Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held in Committee Room 1 at 10:00am on 29 November 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) (arrived 10:40am)
Cllr A Goggin	
Cllr A Hedley	(left 12:30pm)
Cllr D King	
Cllr C Souter	

Scheme Employer Representative

Cllr C Riley	(Observer) (left 12:30pm)

Scheme Member Representative

Sandra Child (UNISON)	(Observer)

Cllr M Durham, Substitute Member, attended the meeting via Zoom as an Observer until the adjournment of the meeting. (left 1:57pm)

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 (via zoom)
Helen Pennock	Compliance Analyst
Ajai Ajith	Compliance Analyst (via zoom)
Marcia Wong	Compliance Officer (via zoom)
Joe Hayman	Systems Analyst (left 12:30pm)
Mark Stevens	Independent Investment Adviser (IIA)
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson (left 12:30pm)

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

Andrew Coburn	Scheme Member Representative UNISON
James Durrant	Employer Representative

DRAFT

The following Representatives from UBS, the Fund's Index Tracking Manager, were present via Zoom for Agenda Item 10.

James Rogers, Client Relationship Manager;
Ian Ashment, Head of Systematic & Index Investments;
Rodrigo Dupleich, Senior Portfolio Manager;
Boriana Iordanova, Index Research Analyst; and
Francis Condon, Head of Thematic Engagement & Collaboration.

In addition, UBS Observers present via Zoom were:
Malcolm Gordon, Head of UK Institutional;
Marina Sariyiannis, Essex Client Service Manager; and
Danielle Latter, Industrial Placement Intern - UK institutional Team.

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.

Cllr Goggin took the opportunity to pass on his sisters thanks to the Fund for their wonderful administration and sensitivity when dealing with a family bereavement.

Apologies for Absence

As a consequence of an urgent meeting being called at very short notice that morning, Cllr Platt confirmed that he would be late and therefore sent his apologies for the start of the meeting.

It was noted that Cllr M Hoy was absent from the meeting and that Cllr Mackrory, (Substitute Member), PSB Member Rachel Hadley and PAB Members: Nicola Mark, Cllr Bracken, 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 is a Substitute Member on the Audit, Governance and Standards Committee. In addition, she declared that her son was also a member of the Essex Pension Fund and was employed by Essex County Council as a Sustainability Manager;

Cllr M Platt declared that he is a Deputy Cabinet Member and is Vice Chairman of the Audit, Governance and Standards Committee;

Cllr A Goggin declared that his wife and sister were in receipt of an Essex LGPS pension;

DRAFT

Cllr A Hedley declared that he was in receipt of an Aviva Group Pension and he is Chairman 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 13 October 2021

The Minutes of the meeting of the ISC held on 13 October 2021 were approved as a correct record and signed by the Chairman.

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

- a further update in regard to the progress against the Responsible Investment (RI) Project Plan was provided at agenda item 4;
- Hymans Robertson had further developed the Traffic Light Rating Report to include arrows to depict movement changes of managers' ratings;
- the redemption of the investment in Alcentra's Global Multi Credit Solution Fund was due to take place 01 December 2021 with the proceeds being reinvested in M&G Alpha Opportunity Fund;
- further engagement with other Investment Managers had commenced with the review of both active Bond Managers and UBS, the Fund's Index Tracking Manager, and an update on progress was provided at agenda item 7c; and
- Fund Officers have invited UBS to present their offerings as part of agenda item 10 in the Environmental, Social and Governance (ESG) space which included exploration of the Life Climate Aware World Equity Fund and to workshop potential solutions.

3. Capital Markets Outlook – Quarter 3 2021 Highlights

The Committee received a report and presentation from Matt Woodman, Hymans Robertson summarising the market and macro events to 30 September 2021.

It was noted that it had been a mixed quarter regarding asset returns, with global equities giving up earlier Q2 gains in September as sentiment changed. It was explained that property markets continued to improve with strong transactional activity. It was also brought to the Committee's attention that higher inflation remained a concern with CPI not expecting to peak until Q3 2022.

Resolved:
The Committee discussed and noted the content of the report.

DRAFT

4. Responsible Investment (RI) Project Plan Update

An update was provided on the current position against the RI Project Plan noting progress was broadly in line with the agreed targets.

It was noted that engagement meetings had now been held with all the Fund's active Equity and Bond Managers along with UBS, the Fund's Index Tracking Manager.

In addition, Members were informed that the Fund's UK Stewardship Code submission was in the process of being drafted.

Resolved:
The Committee noted:

- progress against the Fund's RI Project Plan and proposed next steps; and
- the content of the report.

