the Interim Director for Essex Pension Fund and the Investment Manager on the Institutional Investment Consultant (IIC) contract arrangements that are due to cease on 31 March 2021.

Members were reminded that all LGPS funds are required to seek professional advice in making investment decisions.

It was explained, unlike the recent IIA re-tender the Fund could utilise the National LGPS Framework for this procurement, saving considerable time and cost.

Consideration was given to the proposal, timeline and approach for re-tendering of the IIC.

Resolved:

The Committee **agreed:**

- that Fund Officers commence the re-tender process of the IIC contract, issuing the Invitation to Tender (ITT) to the five participants on the National LGPS framework, with the aim of enabling shortlisted candidates to be interviewed by Committee Members in March 2021;
- to establish an ASC for the shortlisted candidates to be interviewed;
- the ASC be made up of: Cllr Barker; Cllr Platt and Sandra Child;
- the ASC would agree a date for the interviews to take place after the meeting.

The Committee noted the content of the report.

11. Urgent Exempt Business

There were none.

12. Closing Remarks

There being no further business the meeting closed at 1:55pm.

Chairman
24 March 2021

Minutes of the Appointment Sub Committee (ASC) of the Essex Pension Fund Investment Steering Committee (ISC), held at 9:00am as an online video conference on 10 March 2021

1. Membership, Apologies and Declarations of Interest

The report of the Membership, Apologies and Declarations of Interest were received.

Membership

As agreed by the Investment Steering Committee on 20 January 2021 the Membership of the Appointment Sub Committee (ASC) was noted as:

Present:

Essex County Council

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)

Scheme Member Representative

Sandra Child (UNISON)

The following Officers were also present in support of the meeting:

Jody Evans	Interim Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager

The following Adviser was also present in support of the meeting:

Mark Stevens	Independent Investment Adviser (IIA)
--------------	--------------------------------------

Opening Remarks

The Chairman welcomed the Members, Officers and Adviser to the ASC.

Apologies for Absence

There were none.

Declarations of Interest

Declarations were received from:

Cllr S Barker declared that she is in receipt of an Essex LGPS Pension and that her son is a current member of the Essex Pension Fund. In addition, she sits on the Foreign Travel Committee and is a Cabinet Member;

Cllr M Platt declared that he is the Deputy Cabinet Member for Environment & Climate Change Action and is the Vice Chairman of the Audit, Governance and Standards Committee; and

Sandra Child declared that she is in receipt of an Essex LGPS pension.

Resolved:

The Committee noted the content of the report.

2. Urgent Part I Business

There were none.

Exclusion of the Public and Press

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

Resolved:

The Chairman brought to the attention the above statement and the ASC **agreed** to proceed.

The Chairman informed Members that the meeting would reconvene immediately on Microsoft Teams following a short adjournment from Zoom.

The meeting was adjourned at 9.05am

.....
The ASC reconvened at 9.06am

3. Institutional Investment Consultant (IIC) Arrangements

The Investment Manager took the ASC through a presentation which outlined the selection process to date.

It was explained that the re-procurement of the IIC is included within the Fund's 2020/21 Business Plan and at the 20 January 2021 ISC, the Committee agreed to once again utilise the National Local Government Pension Scheme (LGPS) Framework in regard to the re-procurement and to establish the ISC ASC for the appointment.

It was explained that the Investment Management Consultancy Services framework is split across 3 Lots:

- Lot 1 – Investment Consultant Services;
- Lot 2 – Manager Search, Selection, Monitoring and Review Services; and
- Lot 3 – Investment Management Consultancy-related Specialist Services.

Fund Officers in consultation with the IIA, agreed to procure the IIC jointly under Lots 1 and 2 and the Invitation to Tender drafted to that effect.

It was noted that following that meeting, the ITT was issued to all five Framework participants. Two responses were received by the 12 February 2021 deadline. These were:

- Hymans Robertson LLP; and
- Redington Ltd.

From 15 February to 26 February 2021, Fund Officers and the IIA carried out individual evaluations against the criteria set out within the ITT. This was followed by a moderation meeting on 01 March 2021 with Fund Officers and the IIA.

Members were informed that both Consultants were invited to attend the ASC as it was felt that whilst only two submissions were received, both were of sufficient high quality.

An overview of the shortlisted interviews process was noted. It was explained that each Consultant had been instructed to develop a presentation lasting no longer than 45 minutes to answer the following question:

“Why are you right for the Essex Pension Fund and its Employers?”

Resolved:

The Committee noted the content of the report, update and presentation.

Interview 1: John Dickson and Matt Woodman from Hymans Robertson LLP

The Committee were advised that the second interview would take place following an adjournment.

The meeting was adjourned at 10.23am

.....

The ASC reconvened at 11.25am

Interview 2: Pete Drewienkiewicz, Karen Heaven and Alessia Lenders from Redington Ltd

Resolved:

The Committee interviewed each Consultant listed above for the position of IIC to the Fund.

4. Institutional Investment Consultant (IIC) Appointment

After full deliberation the ASC **agreed** that:

- Hymans Robertson LLP be formally appointed to the position of the Institutional Investment Consultant;
- Officers to make the necessary contractual arrangements for the successful consultant in conjunction with the National LGPS Framework; and
- Inform the unsuccessful consultant of the decision.

5. Urgent Exempt Business

There were none.

6. Closing Remarks

There being no further business the meeting closed at 12:45pm.

Chairman
24 March 2021

Essex Pension Fund Investment Steering Committee	ISC 03
Date: 24 March 2021	

Outcome of the Responsible Investment (RI) Workshop

Joint Report by the Interim Director for Essex Pension Fund and the Investment Manager in consultation with Hymans Robertson and the Independent Investment Adviser

Enquiries to Jody Evans on 03330 138489

1. Purpose of the Report

- 1.1 To provide an overview of the Fund's current RI Policy, Beliefs and Priorities.
- 1.2 To provide the Committee with an update on the outcome of the RI Workshop held on 12 March 2021.

2. Recommendation

2.1 The Committee **agree** that:

- the RI Policy and RI beliefs used to formulate the Policy as outlined in the Investment Strategy Statement (ISS) remain appropriate;
- the RI priorities remain relevant, and should be viewed holistically, and not in isolation for the Committee to focus entirely on one would be to miss other important aspects of RI that could lead to improved financial outcomes for the Fund and wider society;
- equities mandates, being the largest asset allocation of the Fund should be reviewed as a priority;
- the level of influence the Committee has differs depending on whether the equity mandate is managed on an active or passive basis;
- the Fund develop a clear, documented engagement process with the active equity managers;

- in relation to their passive mandates, the Committee acknowledges it is able to determine the index the passive investment manager tracks and as such would like it to be more aligned where possible with all its RI priorities, noting that at present the current indices that the passive manager tracks excludes investing in controversial weapons, one of its ten priorities and that any deviation from tracking a market capitalisation index would incur a higher management fee than currently paid;
- Officers and Advisers investigate the types of indices available in the market, working with the Fund's current passive provider and the ACCESS Pool in the first instance to establish suitable solution(s); and
- the content of the report be noted.

