

Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held in Committee Room 1 at 10:00am on 13 October 2021**1. Membership, Apologies and Declarations of Interest**

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

Membership**Present:****Essex County Council (ECC)**

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)
Cllr A Goggin	
Cllr A Hedley	
Cllr M Hoy	
Cllr D King	
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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Cllr M Durham, Substitute Member, attended the meeting via Zoom as an Observer until the adjournment of the meeting.

The following Officers and Advisers were also present in support of the meeting:

Jody Evans	Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Helen Pennock	Compliance Analyst
Mark Stevens	Independent Investment Adviser (IIA)
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson

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

Cllr M Bracken	Employer Representative
James Durrant	Employer Representative

The following Representative from Northern Trust, the Fund's Global Custodian, was present for Agenda Item 10.

Stephen Shearing, Vice President, Relationship Manager.

Members noted that the meeting would be recorded to assist with the production of the Minutes for the meeting.

Opening Remarks

The Chairman welcomed the Committee, Observers and Advisers to the meeting. Members were advised that Officers had taken on board their feedback and had provided an Executive Summary for each report including a clear indication as to whether the report was for just noting or if a decision was required.

In addition, any Agenda Items that linked to the Two-Year Training Plan, would be clearly referenced on the front of each report by a 'star' symbol.

Apologies for Absence

It was noted that Cllr Mackrory and PAB Members: Nicola Mark, Andrew Coburn, Cllr Barber, Cllr Duffin, Debs Hurst and Stuart Roberts had sent their apologies.

Declarations of Interest

Declarations were received from:

Cllr S Barker declared she was in receipt of an Essex LGPS pension and that her son was also a member of the Essex Pension Fund. In addition, is a Substitute Member on the Audit, Governance and Standards Committee;

Cllr M Platt declared that his daughter is in receipt of a LGPS Pension, in addition is a Deputy Cabinet Member and is Vice Chairman of the Audit, Governance and Standards Committee;

Cllr A Goggin declared 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, is Chairman of the Audit, Governance and Standards Committee; and in his capacity as a Basildon District Council Councillor, is Chairman of the Regeneration and Economic Development Committee where the Director of Fiserv, a company within one of the Fund's equity portfolio's, mentioned at Agenda Item 8c, sits on that Committee as a non-voting member;

Cllr M Hoy declared that his brother-in-law and nephew are members of the LGPS and that he is a Member of the Audit, Governance and Standards Committee;

Cllr D King declared that he is also a Member of the Audit, Governance and Standards Committee; and

Cllr Riley and Sandra Child declared that they were in receipt of an Essex LGPS pension.

Resolved:

The Committee noted the report.

2. Minutes of ISC Meeting 16 June 2021

The Minutes of the meeting of the ISC held on 16 June 2021 were approved as a correct record and signed by the Chairman.

The Chairman brought to the attention the Matters Arising and it was noted that:

- following the development of the Responsible Investment (RI) Project Plan, a RI workshop took place on the 16 September 2021 and an update provided at agenda item 5; and
- Fund Officers confirmed that Cllr Scordis as requested had been written to, thanking him for his contribution to the Pension Strategy Board and ISC since 2017.

3. Capital Markets Outlook – Quarter 2 2021 Highlights

The Committee received a report and presentation from Hymans Robertson summarising the market and macro events to 30 June 2021.

It was noted that assets classes generally had a good quarter. GBP growth saw improvement during quarter two, however, it was still below pre-Covid 19 levels. It was also brought to the Committee's attention that higher inflation remains a concern in the short to medium term and this was discussed.

Resolved:

The Committee noted the content of the report.

4. Schedule of Future Meetings and Events

The Chairman brought to the attention the dates of the planned Committee meetings for the remainder of the municipal year.

Members were provided with an update in respect to Essex County Council's (ECC) current position in regard to Member's attendance at Meetings, Conferences and Seminars, noting that only decision-making meetings could take place face to face within County Hall, but the situation would be reviewed in the new year. As such, it was noted that the Training Day scheduled for 03 November 2021 had been put back to 31 January 2022.

Resolved:

The Committee noted the content of the report.

5. Responsible Investment (RI) Project Plan Progress including Outcome of Training Day

The Committee were provided with an overview of the RI Workshop that took place on 16 September 2021, which covered five main areas. These included:

- Refresher on the RI journey to date;
- Introduction to Task Force on Climate related Financial Disclosures (TCFD);
- Discussion of net zero targets;
- Manager engagement; and
- Review of the Fund's index tracking approach.

An update was provided on the current position against the RI Project Plan noting that some milestones were further progressed than others but in the round the Fund was roughly where it needed to be.

