Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held in Committee Room 1 at 10:00am on 16 June 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 (ECC)

Cllr S Barker	(Chairman)
Cllr A Goggin	
Cllr A Hedley	
Cllr M Hoy	
Cllr D King	
Cllr M Platt	
Cllr C Souter	

Scheme Member Representative

Sandra Child (UNISON) (Observer)

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

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

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

The following Officers and Advisers were present remotely via Zoom:

Helen Pennock	Compliance Analyst
Marcia Wong	Compliance Officer
Mark Stevens	Independent Investment Adviser (IIA)
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson

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

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

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James Durrant Employer Representative

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

Opening Remarks

The Chairman welcomed the newly formed Committee, Observers and Advisers to the meeting and then took the opportunity, it being the first meeting of the ISC for Members to introduce themselves for the benefit of the two new elected Members to the Committee, Cllr M Hoy and Cllr D King.

Apologies for Absence

It was noted that Cllr C Riley and PAB Members: Nicola Mark, Debs Hurst and Stuart Roberts had 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 Pension Fund. In addition, is a Substitute Member on 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;

Cllr M Hoy declared that his brother-in-law and nephew are members of the LGPS and that he is a Member of the Audit, Governance and Standards Committee;

Cllr D King declared that he is also a Member of the Audit, Governance and Standards Committee;

Cllr M Platt declared that his daughter is in receipt of a LGPS Pension, in addition is a Deputy Cabinet Member and a Member of the Audit, Governance and Standards Committee; and

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

Resolved:
The Committee noted the report.

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2. Confirmation of the Appointment of the Essex Pension Fund (EPF) Investment Steering Committee (ISC) Chairman and the Appointment of the Fund's Representative on the ACCESS Joint Committee (JC)

The Committee received a report from the Compliance Manager outlining the process in regard to the annual Chairman arrangements of the ISC and the appointment of the Fund's representative on the ACCESS JC.

It was noted that at the ECC's Full Council meeting held on 25 May 2021, Councillor Susan Barker was appointed as the Chairman of the ISC for the Essex Pension Fund.

Resolved:
The Committee **agreed** that the Chairman act as the Fund's representative on the ACCESS JC and that in their absence the Vice Chairman would deputise.

The Committee noted the appointment of the Chairman of the ISC.

3. Appointment of the Vice-Chairman of Essex Pension Fund

The Chairman invited Committee Members to make nominations for the appointment of the Vice Chairman. One nomination was received and then seconded, following a show of hands, Councillor Mark Platt was re-appointed as Vice Chairman of the ISC.

Resolved:
Councillor Mark Platt be re-appointed as the Vice Chairman of the ISC.

4. Minutes of ISC Meeting 24 March 2021

The Minutes of the meeting of the ISC held on 24 March 2021 were approved as a correct record and signed by the Chairman.

The Chairman brought to the attention the Matters Arising and it was noted that:

- following on from the agreement made at the 24 March 2021 ISC, Officers and Advisers have developed a Responsible Investment (RI) Project Plan which formed Item 7 of the Agenda;
- a revised ISC meeting date of Monday 29 November 2021 has been put forward for Members to agree as part of Agenda Item 8 to replace the previous agreed date of 24 November;
- the first ACCESS JC meeting of the municipal year had not yet taken place. As such, following consultation with the JC Chairman and Vice Chairman and taking into consideration the meeting business, the Secretariat of the JC has confirmed that an informal meeting would be held in June with a formal meeting now intending to take place in September;
- the 2020/21 Fund performance was provided at Agenda Item 11a; and

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- no further action in regard to the rebalancing of Baillie Gifford's Equity Portfolio was required this quarter.

5. ISC Terms of Reference

The Director for Essex Pension Fund brought to the attention of the Committee the key aspects of the ISC Terms of Reference which the Fund will be dedicating their time on throughout the forthcoming year. These included:

- determining, reviewing and monitoring the aims, objectives, policies, strategies and procedures relating to investment of the Fund's assets including the Investment Strategy Statement and environmental, social and governance matters;
- monitoring compliance of the investment arrangements with the Investment Strategy Statement; and
- monitoring and reviewing the Fund's compliance with the LGPS Scheme Advisory Board adopted Code of Transparency and UK Stewardship Code.