5. Schedule of Future Meetings and Events

The Committee received a report from the Compliance Manager detailing the proposed schedule of future meetings for the forthcoming municipal year 2022/23 as follows:

Investment Steering Committee

15 June 2022	10am - 4pm
12 October 2022	10am - 1pm
30 November 2022	10am - 4pm
22 February 2023	10am - 1pm

Members were also reminded of the remaining Committee meeting for this municipal year along with the 31 January 2022 Back to Basics Training Day.

Officers alerted Members of the forthcoming LGC Investment Seminar dates and it was requested that if Members wished to attend, they were to notify the Compliance Team as soon as possible as the timing of the Seminar coincided with the 23 March 2022 PSB meeting date.

Members were also reminded of the Virtual ACCESS Investor Day which was due to take place on 30 November 2021.

Resolved:
The Committee **agreed**:

- the proposed ISC meeting dates for 2022/23 as detailed in Section 6 of the Report; and
- to note the content of the report.

DRAFT

6. Urgent Part I Business

The Chairman informed Members that the meeting would reconvene at 10:30am following a short adjournment.

The meeting was adjourned at 10:25am

……

The Committee reconvened at 10:34am

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. Quarterly Investment Manager Monitoring

7a. Investment Tables Quarter ended 30 September 2021

Mark Stevens, IIA, provided the Committee with an update of the Fund's investment performance for the quarter ended 30 September 2021. It was noted that the Fund had continued to outperform its benchmark with an absolute performance of 2% for the quarter and 20.6% over the year.

Members were also pleased to note that the Fund had now reached c.£9.4bn as at 30 September 2021, with the Fund currently standing at an all-time high of c.£9.7bn.

It was noted that Hamilton Lane's private equity mandate was the Fund's star performer in the quarter.

A discussion took place in regard to renewable energy sources such as wind power, solar and tidal within the investment managers' portfolios.

Resolved:
The Committee noted the content of the report.

DRAFT

7b. 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.

Members were provided with a brief overview of each manager and in particular, attention was drawn to the one notable movement since the last update, this being an investment downgrade of a Manager to 'negative'. This was discussed.

Resolved:
The Committee noted the content of the report.

7c. Responsible Investment (RI) Engagement Report

The Committee received a report from John Dickson, Hymans Robertson on the Engagement Strategy that Officers and Advisers had developed which focused on a 'bottom up' and 'top down' assessment of each manger.

It was explained that Officers and Advisers had recently engaged with the Fund's two active Bond Managers along with the Fund's Index Tracking Manager, with all three managers RI rated as 'Good'.

Members noted that the assessment of both active Bond Managers had shown that they embed wider ESG considerations and climate risks within their investment processes and were able to demonstrate that they were making good progress in regard to their engagements. In addition, the Index Tracking Manager demonstrated a strong companywide ESG culture.

It was confirmed Officers and Advisers had now concluded all their engagement meetings with the Fund's Equity and Bond Managers and the next round of engagements would tackle the alternative Investments Managers. It was acknowledged that because of unique nuances this would be challenging due to there being less data around private market investments.

Resolved:
The Committee **agreed** that:

- Officers and Advisers develop a similar Engagement Strategy used for the liquid assets for the alternative assets of the Portfolio, where possible, commencing with the Property portfolio;
- the next steps arising from each individual manager engagement meeting and the content of the report would be noted.

DRAFT

8. Strategic Implementation

8a. Investment Strategy Implementation Tracker Update

John Dickson, Hymans Robertson provided the Committee with an update on progress to implementing the Investment Strategy de-risking programme.

The Committee were informed that Officers and Advisers had concluded the implementation regarding the ISC's decision to appoint Permira to manage c2.5% of the Fund direct lending mandate and outlined the next steps for consideration.

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

8b. Essex Portfolio Rebalancing

Following on from the implementation update, Matt Woodman, Hymans Robertson outlined to the Committee the analysis undertaken of the Fund's overall Strategy which assessed the most effective approach to rebalancing the Fund's portfolio. It was recommended to accelerate the pace of disinvestment from one of the Fund's global equity managers and outlined proposals in this regard.

It was discussed and agreed that no further rebalancing to Baillie Gifford's mandate was required at this time, but the position be periodically monitored and kept under review.

Resolved:
The Committee **agreed** that:

- as the Baillie Gifford's equity mandate overweight position was broadly in-line with its proxy target as part of the overall investment strategy no immediate rebalancing be actioned and that the position continue to be monitored and kept under review;
- 2% of the Fund be disinvested from Marathon's global equity mandate and that the proceeds be reinvested in M&G's Alpha Opportunities Bond Fund as soon as reasonable;
- the outstanding IFM capital call of $100m be funded from Marathon's mandate;
- the remaining holdings within Marathon's mandate be dis-invested with the proceeds directed to other equity mandates as part of rebalancing the Fund's overall portfolio, with the amounts and mandates effected to be determined at a future meeting; and
- the content of the report be noted.

