



Essex County Council

Essex Pension Fund Investment Steering Committee

10:00	Wednesday, 13 October 2021	Committee Room 1 County Hall, Chelmsford, CM1 1QH
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For information about the meeting please ask for:

Amanda Crawford, Compliance Manager

Telephone: 03330 321763

Email: Amanda.Crawford@essex.gov.uk

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6 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.

7 Part Two Minutes of Investment Steering Committee (ISC) Meeting 16 June 2021

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

8 Quarterly Investment Manager Monitoring

8a Investment Tables Quarter ended 30 June 2021

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

8b 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);

8c Investment Manager Monitoring - Responsible Investment (RI) Engagement Report

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

- 9 Review of the Index Tracking Approaches**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 10 Bitesize Training - The Role of the Global Custodian**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 11 Structural Reform of LGPS : 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);
- 12 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: 13 October 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

This Report is for noting

Executive Summary

No Membership changes since the last meeting.

1. Purpose of the Report

- 1.1 To present Membership, Apologies and Declarations of Interest for the 13 October 2021 ISC.

2. Recommendation

- 2.1 That the Committee should note:
 - Membership as agreed as shown overleaf;
 - 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)

5 Conservative Group: 1 Liberal Democrat Group: 1 Non-Aligned 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 Hoy

Essex County Council

Councillor D King

Essex County Council

Councillor C Souter

Essex County Council

Observers

Councillor C Riley

Castle Point Borough Council

Sandra Child

Scheme Members

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

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.

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 2021;
- 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

- 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.

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

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

.....
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.

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.

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.

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 participants 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

Essex Pension Fund Investment Steering Committee	ISC 03
Date: 13 October 2021	

Capital Markets Outlook: Q2 2021 highlights

Report by Hymans Robertson

Enquiries to Jody Evans on 03330 138489

This Report is for noting

Executive Summary

Key highlights include:

- Positive Rolling 12 month returns to June 2021 for risk assets;
- Improved GBP growth in Q2 however, still below pre-Covid 19 levels;
- Continued signs of recovery, global service sector is catching up with the manufacturing sector however, businesses are increasing becoming constrained by problems in supply of material and labour;
- Outlook for asset classes remains neutral to cautious given price rises in the backdrop of an uncertain economic environment; and
- Persistent higher inflation remains a concern, although markets appear to have priced a return towards target levels in medium term.

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.

Q2 2021 Capital Markets Outlook

September 2021

Essex County Council

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Economic background

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Market returns

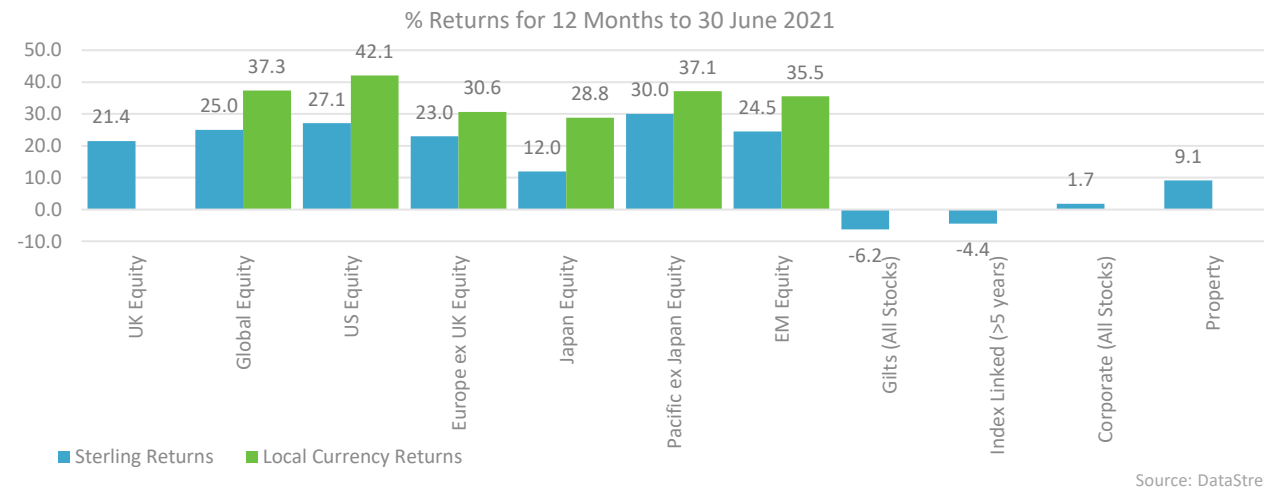
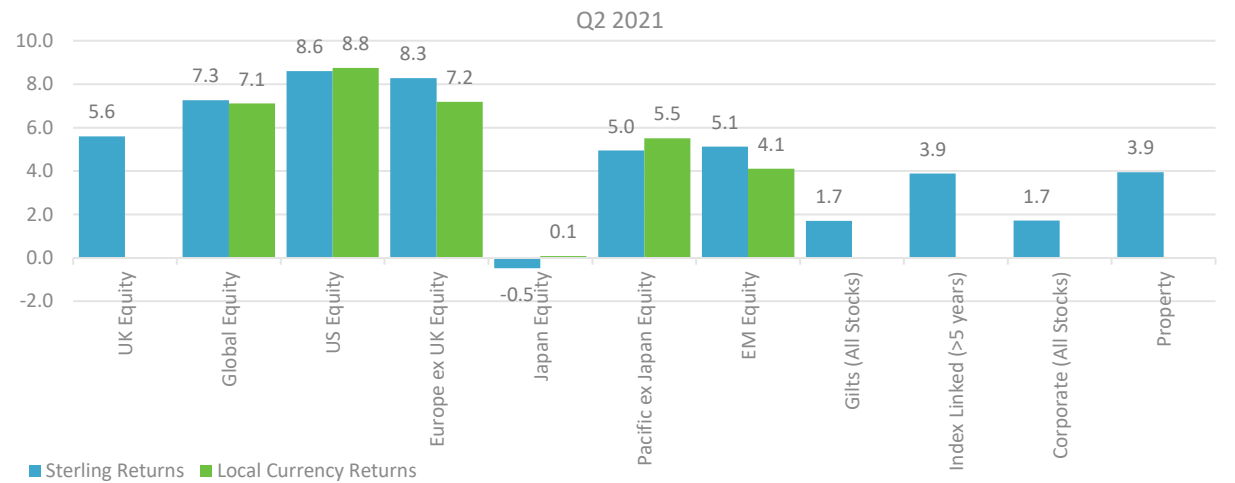
Despite upside inflation surprises, US and UK sovereign bond yields have fallen since the end of March. On news the Fed expects to increase its policy rate twice in 2023, short-term yields rose, and longer-term yields fell.

Equity markets rose over the quarter but the recent fall in yields saw shorter duration sectors and styles underperforming..

Global credit spreads continued to trend lower in-line with improving credit fundamentals and oil prices rose strongly.

The rolling 12-month total return on the index was 9.1% to end-June, with monthly returns positive since July 2020.

