

Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held at 10:00am as an online video conference on 20 January 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 L Scordis	
Cllr C Souter	

Scheme Employer Representative

Cllr C Riley	(Observer)	joined 10:57am
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Scheme Member Representative

Sandra Child (UNISON)	(Observer)
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Cllr M Durham, Substitute Member, attended the meeting as an Observer.

The following Officers and Advisers were also present in support:

Jody Evans	Interim Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Sara Maxey	Employer Manager
Amanda Crawford	Compliance Manager
Helen Pennock	Compliance Analyst
Marcia Wong	Compliance Officer

Mark Stevens	Independent Investment Adviser
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson

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

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

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

Opening Remarks

The Chairman welcomed the Committee and Observers to the meeting.

Apologies for Absence

It was noted that PAB Members: Nicola Mark; Cllr S Walsh; Stuart Roberts; and Debs Hurst 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 21 October 2020

The Chairman advised the Committee that there was one minor amendment to be made to the 21 October 2020 ISC Minutes on page 15, under item 9b, AJC 17 July 2020, with the sentence to be amended to read 'a 12 month extension until the end of July 2021'. The revised Minutes of the meeting were subsequently approved as a correct record and signed by the Chairman.

Matters Arising. It was noted:

- the approved Investment Strategy Statement (ISS) had been published on the Fund's website on 23 October 2020;
- preparatory work for the Fund to become a signatory of the Financial Reporting Council (FRC) UK Stewardship Code 2020, by the agreed

deadline of March 2022, was in progress and an update be brought to a future meeting;

- the three Operator Amendments approved by the ISC at the last meeting were actioned on 22 October 2020 and the revised Inter Authority Agreement was approved at Full Council on 08 December 2020;
- the AJC Agenda Pack and Summary Note was issued to all Committee Members via email on 23 November 2020;
- the second tranche of rebalancing Baillie Gifford mandate was implemented during December 2020; and
- the revised Investment Scorecard Measures agreed at the last ISC meeting were reported to the 16 December 2020 PSB meeting.

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

2b. Minutes of ISC Appointment Sub Committee 09 December 2020

The Minutes of the meeting of the ISC Appointment Sub Committee held on 09 December 2020 were approved as a correct record and signed by the Chairman.

3. Schedule of Future Meetings and Events

The Committee received a report from the Compliance Manager detailing the proposed schedule of meetings for the forthcoming municipal year 2021/22 as follows:

Investment Steering Committee

16 June 2021	10am - 4pm
13 October 2021	10am - 1pm
24 November 2021	10am - 4pm
23 February 2022	10am - 1pm

Training Days

To be confirmed

It was recommended that the current Committee meeting arrangements and structure be further reviewed in 12 months' time as it was felt that the effectiveness of these arrangements had not been fully tested due to the virtual nature of the Committee meetings since July 2020.

Resolved:

The Committee **agreed:**

- the planned meeting dates for 2021/22; and
- the extension of the current meeting arrangements for a further 12 months.

The Committee noted the content of the report.

4. 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 10:15am following a short adjournment.

The meeting was adjourned at 10:07am

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The Committee reconvened at 10:15am

Opening Remarks

The Chairman welcomed back the Committee and Observers.

5. Quarterly Investment Manager Monitoring

5a. Traffic Light Rating Report

Hymans Robertson provided the Committee with a report and presentation which provided a summary of their current views on some of the Fund's Investment Managers including a Responsible Investment rating on the Managers where available.

The Vice Chairman enquired as to whether the traffic light rating RAG status could be reflected throughout the report. It was subsequently confirmed this would be implemented for the next Committee meeting.

An update was also provided in regard to the Property review and it was confirmed that a report along with recommendations would be brought to a future meeting.

Resolved:

The Committee noted the content of the report.

5b. Investment Tables Quarter ended 30 September 2020 and Provisional 31 December 2020 Fund Values.

The Committee received an update from the Independent Investment Adviser on details of the Fund's investment performance against their benchmark for the quarter ended 30 September 2020.

An update was also provided on the provisional value of the Fund as at 31 December 2020.

Members noted that the Fund had reached a new high of £8.4bn.

Resolved:

The Committee noted the content of the report.

5c. Baillie Gifford Equity Portfolio Rebalancing

It was confirmed that the second tranche of Baillie Gifford's rebalancing agreed at the 21 October 2020 meeting had been implemented.

Hymans Robertson explained that Baillie Gifford have since continued to outperform and as such recommended that the Committee proceed with the third tranche of rebalancing its mandate with the possibility that further rebalancing may be required in the future.

The Committee requested further analysis to quantify the effectiveness of the rebalancing implemented to date.

Resolved:

The Committee **agreed:**

- that the remaining third tranche of Baillie Gifford's overweight equity position be trimmed by reducing the overweight position by an additional £110m;
- to use the proceeds from the Baillie Gifford rebalancing to further top up the bond allocation of M&G's active bond mandate; and
- that Baillie Gifford's equity mandate overweight position be monitored and kept under review.

