

## **Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held at 09:45am as an online video conference on 24 March 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**

Cllr S Barker	(Chairman)	
Cllr M Platt	(Vice Chairman)	
Cllr A Goggin		
Cllr A Hedley		
Cllr M Maddocks		
Cllr M Durham	(Conservative Group Substitute Member attending on behalf of Cllr C Souter)	

#### **Scheme Employer Representative**

Cllr C Riley	(Observer)	joined 10am left 11am
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#### **Scheme Member Representative**

Sandra Child (UNISON)	(Observer)
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The following Officers and Advisers were also present in support of the meeting:

Jody Evans	Interim 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 left after Agenda Item 12b
Matt Woodman	Hymans Robertson left after Agenda Item 12b

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

Andrew Coburn	Scheme Member Representative (UNISON)
Cllr M Bracken	Employer Representative
James Durrant	Employer Representative

The following Investment Manager representatives were present for item 9a – c

Alex Harley, Terry Harris and Mark Wilson - Barings UK Limited  
Mike Patterson and Nick White - HPS Investment Partners

James Greenwood, David Hirschman, Jennifer Collard and Adinah Shackleton - Permira Debt Managers

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

### **Opening Remarks**

The Chairman welcomed Members of the Committee, John Dickson (Hymans Robertson), Matt Woodman (Hymans Robertson), Mark Stevens (IIA) and PAB Observers Andrew Coburn, Cllr M Bracken and James Durrant to the meeting.

It was noted that this would be Cllr M Maddocks last ISC and as such the Chairman took the opportunity to thank him for his contribution and commitment to the work of the Committee since his appointment in December 2018.

The Secretariat outlined to Members the protocol on how the virtual meeting would be conducted.

A query was raised in respect of the copyright of the ISC presentation slides and the broadcasting of the meeting. It was confirmed that the meeting was recorded for the sole use of assisting Officers with the production of minutes and that the meeting was not broadcasted. Officers agreed to take away the outstanding point in regard to copyright and confirm the position.

### **Apologies for Absence**

It was noted that Cllr L Scordis was absent from the meeting and that Cllr C Souter, along with PSB Member Rachel Hadley and PAB Members: Nicola Mark, Cllr S Walsh, Stuart Roberts and Debs Hurst 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 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 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 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.

**Resolved:**

The Committee noted the report.

**2a. Minutes of ISC meeting 20 January 2021**

The Minutes of the meeting of the ISC held on 20 January 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 feedback from Members, the Traffic Light Rating Report at Agenda item 11a had been revised to reflect the RAG rating status of the investment managers throughout the report. It was also noted that a Summary page had been included for ease of reference;
- the third tranche of rebalancing Baillie Gifford mandate was implemented during February 2021 with £110m reallocated to M&G's active bond mandate. It was explained that a further update for the Committee's consideration was provided at Agenda Item 11c along with an assessment of the impact on performance of the three rebalancing decisions previously agreed, as requested at the January 2021 ISC;
- Officers issued the 13 January 2021 ACCESS Joint Committee (AJC) pack to Members on 05 February 2021. It was explained that an update from both this meeting and the AJC of 8 March 2021 would be covered later in the Agenda;
- a further report in regard to the next stage of the Investment Strategy implementation (Stage 4) was provided at Agenda Item 12b;
- the outcome of the Responsible Investment (RI) Workshop held with ISC Members on 12 March 2021 was provided at Agenda Item 03;
- the Fund along with its fellow ACCESS colleagues had commenced the procurement of the provision of Global Custodian Service Arrangements and was currently on track to issue the Invitation to Tender to participants in April 2021;
- the Institutional Investment Consultant (IIC) arrangements process had now concluded. The Minutes of the Appointment Sub Committee (ASC) and full report outlining the procurement process were provided at Agenda Item 2b and Agenda Item 13 respectively.

Members were informed that the remaining matters arising would be dealt with through the Agenda Pack.

**2b. Minutes of ISC Appointment Sub Committee (ASC) 10 March 2021**

The Minutes of the meeting of the ISC ASC held on 10 March 2021 were approved as a correct record and signed by the Chairman.

Members were informed that Hymans Roberson had been successful in being reappointed to the position of IIC and that a full report outlining the procurement process was provided at Agenda Item 13.

### **3. Outcome of the Responsible Investment (RI) Workshop**

The Committee received a report and presentation from the Investment Manager. Members were reminded that the review of responsible investment was undertaken as part of the wider review of the Investment Strategy Statement (ISS) back in October 2019, where a designated Workshop was held.