Market Returns



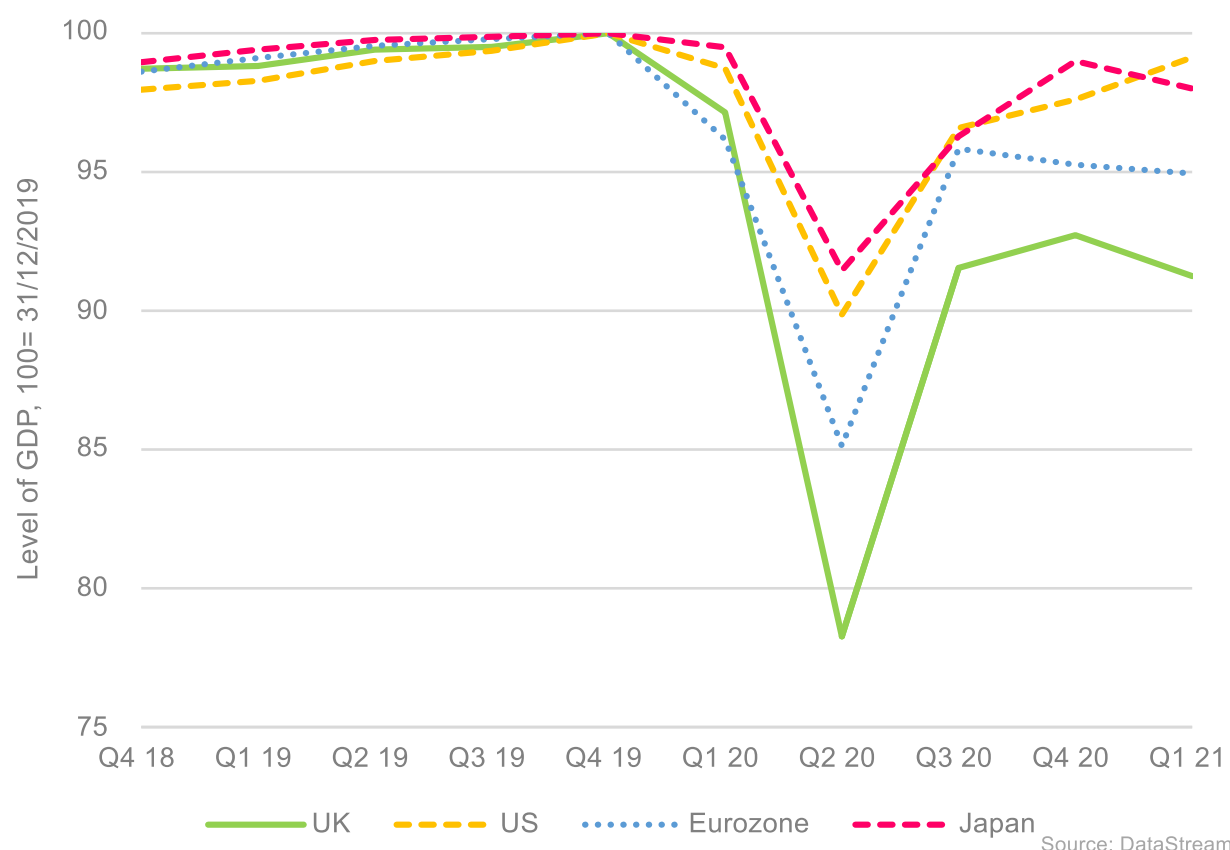
Economic Background

Recent data confirm that although the quarterly pace of global growth slowed in Q1 2021 after a robust H2 2020, the hit to activity from tighter restrictions had been less than feared.

The US economy expanded 1.6% quarter-on-quarter, as household spending started to show the impact of fiscal stimulus, contractions of 0.6% and 1.5% in the UK were smaller than economists had expected.

Effective vaccines enabling an easing of restrictions and greater economic resilience to the latest waves of COVID-19 suggest the global economy grew at a robust pace in Q2.

GDP Growth



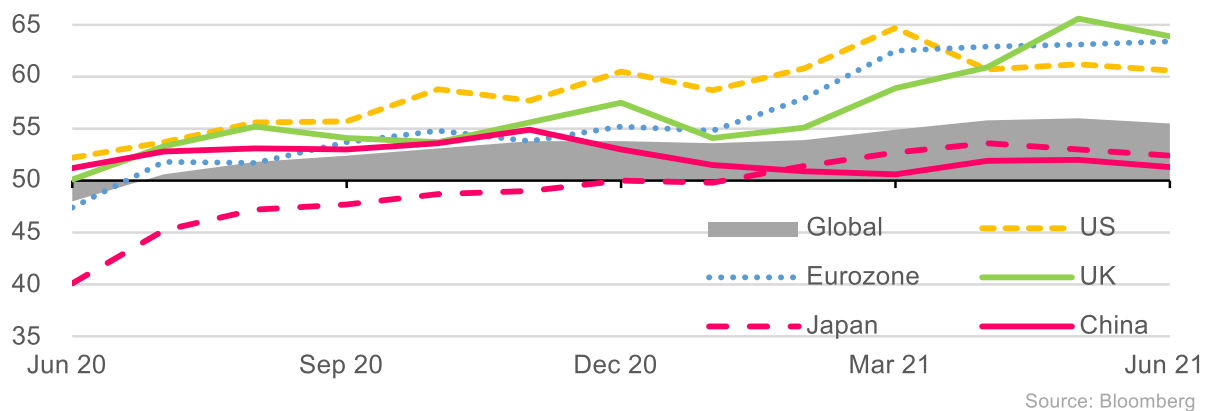
Source: DataStream

June's survey data show composite PMIs remain at or near record highs, suggesting growth momentum remains robust.

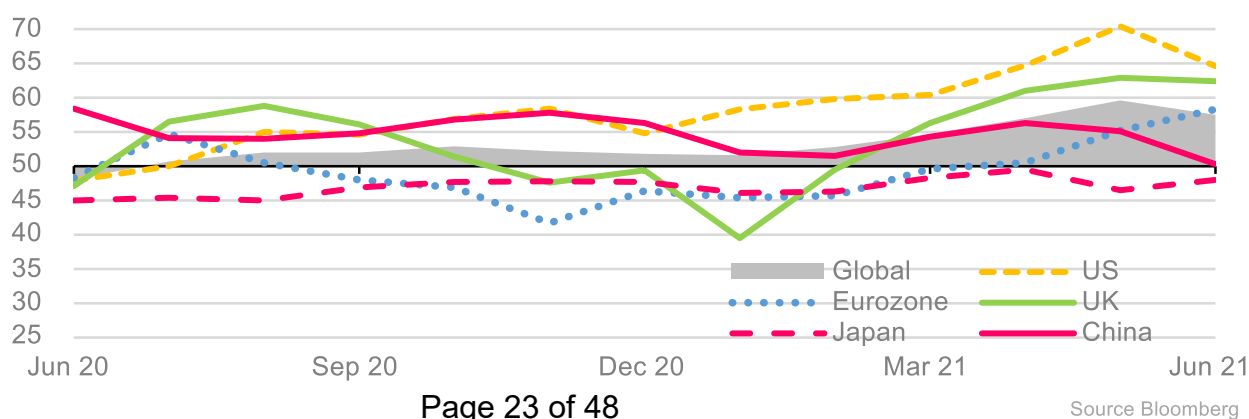
Global service sector data have been more resilient than manufacturing data in recent months, indicating the recovery is increasingly spreading from manufacturing to services as economies benefit from a relaxation in restrictions.