3. Background

- 3.1 Over the last two years the Committee has dedicated considerable time and focus of attention to formulating its RI Policy, establishing its RI Beliefs and Priorities.
- 3.2 Following some preparatory work in the summer of 2019, the ISC convened a workshop in October 2019 specifically on ESG to enable a more in-depth discussion.
- 3.3 At its November 2019 meeting, an update was provided on the outcome of the RI Workshop, which led the Committee to articulate and agree a set of RI Beliefs including working collaboratively with other pension funds. Initial consideration was also given in regard to RI Priorities.
- 3.4 Following the meeting, the ISC agreed that further consideration should be made in relation to the RI Priorities. As a consequence, the ISC and a sample of the Fund's stakeholders were surveyed to ascertain their views.
- 3.5 Ten RI Priorities were identified importantly no one priority viewed more important than another. Instead it was acknowledged that they should not be viewed in isolation but holistically and be integral, in the Fund's Investment Managers' investment process which is used to determine stock selection as well as form the basis of any future engagement with the Fund's Investment Managers and the companies they invest in on the Fund's behalf.
- 3.6 The RI Policy, Beliefs and Priorities attached at Appendix A, forming parts of the Investment Strategy Statement was subject to a full stakeholder consultation during the summer of 2020 and was approved by the ISC at their October 2020 meeting.

4. Implementing the RI Policy

- 4.1 At its January 2021 meeting, the Committee dedicated a session to revisiting its RI Policy, Beliefs and Priorities. Initial discussions were had in regard to how best the RI Policy could be implemented, monitored and reviewed in practice.
- 4.2 The Committee noted that this would be the start of a process and that further deliberation would be required. A dedicated RI Workshop for ISC Members was subsequently held on 12 March 2021.

5. RI Workshop

- 5.1 Six ISC Members attended the RI Workshop and took part in an interactive discussion.
- 5.2 Building on the initial discussions held on the 20 January 2021 meeting. The workshop was broken down into the following:
- a reminder of the RI Policy, the Beliefs used to formulate the Policy and the ten RI Priorities initially identified;
 - an overview of the Fund's mandates and the decision to target the review of the equity part of the portfolio as priority;
 - the difference between active and passive managed equity mandates and the influence that the Committee has in regard to engagement and determining the companies the investment managers invest in on the Fund's behalf;
 - a reminder of how both an active manager and passive manager manages the portfolio and the benchmark which is set and how this is used in practice.

6. RI Workshop Outcome of the discussions

- 6.1 Following discussions, Members were satisfied that the RI Policy, Beliefs and Priorities remain relevant and appropriate. Of the ten priorities identified whilst it was acknowledged that there is greater media coverage around climate change Members continued to believe that it should take a holistic view as this should lead to improved financial outcomes for the Fund and wider society in the longer term.
- 6.2 That the equity part of the portfolio, being the largest single asset class allocation of the Fund (currently c50%) be reviewed as priority and in particular, the equity allocation managed by the passive manager.
- 6.3 It was acknowledged the role of the benchmark allocated to Fund's Investment Managers differed depending on whether the mandate was being actively or passively managed. It was explained that the Fund's active managers whilst measured against a stated benchmark for merely performance monitoring purposes had full discretion as to how the portfolio that they manage on the Fund's behalf is constructed from the universe of companies that are either included or not within a given benchmark. The

influence of the Committee would be limited to determining the broad objectives of the mandate, engagement with the manager would therefore be key. Whilst on the other hand, the benchmark given to the passive manager is a mechanism of determining the construction of and the companies that make up the portfolio. As such, the Committee could influence the companies that the passive manager invested in by determining the benchmark that they then track. For example: the FTSE All Share.

- 6.4 Members acknowledged that the regional market capitalisation equity indices* currently tracked by the passive manager, whilst took account of one of the Fund's ten priorities, that of excluding controversial weapons was not specifically aligned with the Fund's current RI Policy and that further exploration was desirable to establish market indices that would better align to the Fund's Policy and be in keeping with the direction the Fund wished work towards. It was acknowledged that deviating from the current market capitalisation benchmarks would incur further management fee costs and this would need to be taken into account.
- 6.5 There was appetite from Members that Officers and Advisers work with the Fund's current passive provider and the ACCESS Pool in the first instance to establish suitable solution(s).
- 6.6 An illustration outlining the conclusion of the discussions held at the RI workshop in regard to the assets managed passively has been provided at Appendix B of this report.

7. Background Papers

- 7.1 Appendix B – Illustrative conclusion of the discussions held at the RI Workshop.
- 7.2 Investment Strategy Statement as published on www.essexpensionfund.co.uk
- 7.3 Minutes of the ISC meeting on 20 January 2021.



Responsible Investment Policy



Essex Pension Fund

Responsible Investment Policy

Environmental, Social & Governance Considerations

Fiduciary duty

The fundamental responsibility of the Fund is to ensure that it has adequate monies available to pay pensions as they fall due. This objective must be achieved in a cost-effective way for members, employers and the taxpayer. Moreover, in reaching decisions, the Fund must comply with its fiduciary responsibilities.



Responsible Investment (RI) Policy

The ISC recognises that environmental, social and governance (ESG) factors (including those related to climate risk) can influence long term investment performance and the ability to achieve long term sustainable returns. To this end the Committee identified four key headline responsible investment beliefs, with a number of sub beliefs sitting underneath these headings. The Committee in formulating the Responsible Investment Policy below have incorporated the Fund's investment beliefs articulated on page 5.

Investment Strategy

1. The RI Policy should be integral to the investment strategy and not considered in isolation.
2. The Fund should minimise exposure to securities where environmental or social aspects could be financially detrimental to the portfolio.
3. Investments expected to deliver positive environmental or social benefit are encouraged as long as they are not expected to dilute overall returns.

Engagement and Voting

4. The ISC will only exclude stocks in limited or specific instances but will actively encourage engagement and work collaboratively with other investors to increase the impact of engagement.

Managers/implementation

5. The ISC will seek to implement mandates in line with its RI Policy.
6. ESG factors should (amongst others) be an integral component in the consideration of investment in a stock by active managers.
7. For passive allocations, in choosing the reference benchmark, careful consideration will be given to the ESG aspects of that benchmark. Although it is recognised that the passive manager has no choice of stocks within the benchmark index, the passive manager will be expected to actively engage with companies held to the benefit of the Fund and its members.
8. The ISC will seek to utilise mandates in line with its RI Policy and expects these to be made available via the ACCESS Pool.

