

Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC) held in Committee Room 2, on 27 November 2019

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 Davies	(Sub for Cllr L Scordis)
Cllr A Goggin	
Cllr M Maddocks	
Cllr C Souter	

Scheme Employer Representative

Cllr C Riley	(Observer)
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Scheme Member Representative

Sandra Child (UNISON)	(Observer)
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The following Officers and Advisors were also present in support:

Jody Evans	Interim Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Mark Stevens	Independent Advisor
Matt Woodman	Hymans Robertson
Alessandra Santiago	Hymans Robertson

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

Debs Hurst	Scheme Member Representative
Stuart Roberts	Scheme Member Representative
James Sheehy	Scheme Member Representative

The following Investment Managers presented at the meeting:

Tom Prew	Stewart Investors (via telephone - Presentation only)
Jimmy Burns	Stewart Investors (Presentation only)
Joanna Terrett	Stewart Investors (Presentation only)

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

Opening Remarks

The Chairman welcomed the Committee.

Apologies for Absence

It was noted that Cllr L Scordis, Cllr A Hedley and Cllr A Erskine, along with PAB Members Nicola Mark, James Durrant and Cllr S Walsh were unable to attend the meeting.

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 A Goggin stated that his wife, sister and brother-in-law were in receipt of an Essex LGPS pension. Cllr Maddocks, Cllr C Riley and Sandra Child declared they were also in receipt of an Essex LGPS pension. Cllr A Davies declared that he has a deferred Essex LGPS pension.

Cllr S Barker also declared that she sits on the Foreign Travel Committee which related to Agenda Item 7.

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

Resolved:

The Committee noted the report.

2. Minutes

Minutes of the meeting of the ISC held on 17 July 2019 were approved as a correct record and signed by the Chairman.

3. Investment Steering Committee (ISC) Terms of Reference (TOR)

The Interim Director for Essex Pension Fund informed the Committee that the ISC TOR was approved by Full Council on 8 October 2019 and had now been published within the Council's Constitution.

Resolved:

The Committee noted the revised TOR.

4. Outcome of Responsible Investment (RI) Workshop: Investment Strategy Statement (ISS) Review

The Chairman introduced this item to the Committee stating that the recent RI Workshop was a productive day.

Hymans Robertson presented the report to the Committee reiterating that the ISS sets out how the investments of the Fund is managed and monitored. Members

were reminded that although reference to Environment, Social and Governance (ESG) issues are reflected within the current ISS, the Workshop was arranged to obtain a qualitative view from the Committee, the purpose, to establish RI beliefs that could then be translated into policy statements that would then form the basis of the overall review and revision of the ISS.

Members were reminded that prior to the Workshop, all ISC Members completed an RI questionnaire of which the results were discussed at the Workshop and from this a set of RI beliefs were then articulated.

Following discussions, the Committee requested the following changes be considered:

- the re-wording of Investment Strategy belief 'Having a responsible investment policy will lead to better financial outcomes' to 'Having a responsible investment policy could lead to better financial outcomes';
- a belief to be added in relation to the Fund's investments direction of travel; and
- to add a further belief that ESG should be incorporated into the reporting that the Investment Managers provide the Committee as a matter of course.

The Independent Investment Advisor praised the Committee for their efforts in reviewing ESG thus far.

The Interim Director for Essex Pension Fund reiterated that once the ISS was in place, the hard work to implement and monitor the achievement against it would commence.

Resolved:

The Committee agreed that:

- the RI beliefs outlined in the report, along with the amendments and additions suggested, were an accurate reflection of the outcome of the RI Workshop;
- Officer and Advisors will translate the RI beliefs, including the amendments and additions raised at today's meeting, into policy statements for inclusion into the revised ISS; and
- the content of the report was noted.

5. Local Authority Pension Fund Forum (LAPFF) Collaboration

The Chairman introduced this Item to the Committee notifying them that due to unforeseen circumstances the presenter was unable to attend the meeting.