Following this Workshop, a set of RI Beliefs and Priorities were agreed that were later used to formulate the Fund's RI Policy, which was then subject to a full stakeholder consultation, as part of the ISS in the summer of 2020 and was subsequently approved by the ISC at their October 2020 meeting.

It was explained that at the January 2021 ISC meeting the RI Policy, Beliefs and Priorities were revisited with some initial discussion on how the Fund could implement, monitor and review its RI Policy. Following this meeting, a dedicated RI Workshop was held on 12 March 2021.

Initial conclusions drawn from the Workshop discussions were that Members were satisfied that the RI Policy, Beliefs and Priorities continued to remain appropriate. It was agreed that the Policy should be viewed holistically and not in isolation and that each of the Fund's Investment Manager Mandates would need to be reviewed and assessed to determine their alignment with the Fund's Policy. It was also agreed that there was merit, considering the size of the Fund's assets managed by UBS, that the passive mandate be reviewed first and in particular, the equity benchmarks tracked as this ultimately determined stock selection.

It was also acknowledged that the regional market capitalisation benchmarks that the Fund currently tracks was somewhat outdated and whilst Members recognised that one of the Fund's priorities was taken into account with the exclusion of controversial weapons there was a strong feeling that the Fund should explore the wider universe of indices that may be better aligned to the Fund's ten RI Priorities. It was recognised that deviating from the status quo would incur additional cost and this would need to be assessed and ultimately justified.

There was appetite from Members that Officers and Advisers in the first instance work with UBS, the ACCESS Pool and Fund's passive provider to establish suitable solution(s).

It was also explained that Officers are looking to engage with the Vice Chairman and Cllr Walsh, PAB Member who both sit on the Environment and Climate Change Action Committee to understand the work that they are undertaking in this regard.

**Resolved:**

The Committee **agreed**:

- the RI Policy and RI Beliefs used to formulate the Policy as outlined in the ISS remain appropriate;
- the RI Priorities remain relevant, and should be viewed holistically, and not in isolation for the Committee to focus entirely on one would be to miss other important aspects of RI that could lead to improved financial outcomes for the Fund and wider society;
- equities mandates, being the largest asset allocation of the Fund should be reviewed as a priority;
- the level of influence the Committee has differs depending on whether the equity mandate is managed on an active or passive basis;
- the Fund develop a clear, documented engagement process with the active equity managers;
- in relation to their passive mandates, the Committee acknowledges it is able to determine the index the passive investment manager tracks and as such would like it to be more aligned where possible with all its RI priorities, noting that at present the current indices that the passive manager tracks excludes investing in controversial weapons, one of its ten priorities and that any deviation from tracking a market capitalisation index would incur a higher management fee than currently paid;
- Officers and Advisers investigate the types of indices available in the market, working with the Fund's current passive provider and the ACCESS Pool in the first instance to establish suitable solution(s); and
- the content of the report be noted.

#### **4. Treasury Management (TM) Strategy**

The Committee were provided with an overview of the Treasury Management Strategy. It was highlighted that the Strategy reflected the separate governance arrangements of the Fund.

Members were informed that whilst the format had been revamped in line with the Fund's new style of presentation, the content was largely unchanged from the Strategy approved by Members at their July 2020 meeting.

As agreed at the July 2020 meeting, Officers had taken the opportunity to review the TM Policy and Practices for their appropriateness. Whilst no revisions were required to the Policy, it was highlighted the Practices had been updated to reflect revised guidance and that both were now included as new Annexes within the Strategy.

**Resolved:**

The Committee **approved** the 2021/22 Essex Pension Fund Treasury Management Strategy.

## 5. Capital Markets Outlook – Quarter 4 2020

The Committee received a report from Hymans Robertson providing an update of market performance as at 31 December 2020. It was noted that equity markets continued to perform strongly during the quarter.

### **Resolved:**

The Committee noted the content of the report which had been provided as a supplement to the pack.

## 6. Schedule of Future Meetings and Events

The Committee received a report from the Compliance Manager detailing the planned Committee meetings for the next municipal year. The Committee were advised that these were subject to change and that the training days will be confirmed in due course.

It was noted that the meeting scheduled for 24 November 2021 will need to be revisited due to a potential clash.

### **Resolved:**

The Committee noted the meetings for 2021/22 and the content of the report.

## 7. Urgent Part I Business

There were 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 10:25am following a short adjournment.

The meeting was adjourned at 10:16am

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The Committee reconvened at 10:25am

## **Opening Remarks**

The Chairman welcomed back the Committee and Observers.

