

Essex Pension Fund Strategy Board	PSB 07a
Date: 16 December 2020	

Investment Steering Committee (ISC) Quarterly Report

Report by the Investment Manager

Enquiries to Samantha Andrews: 03330 138501

1. Purpose of the Report

- 1.1 To provide a report on ISC activity since the last Essex Pension Fund Strategy Board meeting.

2. Recommendations

- 2.1 The Board agree that the report be noted.

3. Background

- 3.1 In accordance with its Terms of Reference, the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board (the Board).
- 3.2 Since the Board's last meeting the ISC has met on one occasion, 21 October 2020.

4. Report of the meeting of ISC on 21 October 2020

- 4.1 The Committee considered the responses to the stakeholder consultation on the Investment Strategy Statement (ISS). It was highlighted that sixteen responses had been received from various stakeholders, however, three of those related to the individuals benefit entitlement rather than the ISS. It was explained that minor changes had been made to the draft ISS to improve clarity and that it had been passed to the Essex Pension Fund Advisory Board for noting. The updated version of the ISS was approved for subsequent publication.
- 4.2 Members were provided with an explanatory paper on the Financial Reporting Council's (FRC) new 2020 UK Stewardship Code and an outline of the steps required for the Fund to become a signatory. It was explained that twelve principles would need to be met. Details of each principle and a guide to the scale, complexity and resource required for each was also provided. It was felt that signing up to the Code would demonstrate the Fund's commitment to Responsible Investment (RI) and would formalise existing activities. It was therefore agreed that the Fund should look to become a signatory of the new Code for March 2022.
- 4.3 The Committee were provided with a report summarising the current views on the Fund's Investment Managers and reports of the meetings that Officers and Advisers had held with the Fund's property managers.
- 4.4 The meeting's main focus of business was in regard to a review of the Fund's property mandates. This was followed by a presentation from Aviva Investors, the Fund's UK property manager. Agreement was given that further consideration be given with a further report to be brought to the next meeting.

- 4.5 The Committee agreed the options available, process and timeline for appointing an additional direct lending manager to manage 2.5% of the Fund's mandate.
- 4.6 It was confirmed that the decision to trim one third of the overweight position of Baillie Gifford had been completed with the proceeds transferred to UBS's RAFI All World Equity Fund and Longview respectively. The Committee agreed to proceed with the second tranche further trimming Baillie Gifford's overweight position by £110m.
- 4.7 A presentation from the Interim Director of the ACCESS Support Unit was received updating Members on ACCESS's latest developments including current work in process. Background and subsequent agreement were also provided on the proposed changes to the Operator Agreement and the process by which the revised Inter-Authority Agreement (IAA) will be formalised.
- 4.8 Following referral, the Committee approved a set of investment scorecard measures to be included into the Fund's overall scorecard to be reported to the Board on a quarterly basis. In addition, it was explained to assist with measuring and monitoring the Fund's investment managers and Responsible Investment Policy going forward, a further set of investment scorecard measures had been developed for incorporating within the ISC's Annual Performance Review which were subsequently approved.
- 4.9 Details of the Fund's investment manager performance for the quarter ended 30 June 2020 along with an overview of capital markets to date was discussed. Members were pleased to note that the Fund value had increased to a new high of £7.9bn.
- 4.10 Members received an update in regard to the procurement of the Independent Investment Adviser. It was noted that seven candidates had been longlisted and invited to attend an interview in November 2020. After which a shortlist would be drawn up for interview by the ISC Appointment Sub Committee.

5. Link to Essex Pension Fund Objectives

5.1 Investments:

- To maximise the returns from investments within reasonable risk parameters;
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented; and
- Ensure investment issues are communicated appropriately to the Fund's stakeholders.

6. Risk Implications

6.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Investment Strategy Statement and the Fund's Risk Register.

6.2 No new risks have been identified during the quarter.

7. Communication Implications

7.1 The outcome of the ISS stakeholder consultation was reported to the 21 October 2020 ISC meeting and following approval the ISS was published on the Fund's website.

7.2 The Fund was a signatory on the ACCESS proposal to Government in February and July 2016.

8. Finance and Resources Implications

8.1 In addition to the work undertaken by Officers, the cost of ACCESS pool participation per Fund is estimated to be £98,000 in 2020/21.

8.2 The cost to the Fund was:

- £62,866 in 2019/20;
- £116,000 in 2018/19;
- £94,000 in 2017/18; and
- £80,000 in 2016/17.

9. Background Papers

9.1 ISC meeting of 21 October 2020– agenda and draft minutes.