The detail of surveys show businesses are still constrained by problems in the supply of materials and labour. Selling prices for both goods and services are rising at unprecedented rates.

Manufacturing PMI



Services PMI

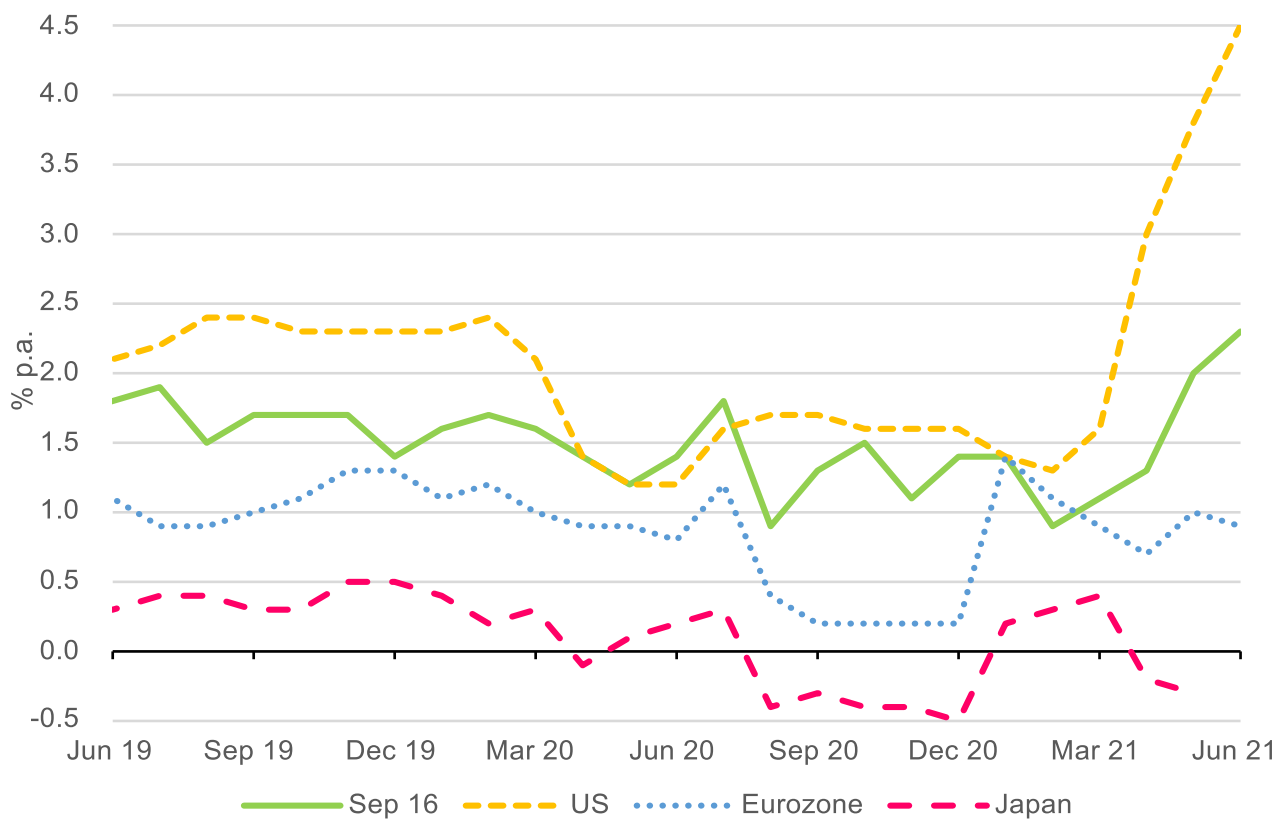


UK headline CPI inflation rose to 2.5% year-on-year in June, partly due to price rises for food, second-hand cars, clothing and footwear, and dining out. Core inflation, which excludes volatile elements like food and energy rose to 2.3%.

After rising to 5.0% in May, US headline inflation rose to 5.4% year-on-year in June. Core CPI rose to 3.8% in May and 4.5% in June.

Although these recent numbers have exceeded expectations most forecasters expect the inflationary spike to prove temporary, and pressures to ease as we enter 2022.