8c. Infrastructure Review

Members received a further report from Matt Woodman, Hymans Robertson which outlined the recent review of the Fund's three Infrastructure Managers.

DRAFT

The Committee were advised that in order for the Fund to achieve its target strategic allocation of 10% to infrastructure, top up commitments would be required. To this end proposals were set out within the report in order to achieve this.

Members, mindful of Stage 4 of the de-risking programme, requested Officers and Advisers investigate and explore opportunities of a specific green based infrastructure fund, in the first instance with the Fund's existing managers, and to bring back a report to a future meeting.

Resolved:
The Committee **agreed** that:

- a further amount be committed to J P Morgan Infrastructure Investment Fund;
- a further top up commitment to Partners Group Direct Infrastructure 2020 Fund and an in-principle commitment to the new Global Infrastructure Fund (due to be launched in 2022);
- no additional new commitment to IFM's Global Infrastructure Fund be required at this present time; and
- the content of the report be noted.

8d. Direct Lending Mandates

The final proposal outlined to the Committee was in regard to the Fund's 5% strategic allocation to direct leading.

In order for the Fund to maintain its 5% strategic allocation, it was recommended that the Committee consider an additional top up commitment be made to the Fund's direct lending manager.

Resolved:
The Committee **agreed** that:

- an additional commitment be made to the Permira Credit Solutions mandate; and
- the content of the report be noted.

9. Climate Metrics for Taskforce on Climate Related Financial Disclosures (TCFD)

John Dickson, Hymans Robertson provided the Committee with a report and presentation that outlined TCFD requirements. It was explained that at present, TCFD require a minimum of three climate metrics to be monitored, however, consideration was being given to introducing a fourth metric. The pros and cons of each metric was discussed by the Committee.

The report also included considerations in regard to the Fund's aspiration to having a portfolio aligned with the 2050 net zero target and how this could be implemented and monitored.

DRAFT

Resolved:
The Committee **agreed** that:

- in line with TCFD requirements the climate metrics as detailed in 2.1 of the Report be monitored by the ISC on an annual basis;
- the ESG momentum metric be monitored as part of the wider engagement monitoring of managers;
- in line with Essex County Council, the Fund aspire to have a portfolio that is invested in line with net zero by 2050;
- targets set for the emission-based metrics (Total GHG Emissions, Carbon Footprint and WACI) to 2030 concentrate on equities, credit and real estate in the first instance and are consistent with a net zero target of no later than 2050;
- manager engagement includes assessing the progress of the Fund's Portfolio with respect to the transition pathways as defined by the Transition Pathways Initiative for high emission industry sectors;
- the next steps include setting up the monitoring of the agreed various metrics and setting specific targets based on the baseline position; and
- the Committee note the content of the report.

The Chairman informed Members that the meeting would reconvene at 1pm, following an adjournment.

The meeting was adjourned at 12:30 pm

……

The Committee reconvened at 1:04 pm

10. Bitesize Training– UBS Workshop on the Provision and Development of Index Tracking Products

The Chairman welcomed James Rogers, the Fund's Client Manager and his colleagues from UBS, who provided a workshop session in regard to assisting the Fund in developing a RI solution around its index tracking portfolio.

UBS outlined what their current offerings were in this space and the potential approaches available should the Committee decide to go for a more bespoke solution.

Resolved:
The Committee **agreed**:

- Officers and Advisers be delegated to liaise with ACCESS to ascertain their appetite for the approaches available;
- to bring the approaches offered by UBS back to a future meeting for further discussion; and
- the Workshop session facilitated by UBS, the Fund's Index Tracking Manager, be noted.

DRAFT

11. ACCESS Draft Responsible Investment (RI) Guidelines

The Committee were provided with ACCESS's Draft RI Guidelines and were asked to provide any initial feedback to Officers and the Chairman ahead of the next ACCESS Joint Committee (AJC) meeting on 6 December 2021.

Initial feedback received was that the document was difficult to read due to the font and layout used. In addition, comprehensive and repetitive in places.

It was noted that these initial observations would be fed back to the ACCESS Support Unit (ASU) and that the final draft would be brought back to a future meeting as part of the Quarterly Pooling Update once all eleven ACCESS investing Authorities had been given the opportunity to consider.

Resolved:
The Committee **agreed**:

- any further feedback be provided to Officers and the Chairman ahead of the AJC meeting on 6 December 2021; and
- the content of the report be noted.

12. Urgent Exempt Business

There were none.

There being no further business the meeting closed at 2:35pm.

Chairman
23 February 2022

DRAFT