### **8. Direct Leading Procurement Bitesize Training**

The Committee received a direct lending training presentation from John Dickson from Hymans Robertson. An update was also provided on the three Direct Lending Managers' shortlisted for interview, and the process undertaken.

#### **Resolved:**

The Committee noted:

- the training and presentation; and
- the content of the report.

### **9. Direct Leading Interviews**

#### **9a Investment Manager Presentation – Barings UK Limited**

The Chairman welcomed Alex Harley; Terry Harris; and Mark Wilson from Barings UK Limited who provided the Committee with a presentation in relation to their proposed direct lending strategy offering.

*Alex Harley; Terry Harris; and Mark Wilson left the meeting.*

#### **Resolved:**

The Committee noted the presentation.

#### **9b. Manager Presentation – HPS Investment Partners**

The Chairman welcomed Mike Patterson and Nick White from HPS Investment Partners who provided the Committee with a presentation in relation to their proposed direct lending strategy offering

*Mike Patterson and Nick White left the meeting.*

#### **Resolved:**

The Committee noted the presentation.

#### **9c. Manager Presentation – Permira Debt Managers**

The Chairman welcomed James Greenwood; David Hirschman; Jennifer Collard; and Adinah Shackleton from Permira Debt Managers who provided the Committee with a presentation in relation to their proposed direct lending strategy offering

*James Greenwood; David Hirschman; Jennifer Collard; and Adinah Shackleton left the meeting.*

**Resolved:**

The Committee noted the presentation.

**9d. Direct Lending Appointment**

Following consideration of the presentations and subsequent discussion, a vote was then taken.

**Resolved:**

The Committee **agreed** that:

- the preferred Direct Lending Manager be appointed to manage 2.5% of the Fund direct lending allocation; and
- Officers, in conjunction with Advisers, be authorised to finalise the arrangements.

The Chairman informed Members that the meeting would reconvene at 1:15pm following an adjournment for lunch.

The meeting was adjourned at 12:41pm

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The Committee reconvened at 1:16pm

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

The Interim 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 once since the last ISC meeting, on the 08 March 2021 however the Agenda included the Summary Reports from both the 13 January and 08 March 2021 meetings.

It was explained that the main area of business at the 13 January 2021 AJC was in regard to the S151 Officer recommendation to accept the 2021/22 ACCESS Budget and the areas of business covered at the 08 March 2021 AJC included:

- the conclusion of the Scheduled BAU Evaluation and next steps;
- an update on sub-fund launches and Emerging Market sub-fund progress; and
- a contract and supplier relationship management update which included an update in regard to Link's Professional Indemnity insurance arrangements.

**Resolved:**

The Committee **agreed:**

- ACCESS Authorities S151 Officers' recommendation to accept the 2021/22 ACCESS Budget totalling £1.247m (£113k per Authority) to support the 2021/22 ACCESS Business Plan.

The Committee noted:

AJC 13 January 2021

- an update in regard to the launch of seven new sub-funds taking the total number of sub-funds launched to twenty-two;
- the proposed pooling structures for real estate, private equity, private debt and infrastructure;
- the procurement, via the National LGPS Framework, of a consultant to support the implementation of the proposed illiquid asset pooling structures and manager/fund/allocator procurements as required;
- the performance of sub-funds against benchmark, income generated from stock lending and voting by the investment managers as at 30 September 2020;
- the presentation from Link Fund Solutions;
- the contract and supplier relationship management update;
- the outcome of the first internal audit on the work of the ASU;
- the outcome of the procurement process and the appointment of Minerva to undertake a review of the Pool's ESG/RI guidelines and to recommend appropriate reporting arrangements;
- the update on the Scheduled BAU Evaluation including next steps;
- the update on progress made against the 2020/21 Business Plan deliverables and Budget Forecast;
- ACCESS Pool's key risks, changes to risk profile and risk ratings;
- the Summary Note of 13 January 2021 AJC; and
- the informal workshop held after the AJC with Engine MHP to develop ACCESS's approach to communication and public relations.

AJC 08 March 2021

- the conclusion of the Scheduled BAU Evaluation including next steps;
- an update in regard to the initial communication work undertaken by Engine MHP;
- the performance of sub-funds against benchmark, income generated from stock lending and voting by the investment managers as at 31 December 2020;
- an update on the proposed timeline and approach for the appointment of an Implementation Adviser, the first milestone in pooling the illiquid assets;
- an update on sub-fund launches and progress in relation to the Emerging Market Sub-fund including next steps;
- the contract and supplier relationship management update including an update on Link's Professional Indemnity insurance arrangements;

- the update on progress made against the 2020/21 Business Plan deliverables;
- ACCESS Pool's key risks, changes to risk profile and risk ratings; and
- the Summary Notes of 08 March 2021 AJC.