The Committee noted the content of the report.

6. Institutional Consultant Review Competition and Markets Authority (CMA) Strategic Objectives

Members were reminded of the CMA requirement to set strategic objectives for the Fund's Institutional Consultant. Following agreement at the November 2019 meeting, a meeting was held on 10 January 2020 with the ISC Chairman, Vice Chairman, Fund Officers and John Dickson, Hymans Robertson, where an initial baseline assessment against those objectives were agreed.

It was explained that a follow up meeting had been held on 14 December 2020 where progress against the objectives was reassessed. Members were pleased to note that the direction of travel was positive, however, there were a few areas particularly around the delivery of training that would benefit from further development. Members were requested to take a moment after Item 9 of today's Agenda to provide feedback on the delivery of training that was being piloted in the meeting.

Officers confirmed that in addition to the setting of strategic objectives for the Institutional Consultant the Fund was required to submit to CMA by 7 January 2021 a statement of compliance to that effect. It was confirmed that this had been actioned on 21 December 2020.

Resolved:

The Committee noted:

- the augural assessment against the baseline, as set out in Appendix A of the report, of the strategic objectives of the Fund's Institutional Investment Consultant, Hymans Robertson;
- Fund Officers would periodically monitor and review Hymans Robertson's progress and establish next steps as and when applicable;
- a formal assessment would be undertaken in 12 months' time with Hymans Robertson, and the outcome would be reported back to the ISC in Q4 2021/22;
- in the event that Hymans Robertson are not successful in the upcoming Institutional Investment Consultant re-tender then a formal meeting be arranged with the new consultant at the commencement of the appointment to formalise their strategic objectives;
- note the requirement to submit a compliance statement to the CMA by 07 January 2021 confirming compliance with part 7 of the CMA, by setting strategic objectives for the investment consultant and then annually thereafter.

The Committee noted the content of the report.

7. 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 confirmed that since the last ISC meeting on 21 October 2020 the revised Inter-Authority Agreement (IAA) had been agreed at Essex County Council's Full Council meeting on 8 December and was now reflected within the ECC Constitution. In addition, the three amendments agreed to the Operator Agreement had also been actioned.

It was noted that the ACCESS Joint Committee (AJC) has meet twice since the last ISC meeting, on the 12 November 2020 and 13 January 2021 respectively.

The full Agenda from the meeting held 12 November 2020 was circulated to ISC Members on 23 November 2020 along with a Summary Note which had also been included at Appendix A of the report.

Members were reminded that the main areas of business at the 12 November 2020 AJC included:

- the agreement to the appointment of Engine MHP to provide external communication support;
- an update on sub fund launch progress;
- an update for pooling alternative assets;
- the conclusion of the Key Performance Indicator (KPI) negotiations;
- the procurement for external professional advice to assist on Environment, Social and Governance (ESG)/Responsible Investment (RI) matters;
- an update on Business Plan deliverables and Key Risks; and
- a BAU Evaluation Workshop provided by Hymans Robertson.

The Interim Director for Essex Pension Fund further updated the Committee with the main areas of business covered at the recent 13 January 2021 AJC and reminded Members that the full Agenda of this meeting would be circulated to all Members once the pack and Summary Note were available.

Resolved:

The Committee noted:

- the update in respect of the launch of tranche 5a sub funds and the progress in regard to tranche 4a;
- the update in respect of activities taken place so far in regard to pooling alternative assets and forthcoming plans;
- the contract and supplier relationship management update including the conclusion of the Key Performance Indicators (KPI) negotiations;
- the approach and timetable to procuring external professional advice on Environmental, Social and Governance (ESG) and Responsible Investment (RI) matters to assist in the drafting of ESG and RI Pool guidelines for the ACCESS Pool;
- the outcome of the procurement process and the appointment of Engine MHP to provide external communication support to ACCESS for a fixed term of two years;
- the question and answer update produced by ACCESS's legal advisers, Squire Patton Boggs detailing how fiduciary duties apply with the LGPS;
- the update and progress made against Business Plan deliverables and Budget Forecast;
- ACCESS Pool's key risks, changes to risk profile and risk ratings;
- the Summary Note of 12 November 2020 AJC; and
- the informal workshop held with Hymans Robertson to discuss the initial findings in regard to the Scheduled Business as Usual (BAU) Evaluation.

The Chairman informed Members that the meeting would reconvene at 11:00am following a short adjournment.

The meeting was adjourned at 10:49am

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The Committee reconvened at 11:00am

8. Investment Strategy Review – Asset Liability Review

The Committee received an interactive training session from John Dickson, Hymans Robertson on the theory on Asset Liability Modelling. This was followed by a presentation on the results of the Asset Liability Review undertaken as part of the wider review of the Fund's Investment Strategy following the 2019 Actuarial Valuation.