Essex Pension Fund

Responsible Investment Policy

Monitoring/governance

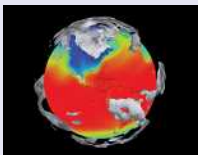
9. The ISC will monitor and challenge their providers on their ESG implementation and any intended changes over time.
10. The ISC will take a long-term view on RI, including the direction of travel as well as the current implementation.

Collaborative working

In line with their belief and policy to work collaboratively with other pension funds to increase the strength of its voice in RI matters, the Committee agreed at its November 2019 meeting to join Local Authority Pension Fund Forum ('LAPFF') as part of a drive to work collaboratively with others on RI issues.

Priority for RI consideration and engagement

The Committee recognises that there are a range of interested parties all of whom will have differing interests in the Fund and as such have identified the following areas which it expects the Fund's investment managers to treat as priorities when engaging with companies invested in on the Fund's behalf:



Climate change



Labour Practices



Resource scarcity



Employee relations



Pollution



Company governance



Weapons



Manager board structure



Remuneration



Gender diversity

Essex Pension Fund

Responsible Investment Policy

Exercise of voting rights

Assets outside the ACCESS Pool

The Fund has instructed its investment managers to vote in accordance with their in-house policies and practices within the framework of the ISC's agreed policies which has been shared with the investment managers as set out above.

Assets inside the ACCESS Pool

The ACCESS pool has formulated a voting guidance which it expects each of the underlying investment managers managing sub funds on its behalf to comply with or when this is not the case to provide an explanation.

The Fund fully supports the UK Stewardship Code and requires those of its investment managers who hold shares on its behalf to comply with it or to provide the ISC with an explanation of why it is not appropriate to do so, in the exercise of the mandate that they have been given, and how they will instead achieve and demonstrate the same level of responsible share ownership.

The majority of the Fund's investment managers are signatories to the UK Stewardship Code and have all gained a Tier 1 status (demonstrating a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary).

Engagement

The Fund expects its investment managers to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. The Fund also expects its investment managers to engaged with companies held on all matters in regard to Good Stewardship. The Fund believes taking account of such consideration's forms part of the investment managers' normal fiduciary duty.

Ongoing Monitoring

The Committee actively monitors the Fund's investment managers' approaches. As part of this regular manager monitoring, the ISC will challenge their managers on how they consider and manage all financial risks faced by their investments, including those that arise from ESG considerations. The Committee also strives to improve and develop their knowledge and understanding on how ESG factors will impact the Fund's investments in the future.

Stock Lending

The policy on stock lending (below) reflects the nature of the mandates awarded to investment managers by the ISC, which include both pooled and segregated mandates:

Assets within the ACCESS Pool

The Fund participates in ACCESS's stock lending programme for investments under ACCESS Pool governance.

Essex Pension Fund

Responsible Investment Policy

Segregated Investments

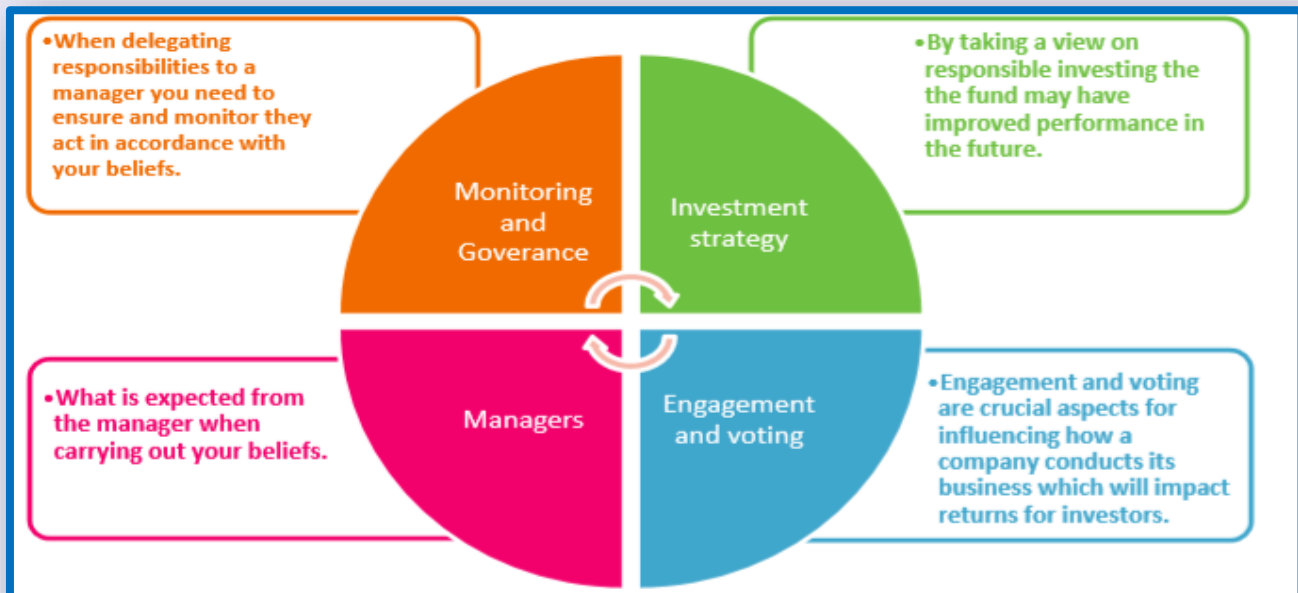
The Fund does not participate in stock lending schemes nor allow its stock to be lent.

Pooled Investments

In regard to the Fund's pooled investments, where the Fund is buying units in a pooled vehicle, stock lending is outside the control of the Fund and undertaken at the discretion of the pooled fund manager.

RI Investment Beliefs

The Committee have articulated a set of RI investment beliefs based on the four key headline beliefs below:



Investment strategy (IS)

1. Having a responsible investment policy could lead to better financial outcomes.
2. Having a responsible investment policy could lead to better outcomes for society.
3. Long term, businesses with more sustainable practices should outperform.
4. Allowing for the impact of ESG issues has many dimensions to it.
5. The Fund should avoid/limit exposure to securities where environmental or social aspects will be financially detrimental to the portfolio.
6. Environmental and social investing only needs to not be detrimental to returns.
7. Poor management of ESG risks has led to financially material losses in the past and is expected to do so in the future.
8. ESG is a factor, but not the only factor in choosing investments.

Essex Pension Fund

Responsible Investment Policy

Engagement and voting (EV)

1. Engagement in a company is more effective than disinvesting from the company.
2. Engagement and voting are influential and can be effective in changing behaviour and improving the Fund's performance as well as having a positive impact on the environment/society.
3. Collaboration with other investors gives the Fund a stronger voice.

Managers (M)

1 Passive managers

- 1.1. The only influence an investor has on a passive manager is the choice of benchmark and level of engagement.
- 1.2. The choice of benchmark is important as it defines the investment portfolio.
- 1.3. The Fund should be an active owner seeking to influence behaviour in investee companies.
- 1.4. The Fund should consider alternative indices that reflect ESG factors.
- 1.5. The direction of travel of the investee companies is even more important than their current scoring on ESG factors.