It was highlighted to the Committee that one of the strong conclusions from the RI preparatory work was, Members articulating that they were in favour of collaboration with other investors. The Independent Investment Advisor, in his role at other LGPS funds was able to share his knowledge of the work that LAPFF provide for those funds. It was explained that LAPFF was one of the ways that the Fund could collaborate with other Funds. A brief overview was provided of the

work that LAPFF undertakes and the potential benefits that could be realised by the Fund if they were to sign up to become a member.

Resolved:

The Committee agreed:

- to sign up to be a member of LAPFF; and
- to invite LAPFF to a future meeting to present the work LAPFF have undertaken up to quarter end 31 December 2019.

6. Capital Markets Outlook Q3 2019

Hymans Robertson introduced the report to the Committee providing an update in relation to GDP growth, global markets and interest/inflation rates for the quarter ended 30 September 2019.

Resolved:

The Committee noted the content of the report.

7. Schedule of Meetings

The Committee received a report from the Compliance Manager detailing the remaining planned Committee and Board meetings for this municipal year.

It was reconfirmed that the ISC meetings for the remainder of the year would continue to take place at 1.00pm, however, it was noted that for 2020/21 Members had expressed a preference for the meeting time to be changed to 10.00am.

Members were also reminded that from December the PSB start time had changed to 10.00am.

The Chairman also notified the Committee of the events/conferences that were on the horizon during 2019/20. Members were advised to contact the Compliance Manager if they would like to attend any of the events discussed, by the given deadlines in order for approval of travel to be sought from the Foreign Travel Committee.

Investment Steering Committee

19 February 2020 – 1.00pm
25 March 2020 – 1.00pm

Pension Strategy Board

18 December 2019 – 10.00am
4 March 2020 – 10.00am

Resolved:

The Committee noted the schedule of meetings for 2019/20 and the report.

8. Urgent Part I Business

The Interim Director for Essex Pension Fund notified the Committee of a recent consultation in relation to Responsible Investment. Members were informed that the consultation document would be sent out after the meeting for comment. Following which a written response from the Chairman be drafted.

Resolved:

The Committee noted the update.

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.

9. Investment Tables Quarter end 30 September 2019

The Committee received a report from the Interim Director for Essex Pension Fund in consultation with the Independent Investment Advisor, which provided details of the Fund's investment performance for the quarter ended 30 September 2019.

The Investment Manager provided an update on the work undertaken to date in regard to the review of the investment table format, presentation and content. It was explained that in consultation with the Independent Investment Advisor, the Chairman and the Vice Chairman the investment tables had been redesigned to now include dashboard summary along with the following sections:

- Asset Allocation;
- Performance;
- ACCESS; and
- Funding Level.

It was noted that the value of the Fund had increased to an all-time high of £7.4bn to date.

The Committee requested that the Independent Investment Advisor to provide narrative within the new template to give some qualitative context.

Resolved:

The Committee noted:

- the progress made to date in regard to the review of the investment tables;
- the revised format, presentation and content;

- that any further feedback that Members may have be communicated to the Investment Manager before the next meeting; and
- the content of the report .

10. Traffic Light Rating Report

The Committee received a report from Hymans Robertson which summarised the current views of Hymans Robertson on some of the Fund's investment managers.

Resolved:

The Committee noted the content of the report.

11. ISC Briefing Note on Manager Presenting – Stewart Investors

The Committee received a report from Hymans Robertson in relation to Stewart Investors, the Fund's emerging market manager.

Resolved:

The Committee agreed:

- to note the content of the Stewart Investors ISC briefing note of the Fund's emerging market mandate.

12. Investment Manager Presentation – Stewart Investors

The Chairman welcomed and introduced Tom Prew (dialled in via conference call), Jimmy Burns and Joanna Terrett from Stewart Investors who provided the Committee with a presentation in respect of the Fund's emerging market mandate.

Resolved:

The Committee noted the presentation.

