

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Committee**

**Date:** 24 March 2016

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Government's Investment Reform Agenda</b>
<b>Purpose of the Report</b>	<b>To provide an update on the progress of the ACCESS pool in meeting the Government's investment reform agenda and to deal with a number of associated governance and funding matters</b>
<b>Recommendations</b>	<ol style="list-style-type: none"><li>1. That the Committee notes the update on the ACCESS pooling project</li><li>2. That the Committee delegate the power of final approval of the July submission to the Chairman in consultation with the Head of Pensions (7.1)</li><li>3. That the Committee approves the initiation of a Task and Finish Group to enable the views of the Committee to be fed into the ACCESS project (7.3)</li><li>4. That the Committee seeks the approval of Full Council over the recommendation that the Cambridgeshire Pension Fund pools with ACCESS (8.3)</li><li>5. That the Committee approves the budget of £60k to deliver the July pooling submission to Government (9.2)</li></ol>
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**1. Summary of report**

- 1.1 This report provides an update to the Pension Committee on the ACCESS asset pooling project.
- 1.2 The report also deals with associated governance and funding matters that will enable the Cambridgeshire Pension Fund to meet the July Government submission deadline for joint and individual pooling proposals.

## **2. Background**

- 2.1 In the July 2015 Budget, the Chancellor announced the Government's intention to work with the Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance.
- 2.2 Authorities were invited to submit proposals for pooling which the Government will assess against the published criteria. The Chancellor has announced that the pools should take the form of up to 6 funds, each with assets of at least £25bn.

## **3. Proposal to pool with ACCESS Group**

- 3.1 At the meeting of the Pension Fund Committee on 17 December 2015, a presentation was delivered on the work undertaken by officers of the Cambridgeshire Pension Fund towards forming the ACCESS pool with other like-minded LGPS funds.
- 3.2 Authority was sought from the Pension Fund Committee that participation in the ACCESS pool was the most appropriate course of action for the Cambridgeshire Pension Fund and would meet the requirements as laid out by Government.
- 3.3 At the December Pension Fund Committee meeting unanimous support was obtained to proceed with participation in the ACCESS pool.

## **4. February 2016 submission to Government**

- 4.1 Authorities were requested by Government to submit their initial asset pooling proposals by 19 February 2016, including their commitment to pooling and a description of their progress to date.
- 4.2 A joint submission to Government was submitted by Suffolk County Council on behalf of the ACCESS pool by the 19 February 2016 deadline. This submission is attached at Appendix A and was signed by the Chairman of each Pension Fund in the ACCESS pool. At this point the ACCESS pool consisted of 10 Funds with combined assets of approximately £30bn (as at 31 March 2015).
- 4.3 The February submission included an appended Memorandum of Understanding, also included in Appendix A.
- 4.4 Shortly after the February submission, the Pension Committee of Hertfordshire County Council confirmed their recommendation to join the ACCESS pool, subject to final approval by Full Council. This brings the pool to £33.5bn in combined assets as set out in the table below:

	Authority £m
Cambridgeshire County Council	2,268
East Sussex County Council	2,740
Essex County Council	4,906
Hampshire County Council	5,111
Isle of Wight Council	483
Kent County Council	4,515
Norfolk County Council	2,930
Northamptonshire County Council	1,850
Suffolk County Council	2,193
West Sussex County Council	2,964
Hertfordshire County Council	3,560
	<b>33,520</b>

## **5. July 2016 submission to Government**

- 5.1 By 15 July 2016 refined and completed submissions must be delivered to Government that fully address the detailed asset pooling criteria set out in DCLG's "Local Government Pension Scheme: Investment Reform Criteria and Guidance" of November 2015.
- 5.2 At this second stage submissions should comprise both a joint proposal from the ACCESS pool setting out the pooling arrangements in detail as well as an individual Fund submission to include costs and savings, transition arrangements and rationale for any assets to be held outside the pool.
- 5.3 Appendix B sets out the criteria and sub-criteria to be included in the July submission. The main criteria to be addressed are:
  - Asset pool(s) that achieve the benefit of scale
  - Strong governance and decision and making
  - Reduced costs and excellent value for money
  - An improved capacity to invest in infrastructure