2 Active managers

- 2.1. The social cost of companies will eventually need to be self-financed.
- 2.2. Managers should try as far as possible to price in the potential future impact of ESG risk in asset selection.
- 2.3. Active managers can take into account forward-looking metrics better than passive managers.
- 2.4. The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision making, taking into account the direction of travel and not only current scoring.

Monitoring and Governance (MG)

1. The ISC should not rely on the Pool for leadership on ESG issues.
2. The ISC should expect the Pool to be able to implement investments in line with its RI policy.
3. The Fund needs to engage and challenge managers on integrating ESG issues in their investment process in line with the RI policy.
4. An RI policy focussed on improving financial outcomes will be to the benefit of Fund stakeholders.

Essex Pension Fund

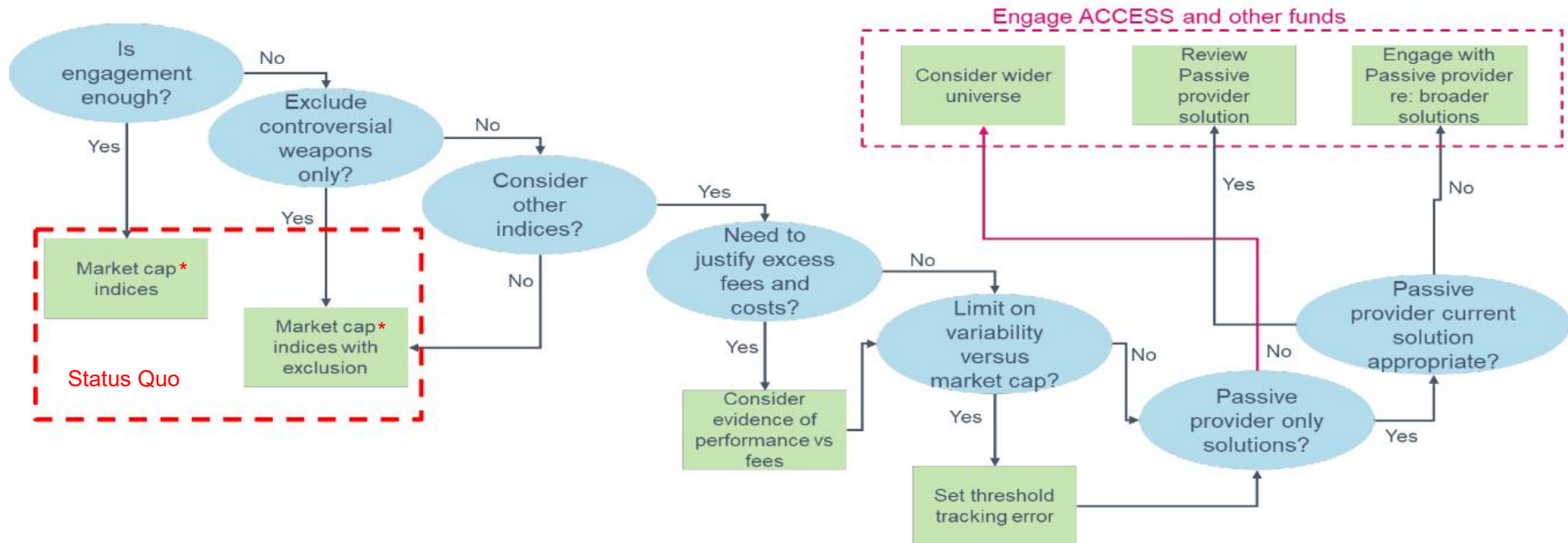
Responsible Investment Policy

5. It is best to engage stakeholders on the overall approach to managing the Fund rather than on RI policy only.
6. ESG factors should be incorporated into manager reporting in due course.

Illustrative diagram

Appendix B

The illustration below outlines the conclusion of the discussions held at the RI workshop in regard to the assets managed passively:



*market capitalisation (market cap) indices are a component of the number of shares issued x the price per share. The larger the market capitalisation of a company the greater the weighting attributable to the index.

Essex Pension Fund Investment Steering Committee	ISC 04
Date: 24 March 2021	

Essex Pension Fund Treasury Management Strategy 2021/22

Report by the Interim Director for Essex Pension Fund

Enquiries to Jody Evans on 0333 0138 489

1. Purpose of the Report

1.1 To present the 2021/22 Essex Pension Fund Treasury Management Strategy.

2. Recommendation

2.1 That the new look 2021/22 Essex Pension Fund Treasury Management Strategy be approved.

3. Background

- 3.1 The 2017 CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (referred to as the Treasury Management Code) and Statutory Guidance requires an annual Treasury Management Strategy to be agreed. The attached Treasury Management Strategy for the Essex Pension Fund has been prepared having regard to the Treasury Management Code and Statutory Guidance.

4. Essex Pension Fund Treasury Management Strategy

- 4.1 The 2021/22 Treasury Management Strategy for the Essex Pension Fund, attached at Appendix B, 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.
- 4.2 Section A of the attached Strategy reflects the arrangements in place with Essex County Council in managing 'in house' cash.
- 4.3 The Fund's global custodian is Northern Trust. The principles of the custodian cash management arrangements are highlighted in Section B.
- 4.4 Section C, Cashflow Management Arrangements has been updated to reflect the revised Finance Schedule, attached at Appendix A. The forecast for 2020/21 predicts a surplus of c£63m. This is largely attributable to an increase in employer contribution income following the new rates set at the 2019 Triennial Valuation and reflects the decisions by a number of tax-raising bodies to exercise the option within the Funding Strategy Statement allowing payment of three years' deficit at the start of the valuation period, April 2020. There was also a shift in trend witnessed where for the first time since 2016 the Fund is predicting a net surplus in regard to transfers to the Fund.
- 4.5 The forecast for 2021/22 predicts a surplus for the year. This is largely driven by employer ongoing contribution income and again reflects the new primary rates set out at the 2019 Triennial Valuation.

5. TM Strategy Revisions

- 5.1 Officers have taken the opportunity to revamp the design of the TM Strategy and review its content. Whilst the content is largely unchanged from last year with the exception of revised forecasts, a review of both the Treasury Management Policy Statement (the Statement) and Treasury Management Practices (TMPs) has been completed.
- 5.2 The Statement sets out the treasury management activities, the policies and objectives around these activities and the TMPs outlines the manner in which the Fund will seek to manage and achieve these policies and objectives.
- 5.3 Following Officers review it was concluded that the Statement as approved by the Pension Strategy Board back in 2010 continues to remain appropriate and therefore requires no revision. The TMPs, however, have been revised to reflect newer guidance. Whilst they cover the same 12 practices as previously agreed, TMP1 - Risk management - has been expanded to now cover Exchange rate, Inflation and Refinancing risk management. Both the Statement and the revised TMPs have been incorporated within the new look TM Strategy and are detailed in the new annexes: Annex 1 and Annex 2 respectively.
- 5.4 Following feedback by Members, the Investment Team note providing further background on the Fund's use of the Global Custodian and in particular information on the external money market liquidity funds utilised, along with the investment restriction information has been removed as was felt that it was not required. This information is still available on request should Members wish.

