

Essex Pension Fund
Investment Steering Committee (ISC)

Minutes of a meeting of the Essex Pension Fund Investment Steering Committee held at 2:00pm at County Hall, Chelmsford on 26 November 2014

Present

Cllr R. L. Bass (Chairman)	Essex CC
Cllr N. Hume	Essex CC
Cllr S. Barker	Essex CC
Cllr K. Clempner	Essex CC
Cllr J. Whitehouse	Essex CC
Cllr K. Bobbin (Labour substitute)	Essex CC
Cllr J. Archer (Observer representing Employers)	Maldon DC
Keith Blackburn (Observer representing scheme members)	UNISON

The following Essex Pension Fund Board members were present;

Cllr C. Seagers	Essex Pension Fund Board
Cllr R. Woodley	Essex Pension Fund Board

The following Advisers were present in support of the meeting;

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

The following officers were present in support of the meeting;

Kevin McDonald	Director for Essex Pension Fund
Jody Evans	Head of Essex Pension Fund
Samantha Andrews	Investment Manager

1 Apologies for absence

Apologies were received from Cllr N. Le Gresley (Essex CC) and Margaret Lee (Executive Director for Corporate and Customer Services). It was also noted that Cllr J. Spence (Substitute Member for the Conservative Party) and Cllr J. Galley (Essex Leaders & Chief Executives Group) were unable to attend the meeting.

2 Declaration of Interest

There were none.

3 Minutes

The minutes of the meeting of the Committee which took place on 23 July 2014 were approved as a correct record.

4 Structural Reform

Kevin McDonald, Director for Essex Pension Fund, gave a verbal update outlining the latest developments in respect of the potential structural reform of the LGPS.

It was noted that Essex Pension Fund formally responded to the consultation on 11 July 2014 however, as of the meeting date no formal response to the consultation has yet been issued by DCLG.

5 Law Commission Report/Statement of Investment Principles

5a Law Commission Report

Kevin McDonald introduced a report by the Director for Essex Pension Fund in consultation with Hymans Robertson and with Keith Neale, Independent Investment Adviser updating the Committee on recent reviews undertaken by both the Law Commission and the Shadow Scheme Advisory Board.

It was explained that both reviews broadly came to the same conclusion. The following points were noted:

- that the primary aim of the investment strategy should be to secure the best realistic return over the long-term given the need to control risks This does not necessarily mean maximising return;
- a distinction should be made between financial and non-financial factors;
- that trustees should always take account of financial factors;
- that trustees may also take account of non-financial factors (quality of life or ethical issues) if two tests are met:
 - that trustees have good reason to believe that scheme members would share the concern; and
 - decisions should not involve a risk of significant financial detriment to the Fund.

Following discussions it was agreed that the SIPs wording be revised from:

“The ISC does not place restrictions on investment managers in choosing investments in quoted companies except in limiting the size of single investments. We expect the companies in which we invest to adopt and pursue socially responsible business practices.

The ISC will intervene if investments are made in companies whose behaviour is seen as unacceptable because of environmental considerations and other social implications. Intervention is likely to be extremely rare as companies are aware of the increasing sensitivity of investors.”

to:

“The ISC does not place restrictions on investment managers in choosing investments in quoted companies except in limiting the size of single investments. The ISC expects investment managers to place their primary consideration on financial factors when selecting investments for inclusion in the portfolio as an assessment of appropriate ESG capability is made before a manager is appointed.

However, the ISC will allow investment managers to consider non-financial factors in selecting investments providing that such decisions are not expected to:

- 1 Be financially detrimental to the Fund (either in terms of expected return or risk); or
- 2 Represent a significant opportunity cost if not held.

In general the ISC expect the selection of stocks, based on a significant degree of non-financial reasons, to be extremely rare and reserve the right to intervene on a case by case basis.”

5b Statement of Investment Principles (SIP)

Kevin McDonald introduced a report by the Director for Essex Pension Fund in consultation with Hymans Robertson and with Keith Neale, Independent Investment Adviser. The report highlighted that the SIP had been updated to take account of the decisions agreed by both the Essex Pension Fund Board and the last ISC meeting of 26 July 2014.

