Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held as an online video conference on 21 July 2020

1. Membership, Apologies and Declarations of Interest

The report of the Membership, Apologies and Declarations of Interest were received.

Membership
Present:

Essex County Council

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)
Cllr A Goggin	
Cllr A Hedley	
Cllr M Maddocks	
Cllr L Scordis	
Cllr C Souter	

Scheme Member Representative

Sandra Child (UNISON)	(Observer)

The following Officers and Advisers were also present in support:

Jody Evans	Interim Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Helen Pennock	Compliance Analyst
Marcia Wong	Compliance Officer
Mark Stevens	Independent Investment Adviser
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson

Dawn Butler (ACCESS Support Unit (ASU)) also attended Part l of the meeting to facilitate with the technical elements of running the virtual meeting.

The following Conservative Group substitutes were present as Observers of the meeting:

Cllr M Durham	Essex County Council
Cllr B Massey	Essex County Council

The following Pension Strategy Board (PSB) Member was present as an Observer of the meeting:

Rachel Hadley	Other Employing Bodies Representative

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

Andrew Coburn	Scheme Member Representative UNISON
James Durrant	Other Employer Representative
Debs Hurst	Scheme Member Representative (left at 2.55pm)
James Sheehy	Scheme Member Representative (Part l only)

The following Investment Managers presented at the meeting:

Ana Lei Ortiz	Hamilton Lane
Ewan Boosey	Hamilton Lane

Members noted that the meeting would be recorded to assist with the minutes for the meeting.

Opening Remarks

The Chairman welcomed the Committee and Observers to the meeting and took the opportunity, it being the first meeting of the ISC to be held virtually, to outline to Members the protocol on how the meeting be conducted.

The Chairman took a moment to pay tribute to her former predecessor, Rodney Bass OBE, who before his retirement in May 2017 serviced 20 years as a Member of the ISC, 16 years as Chairman, who sadly passed away on 14 July 2020.

Apologies for Absence

It was noted that Cllr C Riley, Scheme Employer Observer representative was unable to attend the meeting. In addition, PSB Member Cllr M Dent and PAB Member Cllr S Walsh also sent their apologies.

Declarations of Interest

Declarations were received from:

Cllr S Barker who stated she was in receipt of an Essex LGPS pension and that her son was also a member of the Essex LGPS pension scheme. Cllr S Barker also declared she is an ECC Cabinet Member and sits on the Foreign Travel Committee;

Cllr M Platt declared that he is the Deputy Cabinet Member for Environment & Climate Change Action;

Cllr A Goggin stated 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

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Cllr M Maddocks and Sandra Child declared they were in receipt of an Essex LGPS pension.

It was also noted that Cllr A Hedley had recently been appointed the Chairman and Cllr M Platt, the Vice Chairman of the Audit, Governance and Standards Committee respectively.

Resolved:
The Committee noted the report.

2. Confirmation of the Annual Arrangements for the Appointment of the Chairman and Vice Chairman of the Essex Pension Fund and Terms of Reference

The Committee received a report from the Compliance Manager in regard to the annual arrangements of the appointment of the Chairman and Vice Chairman of the Essex Pension Fund.

It was noted that each year at the Annual Meeting of Essex County Council the Chairman appointments are confirmed for the forthcoming municipal year. These appointments are then reaffirmed at the respective meetings.

The Chairman informed the Committee that due to the circumstances surrounding Covid-19 the Annual Meeting of Essex County Council scheduled to take place in May had been deferred, as such the existing Chairman and Vice Chairman arrangements would remain in place until such time that the Annual Meeting could be held.

Resolved:
The Committee noted:

- the continuation of the Chairman and Vice Chairman current arrangements; and
- the ISC Terms of Reference as set out in Appendix A of the report.

3. Minutes of ISC meeting 19 February 2020

Minutes of the meeting of the ISC held on 19 February 2020 were approved as a correct record and signed by the Chairman.

4. Treasury Management Strategy 2020/21

The Investment Manager apologised to the Committee for the size of the agenda pack, but explained that Officers felt there was merit in providing Members with both a tracked and clean version of the Treasury Management Strategy and the Investment Strategy Statement (ISS) (agenda item 5).

The Committee were provided with an overview of the Treasury Management Strategy and were reminded as part of the Terms of Reference it is reviewed and approved on an annual basis.

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It was highlighted that the Pension Fund Treasury Management Strategy replicates to a large extent the Treasury Management Strategy approved by Essex County Council but had been adapted to reflect the separate governance arrangements of the Fund, cash managed internally by the Council's Treasury Management function and externally via the Fund's global custodian arrangements.

It was noted that in the main there was little change to the Strategy being proposed, with only minor updates made to the institutional lending list and forecasts. It was explained that Officers had, however, revisited Northern Trust and BNP Paribas Global Liquidity Funds lending limits that were originally set in March 2013 when the size of the Fund was in the region of £3.6bn. It was proposed that the limits, to reflect the growth in the Fund over recent years, be increased from £60m to £120m on an operational basis and from £130m to £200m on a temporary basis, to facilitate the redeployment of assets.