Whilst Members agreed that the programme of de-risking remained appropriate, it was suggested in light of the results whether the composition of Stage 3 needed to be revisited to avoid unnecessary churn and cost in the future.

Resolved:

The Committee **agreed**:

- that Stage 3 of the de-risking programme, moving to 45% equities remains appropriate and as such to continue to implement Stage 3 taking consideration of the results of the Asset Liability Review;
- following the completion of Stage 3 and it being well established to give further consideration as to whether there is merit in further de-risking;
- at that point, to conduct some scenario testing to assess what action might be taken if the funding position was to improve or deteriorate significantly; and
- the analysis and conclusions in the report be noted.

The Chairman informed Members that the meeting would reconvene at 12:40pm following an adjournment for lunch.

The meeting was adjourned at 12:06pm

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The Committee reconvened at 12:45pm

9. Responsible Investment (RI) Policy/Passive Review

The Committee received a training session from Matt Woodman, Hymans Robertson on how the ISC can ensure that the Fund's passively managed assets are invested in line with the Fund's RI Policy. It was explained that unlike actively managed assets, the ISC could influence the stocks held by the passive manager

by defining the benchmark index to be tracked. Following a brief recap of the Fund's RI Policy and the Beliefs that helped formulate the Policy the Committee was split into two breakout groups to discuss their views. These were then reported back to the main Committee meeting.

Resolved:

The Committee noted:

- these discussions formed the start of a process and that further deliberation would be held at a future meeting; and
- the training and presentation.

10. Procurements

10a. The Provision of Global Custodian Services Arrangements

The Committee received a report from the Investment Manager outlining a proposal in regard to the re-procurement for the provision of the Fund's Global Custodian Services.

It was explained that the current arrangements with Northern Trust will terminate on 11 September 2021. Members were reminded of the Committee's decision in 2016 following the outcome of the Service Review of the custodian arrangements whereby Members were keen to participate in a collective ACCESS solution.

It was explained that the Fund, along with other ACCESS representatives, have over the last 12 months been working with the National LGPS Framework Team to establish a new Custodian Framework which is due to go live during February 2021. It was therefore, proposed that consideration be given to collectively procure a global custodian with other participating ACCESS funds with the outcome to be brought back to a future meeting for ratification.

Resolved:

The Committee **agreed:**

- the Fund participate in the collective procurement of the provision of Global Custodian Services with other participating ACCESS funds, utilising the LGPS Custodian Services Framework with the outcome to be reported back to the Committee at a future meeting.

The Committee noted the content of the report.

An update was also provided in regard to the procurement for a new Direct Lending mandate, agreed at the 21 October 2020 ISC meeting with the intention that, interviews with the shortlisted candidates be held at the next ISC meeting on 24 March 2021.

10b. Independent Investment Adviser (IIA) Arrangements Update

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

Members were reminded that following their previous meeting the seven candidates longlisted were invited to an interview with Officers in November from which a shortlist of the three highest scoring candidates were identified.

The top three candidates were invited to be interviewed by the ISC ASC made up of Cllr Platt, Cllr Hedley and Sandra Child on 09 December 2020.

Following deliberation Mark Stevens was reappointed to the position of the IIA commencing on 01 January 2021, for a term of three years, with an option to extended for a further two years, subject to periodic review.

The Vice Chairman thanked the other ASC Members for their participation and extended his thanks to Officers for their hard work and recommended for future adviser procurement appointments the establishment of an ISC ASC.

Resolved:

The Committee noted the outcome of the ISC ASC on the 09 December 2020.

The Chairman requested John Dickson and Matt Woodman, from Hymans Robertson to leave the virtual meeting room to enable the following Agenda Item to be discussed.

John Dickson and Matt Woodman left the meeting at 13:52pm.

10c. Institutional Investment Consultant (IIC) Arrangements

The Committee received a report from the Interim Director for Essex Pension Fund and the Investment Manager on the Institutional Investment Consultant (IIC) contract arrangements that are due to cease on 31 March 2021.

Members were reminded that all LGPS funds are required to seek professional advice in making investment decisions.

It was explained, unlike the recent IIA re-tender the Fund could utilise the National LGPS Framework for this procurement, saving considerable time and cost.

Consideration was given to the proposal, timeline and approach for re-tendering of the IIC.

Resolved:

The Committee **agreed:**

- that Fund Officers commence the re-tender process of the IIC contract, issuing the Invitation to Tender (ITT) to the five participants on the National LGPS framework, with the aim of enabling shortlisted candidates to be interviewed by Committee Members in March 2021;
- to establish an ASC for the shortlisted candidates to be interviewed;
- the ASC be made up of: Cllr Barker; Cllr Platt and Sandra Child;
- the ASC would agree a date for the interviews to take place after the meeting.

The Committee noted the content of the report.

11. Urgent Exempt Business

There were none.

12. Closing Remarks

There being no further business the meeting closed at 1:55pm.

**Chairman
24 March 2021**