In addition to the Committee’s decision on agenda item 5a the following items were noted:

- it was explained that Page 2 of the SIP included a series of relevant objectives of which the wording had now been brought in line with what appears within the Pension Fund Board’s Business Plan;
- changes have been made on pages 4 and 5 of the draft SIP to reflect the Law Commission Report;
- Asset Allocation summary has been updated to reflect the termination of Fidelity, the global equity mandate appointments of Longview and M&G Investments and the recent decision as of 23 July 2014 to appoint an illiquid debt mandate;
- Appendix B – had been updated to reflect the ISC’s revised Term of Reference and the Custodians responsibility to report the performance of the Fund’s assets.

It was **agreed** that:

- the revisions made to the SIP, including those highlighted in section 4 be accepted;
- that the maximum 35% limit on investments within any single insurance contract be extended for a further 10 years from 26 November 2014;
- that the revised draft SIP be circulated to stakeholders for consultation; and
- the outcome of the stakeholder consultation be brought back to a future Committee meeting.

6 Market Commentary

Matt Woodman introduced a report by Hymans Robertson on the markets as at 30 September 2014.

The report was noted.

7 Matters of Interest

Kevin McDonald highlighted to the Committee details of the forthcoming Local Government Chronicle (LGC) Investment Seminar at De Vere Carden Park near Chester on 27- 28 February 2015.

Members were asked that if they wish to attend to bring this to the attention of Officers.

The Committee were reminded of the LGC awards ceremony taking place on 27 November 2014 where the Essex Pension Fund was once again shortlisted for "Fund of the Year (above £2bn)".

The report was noted.

8 Urgent Part 1 Business

There were none.

9 Exclusion of the Public

Resolved:

That the Public (including the press) be excluded from the meeting during consideration of the following items on the grounds that they involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972:

- Q3 2014 Investment Tables;
- Investment Manager Update;
 - Traffic Light Report;
 - Officer & Adviser Briefing Note;
 - Update on Alcentra;
- Update on Investment Managers Presenting;
- Manager Presentation - Baillie Gifford; and
- Manager Presentation – Marathon

10 Q4 2014 Investment Tables

(Press & public excluded)

The Committee received a report from the Director for Essex Pension Fund in consultation with Keith Neale Independent Investment Adviser, which gave details of the Fund's investment performance for the quarter ending 30 September 2014.

The value of the Fund increased from £4.467bn as at 30 June 2014 to a value of £4.593bn as at 30 September 2014.

The report was noted.

11 Investment Manager Update

(Press & public excluded)

11a Traffic Light Report

(Press & public excluded)

The Committee received a report which summarised the current views of Hymans Robertson on each of the Fund's managers.

Phil Spencer highlighted the report showed no concerns with the Fund's current line-up of Investment Managers.

The report was noted.

11b Officer & Adviser Briefing Note

(Press & public excluded)

The Committee received a report on the Officer & Adviser meeting held on 22 October 2014 at which Longview and M&G Investments presented.

The report was noted.

11c Update on Alcentra

(Press & public excluded)

The Committee received an update from Matt Woodman on the progress with regard to the appointment of Alcentra to manage the illiquid debt mandate.

Matt Woodman highlighted that over 50% of the commitment to the direct fund had been drawdown today and that the indirect fund was due to be funded in full at the beginning of January.

The report was noted.

12 Update on Investment Managers Presenting – Baillie Gifford and Marathon

(Press & public excluded)

The Committee received a report from Hymans Robertson on Baillie Gifford and Marathon.

Following discussions the report was noted.

13 Manager Presentation – Baillie Gifford

(Press & public excluded)

The Committee received a presentation from Anthony Tait and Tom Wright from Baillie Gifford on their global equity mandate.

Following questions the presentation was noted.

14 Investment Manager Presentation – Marathon

(Press & public excluded)

The Committee received a presentation from Graeme Neuff, Neil Ostrer and Robert Anstey on the global equity mandate managed by Marathon.

Following discussions the presentation was noted.

15 Urgent Exempt Business

(Press and public excluded)

There was none.

There being no further business, the meeting closed at 4:20pm.

Chairman
23 February 2015