

**Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held as an online video conference on 21 October 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 Employer Representative**

|              |            |
|--------------|------------|
| Cllr C Riley | (Observer) |
|--------------|------------|

**Scheme Member Representative**

|                       |            |
|-----------------------|------------|
| Sandra Child (UNISON) | (Observer) |
|-----------------------|------------|

Cllr M Durham, Substitute Member, attended the meeting as an 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 I of the meeting to facilitate with the technical elements of running the virtual meeting.

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

|               |                                     |
|---------------|-------------------------------------|
| Andrew Coburn | Scheme Member Representative UNISON |
| James Durrant | Employer Representative             |

The following Investment Managers presented at the meeting:

|                                              |                 |
|----------------------------------------------|-----------------|
| Nigel Cosgrove, Client Relationship Director | Aviva Investors |
| David Diemer, Fund Manager                   | Aviva Investors |
| Michael Borello, Fund Manager                | Aviva Investors |

The following member of the ASU presented at the meeting:

Kevin McDonald, Interim Director of ASU

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

### **Opening Remarks**

The Chairman welcomed the Committee and Observers to the meeting.

### **Apologies for Absence**

It was noted that Cllr C Riley, Scheme Employer Observer Representative was unable to attend Part II of the meeting and Cllr M Durham, Substitute Member, was unable to attend Part I. In addition, PAB Members Nicola Mark, Debs Hurst and Stuart Roberts sent their apologies.

### **Declarations of Interest**

Declarations were received from:

Cllr S Barker stated she was in receipt of an Essex LGPS pension and that her son was also a member of the Essex LGPS. 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 and is the Vice Chairman of the Audit, Governance and Standards Committee;

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 is Chairman of the Audit, Governance and Standards Committee; and

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

The Chairman notified the Committee that Cllr Bob Massey, Conservative Group Substitute had stepped down from this position as a Substitute Member.

### **Resolved:**

The Committee noted the report.

## 2. Minutes of ISC meeting 21 July 2020

The Chairman advised the Committee that minor grammatical amendments had been made to the 21 July 2020 ISC Minutes. The revised Minutes of the meeting were subsequently approved as a correct record and signed by the Chairman.

## 3. Capital Markets Briefing: September highlights

The Committee received a report and presentation from Hymans Robertson providing an update of market performance as at 30 September 2020. It was noted that the continued good market performance was driven largely by technology stocks and companies servicing the online consumer market.

### Resolved:

The Committee noted the content of the report.

## 4. Investment Strategy Statement (ISS) – Outcome of the Stakeholder Consultation

The Investment Manager informed the Committee that following agreement, at their 21 July 2020 meeting, the ISS had been released for a six-week period stakeholder consultation which concluded on 16 September 2020.

It was noted that sixteen responses were received from various stakeholders however, three of those responses related to understanding the process and how it impacted an individual's benefit entitlement.

A summary of feedback was also provided along with details of the number of stakeholders consulted per type and the Fund's proposed response.

| Stakeholder                       | Number of Responses | Stakeholder Consulted                         |
|-----------------------------------|---------------------|-----------------------------------------------|
| Investment Manager/Custodian/Link | 4                   | 16                                            |
| Fund's Advisers                   | 1                   | 4                                             |
| All Board/ISC Members             | 1                   | 23                                            |
| Fund Employers                    | 1                   | 700+ active employers<br>927 contacts emailed |
| Scheme Members                    | 7                   | 50,586 active members<br>via ABS              |
| Non-Scheme Members                | 2                   | On website<br>Essex Intranet                  |
| <b>Total</b>                      | <b>16</b>           |                                               |

Following some minor presentational changes, the updated version of the ISS was approved for subsequent publication.

Members were also notified that the draft ISS was passed to the PAB at their 23 September meeting.

Cllr Platt thanked the Investment Team for their hard work and praised the new layout design of the ISS.

