

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 8 December 2016

Report by: Head of Pensions

Subject:	Asset Pooling
Purpose of the Report	To update Pensions Committee on ACCESS Asset Pooling progress.
Recommendations	<p>The Committee are asked to:</p> <ol style="list-style-type: none">1. Note the progress made on the Asset Pooling and in particular the work in the Inter Authority Agreement (IAA) and the challenge of meeting the Full Council deadline of early February 2017.
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1. Background

- 1.1 On the 15th July 2016, the ACCESS pooling proposals were submitted to DCLG, comfortably in advance of the required deadline. This report updates on progress since the submission.
- 1.2 The focus of activity following the submission has been mainly around ACCESS governance and the structure of the pool, predominantly whether to rent or build the pooling entity known as the Operator.

2. Rent or Buy?

- 2.1 On 20th October 2016, the Pensions Committee approved the agreement of the Chairman at the 2nd September 2016 ACCESS Shadow Joint Committee, to initially rent the operator function, with a view in the medium term to wholly own the operator.
- 2.2 A Public Information Notice (PIN) has been issued and work is underway to initiate the procurement process.

3. Governance

- 3.1 The Governance work programme is ongoing to deliver an Inter Authority Agreement between the eleven sponsoring pension funds. This will be a legally binding document addressing key issues such as decision making powers, voting and financial arrangements.
- 3.2 Although the Chairmen currently meet to agree these matters in principle, as individual fund representatives of the ACCESS pool, it is recognised that the approval of such proposals remains with the individual Funds. This will in time require an amendment to individual fund constitutions to empower ACCESS to make certain decisions on behalf of the funds. An example of this is the ongoing Inter Authority Agreement (IAA), which will provide pre pooling powers to the ACCESS Joint Governance Committee; currently the Chairman of each Fund.
- 3.3 The Inter Authority Agreement will cover delegated decision making from Authorities to the ACCESS Joint Governance Committee, being the Chairman (or Vice Chairman) of each constituent fund. Due to the constitutional nature of this document, the individual Fund's monitoring officers are leading on this initiative.
- 3.4 The IAA is a key document and it is intended that it is available for approval by the constituent Full Councils by February 2017. The Officers Working Group (OWG) are procuring legal support to assist with this process. It has been recognised that there is a risk that this document may not be ready for the February Full Council cycle and this consequence and risk shall be raised at the next Shadow Joint Governance Committee on 14th December 2016.

4 Meeting with the Minister - "Green Light"

- 4.1 All asset pools are still waiting for a DCLG letter to "green light" the July plans submitted. We are now aware that prior to such letters all pools are invited to meet with the Minister, Marcus Jones, and indications are that following this meeting the "green light" letter will be sent, covering the key points discussed with the Minister.
- 4.2 To this end, all Chairmen have been asked for their interest in attending and meeting dates are expected in early December. The Committee will be given a verbal update on the outcomes of this meeting.

5. Resources

- 5.1 The delivery of asset pooling is dependent upon the availability of resources. It is recognised that the OWG are combining the ongoing business of the pension fund

with the asset pooling agenda, which is a factor in the challenge of meeting the April 2018 deadline. There is an intention that external resources will be used where practical, however the value of the OWG continuity in the ongoing development of asset pooling, is recognised as a key contributing factor to the overall efficiency and quality of asset pool implementation.

- 5.2 The OWG will continue to evaluate the benefit of external resources against cost factors and the continuity of steady development by all.

6. Proposals

- 6.1 Note the progress made on the Asset Pooling and in particular the work in the Inter Authority Agreement (IAA) and the challenge of meeting the Full Council deadline of early February 2017.

7. Relevant Pension Fund Objectives –

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy. <i>Objective 18</i>
Maximise investment returns over the long term within agreed risk tolerances. <i>Objective 19</i>
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required. <i>Objective 20</i>

8. Finance & Resources Implications

- 8.1 The costs of implementation and annual running costs of a rental operator will be shared between all Pension Funds in the ACCESS pool.
- 8.2 Cost sharing arrangement will be included in the Inter Authority Agreement which is currently being drafted by officers and advisors for Member scrutiny and approval.

9. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Risk of inappropriate asset pooling arrangements.	Informed project plan with strong governance arrangements (Task and Finish Groups, Chairman meetings), supported by appropriate advice (i.e. Legal, Financial and Investment).	Green

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

Risk	Risk Rating
Without a clear ratification of the decision to proceed with the pooling of assets within the ACCESS pool the Fund may face scrutiny as to whether the decision was appropriately made.	Red

10. Communication Implications

Website	Pension Committee meeting minutes that are held in public session can be found on the County Council's website detailing resolutions made by the Pension Committee.
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11. Legal Implications

- 11.1 Where applicable, appropriate legal advice has been instructed, this has been undertaken at both a Pool and Multi Pool level, with cost sharing between the parties.

12 Consultation with Key Advisers

- 12.1 Key advisers have been sought as required covering, legal, financial and Investment matters.

13. Alternative Options Considered

- 13.1 Engagement with legal advisers and regular consultation with both the Treasury and the Department for Communities, with support from the Local Government Association, have guided the investigation and discussion on suitable options for asset pooling as required from Central Government guidance and regulation.

14. Background Papers

- 14.1 Not applicable

15. Appendices

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 22/11/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 16/11/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 22/11/2016
Has this report been cleared by Legal Services?	Laurie Gould – 28/11/2016