

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at County Hall, Lewes on 4 September 2017.

PRESENT Councillor Richard Stogdon (Chair) Councillors Simon Elford, Gerard Fox and David Tutt

ALSO PRESENT Ian Gutsell, Chief Finance Officer
Ola Owolabi, Head of Pensions
John Shepherd, Finance Manager (Pension Fund)
Russell Wood, Principal Pensions Officer
Paul Potter, Hymans Robertson
William Bourne, Independent Adviser
Faith Ward, Chief Responsible Investment and Risk Officer, Environment Agency Pension Fund
Hermione Davies, Investment Director, Ruffer LLP
Des Brennan, Research Director, Ruffer LLP
Julia Hilton, Petitioner
Richard Harbord, Chair of Pension Board
Harvey Winder, Democratic Services Officer

14 MINUTES

14.1 The Committee agreed that the minutes were a correct record of the meeting held on 17 July 2017.

15 APOLOGIES FOR ABSENCE

15.1 Apologies for absence were received from Cllr Stuart Earl.

16 DISCLOSURE OF INTERESTS

16.1 Cllr Richard Stogdon declared a personal, non-prejudicial, interest as the trustee of a private Trust fund managed by Ruffer.

17 URGENT ITEMS

17.1 There were no urgent items.

18 PENSION BOARD MINUTES

18.1 The Committee considered the draft minutes of the Pension Board meeting held on 3 August 2017.

18.2 The Committee RESOLVED to note the draft minutes.

19 PETITION RELATING TO DIVEST EAST SUSSEX PENSION FUND FROM FOSSIL FUELS

19.1 The Committee considered a report regarding a petition proposing that East Sussex Pension Fund (ESPF) disinvest from fossil fuels.

19.2 Julia Hilton attended the meeting on behalf of the lead petitioner and spoke in support of the petition.

19.3 The Committee RESOLVED to note the content of the petition.

20 ENVIRONMENT AGENCY - PRESENTATION

20.1 The Committee considered a presentation by the Environment Agency Pension Fund's Chief Responsible Investment and Risk Officer, titled *Addressing Climate Change*.

20.2 The Committee RESOLVED to note the presentation.

21 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) - HYMANS ROBERTSON

21.1 The Committee considered a report on Environmental, Social and Governance (ESG) issues based on research by the Fund's Investment Adviser, Hymans Robertson.

21.2 The Committee RESOLVED to:

1) include within the Pension Fund Investment Beliefs, the following statements relating to ESG investment subject to refinement from Hymans Robertson:

- Climate change presents a financial risk to the future investment returns from the Fund.
- Close engagement with - and challenge to - the investment managers will improve understanding of these risks.
- Individual stock selection decisions will be delegated to active managers but the Fund will retain the right to sell holdings in exceptional circumstances.
- The Fund will aim to collaborate with other investors where this is expected to have a positive impact
- The nature of the underlying benchmark is an important consideration, most notably for passive mandates.

2) agree that the East Sussex Pension Fund should sign up to the UK Stewardship Code; and

3) request an analysis of the Fund's exposure to carbon risk within its equity holdings.

22 QUARTERLY PERFORMANCE REPORT - HYMANS ROBERTSON

22.1 The Committee considered a report by Hymans Robertson on the performance of fund managers during the second quarter of 2017.

22.2 The Committee RESOLVED to agree to rebalance holdings with the transfer of funds from global equity holdings to absolute return holdings within the agreed tolerance range.

23 FUND PERFORMANCE - RUFFER LLP

23.1 The Committee considered a presentation by Ruffer LLP their fund performance.

24 OFFICERS' REPORT - BUSINESS OPERATIONS

24.1 The Committee considered a report on the performance of Business Operations.

24.2 The Committee RESOLVED to:

- 1) Note the report; and
- 2) approve the expenditure of £5,000 for the annual use of a monthly mortality screening service.
- 3) request that a briefing is circulated on the implementation of online Annual Benefit Statements.

25 TIMETABLE FOR PROCURING ADMINISTRATION SYSTEM

25.1 The Committee considered a report on the timetable for procuring a system to deliver administration on behalf of the East Sussex Pension Fund.

25.2 The Committee RESOLVED to request an additional report detailing the procurement process including the options appraisal of services offered by other administration system providers.

26 LOCAL GOVERNMENT PENSION SCHEME POOLING - ACCESS UPDATES

26.1 The Committee considered an update on local government pension scheme pooling.

26.2 The Committee RESOLVED to note the report.

27 MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID II) IMPLEMENTATION

Financial Instruments Directive (MiFID II).

27.2 The Committee RESOLVED to:

1. Note the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018;
2. agree to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy;
3. acknowledge and agree to forgo the protections available to retail clients attached as Appendix 1; and
4. agree to approve delegated responsibility to the Chief Finance Officer in consultation with the Chair for the purposes of completing the applications and achieving elective professional status for the Fund with effect from 3 January 2018.

28 OFFICERS' REPORT - GENERAL UPDATE

28.1 The Committee considered a general update report.

28.2 The Committee RESOLVED to note the report.

29 FORWARD PLAN

29.1 The Committee considered its forward plan.

29.2 The Committee RESOLVED to note the report.

The meeting ended at 3.15 pm.

Councillor Richard Stogdon (Chair)