**Resolved:**

The Committee **agreed**:

- the minor presentational changes made to the ISS, as detailed in section 6 of the report; and
- the updated ISS for publication as shown at Appendix A of the report.

The Committee noted:

- that the ISS was passed to the PAB for noting; and
- the content of the report.

## 5. Financial Reporting Council (FRC) UK Stewardship Code 2020

The Independent Investment Adviser, Mark Stevens provided the Committee with a report and presentation explaining the key requirements and implications on the Fund if it so wished to become a signatory of the new 2020 Stewardship Code.

It was explained that in order to sign up to the Code, twelve principles would need to be met. Details were provided of each Principle along with an indication of the complexity and scale of resource required to comply with each.

It was noted that at this late stage in the year it would be a step too far for the Fund to be a founder March 2021 signatory but aspiring to become a signatory for March 2022 was realistic, however, early preparation would be advisable. It was confirmed that many of the Fund's existing Investment Managers were already 2012 Code signatories.

Following discussions, the Committee expressed that aspiring to sign up to the Code would be positive and continue to demonstrate their commitment to Responsible Investment (RI) and would formalise the activities already carried out by the Fund.

**Resolved:**

The Committee **agreed** that the Fund commit to becoming a signatory of the new Stewardship Code for March 2022.

The Committee noted:

- the content of the report, the accompanying summary table and appendix;
- the scope of the new Code and the implications for the Fund; and
- the resource that would need to be deployed in order to become signatories of the new Code.

## 6. Schedule of Future Meetings and Events

Members noted that the in-house training session had been rescheduled to 11 November 2020. Events/conferences that were on the horizon were also brought to the attention of Committee Members.

**Resolved:**

The Committee noted:

- the schedule of meetings and events for 2020/21;
- the new date and time of the November training session; and
- the requirement to advise Fund Officers which events they would like to attend.

**7. Urgent Part I Business**

None.

**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 Members that the meeting would reconvene at 11:05am following a short adjournment.

The meeting was adjourned at 10:49am

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The Committee reconvened at 11:05am

**Opening Remarks**

The Chairman welcomed back the Committee and Observers.

**8. Property Review****8a. Update on Investment Managers presenting - ISC Briefing Note – Property**

The Committee received an update on the Fund's Property mandate from Hymans Robertson. A further discussion and update was had in regard to the UK property mandate, managed by Aviva Investors.

**Resolved:**

The Committee noted the content of the report.

**8b. Investment Manager Presentation on Property Review – Aviva Investors**

The Chairman welcomed Nigel Cosgrove, David Diemer and Michael Borello from Aviva Investors who provided the Committee with a presentation in respect of Fund's UK Property mandate.

The Chairman thanked the presenters for attending the meeting.

**Resolved:**

Following discussions, the Committee **agreed** that further consideration be given to the Fund's Property mandates and a further report be brought to the January 2021 meeting.

The Committee noted the content of the report.

**9. Structural Reform of LGPS Pooling****9a Presentation from the Interim Director of the ASU**

The Chairman welcomed Kevin McDonald, Interim Director of ASU, who provided the Committee with a presentation in respect of the ASU's Business Plan for 2020/21.

The presentation covered the proposed changes to the Inter-Authority Agreement (IAA), which was in the process of being approved by each Administering Authority within ACCESS. In addition, proposed changes to the Operator Agreement were also discussed for the Committee's approval.

Other ACCESS activities included; progress in regard to pooling illiquid assets; Business as Usual Evaluation; Review of the ASU resources and updates with various procurements that are in progress.

The Chairman thanked the Interim Director of the ASU for attending the meeting.

**Resolved:**

The Committee noted the presentation and update.

**9b. Structural Reform of LGPS - Pooling Quarterly update of ACCESS Joint Committee (AJC)**

The Interim Director for Essex Pension Fund drew Members' attention to the required amendments to the Operator Agreement and the explanation provided in the previous presentation.

Following feedback in regard to the size of the Agenda pack it was proposed that going forward the AJC Agenda and accompanying Summary Note be distributed electronically to all EPF Committee and Board members when available.