The Director for Essex Pension Fund informed the Committee that at the recent ECC's Full Council meeting held on 12 October 2021 some initial Environmental targets had been presented and confirmed that the Fund would need to be mindful of these when reviewing climate rated metrics for TCFD and any net zero targets.

It was confirmed that the Local Government Pension Scheme (LGPS) are not currently required to report under TCFD, however, it will assist the Fund in its Stewardship Code submission.

It was explained that the Financial Reporting Council (FRC) had started to feedback on the first wave of Stewardship Code submissions, with around two thirds of the 189 submissions being successful. The overwhelming feedback being of those rejected, their heavy reliance on high level policies and the lack of evidence to support the submissions.

Further detailed feedback from the FRC is expected in November which will be brought to a future meeting.

Resolved:

The Committee noted:

- the outcome of the RI Workshop;
- progress against the Fund's RI Project Plan and proposed next steps as set out at Appendix B of the report; and
- the content of the report.

6. Urgent Part I Business

There was 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.

7. Part Two Minutes of ISC Meeting 16 June 2021

Part Two Minutes of the meeting of the ISC held on 16 June 2021 were approved as a correct record and signed by the Chairman.

The Chairman brought to the attention the Matters Arising and it was noted that:

- Hymans Robertson had taken onboard Members' feedback and had further developed the Traffic Light Rating Report summary table to document changes in their ratings on Managers, as set out at Agenda Item 8b;
- the £60m commitment to new private equity opportunities in 2021/22 had been completed as part of the annual commitment programme;
- an update in regard to the bottom-up review of the Aviva UK direct property portfolio was provided at Agenda Item 8b; and
- the new Global Custodian Services contract arrangements commenced on 01 September 2021 with Northern Trust Company (Northern Trust).

8. Quarterly Investment Manager Monitoring

8a. Investment Manager Monitoring – Investment Tables Quarterly Review as at 30 June 2021

The Committee received an update from the IIA on details of the Fund's investment performance for the quarter ended 30 June 2021. It was noted that the Fund had outperformed its benchmark with an absolute performance of 5.4% for the quarter and 22.2% over the year.

Members were also pleased to note that the Fund had risen by 5% in the quarter, and 23.3% over the year to reach £9.175bn as at 30 June 2021, with the Fund now at an all-time high of c.£9.4bn.

It was noted that Baillie Gifford's Long Term Growth Equity Fund had continued to be the Fund's star performer and of the two underperformers flagged the IIA outlined the reasons behind this and stated that there was no cause for concern at the present time.

Members were also informed that meetings had been held with Managers to discuss Environmental, Social and Governance (ESG) factors and that all these meetings had been positive and would be discussed later in the agenda.

Resolved:

The Committee noted the content of the report.

8b. Investment Manager Monitoring – Traffic Light Rating Report

Matt Woodman, Hymans Robertson provided a detailed Traffic Light Rating Report which included their views and RI ratings where available on the Fund's investment managers. As requested at the previous meeting the report had been revised to include rating movements since the last meeting.

Members were provided with a brief overview of each manager and in particular, attention was drawn to the two notable movements since the last update, one positive and one negative. These were discussed.

The Committee were also informed that Officers and Advisers had met with Aviva on a couple of occasions and were pleased to report that positive progress was being made.

Resolved:

The Committee **agreed:**

- that the investment in Alcentra's Global Multi Credit Solution Fund be redeemed at the first available opportunity and that the proceeds be reinvested in M&G's Alpha Opportunity Fund; and
- to note the content of the report.

8c. Investment Manager Monitoring – Responsible Investment (RI) Engagement Report

The Committee received a report from John Dickson, Hymans Robertson on the Engagement Strategy that Officers and Advisers had started to formulate. It was explained that the focus was based on a holistic approach to engagement including both a 'bottom up' and 'top down' assessment of the mandates. With the former, looking at the individual companies invested in the portfolio and the latter, the wider culture of the investment manager's business and philosophy.

It was explained that the Strategy had been piloted with the Fund's five active equity Managers with the initial assessment showing that whilst each Manager had different approaches, capability and capacity when dealing with engagement and stewardship the overall view was positive.

Members welcomed the Engagement Reports praising the efforts of the Officers and Advisers. It was requested that, going forward, to aid the Committee if these reports included a description of the Company's business and sector.

Resolved:

The Committee **agreed** that:

- the O&A start to formulate an Engagement Policy based on the initial work undertaken;
- the Engagement Strategy developed and implemented for the active equity managers be extended to the Fund's other investment managers, commencing with the Fund's bond managers;
- the next steps arising from each individual manager engagement meeting; and
- the content of the report be noted.

9. Review of the Index Tracking Approaches

Matt Woodman, Hymans Robertson presented a report to the Committee outlining the market universe review undertaken by Officers and Advisers of the index tracking approaches adopted in the current market. It was explained that of the forty-eight products deemed as suitable, eight were subsequently investigated further.