Resolved:
The Committee noted their Terms of Reference as detailed in Appendix A to the report.

6. The Independent Investment Adviser's Future Perspective

Members received a presentation from the Independent Investment Adviser providing a brief overview of markets and macro events over the last year as well as outlining his initial thoughts on some key investment themes for the Committee's consideration over the medium term.

Members were informed despite the volatility experienced over the last year the Fund had ridden the challenges and was currently at an all-time high of £9.0bn.

The three main themes discussed included:

- longer term investment impacts from the COVID-19 pandemic;
- central bank and government stimulus including global debt levels, interest rates and the spectre of inflation; and
- the growth of RI and Environmental, Social and Governance (ESG) factors within institutional investor decision making and asset allocation.

Resolved:
The Committee noted the presentation.

7. Responsible Investment (RI) Project Plan

Hymans Robertson provided a report and training presentation in regard to the Fund's approach to RI.

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For the benefit of the new ISC Members and as a refresher, John Dickson provided an overview of the RI journey of the Fund thus far which led to the formation of the RI Policy.

Members agreed that the RI priorities contained within the Policy would need to be continually reviewed by the Committee. It was suggested that the RI priority 'climate change' be renamed 'climate risk' and that 'gender diversity' was too specific and should now be referred to as 'diversity'. Members acknowledged the suggestions and an action was taken away by Officers and Advisers to consider these changes when the next review is due.

Following on from the 24 March 2021 ISC meeting, the Committee was provided with an update in regard to the work being undertaken by Officers and Advisers to:

- develop a clear, documented engagement process with the active equity managers;
- sign up to the Financial Reporting Council (FRC) UK Stewardship Code 2020; and
- take into consideration the Task Force on Climate-related Financial Disclosures (TCFD).

John Dickson, Hymans Robertson explained that the RI Project Plan outlined the key dates when pieces of work would need to be completed and reported to the Committee to thus enable the Fund to achieve the Areas of Activities defined in this year's Business Plan.

Resolved:
The Committee **agreed**:

- the Fund's approach to RI and Stewardship as set out in the RI Project Plan; and
- noted the content of the report.

8. Schedule of Future Meetings and Events

The Committee received a report from the Compliance Manager detailing the planned Committee meetings for the municipal year confirming that there were no upcoming events for Members consideration.

The Committee were alerted to the change of date in regard to the November meeting and advised that the training days will be confirmed in due course.

Resolved:
The Committee **agreed** the dates of the ISC meetings for the municipal year 2021/22 and noted the content of the report.

9. Urgent Part I Business

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The Chairman requested that the Compliance Manager write to former ISC Member, Cllr L Scordis to thank him for his contribution and service to the ISC over the last elected term.

The Chairman congratulated Jody Evans on behalf of the Committee on the recent announcement that she had been permanently appointed to the post of Director for Essex Pension Fund.

The Chairman also confirmed that Kevin McDonald had been permanently appointed as the Director of the ACCESS Support Unit with both roles effective from 1 May 2021.

Following this the Chairman informed Members that the meeting would reconvene at 11:55am following a short adjournment.

The meeting was adjourned at 11:38am

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The Committee reconvened at 11.55am

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.

Opening Remarks

The Chairman welcomed back the Committee and Observers.

10. Part Two Minutes of ISC Meeting 24 March 2021

Part Two Minutes of the meeting of the ISC held on 24 March 2021 were approved as a correct record and signed by the Chairman.

It was noted that following the March ISC meeting, all shortlisted managers had been informed of the outcome of the Direct Lending Procurement and that Officers and Advisers were currently in the process of completing the paperwork for the appointed Direct Lending Manager.

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11. Annual Investment Manager Monitoring

11a. Investment Manager Monitoring – Annual Performance Review as at 31 March 2021

Hymans Robertson provided a bitesize training overview of the Investment Strategy of the Fund. It was explained that in order for the Fund to achieve its investment return target, the ISC had agreed an overall strategic allocation to three broad 'investment buckets': Equities; Bonds; and Alternatives. Within these 'buckets' the ISC had then further allocated percentages of the Fund to external managers to manage specific mandates within those asset classes.