The Committee thanked the Investment Manager for the hard work in preparing the Treasury Management Strategy.

Resolved:
Following discussions, the Committee **agreed** that:

- a review be undertaken of the Treasury Management Practices and it be brought to a future meeting; and
- the 2020/21 Essex Pension Fund Treasury Management Strategy be approved.

5. Investment Strategy Statement (ISS)

The Committee were reminded of the process undertaken to date in regard to the review of the Investment Strategy Statement (ISS), including the review of the four main areas covered within it.

As background, following the outcome of the Asset Liability Study in 2017/18, the Committee agreed to a de-risking programme, whereby the Fund had aspirations to reduce the equity allocation from 60% to 45% to more income generated alternatives in a three-stage process. It was explained the medium-term programme was well underway and being steadily implemented.

This was followed by a full review of the Fund's Investment objectives, risks and Investment Manager benchmarks with the focus of attention over recent months the formulation of a Responsible Investment (RI) Policy, which Members subsequently agreed at the February Committee meeting.

It was explained since the last meeting the RI Policy had been shared with the Fund's Investment Managers to ascertain their initial thoughts. It was noted initial feedback has been very positive and it is not envisaged that the Funds RI Policy will be out of alignment.

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It was explained that the work undertaken to date meant Officers and Advisers were now able to present the updated draft ISS for approval and releasing for consultation.

A brief summary of the key changes was provided. These included:

- the latest Actuarial Valuation Funding Position (as at 31 March 2019) and Funding Strategy;
- updated ISC Terms of Reference and Responsibilities (Appendix A);
- revised Investment Strategy and Strategic Allocation (Appendix C);
- revised presentation of Fund Manager Mandate Objectives (Appendix D);
- removal of the Risk Register (to be consistent with Funding Strategy Statement) (Appendix E);
- revised ESG section including:
    - the inclusion of the new RI Policy and RI Beliefs (New Appendix E);
    - ACCESS position on voting; and
- revised ACCESS Pooling position.

The Investment Manager thanked the Chairman and Vice Chairman for providing minor presentational amendments prior to the meeting and confirmed that the ISS would be updated accordingly before been released for stakeholder consultation.

The Vice Chairman thanked Officers for being able to bring the ISS to the meeting within such a short timeframe whilst working in an unprecedented environment.

It was recognised by the Committee that this was the beginning of a journey and over the forthcoming months with several in depth pieces of investment work being undertaken including: a review of all the Fund's Investment Managers ESG and Voting Policies; and exploratory work around the new UK Stewardship Code, that an exercise will need to be undertaken in regard to the level of resources required to complete this work.

Resolved:
The Committee noted:

- the requirement to produce and publish an ISS and the timetable, as highlighted in section 5 of the report;
- the initial feedback on the Fund's RI Policy and RI Priorities from the Fund's Investment Managers;
- the next steps detailed in Section 6 of the report; and
- the content of the report.

The Committee **agreed**:

- the draft ISS;
- that the draft ISS be circulated to stakeholders for consultation;
- that the ISS be passed to the Pension Advisory Board (PAB) to note;
- the outcome of the stakeholder consultation be brought back to the Committee at the next meeting;
- the Officers and Advisers undertake a review of Managers' ESG and voting policies, how these are aligned with the Fund's RI Policy and ascertain the

implications if any, for the Fund's investments and strategy and for the outcome to be brought back to a future meeting;
- that Officers and Advisers develop an Engagement Plan outlining how the Committee and Officers will engage with the Fund's Investment Managers on matters relating to RI and Good Stewardship to be brought back to a future meeting; and
- that an exploratory piece of work be undertaken in regard to the revised UK Stewardship Code released in 2020 to ascertain what this means for the Fund's Investment Managers and the Fund itself.

6. Urgent Part I Business

The Chairman requested that the Committee receive an update on McCloud following the recent publication by the Ministry of Housing, Communities and Local Government (MHCLG) of the consultation on proposals to address the McCloud Judgement. It was explained that several other consultations had been released on the same day including the £95k cap.

The Interim Director for Essex Pension Fund confirmed that responses to these consultations will be brought to the September PSB and a paper will follow outlining the estimated impact to the Fund and its ability to undertake the additional work required to meet its statutory duty.

The Chairman notified the Committee that the issue of Pension Fund resources had been raised with the S151 Officer.

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.

The Chairman informed that the meeting would reconvene at 1:45pm following a short adjournment.

The meeting was adjourned at 1:26pm.

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The Committee reconvened at 1:45pm.

Opening Remarks

The Chairman welcomed back the Committee and Observers.

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The Chairman welcomed Rachel Hadley, the new PSB Other Employing Representative and Cllr Mark Durham and Cllr Bob Massey, the new Conservative Group substitutes who were observing their first ISC meeting.

7. Part Two Minutes of ISC meeting 19 February 2020

Part Two Minutes of the meeting of the ISC held on 19 February 2020 were approved as a correct record and signed by the Chairman.

8. Covid-19 Impact on Market Economies and the Fund

The Committee received a report and presentation from Hymans Robertson and Mark Stevens, the Independent Investment Adviser on a review undertaken of the impact on the Fund's investments following the recent market volatility relating to the Coronavirus pandemic.