## **6. Progress to date**

- 6.1 Pension Funds in the ACCESS pool participated in the collective analysis of asset pooling options co-ordinated by Hymans Robertson under the guise of Project POOL. Project POOL ran from August 2015 and reported in late January 2016. LGSS Officers participated in this project and the work has helped inform the current project, in line with the evidence based approach underlying the ACCESS pool.
- 6.2 An Officer Working Group has been formed with representatives from each Fund which is responsible for the overall delivery of the various components of the July submission.
- 6.3 The ACCESS pool has agreed to use Hymans Robertson to fulfil a temporary project management function in order to assist administering authorities in delivering the required joint and, where possible, individual submissions by the July 2016 deadline. Hymans Robertson was chosen as a result of their independence to the Funds, as well as their recent work on Project POOL. A procurement exercise will be undertaken should external services in this area be required beyond the July submission.
- 6.4 Work streams have been created to deliver the content required for each of the criteria and associated sub criteria mentioned at 5.3. The work streams are formed of Officers from the Funds within the ACCESS pool, each with a designated work stream lead. LGSS Officers are at present involved in all of the work streams with the exception of infrastructure work stream. Each work stream will report into the Officer Working Group.
- 6.5 An outline project plan to deliver the July submission has been drafted and was included with the February submission (Appendix A). More detailed project planning is being undertaken to finalise the project plans for each work stream including critical paths and dependencies. This project planning is identifying all of the key decision points throughout the project.
- 6.6 A series of meetings have been set up for the Chairman/Vice-Chairman of each Pension Fund within the ACCESS pool. The initial meetings have been scheduled for 29 March 2016, 22 April 2016 and 23 May 2016 and the Chairman and Vice-Chairman of each Fund have been invited to attend. Further meetings will be diarised in due course.
- 6.7 A Memorandum of Understanding has been drafted setting out a variety of matters in connection with this project, including the principles of collaboration, roles and responsibilities and expected behaviours.
- 6.8 Legal advice has been sought from Eversheds and Squire Patton Boggs on the legal structures under which administering authorities could work collectively to pool investments. These structures are:

- A Collective Investment Vehicle (CIV) primarily through an Authorised Contractual Scheme (ACS) whereby ownership of the assets is transferred to the ACS (or other vehicle). The authorities may directly own the ACS or rent a platform from an existing CIV operator.
- A Collective Asset Pool (CAP) that enables founding Administering Authorities to collectively manage their investments without establishing a CIV or using an ACS, but pooling and unitising investments appropriately and investments remaining in the beneficial ownership of the participating authorities.

6.9 A series of Information Days for work stream participants have been arranged for mid to late March 2016 to help inform the work of the project. The ACCESS pool has asked a variety of attendees to these days, including legal experts, ACS Operators and practitioners from other pools.

6.10 Intra-pool conference calls and meetings have been arranged in order to understand progress within other pools, learn from the experiences of others, share costs where common advice is sought (such as the legal advice at 6.8), and where appropriate, enable the local government universe to speak with a strong, collective voice.

## **7. Governance and decision making**

7.1 A draft of the July submissions (joint and individual) will be brought to the 23 June 2016 Pension Fund Committee meeting for approval. Due to the extremely tight timescales involved in this project it is possible that further iterations of the submissions will be required after this date. As a result it is recommended that the Committee delegate the power of final approval of the July submissions to the Chairman in consultation with the Head of Pensions, with the caveat that if there are any major revisions after this Committee date updated version will be circulated to all members of the Pension Fund Committee for further feedback.

7.2 It is envisaged that the Chairman/Vice-Chairman meetings outlined at 6.5 will enable the Chairman, Vice-Chairman or other representatives of the Funds to make key decisions in connection with the July submission on behalf of the ACCESS pool and therefore effectively steer the content of the submission.

7.3 It is vital that Committee members are engaged in this project during this critical period and able to collectively have a voice in the shape of the ACCESS pool. It is therefore recommended that a Task and Finish Group is set up to meet in between each Chairman/Vice-Chairman meeting. Each Task and Finish Group meeting would discuss all pertinent matters at that time and would be able to feedback to the ACCESS pool via the representative attending the Chairman/Vice-Chairman meeting and/or through Officers.

