

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 07a</b>
<b>Date: 18 March 2022</b>	

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

Report by the Investment Manager

Enquiries to Samantha Andrews on 03330 138501

**This Report is for noting**

### **Executive Summary**

The ISC have met on one occasion since the last Essex Pension Fund Strategy Board (the Board) meeting on 23 February 2022.

The focus of the meeting was: the progress against the Fund's Responsible Investment (RI) Project Plan which included: the outcome of the investment manager engagement meetings with the Fund's Property and Infrastructure Managers; the development and approval of the Investment Engagement Strategy; and agreement of the next steps regarding the draft 2020 Financial Reporting Council (FRC) UK Stewardship Code Submission.

The Committee also received training on impacting investing and agreed an approach to be adopted in regard to aligning the Fund's index tracking mandate to its RI Policy and Priorities.

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

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

## **2. Recommendations**

2.1 The Board note the content of 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 Board.
- 3.2 Since the Board's last meeting the ISC have met on one occasion, 23 February 2022.

### 4. Report of the meeting of ISC on 23 February 2022

- 4.1 Details of the Fund's investment manager performance for the quarter ended 31 December 2021 were discussed.
- 4.2 Members were provided with an overview of the Treasury Management Strategy highlighting that it reflected the separate governance arrangements for the Fund. It was noted that some minor revisions had been made to the Strategy in regard to: Treasury Management Practices; forecasts and the Global Liquidity Fund limits to bring in line with the appreciation of the Fund. The Strategy was subsequently **approved** by the Committee.
- 4.3 Another key focus for Members was the update on the current progress against the RI Project Plan. It was noted that since the last Meeting further engagements had been held with the Fund's Property and Infrastructure Managers. It was **agreed** that Officers and Advisers would now undertake engagement meetings with the Managers who oversee the Fund's direct lending, private equity and timber mandates. The Fund had also developed an Investment Engagement Strategy which was subsequently **approved**.
- 4.4 Following an update on the progress of the drafting of the Fund's 2020 FRC UK Stewardship Code Submission the Committee **agreed** to utilise the Out of Committee Decision Making Process to approve the final Submission, in order that the Fund could meet the FRC deadline of 30 April 2022.
- 4.5 A high-level Investment Strategy Decision Framework was discussed and subsequently **approved** by the Committee noting that it was formalising the approach already adopted. In addition, following a discussion Members **agreed** the solution and next steps for aligning the index tracking mandate to the Fund's RI Policy and Priorities.

- 4.6 Training was provided on Impact Investing where the spectrum of capital philosophy was discussed.
- 4.7 Following discussion, the Committee **agreed** that Officers and Advisers ascertain the potential to invest more impactfully within the Fund's existing mandates in the first instance noting that there was also appetite following more detailed analysis to agree a monetary amount that could be directed to more impactful investment over the medium term.
- 4.8 The Committee were also provided with an update from the last ACCESS Joint Committee meeting held in December 2021, where the main areas that directly impacted the Fund were discussed. These included: the transition of M&G's Alpha Opportunity fund to the Link managed sub fund; the Committee's agreement regarding their approach with the Fund's emerging market equity allocation; and the agreement to accept ACCESS's S151 Officers' recommendation to approve the ACCESS 2022/23 Business Plan and the Fund's contribution to the Budget totalling £124k (£1.366m overall).

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

### **5.1 Investments:**

- To maximise the returns
- from investments within reasonable risk parameters;
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented; and
- Ensure investment issues are communicated appropriately to the Fund's stakeholders.

## **6. Risk Implications**

- 6.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Investment Strategy Statement and the Fund's Risk Register.

6.2 No new risks have been identified during the quarter.

## **7. Communication Implications**

7.1 The Fund was a signatory on the ACCESS proposal to Government in February and July 2016.

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

8.1 In addition to the work undertaken by Officers, the cost of ACCESS pool participation per Fund is estimated to be £124,000 in 2022/23.

8.2 The cost to the Fund was:

- £113,000 in 2021/22;
- £78,426 in 2020/21;
- £62,866 in 2019/20;
- £116,000 in 2018/19;
- £94,000 in 2017/18; and
- £80,000 in 2016/17.

## **9. Background Papers**

9.1 ISC meeting of 23 February 2022 – Agenda and Draft Minutes.

9.2 ISC meeting of 29 November 2021 – Agenda and Draft Minutes.

9.3 ISC meeting of 13 October 2021– Agenda and Minutes.