Core CPI Inflation



Source: DataStream



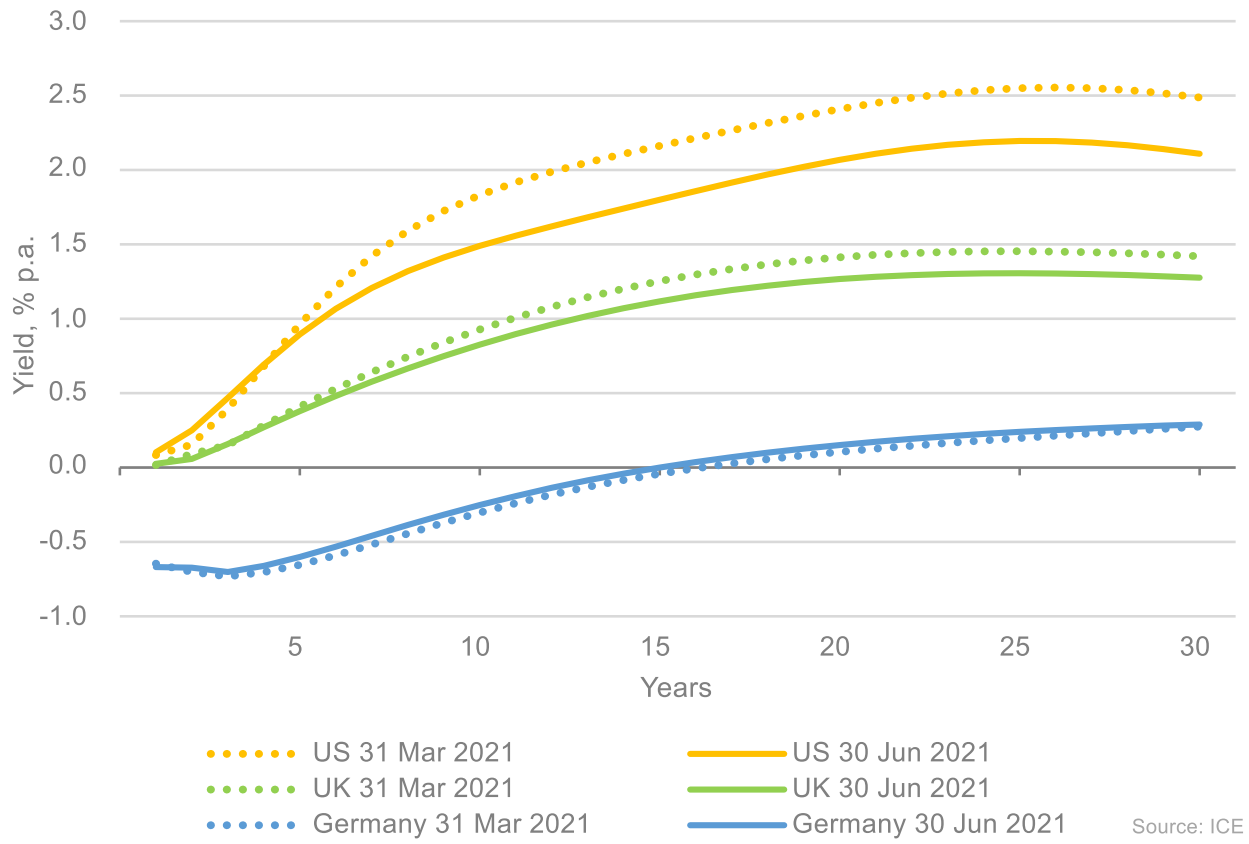
Asset class views

The Fed surprised markets by suggesting rates may rise in 2023 even as they re-iterated current inflationary pressures are likely transitory. Nevertheless, Treasury yields declined in Q2, perhaps reflecting perceptions the quarterly pace of US growth has already passed its peak.

The UK yield curve has also flattened since the end of March as longer-term yields fell, despite upside inflation surprises.

In contrast, there was little change in yields across the German yield curve.

Conventional government bonds



Global credit spreads continued to trend lower in-line with declining default rates and improving credit fundamentals.

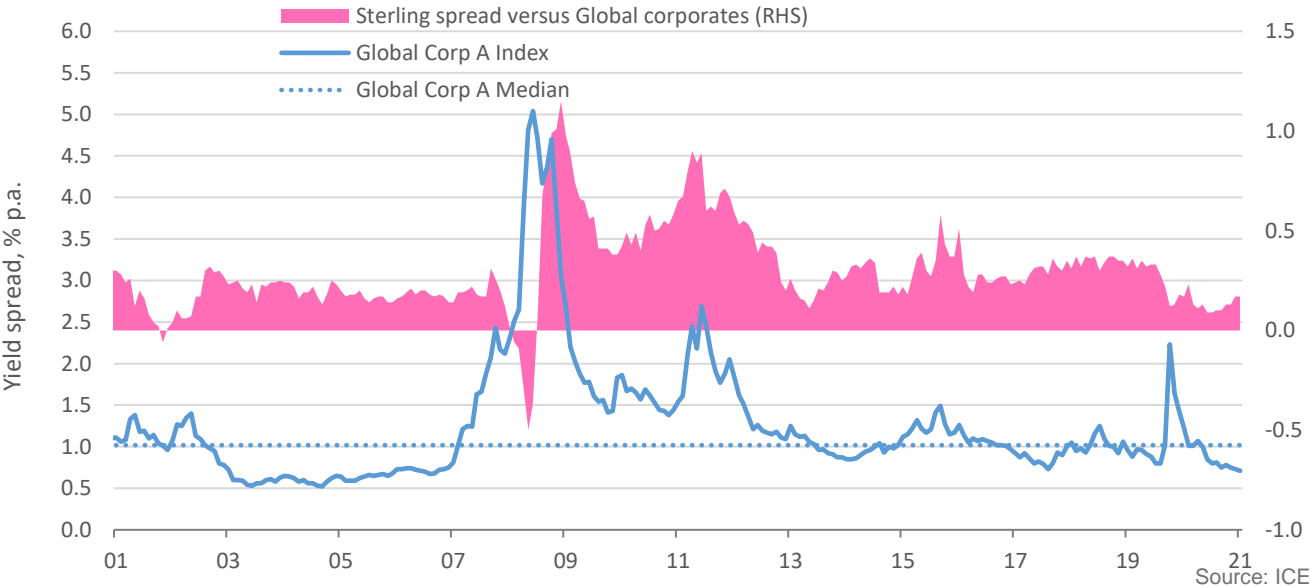
Corporate earnings have continued to accelerate, and economic optimism has improved. However, investment grade spreads (UK and Global), on a ratings-consistent basis, are at or near all-time lows.

While consensus points to inflationary pressures being transient, long-duration, low spread, investment-grade credit markets are susceptible to potential rates volatility and upside inflation surprises.

Overall, despite near-term fundamental support and tailwinds from ongoing investor demand and accommodative central bank policy, we maintain a degree of caution given current valuations.

Investment-grade corporate credit

Spreads (bps)	30 June	-3 Mth	-12 Mth	10-yr Median
US IG	86	97	160	136
Sterling IG	106	113	175	149
Euro IG	84	91	148	120



	Fundamentals	Valuations	Technicals	Overall
Global IG credit	Neutral	Unattractive	Neutral	Cautious
Sterling IG credit	Neutral	Unattractive	Neutral	Cautious

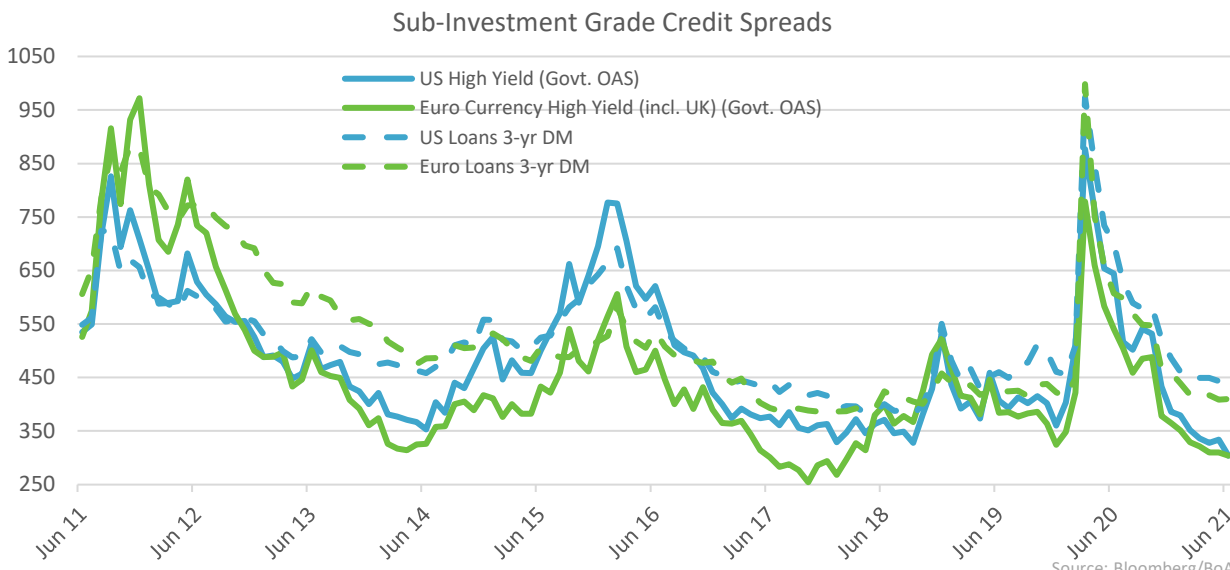
Speculative-grade credit yield

Global speculative-grade spreads fell 0.3% p.a. to 3.5% p.a. and are now below end-2019 levels and in-line with the lows of January 2020.

