

Pension Advisory Board

18 July 2018

ACCESS Work Update

Report by Director of Finance, Performance and Procurement

Summary

This report provides a summary of the on-going work on the asset pooling work, via the ACCESS group of authorities of which West Sussex is a member.

Recommendation

That the Pension Advisory Board notes the progress

Background and Context

1. The summer 2015 budget included the Government's intention to invite Administering Authorities to make proposals for pooling Local Government Pension Scheme (LGPS) investment assets. This was followed in the autumn by criteria from the Ministering of Housing and Local Government for pooling investments. The criteria focused on four elements:
 - Scale – it is the Government's desire that pools of assets are created with at least £25bn of assets per pool.
 - Strong Governance – authorities are charged with defining the mechanisms by which they can hold the pool to account.
 - Reduced costs – including estimated savings over the next 15 years.
 - Improved capacity to invest in infrastructure through pooling.
2. Subsequently the Government published revised LGPS Management and Investment of Funds Regulations that came into force on 1 November 2016. The Regulations include the power for the Secretary of State to direct a fund to change its investment strategy or direct that a fund's investment function is undertaken by another organisation if the Secretary of State determines that a fund is failing to act in accordance with guidance issued, including the guidance to pool investments according to the criteria above.
3. The Government's expectation was for the asset pools to be formed in order for liquid investment assets to begin being transferred from individual LGPS Funds from 1 April 2018.
4. In response, West Sussex joined with ten other Pension Fund Administering Authorities to form the ACCESS group. ACCESS Authorities collectively have

assets of £43.2b (£31.8b in March 2016) which exceeds the Government's criteria and makes it one of the largest LGPS asset pools (see Appendix 1).

Progress

5. Since the Panel agreed to join the ACCESS group in 2016:
 - A Joint Governance Committee comprising the Chairman from each of the 11 LGPS Pension Committees have met in a shadow form until the full Inter Authority Agreement between the ACCESS funds was approved by each of the County Council Committees in spring / summer 2017 (approval by West Sussex was 24 March 2017). The inaugural Joint Committee meeting of the ACCESS Pool was held on 31 July 2017 at which Cllr Reid (Suffolk) and Cllr Stogdon (East Sussex) were appointed Chairman and Vice-Chairman respectively. West Sussex County Council is represented by Cllr Hunt, as Chairman to the West Sussex Pensions Panel.
 - The ACCESS authorities completed a joint procurement exercise to appoint a single provider to manage £10.5bn passive investments for the ACCESS Funds. The contract was awarded to UBS Asset Management (UK) Limited in October 2017, resulting in savings of £5m, and all assets were transferred within the financial year. These will be held under pool governance, but not within the formal pool structure. West Sussex has no passive investments.
 - A full OJEU compliant procurement was undertaken for an Operator, whose responsibilities include selecting and contracting with managers on behalf of the authorities participating in the pool and who will be Authorised by the FCA to run the pool. Link Fund Solutions were appointed and their Agreement was effective from February 2018.
6. West Sussex County Council has actively participated in the establishment and onboarding arrangements (i.e. the transferring of assets into the pool) relating to the ACCESS group.
7. Work is focused currently on establishing *The ACCESS Pool Authorised Contractual Scheme* and the initial sub-funds (which requires an application to the Financial Conduct Authority accompanied by various Scheme documents) to allow initial investments to be made into the pool.
8. Work is ongoing in respect of agreeing the practical implications of the governance arrangements set out within the Inter Authority Agreement and elsewhere, and to ensure that the governance arrangements remain fit for purpose.

WSCC Arrangements

9. Governance Committee have recently approved a recommendation to Full Council that the Terms of Reference for the Pensions Panel are updated to reflect its role in considering recommendations from the ACCESS Joint Committee.

10. The Pensions Panel are also mindful of the changes to the investment arrangements in consideration of the Pension Fund's investment strategy. The ACCESS's pool's stated objectives to "Enable participating authorities to execute their fiduciary responsibilities... as economically as possible" and "Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible" is important here.

Appendices

Appendix 1 - LGPS Asset Pools