It was concluded that of these eight products, two broad approaches were evident, 'wider ESG focussed' and 'climate only'.

A discussion in regard to the Fund's Passive Manager was held in the context of both these approaches.

Resolved:

The Committee **agreed**:

- the importance of a wider ESG focussed approach relative to a narrower climate focussed product;
- the Fund's Passive Manager be invited to present their Life Climate Aware World Equity Fund and to carry out a wider workshop to review potential solutions;
- to continue to engage with other ACCESS colleagues on reviewing the approach to index tracking mandates and manager arrangements;
- to note the review undertaken on the wider universe of approaches to index tracking, including those currently offered by the Fund's current manager; and
- the content of the report be noted.

The Chairman informed Members that the meeting would reconvene at 12:13pm following a short adjournment.

The meeting was adjourned at 12:03pm

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The Committee reconvened at 12:14pm

10. Bitesize Training – The Role of the Global Custodian

The Chairman welcomed Stephen Shearing, the Fund's Relationship Manager from Northern Trust, who provided a bitesize training session in regard to the role of the Global Custodian and how they ensure the Fund's assets are kept safe.

Resolved:

The Committee undertook the Training and noted the presentation.

11. Structural Reform of the LGPS – Pooling Quarterly Update of ACCESS Joint Committee (AJC)

The Director for Essex Pension Fund outlined the latest developments in respect of the structural reform of the LGPS.

It was noted that the AJC had met twice since the last ISC meeting, on the 25 June 2021 informally and on 06 September 2021. The Summary Reports from both meetings were provided at Appendices A and B of the report for noting.

It was explained that the main areas of business included:

- the resolution to the Link Fund Solutions (Link) professional assurance arrangement;
- the outcome of the BAU Evaluation including the recommendation to establish a timetable clearing articulating milestones; and
- the outcome of the Emerging Market Review undertaken by the Task and Finish Group and the agreement of seven recommendations.

Resolved:

The Committee noted:

AJC Informal Briefing 25 June 2021

- the membership of the AJC including four new Chairmen representatives;
- 2020/21 Budget Outturn underspend of £217k against a Budget of £1,080k and the update on progress made against 2020/21 Business Plan deliverables;
- the approval of Kevin McDonald as the permanent Director of the ACCESS Support Unit and the appointment of Paul Tysoe as the ACCESS Client Manager;
- the update from Engine MHP on progress in regard to fulfilling the roles of Elected Member ACCESS communications spokespeople;
- an update from Minerva's in regard to progress drafting the Pool's ESG/RI guidelines;
- the performance of sub-funds against benchmark, income generated from stock lending and voting by the investment managers as at 31 March 2021;
- the update in regard to professional indemnity insurance arrangements put in place by Link commencing 30 April 2021;
- the update in regard to the establishment of the Task and Finish Group to undertake the Emerging Market Review;

- progress on sub fund implementation;
- the contract and supplier relationship management update;
- the move to a new '4x4' matrix style approach to the assessment of risk;
- the presentation from Link Fund Solutions; and
- the Summary Note of 25 June 2021 AJC Informal Briefing.

AJC Summary Update 06 September 2021

- the reappointment of Cllr Mark Kemp-Gee (Hampshire) and Cllr Susan Barker (Essex) as Chairman and Vice Chairman of the AJC respectively for a further term of two years;
- the update on progress made against the 2021/22 Business Plan deliverables and Budget forecast;
- ACCESS Pool's key risks, changes to risk profile and risk ratings;
- the nominated Elected Member communication spokespeople and the update in regard to their training arrangements;
- the outcome of the Implementation Adviser procurement process and the identification of ACCESS's preferred provider in advising ACCESS in pooling its illiquid assets subject to the conclusion of the standstill period;
- an update in regard to the launch of a UK equity sub fund, taking the total number of sub funds launched to twenty-three and progress in regard to future launches;
- the outcome of the BAU review previously reported and the agreement of some further recommendations;
- the performance of sub-funds against benchmark, income generated from stock lending and voting by the investment managers as at 30 June 2021;
- the progress in regard to the Ministry of Housing, Communities and Local Government Annual Return;
- ACCESS's Annual Report for recommendation for publication in each of ACCESS Authorities Report and Accounts;
- the outcome of the Emerging Market Review and the initial response to the seven recommendations outlined within the Review;
- the contract and supplier relationship management update including the outcome of the recent Service Review with Link Fund Solutions; and
- the Summary Note of 06 September 2021 AJC.

12. Urgent Exempt Business

There were none.

There being no further business the meeting closed at 12:55pm.

Chairman
29 November 2021