Default levels have passed their peak and are expected to fall well below longer-term average levels by the end of the year. However, our cautious view is predicated on spreads which are well below long-term median levels and are already fully pricing in the more favourable environment.

In private debt, the illiquidity premium relative to the traded loans market is in-line with historical averages. And, while traded loan spreads are low versus history, they are less so than equivalent high yield spreads. Market activity is high and competitive, particularly in defensive assets.

Spreads (bps)	30 June	-3 Mth	-12 Mth	10-yr Median
US HY	304	336	644	458
Euro Currency HY	304	321	541	412
US Loans 3-yr DM	443	449	700	502
Euro Loans 3-yr DM	410	425	607	498



Source: Bloomberg/BoA ML

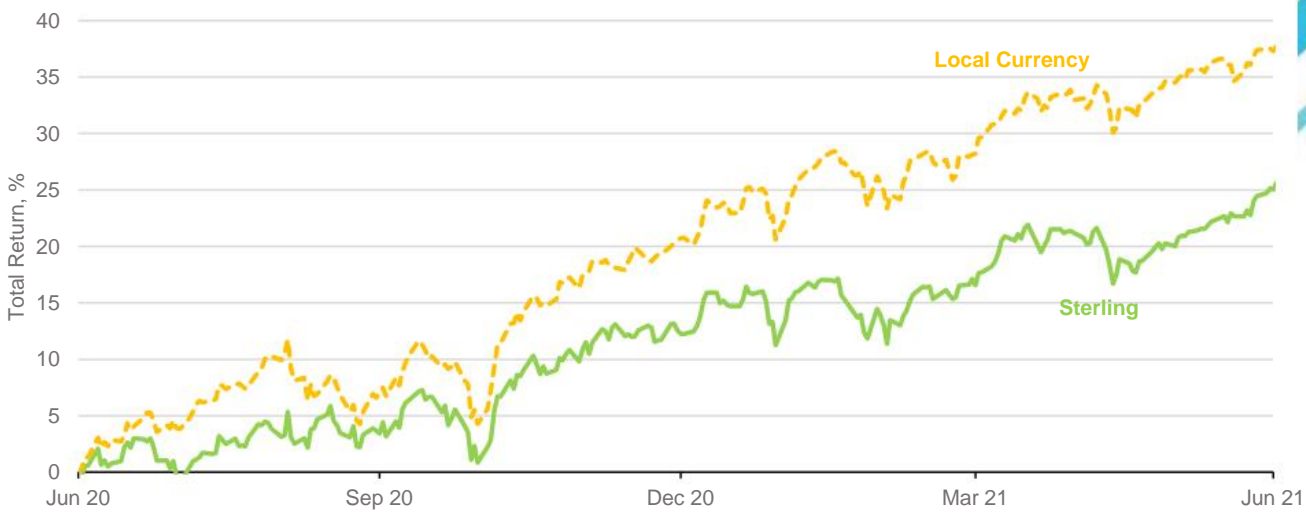
	Fundamentals	Valuations	Technicals	Overall
Liquid HY/loans	Neutral	Unattractive	Neutral	Cautious
Private loans	Neutral	Neutral (relative)	Neutral	Neutral to Cautious

Equities

Global equity markets gained 7.1% in Q2 to reach new highs, shrugging off inflation concerns and any indications of monetary tightening. Performance over the quarter has been aided by strong flows on the back of positive economic growth and earnings momentum.

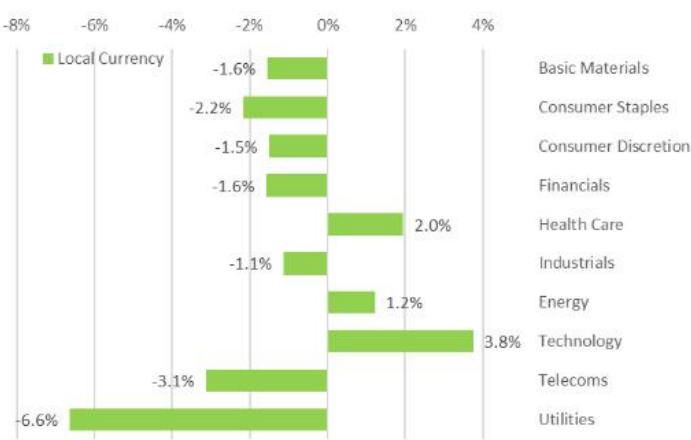
Cyclical, shorter-duration sectors, such as financials, industrials and basic materials, and styles, such as value and small-cap, have underperformed, having outperformed significantly since the initial positive vaccine news in November last year. Conversely, technology, with its longer-duration growth characteristics, outperformed during Q2.

Global equity returns



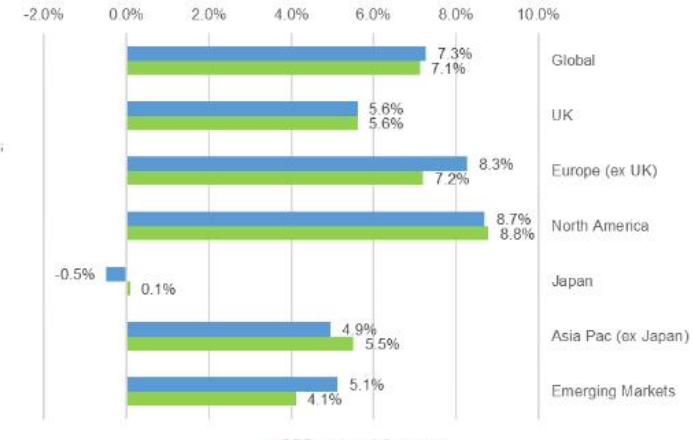
Total returns 30 Jun 2020 to 30 Jun 2021. Source: DataStream

Relative Q2 equity sector performance



Global Sector returns relative to FTSE All World Index 31 Mar 2021 to 30 Jun 2021. Source: DataStream

Q2 Regional Equity performance



Total returns 31 Mar 21 to 30 Jun 21. Source: DataStream

Equities

The final Q2 earnings growth rate for US companies (S&P 500) was 64 %, the strongest year-on-year earnings growth rate since 2010, with a record number of companies indicating positive EPS guidance. Cyclical sectors such as energy, materials and financials led the EPS guidance increases (in the US) alongside technology.

