

Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held in Committee Room 2 at 01:30pm on 15 June 2022**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)
Cllr A Goggin	
Cllr A Hedley	
Cllr M Hoy	
Cllr D King	Left at 1:50pm
Cllr C Souter	

Scheme Member Representative

Sandra Child (UNISON) (Observer)

The following Officers and Advisers (O&A) were also present in support of the meeting:

Jody Evans	Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Ajai Ajith	Compliance Analyst (Zoom)
Marcia Wong	Compliance Officer (via Zoom Observer)
Peter Herring	Essex Pension Fund Graduate Trainee (Observer)
Mark Stevens	Independent Investment Adviser (IIA)
John Dickson	Hymans Robertson
Matt Woodman	Hymans Robertson
Samuel Hampton	Hymans Robertson

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

Cllr M Bracken	Employer Representative
James Durrant	Employer representative

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.

Apologies for Absence

It was noted that Cllr Riley along with Substitute Members Cllr Durham and Cllr Mackrory had sent their apologies. In addition, PSB Members Cllr George and Rachel Hadley along with PAB Members Nicola Mark, Andrew Coburn, Debs Hurst, Christopher Downes and Cllr Duffin were unable to attend the meeting.

Declarations of Interest

Declarations were received from:

Cllr S Barker declared she was in receipt of an Essex LGPS pension and is a 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;

Cllr A Hedley declared that he was in receipt of an Aviva Group Pension and he is the Chairman of the Audit, Governance and Standards Committee;

Cllr M Hoy declared that his brother-in-law is in receipt of a LGPS Pension and his nephew is a member of the LGPS. In addition, Cllr Hoy is a member 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

Sandra Child declared that she is in receipt of an Essex LGPS pension.

Resolved:

The Committee noted the report.

2. Market Commentary: Q1 2022

The Committee received a report from Hymans Robertson detailing the Market returns and their latest views in regard to the global economy. Mark Stevens, IIA, further presented to Members his analysis and thoughts on the current market volatility.

It was explained that the trend over the last forty years has seen inflation in retreat, expansion of globalisation, interest rates at their lowest historic rates and a reduction in labour bargaining power. In addition, to the recent macro consequences of the Covid-19 global pandemic.

The themes discussed included: the emergence of rising inflation with its multiple impacts and causes; the geopolitical risks that were now deemed as high; the pressure now on asset prices; the squeeze on consumer income; and the food crisis now developing in the world as a result.

Resolved:

The Committee thanked Mark for his presentation and noted the content of the report.

3. Responsible Investment (RI) Project Plan Update

The Investment Manager presented the final position on the 2021/22 RI Project Plan noting all deliverables were completed with the key achievement being the Financial Reporting Council (FRC) UK Stewardship Code submission which was submitted on 29 April 2022 following the Chairman and Vice Chairman's sign off.

A new RI Project Plan was presented detailing the planned deliverables for 2022/23 for the Committee's approval.

Resolved:

The Committee **agreed:**

- the Fund's 2022/23 RI Project Plan;
- to note the final position in regard to progress against the Fund's 2021/22 RI Project Plan; and
- to note the content of the report.

4. Schedule of Future Meetings and Events

Members were reminded of the agreed schedule of future meetings and the forthcoming Local Government Chronicle (LGC) Investments and Pensions Summit and Baillie Gifford LGPS Investment Seminar dates.

It was confirmed that Baillie Gifford have offered allocations to accommodate all ISC Members as a consequence, all Members were requested to confirm their attendance by end of July 2022 to enable approval to be sought from the Foreign Travel Committee and the necessary arrangements to be made.

Resolved:

The Committee noted the content of the report.

5. 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.

6. Annual Investment Manager Monitoring

6a. Investment Monitoring Report for year ended to 31 March 2022

Members discussed and noted this Agenda item during Part Two of the meeting held earlier in the morning.

6b. Investment Scorecard Performance for year ended 31 March 2022

The Committee received a report from the Investment Manager detailing the Fund's performance against the Annual Investment Scorecard.

Members were pleased to note of the 34 Investment Scorecard measures 32 measures were assessed as green as at 31 March 2022. It was also explained that the remaining 2 measures were not applicable during the course of the year.

Resolved:

The Committee noted the content of the report.

6c. CEM Benchmarking: Value for Money review

Mark Stevens, IIA provided Members with a report summarising the independent review undertaken by CEM, in regard to the Fund's overall fees paid; investment returns; and the net value added compared to its peers across the LGPS and global universe for the financial year to 31 March 2021.