6. Recommendation

- 6.1 That the new look 2021/22 Essex Pension Fund Treasury Management Strategy be approved.

7. Financial and Resource Implications

- 7.1 The cost of Essex County Council providing Treasury Management provision for the Fund for 2021/22 will be met within the 2021/22 Budget. The cost of this provision is £28k for 2021/22 (£28k, 2020/21).

8. Background Papers

- 8.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 8.2 2017 Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) issued by CIPFA.
- 8.3 Northern Trust Global Funds PLC prospectus November 2018.
- 8.4 BNP Paribas Insticash prospectus August 2020.
- 8.5 Finance Schedule updated March 2021 (Appendix A).

Appendix A

Finance Schedule

		2019/20 actual £ (000)	2020/21 estimate £ (000)	2021/22 forecast £ (000)
EXPENDITURE	Retirement Pensions	211,869	219,232	226,905
	Retirement Lump Sums	41,130	30,444	32,497
	Death Benefits	7,178	5,526	6,078
	Leavers benefits	24,233	11,576	12,155
	Expenses	3,704	3,566	3,791
	Pooling expenses	74	88	113
TOTAL		288,188	270,432	281,539
INCOME	Employees Contributions	60,772	61,306	64,462
	Employers Contributions			
	Ongoing	154,216	192,575	196,389
	Deficit	33,141	53,859	5,995
	Financial Strain	4,363	2,172	2,281
	Transfer Values in	12,253	21,357	22,425
	Other income	2,318	3,016	3,167
TOTAL		267,063	334,285	294,719
Net cash flow excl. Investment Income		(21,125)	63,853	13,180

Treasury Management Strategy 2021/22



Essex Pension Fund

Treasury Management Strategy 2021/22

Introduction

The treasury management activities covered by this Document are comprised of three separate areas:

Section A

The day to day management of the Pension Fund's cash flows and associated short term cash investments known as "In house cash". These activities are undertaken by Essex County Council on behalf of the Pension Fund under a service level agreement.



Section B

The cash held and managed by the Global Custodian as part of the Fund's Investment Strategy.

Longer term investments are administered separately by external fund managers and these activities are covered in the Pension Fund Investment Strategy Statement (ISS) agreed by the Investment Steering Committee.

A copy of the latest ISS can be found on the Fund's website at:

<https://www.essexpensionfund.co.uk/media/5834/investment-strategy-statement-october-2020.pdf>

Section C

The requirement to realise investment income in order to meet a shortfall in income to meet a proportion of future benefit payments.

Essex Pension Fund

Treasury Management Strategy 2021/22

Section A – “In House Cash” Treasury Management Arrangements

In undertaking the treasury management activities for the Essex Pension Fund, in the absence of any specific guidance on treasury management for Local Government Pension Scheme funds, Essex County Council will comply with the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Statutory Guidance.

A fundamental aim of treasury management is to effectively control the risks associated with treasury management activities and to pursue value for money, in so far as this is consistent with the effective management of risk.

The Treasury Management Code requires the following:

- A **Policy Statement** which states treasury management policies, objectives and approach to risk management. This is shown at **Annex 1**.
- **Treasury Management Practices (TMPs)** which set out the manner in which the organisation will seek to achieve those policies and objectives and prescribe how these activities will be managed and controlled.



The TMPs have been revised for 2021/22. They are based on the guidance included in the 2017 edition of CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes. Whilst covering the same 12 practices as previously agreed, TMP1 - Risk management has been expanded to now also cover Exchange rate, Inflation and Refinancing risk management. The revised TMPs are detailed in **Annex 2**.

- An annual **Treasury Management Strategy** that outlines the expected treasury activity. The strategy must define the organisation’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Treasury Management Strategy is set out in the subsequent paragraphs.

Essex Pension Fund

Treasury Management Strategy 2021/22

Treasury Management Strategy Short Term Cash Investment Strategy

Key objectives

The primary objectives of investment activities are:

- ◇ Firstly, to **safeguard** the principal sums invested;
- ◇ Secondly, to ensure adequate **liquidity**; and
- ◇ Lastly, to consider investment returns or **yield**.



Surplus cash balances will only be invested on a short-term basis (up to a maximum period of 364 days) until the funds are next required. Longer term investments are outside the scope of this document.

Investment counterparty selection criteria

Funds will be invested according to the Secretary of State's definition of specified investments, these being sterling deposits made for periods of less than one year, offering high security and high liquidity. Specified investments may include deposits with the UK Government, other local authorities, money market funds and bodies of high credit quality.

A lending list will be compiled to include counterparties satisfying the criteria set out within **Annex 3**. The lending limits that will be applied to counterparties satisfying these criteria are also set out within **Annex 3**. Additional operational market information (e.g. Credit Default Swaps, negative rating watches/outlooks) will also be considered before making any specific investment decisions.

The criteria for choosing counterparties provide a sound approach to investment in normal market circumstances. However, the Executive Director, Finance and Technology will determine the extent to which the criteria set out within **Annex 3** will be applied in practice (i.e. according to prevailing market circumstances).

Liquidity

Liquidity is defined as having adequate, but not excessive cash resources, borrowing arrangements and overdraft or standby facilities to ensure that funds are available, at all times, for the achievement of the Pension Fund's objectives. In this respect, the Pension Fund will seek to maintain a contingency of at least **£1m** of cash available with a week's notice. This will be in excess of amounts available at short notice for managing expected cash flows.

Performance

Investment performance will be measured against the 7 Day London Interbank Bid Rate (LIBID); the aim being to achieve investment returns that are equivalent to, or greater than, the average 7 Day LIBID rate for the year (i.e. subject to security and liquidity considerations being fully satisfied).

Essex Pension Fund

Treasury Management Strategy 2021/22

Interest Rates

An estimate of the movement in interest rates over the forthcoming three years is provided below:

Expected movement	2020/21 (@ Feb 21)	2021/22	2022/23	2023/24
Bank rate (at each 31 March)	0.10%	0.10%	0.10%	0.10%

Source: Link Asset Services (February 2021)

The estimated average balance for “In house cash” is around **£18m**. A **0.10%** movement in interest rates would affect the level of income earned from short term investments by **£18,000**.

Given the short-term nature of “In house cash”, no limits are proposed on the maximum exposure to fixed or variable rates of interest.