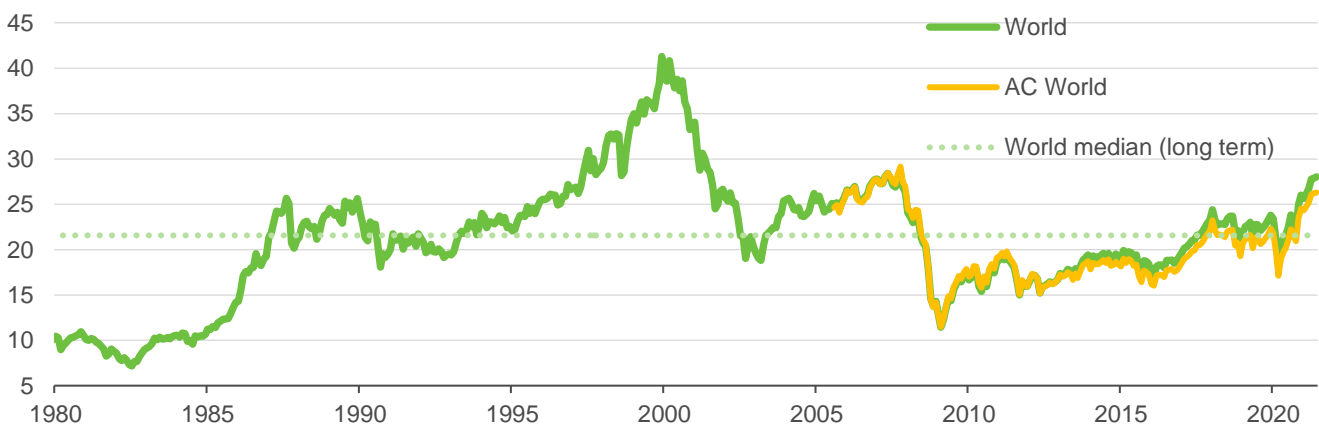
IBES forecasts for full-year earnings rebound for the MSCI World index in 2021 stand at approximately 38%, which would leave earnings 16% above end-2019 levels.

Global equity prices have risen in-line with the improving fundamental outlook, with valuation multiples still looking stretched vs history.

Global equities

Region (MSCI index)	P/E (Trailing)		P/E (Shiller)		Price/Book		Price/Sales		EV/EBITDA		Dividend Yield (%)
	Current	Historic Median	Current	Historic Median	Current	Historic Median	Current	Historic Median	Current	Historic Median	
World	27.4	18.6	27.9	21.6	3.2	2.2	2.0	1.3	14.2	10.0	1.7
US	29.7	18.3	35.4	20.7	4.8	2.6	2.6	1.6	16.3	10.8	1.3
EM	18.7	14.5	16.7	15.4	2.1	1.7	1.1	0.9	11.0	8.2	1.8
UK	23.6	14.1	14.2	14.9	1.8	1.9	1.2	1.2	8.9	7.7	3.2

MSCI World and AC World cyclically adjusted price-to-earnings ratio



	Fundamentals	Valuations	Technicals	Overall
Global equity	Attractive	Unattractive	Neutral	Neutral

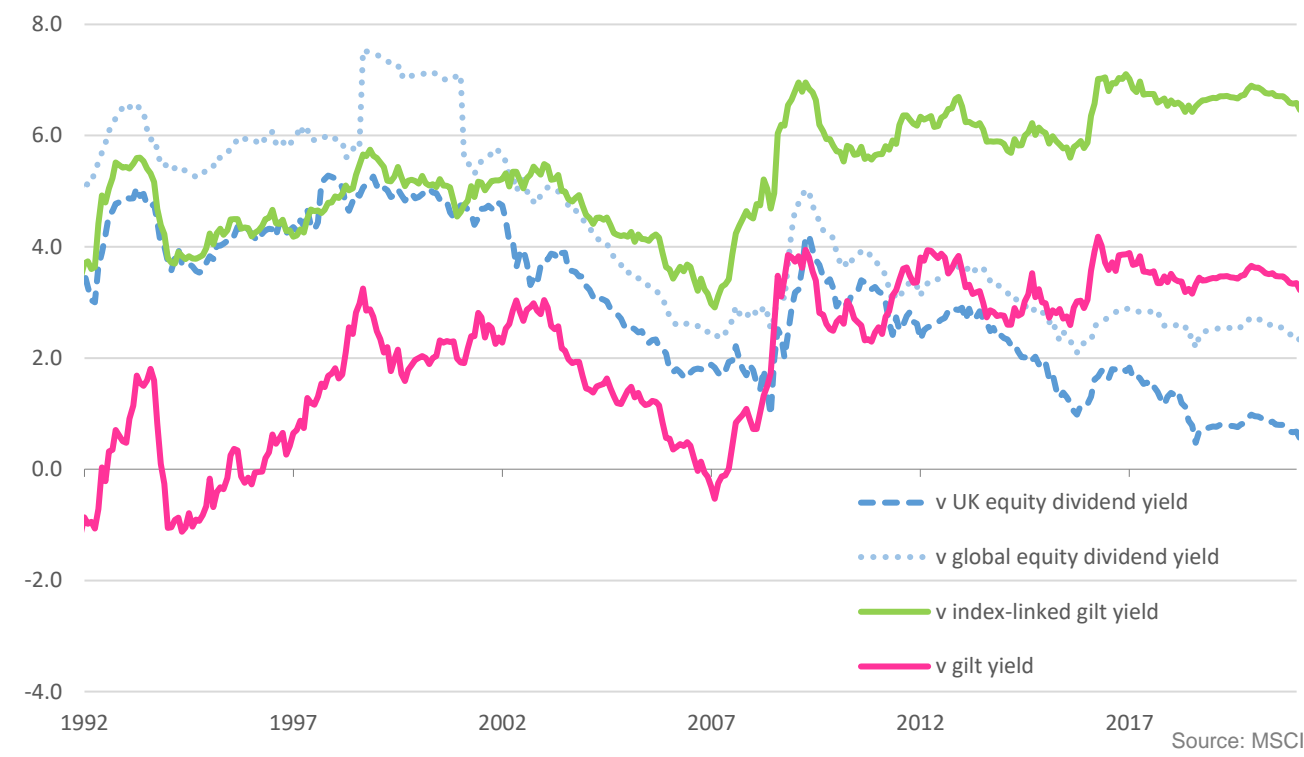
Rolling annual capital returns for the UK Monthly Property Index are in positive territory and continue their upwards rise as the steep falls recorded at the outset of the pandemic fall out of the comparison.

A 3.4% rise in the year to June is attributable the buoyant industrials sector, where capital values have risen 17.9% over the last 12 months. Retail sector capital values are 5.4% lower over 12 months, but the pace of declines is slowing.

There are positive signs for UK property market fundamentals, particularly from the occupier market. The recovery in transaction activity continues to gather pace although it remains too early to conclude that this will be sustained despite greater course of optimism.