John Dickson, Hymans Robertson provided an overview to the Committee of the economic impact since March and how markets and Government's around the world had reacted to the pandemic crisis.

It was explained that a deep dive review of the Fund's portfolio had been undertaken injunction with a review of the Fund's Investment Beliefs. It was noted that despite the unprecedented market volatility experienced since March the Fund had remained resilient, assisted by the derisking programme put in place over the last few years. Members were encouraged to hear that the Fund had since recovered back to near pre-Covid levels and that the path that the Fund is travelling continues to remain appropriate along with the Investment Beliefs.

It was highlighted as a result of the recent recovery, some of the Fund's mandates may be out of alignment with target and may need to be rebalanced. As such it was proposed that once June figures were available an exercise be undertaken in this regard and if required proposals be brought back for the Committee's attention ahead of the next ISC meeting.

Mark Stevens provided the Committee with his thoughts on the recent geo-political trends and explained going forward, where appropriate, further trend pieces will be brought to the Committee for discussion.

Resolved:
The Committee noted the content of the report.

Resolved:
The Committee agreed:

- to continue to implement the steady diversification strategy previously agreed;
- that following the release of the 30 June figures, the Officers and Advisers (O&A) bring recommendations to the ISC regarding any specific manager rebalancing;

- that the O&A undertake further investigation of the evolution of the property portfolio and bring a report summarising any recommendations to the ISC at a future meeting;
- to ratify the previous decision to make a further allocation to Direct Lending and delegate investigation of the implementation approach to the O&A with further recommendations to be brought to a future meeting;
- to consider separately (Agenda item 9 to this pack) proposals in regard to the rolling commitment to private equity; and
- to receive when appropriate, further reports on long-term market trends at future ISC meetings.

9. Update on Investment Managers presenting: ISC Briefing Note on Hamilton Lane

The Committee received a report from Hymans Robertson in relation to Hamilton Lane, the Fund's Private Equity manager.

Resolved:
The Committee noted the content of the report.

10. Investment Manager Presentation on Private Equity – Hamilton Lane

The Chairman welcomed Ana Lei Ortiz and Ewan Boosey from Hamilton Lane who provided the Committee with a presentation in respect of Fund's Private Equity mandate.

Following the presentation, the Chairman expressed her appreciation on behalf of the Committee to Ana and her team for producing the recent training webinar which Members found most informative.

Resolved:
The Committee noted the presentation.

Resolved:
Following discussions, the Committee **agreed** a further £50m to be committed to new private equity opportunities in 2020/2021 with an additional 'in principle' decision to allocate a further £10m should further attractive opportunities be identified during the year.

11. Review of the Fund's Management Fees paid compared to Peers: 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 2019.

Resolved:
The Committee noted the content of the report.

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Resolved:
The Committee **agreed** that the Fund participate in CEM's cost benchmarking review as at 31 March 2020.

12. Structural Reform of LGPS - Pooling Quarterly update of ACCESS Joint Committee (AJC)

The Committee received an update from the Interim Director for Essex Pension Fund outlining the latest developments in respect of the structural reform of the LGPS.

It was explained that since the Agenda pack was issued a further AJC had taken place on 17 July 2020. An update on the main items of discussion of the meeting included: the quarterly Business Plan, Budget and Risk update; outcome of the recent Supreme Court Judgement and confirmation that an exploratory piece of work had commenced by ACCESS in regard to ESG and RI.

It was also noted the a further one-year extension had been agreed with Kent County Council to continue to carry out the role of AJC Secretariat.

Resolved:
The Committee noted:

- the revised timetable for completion of Phase 3 governance deliverables including the update in regard to the completion of the Inter Authority Agreement (IAA) process and the initial discussions in relation to the restructure of the Officer sub-groups;
- the outline for implementing ACCESS' approach to communication and the production of ACCESS' Annual Report;
- an update in respect of the launch of tranche 4a and 4b sub funds and the progress in regard to tranche 5a and 5b;
- the request to Link to undertake a search for an investment manager(s) to manage a balanced mandate;
- the performance of sub-funds against benchmark, income generated from stock lending and voting by the investment managers;
- the presentation from Link Fund Solutions;
- the contract and supplier relationship management update;
- the recent engagement with the Scheme Advisory Board (SAB), in particular the exchange of letters in relation to Scheme Member representation, the SAB Chairman meeting with Pool Joint Committee Chairmen and the ACCESS response to the recent SAB's consultation on draft Responsible Investment guidance;
- the update on progress made against 2019/20 Business Plan deliverables and Outturn;
- ACCESS Pool's key risks, the changes to risk profile and risk ratings;
- the update in respect of activities taken place thus far in regard to pooling alternative assets and forthcoming plans;
- the presentation from *bfinance*; and
- agenda of 9 March 2020 AJC.

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13. Urgent Exempt Business

The Chairman requested the Committee liaise with the Compliance Manager in regard to disposing appropriately the confidential papers contained in today's Agenda pack.

14. Closing Remarks

There being no further business the meeting closed at 3:36pm

Chairman
21 October 2020

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