Borrowing

The Administering Authority does not have the power to borrow on behalf of the Pension Fund, other than temporary borrowing for the following specific purposes detailed in Section 5 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009:

- paying benefits due under the Scheme, or
- to meet investment commitments arising from the implementation of a decision by the Fund to change the balance between different types of investment.



In the context of this Strategy, short term borrowing will only be undertaken in exceptional circumstance to manage unexpected cash flow fluctuations which occur as a result of the above circumstances.

If short term borrowing is necessary, this will be secured via an overdraft facility with the Fund’s bankers or by borrowing from the money markets or other local authorities.

Treasury Management Advisers

Essex County Council currently employs **Link Asset Services (Treasury Solutions)** as its Treasury Management Adviser. Link Asset Services provide a range of services, including technical advice on treasury matters, economic and interest rate analysis and credit worthiness information. Notwithstanding this, the final decision on treasury matters remains vested with the Essex Pension Fund Investment Steering Committee, and for day to day treasury management, with the Executive Director, Finance and Technology.

The services received from the Treasury Management Advisers are subject to regular review.

Essex Pension Fund

Treasury Management Strategy 2021/22

Section B – Custodian Cash Management Arrangements

One of the functions provided by the Fund’s custodian, Northern Trust, is a banking service. A separate bank account is set up in each currency required by each mandate. At 28 February 2021 the Fund held £212.3m in cash at the Custodian. The details are set out in the table below:

	£m	%
Sterling	149.3	70.3%
Dollar	55.2	26.0%
Euro	7.5	3.5%
Other	0.3	0.2%
Totall	212.3	100%

If no other action were taken, these monies would remain on deposit with Northern Trust earning interest at the Custodian’s rates.

However, to maximise the interest earned where possible, a “cash sweep” is in place for amounts held in sterling and US dollar. This ensures that balances (not required to settle trades) in these currencies across the Funds are swept each day into Global Liquidity Funds (GLFs) managed by either BNP Paribas Investment Partners UK Limited or Northern Trust Global Funds PLC where they earn a higher rate of interest. The two currencies subject to the sweep typically constitute in excess of 95% of all custodian cash balances.

The Fund is also able to utilise the Euro GLF sweep, however due to its adoption of negative interest rates in May 2015 this facility is not currently in use. The GLF vehicles used have obtained and seek to maintain an Aaa/Mf+ rating from Moody’s and an AAA rating from Standard & Poor’s. The GLFs operates a soft limit of 10% in any single security, although there are circumstances in which higher holding levels are permitted. A listing of the investment restrictions for both the Northern Trust GLFs and BNP Paribas GLFs are available on request.

The GLFs are open-ended collective investment companies (OEIC). This means that in placing monies in the GLFs via the cash sweep, the Essex Pension Fund becomes a shareholder and has a share in the pool of investments. A GLF must appoint a board of directors, an investment manager, an administrator, and custodian. Clients invest, not with the fund manager, but in the fund run by the fund manager. The manager manages the investments of the fund, an administrator runs the back office and the assets are kept in safe keeping for the fund by the custodian.



Essex Pension Fund

Treasury Management Strategy 2021/22

The GLFs' overall ratings have two components: a credit risk rating (normally AAA) and a market risk rating. To achieve and maintain the rating, the funds must meet rigorous standards on investment quality, diversification, and liquidity profile. Both internal management and the rating agencies ensure compliance with regulatory, prudential, investment and credit policy guidelines. The processes are monitored further by administrators, custodians, and auditors.

In order to limit the exposure of the Fund to any single financial institution a maximum limit is set for both the Northern Trust and BNP Paribas GLFs.

Further details on the how the GLFs operate in practice are available on request.

Impact of lump sum deficit contributions and income realisation

In addition to the working balances of the investment managers, cash management arrangements now need to accommodate the impact of lump sum deficit payments and income realisation.

Under the terms of the current Funding Strategy Statement, it is possible for certain fund employers to opt to pay deficit "up front" in April (rather than the traditional 12 monthly instalments). Furthermore, as highlighted in Section C, it is forecast that some investment income will need to be used rather than automatically reinvested in order to finance part of the Fund's benefit expenditure going forward.

As a consequence, the GLFs will be used in order to allow the most effective management of monies immediately prior to being allocated to fund managers or directed to pay benefits.

GLF Limits

At its meeting of 21 February 2018, the ISC agreed principles in respect of any reallocation of equities to the alternative and bond mandates. It was agreed that up to 1% of the Fund's assets can be held in cash (separate to that the managers may hold for efficient portfolio management) in expectation of a drawdown notice or other cash flow requirement for the Fund.

The limits for 2021-22 are set out below for both the Northern Trust GLF and BNP Paribas GLF to reflect the circumstances outlined:

Northern Trust GLF - **£120m** (no change on an operational basis)

Northern Trust GLF - **£200m** (no change on a temporary basis to facilitate the redeployment of assets)

BNP Paribas GLF - **£120m** (no change on an operational basis)

BNP Paribas GLF - **£200m** (no change on a temporary basis to facilitate the redeployment of assets)

Section C – Cashflow Management Arrangements

The Fund is maturing, and analysis has been undertaken to forecast when new contributions (employees and employers including deficit) are not enough to meet all benefit payments falling due. This is normal for a pension scheme and reflects the purpose of the Fund (accumulate monies and then pay it out in benefits).

The current position is that the Fund is broadly cash neutral, with differences between the income and expenditure in the years analysed in the table below.

Table: Fund cashflow forecast

	2019/20 actual £ (000)	2020/21 estimate £ (000)	2021/22 forecast £ (000)
Expenditure (benefits, transfers out and expenses)	288,188	270,432	281,539
Income (ongoing contributions, deficit contributions and transfers in)	267,063	334,285	294,716
Net cashflow excl. Investment Income	(21,125)	63,853	13,180

The cashflow forecast will be subject to regular periodic review.

Income Realisation Strategy

In order to meet the short to medium term cashflow requirements, the Investment Steering Committee at its 23 February 2015 meeting agreed to realise income from Passive UK assets and Aviva property portfolio, when required.

Realised income may be held in cash short term in order to meet a proportion of benefit payments.

The income realisation strategy will be subject to regular periodic review..



Treasury Management Policy Statement

Annex 1

Purpose

The purpose of the **Treasury Management Policy Statement** is to define the policies and objectives of the Pension Fund's treasury management activities.

Definition of treasury management activities

Treasury management activities are defined as the:

- Management of the Pension Fund's cash flows and associated short-term investments, its banking and money market transactions;
- Effective control of the risks associated with those activities; and
- Pursuit of optimum performance consistent with those risks.

Policies and objectives

The Pension Fund regards the successful identification, monitoring and control of risks to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Pension Fund.

