
Investment Steering Committee (ISC)

Minutes of a meeting of the Investment Steering Committee held at 1:30pm at County Hall, Chelmsford on 23 February 2015

Present

Cllr R L Bass (Chairman)	Essex CC
Cllr S Barker	Essex CC
Cllr K Clempner	Essex CC
Cllr J Whitehouse	Essex CC
Cllr J Archer (Observer representing Employers)	Maldon DC
Keith Blackburn (Observer representing scheme members)	UNISON

The following Advisers were present in support of the meeting;

Keith Neale	Independent Adviser
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson

The following officers were present in support of the meeting;

Kevin McDonald	Director for Essex Pension Fund
Jody Evans	Head of Essex Pension Fund
Clare Alexander	Investment Analyst

In addition Goldman Sachs were represented by;

Jason Freeman	Client Relationship Manager
Gilberto Marcheggiano	Economist

1. Apologies for absence

Apologies were received from Cllr N Hume and Cllr N Le Gresley.

2. Declarations of Interest

None were made.

3. Minutes

The minutes of the meeting of the Committee which took place on 26 November 2014, were approved as a correct record.

4. Arrangements for future meetings

The schedule of meetings for the municipal year 2015/16 was agreed, however Members asked that it be re submitted for confirmation at the first meeting of the new municipal year.

5. Structural Reform of LGPS Update

Kevin McDonald, Director for Essex Pension Fund, gave a verbal update outlining the latest developments in respect of the potential structural reform of the LGPS.

It was noted that no new developments had occurred since the last committee meeting. However it is possible that a summary of responses to last year's consultation may be issued next month.

6. Independent Investment Adviser

Kevin McDonald, Director for Essex Pension Fund, outlined the approach to be adopted for the appointment of a successor to the Fund's longstanding independent investment adviser. A further update will be brought to the next ISC meeting

The report was noted.

7. Urgent Part 1 Business

It was noted that the forthcoming Pension Board meeting on 4 March 2015 will not be preceded by a training session as the agenda suggests.

8. Exclusion of the Public

Resolved:

That the Public (including the press) be excluded from the meeting during consideration of the following items on the grounds that they involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972:

- (9) Manager presentation from GSAM.
- (10) Interim Investment Strategy and Structure review.

9. Manager Presentation

The Committee received a macroeconomic update presented by Gilberto Marcheggiano from Goldman Sachs. Global and UK outlooks were covered.

Following questions the presentation was noted.

During the presentation Cllr Bass was required to leave for a period of approximately 15 minutes. In his absence Cllr Barker took over as Chairman.

10. Interim Investment Strategy and Structure Review

The Committee received a report from Hymans Robertson in conjunction with the Independent Investment Adviser and the Director for Essex Pension Fund.

The committee noted:

1. The Fund's continued use of investment beliefs to set the key strategic allocation remains appropriate. Supplementing the investment beliefs by more regular updates of relative market pricing to tilt the portfolio in certain directions also remains useful in terms of adding incremental value;
2. It is inflation that is the key risk for the liabilities of the Fund, and hedging interest rates (gilt yields) that do not have an impact on the amount the Fund will eventually pay-out has limited value (especially at current levels). Therefore achieving asset returns in excess of inflation to manage contribution levels should be the basis for future risk management;
3. The Fund does exhibit differences from the allocation of the average LGPS Fund, these are not fundamental and are explained by the high level of governance implemented by the ISC and the desire to increase the efficiency of the investment strategy;
4. The overall structure of the Fund remains robust and no changes are proposed to the equity or bond portfolios;
5. Within the alternatives portfolio, agreements on rolling commitments to both Private Equity and Infrastructure are required to keep the allocations up to target weight;
6. The cashflow position of the Fund is changing and action is now required to start taking income from assets to meet a shortfall between contribution receipts and benefit payments. This is expected to occur next year;

The Committee agreed:

7. To meet both Hamilton Lane (Private Equity) and Partners Group (Infrastructure) at the March ISC meeting to review their portfolios and agree future commitments;
8. Review the structure of the currency hedge portfolio at the July strategy meeting;
9. That income should begin to be taken from L&G's UK assets and Aviva property portfolio to provision for cashflow requirements. The Committee requested that additional ongoing detail of income realisation should be brought to future meetings; and
10. That Officers in consultation with Advisers review the Fund's treasury management strategy given the requirement to realise income which will be held in cash for certain periods in order to meet a proportion of

benefit payments and develop proposals for consideration at a future meeting of the Committee.

11. Urgent Exempt Business

(Press and public excluded)

There was none.

There being no further business, the meeting closed at 4pm

Chairman
25 March 2015