

<b>Essex Pension Fund Board</b>	<b>EPB/29/14</b>
<b>date: 17 September 2014</b>	

### **Investment Steering Committee (ISC) Quarterly Report**

Report by the Director for Essex Pension Fund

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#### **1. Purpose of the Report**

1.1 To provide a report on ISC activity since the last Board meeting.

#### **2. Recommendations**

2.1 That the Board should note the report.

### **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 Board.
- 3.2 Since the Board's last meeting the ISC met once, on 23 July 2014.

### **4. Investment Steering Committee 23 July 2014**

- 4.1 The Committee received a presentation on the Fund's investment performance to 31 March 2014.
- 4.2 The Committee also received a presentation from Hymans Robertson which summarised their current views on the capability of each of the Fund's managers relative to their peer group universe.
- 4.3 A report on how appropriate individual benchmark indices were for each Fund Manager, in light of the evolution of the Fund over the last few years was considered. Following discussions **it was agreed** to amend the benchmarks as follows:

#### **Equity**

- to amend the benchmark with Longview from the MSCI World Index to the MSCI AC World Index to be in line with the other global equity managers;
- measure all active equity index returns on a gross of withholding tax basis;
- to discuss with the Custodian a move towards producing performance net of fees;

#### **Bonds**

- to amend the benchmark with M&G from 1 month LIBOR to 1 month LIBOR plus 2% p.a.;
- to amend the benchmark with GSAM from 3 month LIBOR to 3 month LIBOR plus 2% p.a.

#### **Alternatives**

- amend the benchmarks of both infrastructure mandates from 3 month LIBOR to CPI + 4%;
- introduce the MSCI World PME Index as a benchmark for Hamilton Lane's private equity mandate;
- formalise the NCREIF Timberland Index as a benchmark for Stafford's timberland index for both manager and ISC reporting; and
- adopt the IPD UK Quarterly Property Index for Aviva's mandate.

- 4.4 The main business of the meeting was the illiquid Debt Mandate selection. Hymans Robertson outlined the process to date.
- 4.5 It was highlighted that of the 32 managers that had applied for a request for a Proposals (RfP), 15 were completed and returned. Three of these managers, Alcentra, Highbridge and Partners met the required qualifying score and were then invited to meet the ISC.
- 4.6 Following interviews with Alcentra, Highbridge and Partners **it was agreed:**
- that officers and advisers be authorised to finalise the arrangements with the Committee's preferred Manager and report back; and
  - in light of the Committee's decision and the recent publication of the Law Commission's report on the Fiduciary Duties of Investment Intermediaries a revised draft SIP be brought to the next ISC meeting for the Committee's consideration.

## **5. Link to Essex Pension Fund Objectives**

- 5.1 Investments  
To maximise the returns from investments within reasonable risk parameters.  
To ensure the Fund is properly managed.

## **6. Risk Implications**

- 6.1 None other than those already identified as part of the Fund's investment strategy.

## **7. Communication Implications**

- 7.1 None

## **8. Finance and Resources Implications**

- 8.1 None other than those already identified as part of the Fund's investment strategy.

## **9. Background Papers**

- 9.1 ISC meeting 23 July 2014 – agenda and draft minutes.