The Pension Fund acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

Essex Pension Fund

Treasury Management Strategy 2021/22

Treasury Management Practices (TMPs)

Annex 2

The Treasury Management Practices below are based on the guidance included in the 2017 edition of CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes.

Policy	Details
TMP1	Risk Management
	Arrangements are in place for the identification, management, and control of treasury management risk. Specifically:
	1. Credit and counter party risk management
	<p>The Pension Fund will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques.</p> <p>It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.</p>
	2. Liquidity risk management
	<p>The Pension Fund will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.</p> <p>The Pension Fund will only borrow in advance of need where there is a clear business case for doing so and will only do so for the achievement of its objectives.</p>
	3. Interest rate risk management
	<p>The Pension Fund will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.</p> <p>It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.</p>

Essex Pension Fund

Treasury Management Strategy 2021/22

Policy	Details
TMP1	Risk Management (cont.)
	3. Interest rate risk management (cont.) <p>This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.</p>
	4. Exchange rate risk management <p>It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.</p>
	5. Inflation risk management <p>The Pension Fund will keep under review the sensitivity of its treasury management assets and liabilities to inflation and will seek to manage the risk accordingly in the context of its wider exposure to inflation.</p>
	6. Refinancing risk management <p>The Pension Fund will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.</p> <p>It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.</p>
	7. Legal and regulatory risk management <p>The Pension Fund will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.</p> <p>In framing its credit and counterparty policy under TMP1[1] Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority, and compliance in respect of the transactions.</p>

Essex Pension Fund

Treasury Management Strategy 2021/22

Policy Details

TMP1 Risk Management (cont.)

8. Fraud, error and corruption, and contingency management

The Pension Fund will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings.

Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

9. Market risk management

The Pension Fund will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sum it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Policy Details

TMP2 Performance Measurement

The Pension Fund is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its [Treasury Management Policy Statement \(Annex 1\)](#).

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Pension Fund's business or service objectives and performance will be measured against relevant benchmarks.

Policy Details

TMP3 Decision making and analysis

The Pension Fund will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

Essex Pension Fund

Treasury Management Strategy 2021/22

Policy Details

TMP4 Approved instruments, methods and techniques

The Pension Fund will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in its annual Investments Strategy, and within the limits and parameters defined in **TMP1 Risk management**.

The Pension Fund has reviewed its classification with financial institutions under MIFID II and will set out in its annual Investment Strategy those organisations with which it is registered as a professional client.

Policy Details

TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

The Pension Fund considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when it is intended, as a result of lack of resources or other circumstances, to depart from these principles, the Executive Director, Finance and Technology will ensure that the reasons are properly reported in accordance with **TMP6 Reporting requirements and management information arrangements**, and the implications properly considered and evaluated.

The Executive Director, Finance and Technology will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. They will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

The Executive Director, Finance and Technology will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The delegations to the Executive Director, Finance and Technology in respect of treasury management are set out in the Council's Financial Regulations and Scheme of Delegation for Financial Management. The Executive Director, Finance and Technology will fulfil all such responsibilities in accordance with the Council's Policy Statement and TMPs and the CIPFA Standard of Professional Practice on Treasury Management.

Essex Pension Fund

Treasury Management Strategy 2021/22

Policy Details

TMP6 Reporting requirements and management information arrangements

The Pension Fund will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum: The Investment Steering Committee will receive an annual report on the strategy and plan to be pursued in the coming year.

The Investment Steering Committee may receive reports on the performance of the treasury management function, and on any circumstances of non-compliance with the Treasury Management Policy Statement and TMP's, as part of its reporting.

The Investment Steering Committee will have responsibility for the scrutiny of treasury management policies and practices.

Policy Details

TMP7 Budgeting, accounting and audit arrangements

The Annual Pension Fund Business Plan's Budget will include provision for the annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the Budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with **TMP1 Risk management**, **TMP2 Performance Measurement**, and **TMP4 Approved instruments, methods and techniques**.

The Executive Director, for Finance and Technology will exercise effective controls over this Budget and will report upon and recommend any changes required in accordance with **TMP6 Reporting requirements and management information arrangements**.

The Pension Fund will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

Essex Pension Fund

Treasury Management Strategy 2021/22

Policy	Details
TMP8	Cash and cash flow statement
	<p>Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Pension Fund will be under the control of the Executive Director, Finance and Technology and will be aggregated for cash flow and investment management purposes.</p> <p>Cash flow projections will be prepared on a regular and timely basis, and the Executive Director, Finance and Technology will ensure that these are adequate for the purposes of monitoring compliance with TMP1[2] liquidity risk management.</p>
TMP9	Money Laundering
	<p>The Pension Fund is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the of the Officer to whom reports should be made, are in the Council's Anti-Money Laundering Policy.</p>
TMP10	Training and Qualifications
	<p>The Pension Fund recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills. The responsible officer will recommend and implement the necessary arrangements.</p> <p>The responsible officer will ensure that the committee members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.</p> <p>Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.</p>

Essex Pension Fund

Treasury Management Strategy 2021/22

Policy	Details
TMP11	Use of External Service Providers
	<p>The Pension Fund recognises the responsibility for treasury management decisions remains with the Pension Fund at all times. However, the Pension Fund recognises that there may be value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources.</p> <p>When it employs such service suppliers, it will do so following a full evaluation of the costs and benefits and will also ensure that the terms of their appointment are properly agreed and documented, and subject to regular review.</p> <p>When services are subject to formal tender or re-tender arrangements, legislative requirements will also be observed.</p> <p>The monitoring of such arrangement's rests with the Executive Director, Finance and Technology .</p>
Policy	Details
TMP12	Corporate Governance
	<p>The Pension Fund is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity, and accountability.</p> <p>This organisation has adopted and has implemented the key principles of the CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.</p>

Lending List

The Pension Fund will only invest its short term funds with UK banks and building societies, and non UK banks domiciled in a country with a minimum sovereign long term rating of **AA**, that have credit ratings equivalent to or better than the following:

Rating category	Credit rating agencies		
	Fitch	Standard and Poor	Moody's
Short term rating	F1	A-1	P-1
Long term rating	A	A	A2

The above ratings will be used to determine the pool of counterparties with whom the Pension Fund can transact. Where the counterparty is rated by more than one credit rating agency, the lowest ratings will be used to determine whether or not it is included on the counterparty list. However, financial institutions will only be considered for inclusion if they have a credit rating in both of the rating categories.

The criteria outlined above will ensure that funds are only invested with high quality counterparties. The short and long-term ratings will be used to determine the maximum amount that can be invested with each of these counterparties, and for what period (see [lending limits](#) section).

In addition, the Pension Fund may invest its funds with:

- The UK Government.
- Other local authorities.
- Pooled investment vehicles (i.e. Money Market Funds) that have been awarded an **AAA** credit rating.
- Financial institutions fully or part nationalised by the UK Government whose credit ratings do not meet the above criteria.
- Bank subsidiaries and treasury operations which do not have a full set of credit ratings, provided the parent bank has the necessary ratings outlined above. In addition, the subsidiary must itself have a short and long-term rating meeting the above criteria or have an unconditional guarantee from the parent bank.

