

**Suffolk Pension Fund Committee**

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| <b>Report Title:</b> | ACCESS Pooling Update  |
| <b>Meeting Date:</b> | 28 February 2017   |
| <b>Chairman:</b>     | Councillor Andrew Reid   |
| <b>Director:</b>     | Geoff Dobson, Director of Resource Management<br>Tel. 01473 264347 |
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**Brief summary of report**

1. This report provides and update of the work of the ACCESS group and covers two areas of ACCESS activity that need approval by each Fund’s Pensions Committee. These include the Inter Authority Agreement and the procurement of a passive provider for the ACCESS pool.

**Action recommended**

2. The Committee is asked to:-
  - a) agree the Inter Authority Agreement contained in Appendix 1 and request the County Council to approve it at its meeting on 16 March 2017.
  - b) agree to take part in the passive framework tender exercise and appoint the single passive provider determined by ACCESS.

**Reason for recommendation**

3. The Inter Authority Agreement is required to create the Joint Governance Committee which will make decisions on behalf of the 11 Funds collectively. All Funds need to accept these terms so that the pool can progress.
4. The passive procurement is intended to deliver some earlier savings to the Funds to assist in paying some of the pool set up costs.
5. There are no alternative options.

**Main body of report**

6. The Pension Fund Committee has been kept informed of the work of the ACCESS Group and Councillor Reid has attended sessions with other ACCESS Fund chairmen to steer the work of officers. The Pension Fund Committee has delegated responsibility for the investment of the Fund’s assets, so any change must be approved by the Committee.
7. The ACCESS pool proposal for the pooling of assets was submitted to Government on 15 July 2016 and an initial acceptance letter was received in January. A further letter from DCLG is anticipated during February.

## **Inter Authority Agreement**

8. The ACCESS funds have jointly commissioned the external legal firm Eversheds to provide assistance in drafting a legally binding Inter Authority Agreement (“IAA”) for the pooling of investments.
9. The IAA is based on the governing principles that were agreed by the ACCESS Pension Funds at the outset of their collaboration in February 2016, including:
  - a) working collaboratively,
  - b) all Councils having an equitable voice in governance,
  - c) avoiding unnecessary complexity, and
  - d) running economically and applying value-for-money considerations.
10. All monitoring officers of the 11 Funds have been fully involved in the development of the IAA and Tim Ryder, Suffolk’s Monitoring Officer is content with the terms of the IAA.
11. The most significant principles that are reflected in the IAA are as follows:

## **Governance**

12. The ACCESS Pool will be governed by a Joint Committee constituted under s101 of the Local Government Act 1972 and made up of one elected councillor chosen by each authority from their Pension Committee. The Joint Committee (or Joint Governance Committee as it will be known) will be “hosted” by one of the ACCESS local authorities. The host authority will undertake the secretariat function for the Joint Governance Committee. It is proposed that Kent County Council will be the initial host authority.
13. A Chairman and Vice-Chairman of the Joint Governance Committee will be appointed by the members of the Joint Governance Committee. Each elected member will have one vote in any decision requiring a vote, and decisions will be carried by a simple majority with the Chairman having a casting vote if necessary. The full draft constitution of the Joint Governance Committee is attached at **Appendix 1**.
14. The specific functions that would be delegated to the Joint Governance Committee are specified in **Appendix 2**.

## **Procurement**

15. The Joint Governance Committee will oversee the procurement of an operator. The procurement itself would be undertaken by a “Lead Authority” (one of the ACCESS authorities) on behalf of the group. Whilst the Joint Governance Committee will oversee the procurement process and make a recommendation on the preferred supplier, each of the 11 ACCESS local authorities will make their own decision to enter into a contract with the operator.

## **Cost Sharing**

16. It is the aim of the ACCESS Pool that costs are shared equitably between the member funds. Some costs will be shared equally between the member funds, or costs will be shared according to the value of investments by each fund as follows:
17. Costs to be shared equally between the member funds:
  - a) The pool establishment costs including strategic and technical advice, legal advice, project management costs and the costs associated with running the procurement process to appoint a CIV.
  - b) Any set-up costs charged by the operator for the overall creation of the sub-fund structure.
  - c) The ongoing costs of managing and governing the pool including the host authorities' costs of hosting the Joint Governance Committee and providing the secretariat function, the cost of any external advice commissioned by the Joint Governance Committee and any re-procurement processes for the CIV operator.
18. Costs in relation to funds' investments will be shared according to the value of each fund's investments, as charged by the CIV operator for the sub-funds that each fund is invested in.
19. Other costs will not be shared and will be borne by the fund that they are incurred by, which includes:
  - a) Each fund's costs of participating in the pool, such as attendance at meetings.
  - b) Any transition costs of moving assets to or within the pool.

## **Withdrawal and termination**

20. Any fund can withdraw from the IAA and therefore the ACCESS Pool by giving 12 months' notice. Following the signing of the IAA, any fund that wishes to withdraw from the pool will be liable for its share of the costs (not relating directly to investments) for the remainder of the contract period of the CIV operator.

## **Other Provisions**

21. The IAA covers a number of other standard areas including dispute resolution, information and confidentiality, data protection, freedom of information, equal opportunities, and change in identity of Administering Authorities.

## **Timescales**

22. Government requires LGPS funds to begin transferring their investments into pools by no later than April 2018. In order for the ACCESS Pool to meet this deadline, the procurement processes for the CIV operator will need to commence in or around April 2017
23. It is therefore necessary to seek decisions now to enable establishment of the Joint Governance Committee and commence the procurement processes for the operator. To achieve this, it is necessary for all of the ACCESS Authorities to make decisions at Council meetings in February/March 2017.

## **Recommendation**

24. The Committee is asked to agree the Inter Authority Agreement contained in Appendix 1 and request the County Council to approve it at its meeting on 16 March 2017.

### **Passive Procurement**

25. The July 2016 Asset Pooling submission to DCLG, set out an intention for a “quick win” from consolidating passive mandates, assuming passive assets currently held in Life Policies will be considered to be within the Pool.
26. Life Policies will however remain an agreement between the participating authority and the appointed external investment manager as this overcomes some technical issues associated with a Collective Investment Vehicle (CIV) holding a Life Policy.
27. A national passive framework has been set up for Local Authority Pension Funds to use to gain easy access to passive fund management at very competitive rates. The framework was completed in January 2017 and includes the following managers:-
- Legal & General Investment Management Limited
  - Deutsche Asset Management (UK) Limited
  - BlackRock Investment Management (UK) Limited
  - UBS Asset Management (UK) Limited
28. Suffolk (and several other ACCESS Funds) have been involved in creating the framework.
29. ACCESS has now started a “mini” tender process within this framework to cover the full range of passive indexes that are used by individual funds. This process will run until the summer when a single passive provider will be selected for all passive mandates for all funds. Currently 9 out of the 11 Funds use passive managers.
30. Early indications are that the £4m annual saving across the ACCESS pool from passive managers is achievable, and can be delivered at minimal transition costs.
31. The June or July meeting of the Joint Governance Committee will receive the recommendation from the mini tender.

### **Recommendation**

32. The Pension Fund Committee is asked to agree to its participation in the passive procurement mini tender with the intention to appoint the single passive provider chosen by ACCESS.

#### **Sources of further information**

- a) 11 July 2016 Pension Fund Committee - Agenda Item 8



