

Essex Pension Fund Strategy Board	PSB 07a
Date: 17 March 2021	

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 the 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, 20 January 2021.

4. Report of the meeting of ISC on 20 January 2021

- 4.1 The Committee were provided with a report summarising the current views on the Fund's Investment Managers including Responsible Investment ratings where available.
- 4.2 Details of the Fund's investment manager performance for the quarter ended 30 September 2020 was presented to the Committee along with an update on provisional value of the Fund as at 31 December 2020. Members were pleased to note that the Fund value had reached a new high of £8.4bn.
- 4.3 An update was also provided in respect of the Property Mandate where Members were advised that a report along with recommendations would be brought to a future meeting for the Committee to consider.
- 4.4 It was confirmed that the decision to further trim Baillie Gifford's overweight position by £110m had been implemented with the proceeds transferred to M&G's active bond mandate. The Committee **agreed** to proceed with the third tranche of rebalancing of its mandate by trimming the overweight position by a further £110m with the possibility that further rebalancing may be required in the future.
- 4.5 Members were reminded of the Competition and Markets Authority (CMA) requirement to set strategic objectives for the Fund's Institutional Consultant. On 14 December 2020 a meeting was held with the Chairman, Vice Chairman, Interim Director for Essex Pension Fund, Investment Manager and John Dickson from Hymans Robertson where progress against the objectives was reassessed. It was confirmed that the requirement to submit by the 7 January 2021 a Statement of Compliance to the CMA had been actioned on 21 December 2020.

- 4.6 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS which included confirmation that the revised Inter-Authority Agreement (IAA) had been agreed at Essex County Council's Full Council meeting on 8 December 2020 and was now reflected within the ECC Constitution and the three amendments agreed to the Operator Agreement had also been actioned.
- 4.7 Updates were provided in regard to the 12 November 2020 ACCESS Joint Committee (AJC) meeting which included: the agreement to appoint Engine MHP to support external communications; an update on sub fund launches; the pooling of alternative assets; the procurement for external professional advice to assist on Environment, Social and Governance (ESG)/Responsible Investment (RI) matters; and the Business Plan. Members also noted that Hymans Robertson delivered a BAU Evaluation Workshop to AJC Members.
- 4.8 A verbal update from the 13 January 2021 AJC meeting was also provided along with confirmation that the full Agenda would be circulated once the Agenda Pack and Summary Note become available.
- 4.9 The main focus of the meeting's business was in regard to the Asset Liability Review undertaken as part of the wider review of the Fund's Investment Strategy following the 2019 Actuarial Valuation. Following an interactive training session and presentation, Members **agreed** that the programme of de-risking continued to remain appropriate. However, it was agreed that in light of the results, the composition of Stage 3 needed to be revisited to avoid unnecessary churn and cost in the future.
- 4.10 A further training session was provided by Hymans Robertson on how the Committee could ensure that the Fund's passively managed assets were invested in line with the Fund's Responsible Investment (RI) Policy. Following a recap of the Beliefs that helped formulate the RI Policy, Members were divided into two breakout groups to ascertain their views which were subsequently reported back to the main Committee meeting.
- 4.11 Members noted that these discussions would form the basis for further consideration.
- 4.12 The Committee also received an update in regard to the Fund's investment related procurements. The decisions in relation to these included:

- the **agreement** that the Fund participate in the collective procurement of the provision of Global Custodian Services with other participating ACCESS funds;
- the update in regard to the Direct Lending Manager procurement;
- the ratification of the process undertaken and outcome regarding the reappointment of Mark Stevens as the Independent Investment Adviser to the Fund, for a term of three years; and
- the **agreement** to the proposed approach, process and timeframe for the re-tender of the Institutional Investment Consultant (IIC).

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 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 20 January 2021– Agenda and draft Minutes.