

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 20 October 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 proposal and approve the submission. 2 Approve the agreement of the Chairmen on the 2nd September 2016 to initially rent the operator function, with a view in the medium term to wholly own the operator.
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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 following 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.
- 1.3 Governance work is ongoing on 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; and voting and financial arrangements.

- 1.4 The question of building or renting the pooling structure was discussed at a meeting of the Chairmen on 2nd September 2016, who unanimously agreed in principle to a rental structure, but with an option to take ownership of the vehicle in the future.
- 1.5 Although the Chairmen 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, which will provide pre pooling powers to the ACCESS Joint Governance Committee, currently the Chairman of each Fund.

2 Rent or Buy?

- 2.1 The Chairmen reached a unanimous agreement, in their meeting of the 2nd September to rent initially but, given the scale of the ACCESS pool and with longer term cost efficiency in mind, there is support within the group for retaining an option to transition to a wholly owned Operator in the medium term.
- 2.2 This agreement is subject to ratification by all of the individual administering authorities in the pool according to the applicable constitutional and governance protocols of each.
- 2.3 Pending ratification officers will continue with pooling implementation, however progress is dependent on Central Government providing formal confirmation for the ACCESS pool
- 2.4 Collective work by officers and advisers has indicated there are a limited number of credible, established suppliers with a proven track record in delivering Operator services and capable of operating at the required scale (possibly between 6 and 8 potential suppliers). However analysis of the market (including discussions with potential suppliers) provides confidence that there will be sufficient choice and significant competition in the procurement process.
- 2.5 Analysis based on input from suppliers, advisers and lawyers indicates that renting a third party Operator reduces the implementation timescale by more than six months relative to the timetable for delivery of a built and owned Operator.

3 Central Government Pooling “Green Light”

- 3.1 The potential costs of pooling across the Funds are significant, for example annual running costs of between £3m to £5m. The Chairmen therefore, unanimously agreed the need for confirmation from Central Government that the ACCESS pool proposals submitted in July 2016 are approved, prior to incurring further material costs on the Pooling agenda.

4 Proposal

- 4.1 Note the progress made on the Asset Pooling proposal and approve the submission.
- 4.2 Approve the agreement of the Chairmen on the 2nd September 2016 to initially rent the operator function, with a view in the medium term to wholly own the operator.

5. 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>

6. Finance & Resources Implications

- 6.1 The costs of implementation and annual running costs of a rental operator will be shared between all Pension Funds in the ACCESS pool.
- 6.2 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.

7. 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

8. 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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9. Legal Implications

- 9.1 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.

10 Consultation with Key Advisers

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

11. Alternative Options Considered

- 11.1 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.

12. Background Papers

- 12.1 Not applicable

13. 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 – 22/9/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 9/9/2016
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 21/9/2016
Has this report been cleared by Legal Services?	Quentin Baker – 26/9/2016