Tom Prew, Jimmy Burns and Joanna Terrett then left the meeting.

13.a Strategy Implementation Tracker

The Committee received a report from Hymans Robertson on the progress made to date.

Resolved:

The Committee noted:

- the content of the report; and
- the progress made to date.

13.b Infrastructure Allocation

The Committee received a report from Hymans Robertson reconfirming decisions made in respect of the Fund's infrastructure allocation during their 20 February 2019 and 15 November 2017 ISC meetings respectively.

Resolved:

The Committee agreed:

- to increase the strategic allocation to infrastructure from 6% to 10% of the Fund by increasing the target allocation of both IFM Investors and JPMorgan from 1% to 3%;
- a further £150m commitment each be made to IFM Investors Global Infrastructure Fund and JPMorgan Infrastructure Investment Fund respectively;
- a further £60m to be committed to the Partners Group Infrastructure 2020 fund; and
- Officers in consultation with Advisors review and complete the necessary subscription documentation.

14. Structural Reform of LGPS Pooling Quarterly Joint Committee Update of ACCESS Joint Committee (AJC)

The Interim Director for Essex Pension Fund provided the Committee with an update on recent developments in relation to Pooling.

The Committee were informed that Cllr Andrew Reid was re-elected as Chairman of the AJC for a further term of two years. However, it was noted that since the last AJC meeting, Cllr Reid had tendered his resignation as Chairman of the AJC.

The Committee were also advised that Scheme Member representation on the AJC was considered and a decision of no change to the current arrangement was agreed.

Members were also advised that ACCESS met with civil servants on 4 July 2019 to discuss ACCESS's response to the Ministry of Housing, Communities and Local Government (MHCLG) informal consultation in regard to guidance on LGPS asset pooling.

The Committee were also informed of the appointment of Kevin McDonald as Interim Director of the ACCESS Support Unit (ASU) effective from 1 August 2019.

In addition, Members were advised that Link, ACCESS's ACS operator had launched two further sub funds. The Fund however, was not involved in these launches.

Resolved:

The Committee noted the:

- re-election of Cllr Andrew Reid as Chairman of the AJC for a further term of two years and his subsequent resignation;
- the consideration and decision of no change to the current arrangement in regard to Scheme Member representation on the AJC;
- meeting held on 4 July with ACCESS and Civil Servants from Minister of housing, Communities and Local Government (MHCLG) on ACCESS' progress and response to the MHCLG consultation on the draft investment pooling guidance;
- presentation from Link Fund Solutions;

- update in respect of the launch of tranche 3 sub funds;
- progress to date of Phase 2 sub-fund seeding arrangements;
- progress to date in respect of pooling ACCESS illiquid assets;
- progress in regard to monitoring Officers review of the revised Inter-Authority Agreement (IAA) and timetable for progressing through each authority's respective governance process;
- the appointment of Kevin McDonald as Interim Director of the ACCESS Support Unit effective from 1 August 2019;
- contract management update;
- update on progress made against business plan deliverables and budget forecast;
- ACCESS Pool's key risks, changes to risk profile and risk ratings; and
- agenda of 9 September 2019 AJC.

15. Competition and Markets Authority (CMA) Objectives

The Chairman asked for Hymans Robertson attendees to be excluded from the meeting for this item to be discussed.

The Interim Director for Essex Pension Fund informed the Committee of a recent requirement whereby the Competition and Markets Authority (CMA) had issued a requirement for all pension funds trustees to set strategic objectives for their institutional investment consultants by 10 December. It was explained that these objectives would then be used to measure the performance of Hymans Robertson.

Resolved:

The Committee agreed:

- the strategic objectives which Hymans Robertson will be measured against;
- that once a year a formal assessment be undertaken with Hymans Robertson, and the outcome reported back to the ISC; and
- to note the content of the report.

16. Urgent Exempt Business

No matters arising.

17. Closing Remarks

There being no further business the meeting closed at 4.25pm.

Chairman
19 February 2020