Essex Pension Fund

Treasury Management Strategy 2021/22

In the event that the Pension Fund's own banker falls below the minimum credit rating criteria outlined above, and is not nationalised or part nationalised, the bank will be used for transactional purposes only, and not as an active outlet for investments.

Notes:

There are three main credit rating agencies that assign ratings to financial institutions, namely Fitch, Standard and Poor and Moody's. When these agencies assign ratings, they take account of any country specific circumstances. Ratings are therefore applicable worldwide; hence the risk of investing with two different counterparties that have similar ratings is the same, irrespective of their country of origin.

Full details of definitions of the credit ratings of the three main credit rating agencies are available upon request.

Credit ratings are continually monitored, with changes in credit ratings being notified by the Council's Treasury Management Advisers. Counterparties will be removed from the Pension Fund's lending list in the event that they receive a downgrading to their credit rating status below the minimum criteria outlined above.

Counterparties that are placed on 'negative ratings watch' will remain on the Pension Fund's lending list at the discretion of the Executive Director, Finance and Technology in consultation with the Chairman of the Pension Fund Investment Steering Committee (or Vice Chairman if the Chairman is unavailable).

Money Market Funds (MMFs) are short term pooled investments that are placed, by a manager, in a wide range of money market instruments. The size of the investment pool of a MMF enables the manager to not only offer the flexibility of overnight and call money, but also the stability and returns of longer dated deposits. Strict rules and criteria are set down by the official rating agencies, covering the types of investment counterparties used, the maturity distribution of the funds and investment concentrations. The MMFs that the Pension Fund uses will be denominated in sterling and be regulated within the EU. Further details of the Custodian cash balance arrangements are available upon request.

Essex Pension Fund

Treasury Management Strategy 2021/22

Lending Limits

For banks and building societies satisfying the 'lending list' criteria, lending limits will be determined with reference to the counterparties' short and long-term credit ratings, as follows:

Investment limit of **£7.5m** for investments of up to **1** year:

Rating category	Credit rating agencies		
	Fitch	Standard and Poor	Moody's
Short term rating	F1+	A-1+	P-1
Long term rating	AA-	AA-	Aa3

Investment limit of **£5m** for investments of up to **1** year:

Rating category	Credit rating agencies		
	Fitch	Standard and Poor	Moody's
Short term rating	F1	A-1	P-1
Long term rating	A	A	A2

Lending limits for other counterparties will be as follows:

No restrictions will be placed on the amounts that can be invested with the UK Government (i.e. Debt Management Office). It is not possible to set up a separate Pension Fund account with the DMO so funds would be placed via the County Council, although the credit risk would remain with the Pension Fund.

An investment limit of **£10m** will be applied for investments of up to **one** year with individual Money Market Funds.

An investment limit of **£7.5m** will be applied for investments of up to **one** year with individual top tier local authorities. Top tier local authorities will include county councils, unitary and metropolitan authorities, and London boroughs.

An investment limit of **£5m** will be applied for investments of up to **one** year with individual lower tier local authorities. Lower tier local authorities will include district / borough councils, and police and fire authorities.

In addition to the limits outlined above, a further restriction will be applied in respect of investments with non-UK financial institutions; that is, a country limit of **£5m** will be applied. The country limit will restrict the total amount that can be invested within any one country outside of the UK at any one time.

Essex Pension Fund

Treasury Management Strategy 2021/22

Institutional Counterparty Lending List as at January 2021

Essex Pension Fund Counterparty List		Investment	
		Limit £m	Maximum Duration
UK BANKS			
	HSBC	5.0	364 days
	Lloyds Banking Group	5.0	364 days
	Royal Bank of Scotland	5.0	364 days
	Santander UK	5.0	3 months
UK BUILDING SOCIETIES			
	Nationwide	5.0	364 days
FOREIGN BANKS (Country limit £5m)			
	Sweden Total country limit	5.0	364 days
	Svenska Handelsbanken	5.0	364 days
OTHER			
Money Market Funds			
	Black Rock - Institutional Sterling Liquidity Fund	10.0	364 days
LOCAL AUTHORITIES			
Top Tier Local Authorities			
	Individual authority considered at point of trade	7.5	364 days
Lower Tier Local Authorities			
	Individual authority considered at point of trade	5.0	364 days

Essex Pension Fund

Treasury Management Strategy 2021/22

Further Information

If you require further information about anything in or related to this Strategy, please contact:

Jody Evans, Interim Director for Essex Pension Fund

Email: *Fund.Manager@essex.gov.uk*

Essex Pension Fund

Seax House

Chelmsford

Essex

CM1 1QH

Essex Pension Fund Investment Steering Committee	ISC 05
Date: 24 March 2021	

Capital Markets Outlook: Q4 2020 highlights

Report by Hymans Robertson

Enquiries to Jody Evans on 0333 0138 489

1. Purpose of Report

1.1 To update the ISC on recent market conditions.

2. Recommendation

2.1 That the Committee should note the content of the report which has been provided as a supplement paper to the Agenda Pack.

Essex Pension Fund Investment Steering Committee	ISC 06
Date: 24 March 2021	

Schedule of Future Meetings and Events

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

1. Purpose of the Report

- 1.1 To provide the Committee with an update on the schedule of future meetings and events.

2. Recommendation

- 2.1 That the Committee note the content of the report.

3. Background

- 3.1 The Committee were made aware, at their meeting on 27 November 2019, that future meetings and events would be brought to each meeting to enable, where required, the process of approval by the Foreign Travel Committee for attendance at any conferences/seminars be incorporated within the Committee's timetable.

4. Upcoming Event(s)

- 4.1 Due to the current restrictions in place as a result of the Covid-19 pandemic, there are no upcoming events that require travel to note. However, there is an increase in webinars being hosted by various organisations within the LGPS and Fund Managers. As and when any such webinars are announced, the Compliance Team will provide the Committee with a communication to invite all Members to register for the event should they wish to do so.

5. Schedule of Meetings

- 5.1 The schedule of meetings for the new municipal year 2021/22 are as follows:

Investment Steering Committee	
Wednesday 16 June 2021	10am – 4pm
Wednesday 13 October 2021	10am – 1pm
Wednesday 24 November 2021	10am – 4pm
Wednesday 23 February 2022	10am – 1pm

Training Days	
Day 1	TBC
Day 2	TBC

6. Finance and Resources Implications

- 6.1 If an event costs more than £500 for one member or £1,000 in total, then prior approval for any travel by the Foreign Travel Committee is compulsory.

7. Background Papers

- 7.1 Schedule of Future Meetings and Events, ISC 03 – 20 January 2021.