UK property

UK property initial yield



	Fundamentals	Valuations	Technicals	Overall
Core	Neutral to Unattractive	Unattractive	Neutral	Cautious
Long Lease	Neutral	Unattractive	Neutral	Neutral to Cautious

Appendix

Consensus forecasts

GDP Growth (%)	2020 Actual	Forecasts for 2021		Forecast for 2022	
		Jun 21	Mar 21	Jun 21	Mar 21
World	-3.6	5.8	5.3	4.3	4.1
US	-3.5	6.7	5.7	4.1	4.0
UK	-9.8	6.6	4.6	5.3	5.8
Eurozone	-6.7	4.4	4.3	4.4	4.2

Consumer Prices (%)	2020 Actual	Forecasts for 2021		Forecast for 2022	
		Jun 21	Mar 21	Jun 21	Mar 21
World	2.1	3.1	2.6	2.8	2.7
US	1.2	3.5	2.4	2.6	2.2
UK	0.8	1.7	1.6	2.3	2.0
Eurozone	0.3	1.8	1.5	1.4	1.3

Asset class views framework

The views are intended to give a guide to our views on markets over the medium term; although they are updated quarterly, they are not intended as tactical calls.

The views reflect our expectations of absolute returns and assume no constraints on the investment decisions. In practice, they need to be interpreted in the context of the strategic framework within which individual funds are managed.

Fundamentals

These are the underlying economic drivers of an asset class which impact returns. Examples of fundamental factors include earnings, rents, inflation, interest rates, defaults, and leverage levels.

Valuation

Valuation is concerned with the price the market places on the relevant fundamentals and how that compares with history and/or our view of fair value.

Technicals

These are shorter-term factors that may tend to move markets back towards or further away from fair value. These are often factors which impact the supply/demand balance and include asset flows, issuance, investor confidence, central bank intervention, and geopolitical risk.

Risk warnings

General risk warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance. Private equity investments, whether held directly or in pooled fund arrangements carry a higher risk than publicly quoted securities. The nature of private equity pooling vehicles makes them particularly illiquid and investment in private equity should be considered to have a long time horizon.

Disclaimer

This presentation has been prepared for Essex Pension Fund. It should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We accept no liability where the presentation is used by, or released or otherwise disclosed, to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the presentation may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

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Essex Pension Fund Investment Steering Committee	ISC 04
Date: 13 October 2021	

Schedule of Future Meetings and Events

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

This Report is for noting

Executive Summary

A reminder of the upcoming PSB, ISC and Training Days have been provided.

An update in regard to Essex County Council (ECC) restrictions in Member's attendance at Conferences and Seminars has also been provided.

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 As Covid-19 restrictions are easing, more face-to-face Conferences and Seminars are starting to be advertised. However, the Fund also need to take into consideration the advice and guidance being communicated from ECC which is to consider the nature and importance of the Conference/Seminar before advertising these to Members to attend.
- 4.2 Therefore, Fund Officers will ensure a review of the advertised Conference/Seminar is carried out in line with the Knowledge and Skills Strategy taking into consideration individual's Training Needs Analysis and will communicate any suitable conferences either through emails and/or this Agenda Item.
- 4.3 Members should also note that the pandemic has created a new approach to some Conferences/Seminars where they are now utilising a hybrid approach or in some cases 100% virtual. As and when any appropriate webinars and or hybrid options 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	
Monday 29 November 2021	10am – 4pm
Wednesday 23 February 2022	10am – 1pm


Training Days	
Day 1 – EPF Back to Basics	03 November 2021

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 08, 16 June 2021.

Essex Pension Fund Investment Steering Committee	ISC 05	
Date: 13 October 2021		

Responsible Investment (RI) Project Plan Progress including Outcome of Training Day

Report by Hymans Robertson in consultation with the Director for Essex Pension Fund and the Independent Investment Adviser, Mark Stevens

Enquiries to Jody Evans on 03330 138489

This Report is for noting

Executive Summary

The RI Workshop covered five areas:

- Journey to date;
- Introduction to Taskforce on Climate Related Financial Disclosures (TCFD);
- Discussion on Net Zero Targets;
- Manager Engagement; and
- Initial review of the Index Tracking approach.

Progress against the RI Project Plan is broadly on track albeit Manager Engagement workstream is further progressed and Climate Metrics slightly behind expectation. This is expected to be rectified by the next ISC meeting.

1. Purpose of the Report

- 1.1 To provide an overview of the RI Workshop that was held on 16 September 2021, progress against the Fund's RI Project Plan and proposed next steps.

2. Recommendation

- 2.1 The Committee note:

- the outcome of the RI Workshop;
- progress against the Fund's RI Project Plan and proposed next steps as set out in the accompanying report; and
- note the content of the report.

3. Background

- 3.1 At the 16 June 2021 ISC meeting the Committee agreed a RI Project Plan including the workstreams, timings and steps required to be undertaken to achieve this year's Business Plan areas of activity in relation to responsible investment and stewardship.
- 3.2 Areas of activity includes:
- the development of the submission to become a signatory to the Financial Reporting Council (FRC) UK 2020 Stewardship Code;
 - the commencement of the annual review of all investment managers' compliance with the Fund's RI and Stewardship Policy; and
 - the development of Climate Change Policy Objectives and Metrics (Task Force for Climate related Financial Disclosures (TCFD)).
- 3.3 A dedicated RI Workshop was held on 16 September 2021 with ISC Members the Report attached at Appendix A provides a summary of the outcomes of the Workshop and sets out next steps.
- 3.4 In addition, Appendix B provides current progress against the RI Project Plan.

4. Background Papers

- 4.1 Responsible Investment (RI) Project Plan, ISC07, 16 June 2021.
- 4.2 Outcome of the Responsible Investment Workshop, ISC03, 24 March 2021.
- 4.3 Essex Pension Fund (EPF) - Three Year Business Plan and 2021/22 Budget, PSB04a, 17 March 2021.
- 4.4 Investment Strategy Statement as published on www.essexpensionfund.co.uk

RI training day

Addressee

This paper is addressed to the Investment Steering Committee ('ISC') of the Essex Pension Fund ('the Fund') and notes the outcome of the Responsible Investment ('RI') workshop held on 16 September 2021 and sets out next steps.

RI workshop

On 16 September 2021 the ISC undertook a workshop on RI. This workshop was a training/discussion session to further progress the RI workstream and prepare for the Fund's Stewardship Code submission in 2022.

The agenda for the workshop was:

- 1 Refresher on the journey to date;
- 2 Introduction to TCFD;
- 3 Discussion of net zero targets;
- 4 Manager engagement; and
- 5 Review of index tracking approach.

Taking each in turn.

Refresher on the journey to date

The ISC and O&A project plans for review of the Fund's RI approach, including substantial progress against these, were noted.

It was highlighted that the project plans were slightly ahead for the manager engagement workstream and slightly behind for climate metrics workstream, but this was expected to be resolved by the November ISC.

Introduction to TCFD

The disclosure requirements for the Task Force on Climate Related Financial Disclosures ('TCFD') were discussed. Although not a requirement for the LGPS as yet, it is likely to become a requirement during 2022/23 and there is significant overlap with the Stewardship Code.

