



PAPER B

Purpose: For Decision

Committee report

Committee

ISLE OF WIGHT PENSION FUND COMMITTEE

Date

8 JULY 2016

Title

**PENSION INVESTMENT POOLING – TO OBTAIN
SIGN OFF OF ACCESS GROUP 15 JULY 2016
SUBMISSION**

Report of

TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report provides the committee with an update on the pooling of investments since the last briefing to the committee on 20 May, and the report to full council on 15 June. It also presents the current version of the submission due to Department for Communities and Local Government (DCLG) on 15 July, and the covering letter from the elected members' group.
2. The committee is asked to note the progress made, and to agree the final process for the Isle of Wight Council Pension Fund's final approval of the submission and the appending of the chair of the committee's signature to the submission on or before 15 July 2016.

BACKGROUND

3. In the July Budget 2015, 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.
4. At its meeting on 20 May 2016, the committee received an update on the progress to that date on the ACCESS pooling project, agreed to a special meeting today to consider the final submission to DCLG and agreed that a report would be made to full council on 15 June.
5. At the meeting of full council on 15 June 2016, the progress made to date in complying with the requirements for the pooling of investments, and the actions required in future to complete the project was noted. A named vote was taken on the recommendation, with 31 in favour, none against and two abstentions.

6. Subsequent to the committee meeting in May 2016, further advice was received from the legal advisers to the pool, which suggested that the previously recommended structure for the pool, the 'hybrid' Regulated Investment Management Company ("RIMCo") model would not actually comply with the governments requirements, and would fall foul of the Financial Conduct Agency's regulatory requirements for pooled investment vehicles.
7. Accordingly at a meeting of the elected members of ACCESS funds on 27 June 2016, it was agreed to take forward the July 2016 submission on the basis of a full Collective Investment Vehicle (CIV) with a regulated operator to manage the pooled investments of the funds.
8. The current version of the final submission to DCLG for 15 July 2016 contains details of the revised model, but includes costings for both options to build and own the operator, and to rent the same.
9. Work on distinguishing the benefits and disadvantages of each option will be carried out by officers and advisers during the summer period. The final recommendation on the proposed model will be made to the elected members' group in early September 2016.

STRATEGIC CONTEXT

10. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

CONSULTATION

11. The proposed submission has been prepared by officers of the ACCESS group funds, with support from Hymans Robertson, and is in a format designed to facilitate coverage of the criteria set out in the Government Guidance regarding asset pooling and has been reviewed by both HM Treasury and the DCLG officials.
12. The submission has been reviewed by officers and was discussed by elected members at their meeting on 27 June 2016.

FINANCIAL / BUDGET IMPLICATIONS

13. All costs in respect of the pension fund are borne by the fund, with no direct impact on the council's budget.
14. The Isle of Wight Council Pension Fund share of the February submission project costs were £5,400 and the estimated cost share for the July

submission range is £18,000 to £26,000. These costs include legal, project management and financial and investment support on asset pooling.

15. Indicative costs for the set up and operation of the pooled investment vehicle are included within the submission document, as well as indicative costs for the transition of assets from individual funds into the pool, and the potential savings in investment management fees which could be achieved from the pooling.
16. Depending on the option of the operating model selected, the scale of investment manager consolidation and the resulting need for the transition of assets, the breakeven point for the savings of the pool as a whole exceeding the expected costs will be sometime between 2020 and 2024. This will vary between funds.

LEGAL IMPLICATIONS

17. 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.

EQUALITY AND DIVERSITY

18. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnership.
19. Initial screening has indicated that there are no specific equality and diversity issues arising from the content of this report.

RECOMMENDATION

20. The committee is asked to note the progress made on the asset pooling proposal and approve the submission
21. The committee is asked to authorise the final submission and covering letter on behalf of the Isle of Wight Council Pension Fund and authorise the director of finance and section 151 officer, in consultation with the chair, to make any amendments.

APPENDICES ATTACHED

22. [Appendix 1](#) - ACCESS joint pooling proposal (in response to the LGPS Investment Criteria and Guidance)

BACKGROUND PAPERS

23. Local Government Pension Scheme: Investment Reform Criteria and Guidance
<https://www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance>

Contact Point: Jo Thistlewood, Technical Finance Manager, ☎ 821000
e-mail jo.thistlewood@iow.gov.uk

CHRIS WARD
*Director of Finance and
Section 151 Officer*

CLLR IVOR WARLOW
Chair of Pension Fund Committee