It was noted that the Fund has participated in the CEM Benchmarking exercise for the seventh consecutive year and the outcome highlighted that the Fund paid a lower-than-average fee for the asset classes held whilst achieving a positive net added value. The report compared the Fund to other similar sized funds and had delivered both positive net added value with a net return of 10.2% which was above the LGPS medium of 8.8%.

Resolved:

The Committee **agreed** that:

- the CEM undertake a cost benchmarking review as at 31 March 2022; and

- the content of the report be noted.

7. Structural Reform of the LGPS – Pooling Quarterly Update of ACCESS Joint Committee (AJC)

The Committee were provided with an update from the 07 March 2022 AJC meeting.

It was explained that the main areas of business discussed were:

- Local Pension Board (LPB) Observer representation at AJC meetings on a rotational in person basis once a year;
- amendments to the Inter-Authority Agreement (IAA);
- the agreement to establishment 4 new sub funds taking the total in the pipeline to 35; and
- that Real Estate be the first illiquid alternative asset solution.

Members were made aware that pending AJC agreement the IAA was likely to be taken to the October 2022 Full Council meeting for approval to incorporate the LPB representation; non-Administering Authority Committee Members attendance to substitute AJC Members; and to stipulate explicitly the approval of ACCESS Policies/Guidance.

The Director for Essex Pension Fund informed the Committee that the Essex Pension Fund Advisory Board (PAB) Terms of Reference would also need to be amended to reflect the LPB Observer attendance and recommended that the ISC refer this decision to the Essex Pension Fund Strategy Board (PSB) for their consideration at their next meeting.

In addition, it was noted that a further AJC was recently held on 06 June 2022 and Members were advised that the Briefing Notes for this meeting would be issued when available.

Resolved:

That the Committee **agreed:**

- that a report be considered at a future PSB meeting in regard to the recent approval by the AJC of LPB representation within the ACCESS governance arrangements and the next steps for the Fund and its own governance;
- to note the items listed under section 2.2 of the report.

8. Summary of Decisions

John Dickson, Hymans Robertson presented the Committee with a summary of the decisions made at the morning's strategic ISC meeting. These were summarised as follows:

Pillar 1 – Implementing and maintaining existing strategic targets

- replace the stage-based approach to implementation with a current and long-term target strategy;

- retain ranges for long term equity and bond targets (for now);
- consider the long-term equilibrium portfolio after Triennial Valuation;
- annual top up commitment to Hamilton Lane's private equity fund;
- further amounts committed to both Partners Group Global Infrastructure 2022 fund and Stafford Capital Partners; and
- Stafford be invited to the next meeting to present the Carbon Offset Opportunities fund.

Pillar 2 – Evolving existing allocations

- adopt the UBS ESG index tracking equity approach based on the proposed guidelines provided by UBS;
- agree it be aligned to the EU climate transition benchmark, hedged back to GDP with tracking limit of 1.5% p.a. and be benchmarked against the FTSE Developed Market Index;
- remove regional equity targets and move to the fully global approach;
- invest all current regional index-tracking equities into the new ESG fund when it becomes available;
- delegate agreement of final details and implementation to the O&A; and
- bring proposals on RAFI to a future meeting.

Pillar 3 – Exploring changes to existing or new mandates

- integrate the proposed RI Framework into the overall Strategic Framework and add explicit articulation of approach into the Fund's RI Policy at its next review;
- the agreement of a long-term target of 10% directed to impact investing solutions, prioritising timber and real estate followed by infrastructure;
- the agreement of a suitable ACCESS Pool bond strategy and subject to due diligence by O&A the existing 5.5% strategic allocation be maintained when moved to the ACCESS Pool;
- split the emerging market strategic allocation 50/50 between the ACCESS EM sub funds when available;
- the interim EM solution delegated to O&A in consultation with Chairman and Vice Chairman of ISC; and
- terminate Marathon's mandate and invest the proceeds to fund the upcoming JP Morgan drawdown with the remainder directed to rebalance ACCESS's Baillie Gifford Long Term Growth Fund.

Members were also presented with an indicative timeline outlining the decisions the Committee have agreed in the morning's session.

Resolved:

The Committee noted the Summary of Decisions as agreed at the morning's Strategic meeting.

9. Urgent exempt Business

There were none.

There being no further business the meeting closed at 2:31pm.

Chairman
12 October 2022

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