7.4 The Task and Finish Group would meet each month throughout the process of the formulation of the July submission and for such period required thereafter. Membership would consist of any member of the Pensions Fund Committee with the capacity to meet over this critical period.

## **8. Full Council approval**

- 8.1 The Scheme of Delegation to the Pension Fund Committee understandably does not include any specific powers relating to decisions around asset pooling. However it does include a general power that could be said to include this:
- Authority to manage any other strategic or key matters pertaining to the Fund not specifically listed above.
- 8.2 In light of the unparalleled scope of the asset pooling project there is an emerging consensus amongst ACCESS members that it would be considered good governance to seek the approval of Full Council for the decision to pool with ACCESS.
- 8.3 Accordingly it is recommended to the Pension Fund Committee that a paper is presented to Full Council seeking approval of the proposal to pool with ACCESS.

## **9. Costs**

- 9.1 The costs of the asset pooling project will be ultimately determined by the legal structure chosen by the ACCESS pool. Likewise, the savings profile is an output of the project itself and will be contingent on a variety of factors including the chosen path of transition.
- 9.2 However, at this stage there is a need to incur costs in order to progress the pooling project and deliver the July submission. As such, the Pensions Fund Committee is asked to approve expenditure of £60k in order to undertake the required project activity including that required to prepare the July submission. Cost estimates will be refined as we progress through the project and at all times collective bargaining will be undertaken where possible, reflecting the fact that similar advice is required from many of the formative pools. An analysis of estimated costs is as at Appendix C.
- 9.3 The estimated costs include those related to project management, consultancy support, CEM data analysis and legal advice in connection with structures. The estimate is the best available to the ACCESS pool at this time.

## **10. Relevant Pension Fund Objectives**

<b>Perspective</b>	<b>Outcome</b>
<b>Funding and Investment</b>	<ul style="list-style-type: none"><li>• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions.</li><li>• To ensure that sufficient resources are available to meet all liabilities as they fall due.</li><li>• To maximise the returns from its investments within reasonable risk parameters.</li></ul>

<b>Perspective</b>	<b>Outcome</b>
<b>Governance</b>	<ul style="list-style-type: none"> <li>To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.</li> <li>Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.</li> </ul>

## **11. Finance & Resources Implications**

11.1 Financial implications as per Section 9. Resourcing currently being undertaken in line with existing Pensions Service structure.

## **12. Risk Implications**

a) Risk(s) associated with the proposal

None, as the recommendations relate to further governance over the existing decision to pool with ACCESS.

b) Risk(s) associated with not undertaking the proposal

<b>Risk</b>	<b>Risk Rating</b>
There may be difficulty in reflecting the views of the Pension Fund Committee with regards to the joint ACCESS pool submission and the emerging pool structure	Amber

## **13. Communication Implications**

<b>Website</b>	Pension Fund Committee meeting minutes that are held in public session can be found on the County Council's website detailing resolutions made by the Pension Fund Committee.
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## **14. Legal Implications**

14.1 There are no legal implications associated with this proposal.

## **15. Consultation with Key Advisers**

15.1 There was no consultation with key advisers as to the contents of this report.

## **16. Alternative Options Considered**

16.1 Not applicable.

## **17. Background Papers**

17.1 ACCESS joint pooling proposal (in response to the LGPS Investment Criteria and Guidance).

## 17.2 Local Government Pension Scheme: Investment Reform Criteria and Guidance

<https://www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance>

## 18. Appendices

18.1 Appendix A – ACCESS Group pooling proposal to DCLG (February submission)

18.2 Appendix B – ACCESS Pool – meeting the criteria for pooling

18.3 Appendix C – Analysis of project costs

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	Yes. Timetable TBC
Is this report proposing an amendment to the budget and/or policy framework?	Yes. Budget impact as per Section 9.
Has this report been cleared by Director of Finance/Section 151 Officer?	Yes
Has this report been cleared by Head of Pensions?	Mark Whitby – 11/3/2016
Has the Chairman of the Pension Committee been consulted?	Yes
Has this report been cleared by Legal Services?	Yes