Areas discussed were:

- 1 The 11 areas of required disclosure;
- 2 Scenario analysis; and
- 3 Metrics and targets.

Next steps; proposed metrics and targets will be brought to the November ISC for discussion/agreement.

Net zero targets

In addition to agreeing metrics, TCFD requires asset owners to set targets to assess and manage climate related risks and opportunities.

A common target being discussed at the moment is 'net zero' in terms of both decarbonising investment portfolios and increasing investment in solutions/technologies that help meet that goal.

A framework for achieving this, based on the IIGCC¹, was discussed, including:

- 1 Scope of emissions under consideration;
- 2 Long term goals;
- 3 Medium term targets in line with achieving long term goals and consistency with transition pathways for industry sectors; and
- 4 The Council's own stated goals.

Next steps; objectives, targets, scope of emissions and metrics to be discussed/agreed at November ISC in line with the discussions above.

Manager engagement

The approach to manager engagement, with a focus on active managers, in relation to the approach they adopt and the stocks they hold on behalf of the Fund was discussed, including:

- 1 The ISC's agreed approach (as set out in earlier workshops);
- 2 The engagement process developed by the O&A based on the ISC's agreements, including the use of 'top-down' and 'bottom-up' measures; and
- 3 Examples of engagement undertaken with the managers by the O&A (5 O&A manager engagement meetings had been completed by the end of September).

Next steps; engagement notes for each of the 5 managers will be presented at the October ISC for review/discussion. These will then become evidence of engagement and outcomes for the Fund's Stewardship Code submission.

Review of index tracking approach

During the workshop it was recognised that the approach to index tracking² portfolio management needed to be considered separately to active management as the ISC defines the index tracked and, though that index selection, the underlying stocks held.

The session discussed:

- 1 The current approach of tracking market capitalisation³ indices which does not specifically take into account RI factors in the selection of stocks held;
- 2 Potential for a 'better' approach given the ISC's stated RI beliefs and objectives;

¹ Institutional Investors Group on Climate Change

² Previously referred to as 'passive' management. It was agreed that the term 'passive' was no longer appropriate as multiple indices are available and the ISC can make an active decision to select the index tracked.

³ Stock allocations weighted by number of stocks in issue and price

- 3 Factors to consider in selection of RI indices, including the risk of decisions leading to unintended consequences (and therefore the need to liaise with other ACCESS funds and UBS, the fund's current index tracking manager); and
- 4 An overview of alternative approaches available in the marketplace.

Next steps; a review of the index tracking approach will be brought to the October ISC for discussion/agreement on the preferred approach. The outcome will be an agreement to liaise with other ACCESS funds/UBS on implementation of the preferred approach.

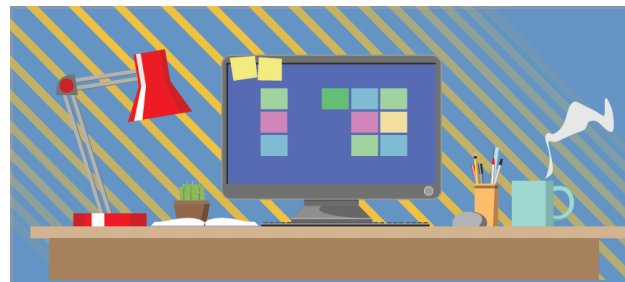
Prepared by:-

Matt Woodman, Senior Investment Consultant

For and on behalf of Hymans Robertson LLP

General Risk Warning

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Essex Pension Fund

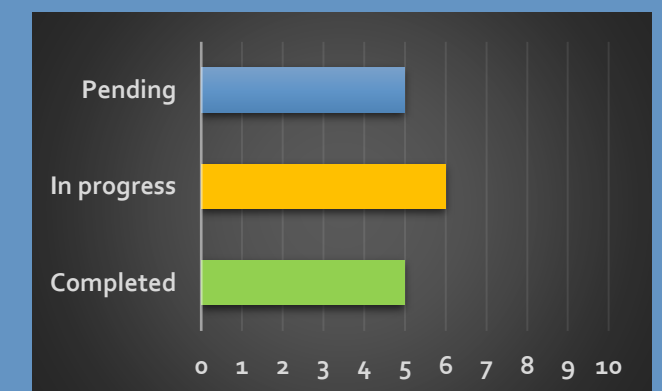
ISC Responsible Investment Project Plan

Deliverables	Decisions and actions	Meeting Date	Due	Priority	Status
Training on requirement	Training	16 June 2021	Q1	High	Completed
Proposed scope and Project Plan	Agree scope of activities and Project Plan	16 June 2021	Q1	High	Completed
Training - Taskforce for Climate Related Disclosures (TCFD) framework and requirements	Training	16 September 2021	Q2	High	Completed
Training - Key climate metrics (for manager monitoring, TCFD metrics and targets)	Training	16 September 2021	Q2	High	Completed
Training - Equity benchmarks with RI credentials (for Index Tracking Equity mandate)	Training	16 September 2021	Q2	High	Completed
Proposal on Index Tracking Equity benchmarks	Agree approach to index tracking equity benchmarks and document as part of RI Policy	13 October 2021	Q3	Medium	In progress
Proposed Climate Metrics and Targets (for manager monitoring and TCFD)	Agree climate metrics and targets	13 October 2021	Q3	Medium	Pending
Meet Managers with focus on RI themes (with new format Briefing Note)	Identify areas for ongoing engagement with Managers	13 October 2021	Q3	Medium	In progress
Early draft of Stewardship Code submission (template with gaps)	<ul style="list-style-type: none"> Agree approach to passive equity benchmarks and Agree climate metrics and targets Identify areas for ongoing engagement with manager 	13 October 2021	Q3	Medium	Pending
Initial Engagement Plan with all managers including progress to date	Agree Engagement Plan	29 November 2021	Q3	Medium	In progress
Proposal on communication and engagement with key stakeholders	Agree Communication Plan	29 November 2021	Q3	Medium	Pending
Meet manager with focus on RI themes	Identify areas for ongoing engagement with Managers	29 November 2021	Q3	Medium	In progress
Follow up Stewardship Code training, including Fund Escalation Policy	Agree Fund Escalation Policy	Training TBC	Q4	Medium	Pending
Final draft of Stewardship Code submission, including Fund Escalation Policy	<ul style="list-style-type: none"> Delegate completion of Stewardship Code submission to O&A for submission by 30 April 2022 Identify areas for ongoing engagement with manager 	23 February 2022	Q4	Medium	Pending
Annual review of Managers' compliance with Fund's RI and Stewardship Policy	<ul style="list-style-type: none"> Identify areas for ongoing engagement with Managers 	23 February 2022	Q4	Medium	In progress
Meet Managers with focus on RI themes	<ul style="list-style-type: none"> Identify areas for ongoing engagement with Managers 	23 February 2022	Q4	Medium	In progress

PROGRESS : 4 October 2021



TASKS SUMMARY



ON THE HORIZON