For the benefit of the new Members, Matt Woodman explained as a result of the last two positive Actuarial Valuation outcomes, the Fund was at the last Valuation 97% funded and as a consequence, the ISC over the last few years had taken the decision to undertake a derisking programme, reducing its equity allocation and increasing allocations to the alternative 'bucket'.

The Committee received a report and presentation from Hymans Robertson summarising the investment performance for the year ended 31 March 2021 of the Investment Managers of the Fund, along with a synopsis of the market conditions during the year.

Members were pleased to note that despite the dramatic fall in equities markets resulting from the emergence of the Covid pandemic at the end of March 2020 the Fund's performance for the year ended 31 March 2021 had made a remarkable recovery, recording an absolute return of c30%, which was above the Fund's benchmark and the Actuary's investment return assumption used for the Triennial Valuation.

Resolved:
The Committee noted the training presentation and the content of the report.

11b. Investment Manager Monitoring – Traffic Light Ratings Report

Matt Woodman, Hymans Robertson provided a detailed Traffic Light Ratings Report which included their views and RI ratings on the Fund's investment managers.

Members were provided with a brief overview of each manager and in particular, attention was drawn to the issues highlighted within the report.

Members positively commented on the changes that had been made to enhance the report's style, requesting that the new reporting format be adopted going forward. One additional enhancement, however, was requested that any changes in Hymans ratings be drawn out within the summary table.

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A recommendation was also put forward to the Committee to commit a further £60m to private equity asset class as part of the annual commitment programme.

Resolved
The Committee **agreed**:

- a further £60m be committed to new private equity opportunities in 2021/22 as part of the annual commitment programme;
- a bottom up review of the Aviva property portfolio be undertaken by Officers and Advisers and the outcome will be reported back to a future meeting; and
- the content of the report be noted.

11c. Investment Manager Monitoring – CEM Benchmarking Value for Money Review

The Committee received a report from Hymans Robertson summarising the independent review CEM Benchmarking had undertaken of the overall fees paid by the Fund, investment returns, and net value added compared to its peers across the LGPS and global universe for the year to 31 March 2020.

Hymans Robertson concluded that the Fund's performance track record versus the level of fees paid continues to be exemplary over the longer term.

Resolved:
The Committee **agreed** that:

- CEM undertake a cost benchmarking review as at 31 March 2021; and
- the content of the report be noted.

11d. Annual Investment Scorecard

Members were presented with the new Annual Investment Scorecard.

Following a review of the Fund's Investment Objectives and Investment Scorecard measures by the ISC at their October 2021 meeting it was agreed that due to the wide range of areas covered by the ISC and in anticipation of the increased scrutiny around RI and additional disclosures that a separate, more detailed Investment Scorecard be developed and reviewed on an annual basis as part of the wider annual investment monitoring review.

It was noted that of the 34 Investment Scorecard measures the Fund had four measures that were not applicable and only one amber measure. This was in regard to the final outcome of the Independent Governance and Administration Adviser's (IGAA) Governance and Effectiveness Review. It was confirmed that the IGAA's final report including any actions was due to be presented to the Essex Pension Fund Strategy Board at their July meeting.

Resolved:
The Committee noted the content of the report.

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12. The Provision of Global Custodian Services Arrangements

The Investment Manager provided an update on the outcome of the global custody re-tender process.

It was explained that following the ISC agreement at its January 2021 meeting, Essex along with seven ACCESS local authorities had undertaken a joint procurement issuing an invitation to tender to the five participates recently appointed on the Global Custodian Services LGPS Framework. Following evaluation, moderation and clarification interviews by Officers, the preferred bidder had been identified and all bidders had now been notified of the attention to award, subject to a ten days standstill period.

Resolved:
The Committee **agreed**:

- to accept the findings of the report and the preferred bidder;
- that the preferred bidder be appointed the Fund's new provider of Global Custodian Services, subject to successful conclusion of the ten-day standstill period;
- that the new arrangement commences on 01 September 2021 for an initial period of five years, with the option to extend for a further period of five years, subject to satisfactory performance;
- the contractual arrangement with the incumbent, Northern Trust, be allowed to continue until 31 August 2021; and
- to note the content of the report.

13. Urgent Exempt Business

There were none.

There being no further business the meeting closed at 1:15pm.

Chairman
13 October 2021

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