**Resolved:**

The Committee **agreed:**

- to the amendment of Schedule 7 of the Operator Agreement: *General Principles, Procedure and Documentation* involved to effect formal change control throughout the lifecycle of the Agreement in order to bring in line with contract management best practice;
- to the amendment to relax the professional indemnity insurance credit rating specified by the Agreement to a rating of A-;
- to the revision of Schedule 4: *Services* following the successful negotiation of additional KPIs by the ACCESS Contracts Manager in consultation with the Interim Director of the ACCESS Support Unit (ASU), AJC Chairman and Vice Chairman;
- the arrangements regarding the approval of the revised inter-Authority Agreement;
- to email the AJC publication once made available, including the Draft Minutes and Summary Report provided by the Director of ACCESS Support Unit to ISC, PSB and PAB Members;
- to ensure transparency of the process, ISC Agenda Packs will still include the Quarterly AJC update which will comprise of a Cover Paper and the Summary Report; and
- the report will contain a recommendation to note the distribution of the AJC publication to the ISC, PSB and PAB.

The Committee noted:

AJC 17 July 2020

- a 12-month extension until the end of July 20 to the provision of Secretariat services provided by Kent County Council;
- a position statement on the development of updated ESG/RI guidelines for the ACCESS Pool and that a specification for ongoing advice on ESG/RI matters is being drafted;
- the Supreme Court Judgment on the case between the Palestinian Solidarity Campaign and Secretary of State for Housing, Communities and Local Government;
- 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 performance of sub-funds against benchmark, income generated from stock lending and voting by the investment managers as at 31 March 2020 and the Annual Report for subsequent publication by each ACCESS Administering Authority;
- the presentation from Link Fund Solutions;
- the contract and supplier relationship management update and the approval for an amendment to Schedule 7 of the Operator Agreement re: the change control process, in order to conform to contract management best practice;
- 2019/20 budget outturn underspend of £810k against a budget of £1,202k and the update on progress made against 2019/20 Business Plan deliverables;
- ACCESS Pool's key risks, the changes to risk profile and risk ratings; and
- agenda of 17 July 2020 AJC.

AJC 7 September 2020

- the outline for implementing ACCESS' approach to communication and public relations and the presentation from Hymans Robertson; progress in regard to a position statement on the development of updated ESG/RI guidelines for the ACCESS Pool;
- the update in respect of activities taken place thus far in regard to pooling alternative assets and forthcoming plans;
- the performance of sub-funds against benchmark, income generated from stock lending; carbon footprint reporting and voting by the investment managers as at 30 June 2020;
- the presentation from Link Fund Solutions;
- the contract management update;
- the approval of an amendment to the Operator Agreement to accede to Link's request to relax the Standard & Poor's credit rating requirement of their Professional Indemnity and Crime insurance cover to A- as part of a package to include the incorporation specified additional KPIs to be negotiated by the Contracts Manager;
- the agreement of the revised Inter-Authority Agreement (IAA) by the Monitoring Officers of each Authority;
- the launch of the Scheduled Business as Usual Evaluation; the 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 7 September 2020 AJC.

**10. Investment Strategy Update****10a. Direct lending Allocation**

The Committee received an update and presentation from Hymans Robertson in respect of the process and timeline for appointing an additional direct lending manager to manage 2.5% of the Fund's mandate.

**Resolved:**

Following discussions of the options available, the Committee **agreed:**

- that a public procurement be undertaken to procure an investment manager to manage a 2.5% of the Fund direct lending mandate and that the arrangements be delegated to Officer and Advisers;
- that following the outcome of the procurement a shortlist of suitable candidates will be invited to present at a future ISC meeting; and
- to note the content of the report.