## **11. Quarterly Investment Manager Monitoring**

### **11a. Traffic Light Rating Report**

The Committee received a report from Hymans Robertson which summarised their current views of the Fund's Investment Managers including a Responsible Investment rating on the Managers where available.

It was confirmed that there were no concerns at present in relation to Manager performance. Members were informed that the Property review was still ongoing and that a report along with recommendations would be brought to a future meeting.

Members thanked Hymans for taking on board their feedback expressing that the new formatting style of the report which now included a summary page and reflected the RAG ratings of the investment managers throughout the report was more user friendly.

**Resolved:**

The Committee noted the report.

### **11b. Investment Tables Quarter ended 31 December 2020.**

The Committee received an update from the Independent Investment Adviser on details of the Fund's investment performance for the quarter ended 31 December 2020.

Members noted that the Fund had reached a new high and had surpassed £8.6bn.

The Vice Chairman enquired as to whether within the IIA's Performance Commentary report the mandate current value and percentage of the Fund could be included going forward. It was subsequently confirmed this would be implemented for the next report.

**Resolved:**

The Committee noted the content of the report.

### **11c. Baillie Gifford Equity Portfolio Rebalancing**

It was confirmed that the third tranche of Baillie Gifford's rebalancing agreed at the January meeting had been implemented. It was explained that following this the overweight position was now broadly in line with its proxy target and therefore no

further rebalancing action was required at this time, however the position would be monitored and kept under review.

Following the request at the January 2021 ISC meeting Hymans also provided an analysis quantifying the effectiveness of the rebalancing implemented to date. It demonstrated that not only did it achieve the risk management objective set out it had proven to be beneficial overall from a performance perspective.

**Resolved:**

The Committee **agreed**:

- the Baillie Gifford's equity mandate overweight position is broadly in-line with its proxy target no immediate rebalancing be actioned and that the position continue to be monitored and kept under review.

The Committee noted:

- the approximate performance impact of the three Baillie Gifford rebalancing tranches previously actioned; and
- the content of the report.

## **12. Investment Strategy**

### **12a. Strategy Implementation Tracker**

The Committee received an update from Hymans Robertson on the progress made in the shifting away from equities in three stages as agreed by the ISC at their 15 November 2017 meeting. It was noted that following the decision today in regard to the appointment of a new Direct Lending Manager, Stage 2 of the derisking programme was now complete.

**Resolved:**

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

### **12b. Next Steps on Investment Strategy Implementation – Stage 4 proposal**

The Chairman, following a prior discussion with both the Vice Chairman and Officers expressed the view that as Stage 3 had yet to be implemented it was felt that it was too soon in the process to agree any 'in principle' decisions in regard to Stage 4. It was therefore, recommended that the Committee on this occasion note the content of the report and that Stage 4 recommendations be brought to a future meeting once Stage 2 and 3 investment decisions had time to bed down sufficiently.

**Resolved:**

The Committee **noted** the content of the report.

*John Dickson and Matt Woodman left the meeting at 1:48pm in order for the next agenda item to be discussed.*

**13. Institutional Investment Consultant (IIC) Arrangements – Outcome**

The Interim Director for Essex Pension Fund provided an update on the outcome of the IIC re-tender process.

Members were informed that of the five Suppliers invited to participate, two had submitted responses by the required deadline.

Both Suppliers were interviewed by the ASC made up of Cllr Barker, Cllr Platt and Sandra Child on 10 March 2021.

Following full deliberation Hymans Robertson was reappointed to the position of the IIC commencing on 01 April 2021, for a term of five years, with an option to extend for a further one year, subject to satisfactory performance review.

**Resolved:**

The Committee noted the outcome of the ISC ASC on 10 March 2021 and the content of the report.

**14. Urgent Exempt Business**

The Committee were reminded of the Statutory requirement for Members to complete their Related Third-Party Transaction Returns, which would be subsequently issued out to Members following the meeting.

**15. Closing Remarks**

Cllr M Maddocks took the opportunity to thank Officers, the Chairman and Vice Chairman for their support whilst being a Member of the Committee.

The Interim Director for Essex Pension Fund thanked Members for their continued support during such challenging times and wished them all the best for the future.

The Chairman thanked fellow Members for their support on the Committee and Officers for all their hard work, commitment, and efficacy in supporting all Members.

There being no further business the meeting closed at 1:54pm.

**Chairman**  
**16 June 2021**