**10b. Baillie Gifford Equity Portfolio Rebalancing**

Members were reminded that at the last ISC meeting in July a decision was made in regard to reviewing Baillie Gifford's overweight position verses its strategic benchmark. It was explained that following the Out of Committee decision in August 2020 agreement was made to trim back Baillie Gifford's overweight equity position in three potential tranches and that this would be kept under review. It

was confirmed that the first tranche had been implemented with Baillie Gifford's overweight position trimmed by £110m and 1% (£73m) reallocated to UBS's RAFI All World Equity Fund and the remainder 0.5% (£37m) to Longview respectively.

Hymans Robertson explained that Baillie Gifford have continued to outperform and as such recommended that the Committee proceed with the second tranche of rebalancing.

**Resolved:**

The Committee **agreed:**

- that the further third of Baillie Gifford's overweight equity position be trimmed by reducing the overweight position by an additional c1.4% (£110m);
- to use the proceeds from the Baillie Gifford rebalancing to bring back to target the allocation of M&G's active bond mandate; and
- that Baillie Gifford's equity mandate overweight position be reviewed again at the next ISC meeting.

The Committee noted the content of the report.

**10c. Strategy Implementation Tracker**

Hymans Robertson provided the Committee with a presentation in regard to the three stages of implementing the shift away from equities as agreed at their 15 November 2017 ISC meeting. It was explained Phase 1 and 2 had been completed, with all decisions now made.

**Resolved:**

The Committee noted the progress made to date and the content of the report.

**11. Quarterly Investment Manager Monitoring**

**11a. Investment Scorecard Review**

The Committee received a presentation from Hymans Robertson regarding the review of the Fund's Investment Scorecard measures.

It was explained that following the September Essex Pension Fund Strategy Board (PSB) meeting a review of the Investment Scorecard measures were delegated to the ISC to review. Matt Woodman explained the process taken by Officers and Advisers and asked for Members agreement for the proposed Investment Scorecard Measures to be included within the Fund's revised Scorecard.

In addition, to assist with the Fund's new approach to measuring and monitoring its investment managers and Responsible Investment Policy, an additional set of Investment Scorecard measures had been developed to enhance the ISC's Annual Performance Review.

The Interim Director for Essex Pension Fund explained that the scorecard was a live document allowing measures to be amended as and when required.

**Resolved:**

The Committee **agreed:**

- the new Investment Scorecard Measures;
- the Investment Scorecard Measures as set out on page 421 be incorporated into the Fund's overall new style Scorecard that will be reported to the PSB on a quarterly basis; and
- that the Investment Scorecard form part of the ISC's Annual Performance Review.

The Committee noted the content of the report.

**11b. Traffic Light Rating Report**

Hymans Robertson provided the Committee with a report and presentation which provided a summary of their views on the Fund's Investment Managers including a Responsible Investment rating on the Managers where available.

**Resolved:**

The Committee noted the content of the report.

**11c. Investment Tables Quarter end 30 June 2020**

The Committee received an update from the Independent Investment Adviser on details of the Fund's investment performance for the quarter ended 30 June 2020. It was noted that the Fund had outperformed its benchmark in all periods.

Members were also pleased to note that over the last week the Fund had reached a new high of £7.9bn.

**Resolved:**

The Committee noted the content of the report.

The Chairman asked John Dickson and Matt Woodman, from Hymans Robertson, and Mark Stevens to leave the virtual meeting room to enable the next agenda item to be discussed.

**12. Independent Investment Adviser (IIA) Arrangements Update**

An update was provided on progress made to date in regard to the Independent Investment Adviser procurement .

It was noted that twelve responses were received by the required deadline of which seven candidates have been longlisted by Officers and had been invited to attend an interview in November 2020.

Following this, a shortlist would then be compiled for interview by the ISC Appointment Sub Committee of Cllr Platt, Cllr Hedley and Sandra Child.

**Resolved:**

The Committee noted the content of the report and future steps.

**13. Urgent Exempt Business**

None.

**14. Closing Remarks**

There being no further business the meeting closed at 1:27pm.

**Chairman**  
**20 January 2021**

DRAFT