

ISLE OF WIGHT PENSION FUND COMMITTEE – FRIDAY, 16 JUNE 2017

Written question from Councillor Reg Barry:

The Isle of Wight Council's share of the assets held by the eleven ACCESS authorities is roughly 1.4%. It is therefore important that all ongoing costs, as opposed to setup costs, are apportioned on this basis rather than by equal shares which would amount to 9.1% (one eleventh) for the Isle of Wight.

Can we have an update please on the financial projection, including set up costs, ongoing costs, anticipated savings, likely breakeven date, and eventual ongoing annual savings for the ACCESS group as a whole and the Isle of Wight in particular?

Response:

One of the key principles of the ACCESS group is that costs will be shared equitably between the member funds. This was included in the covering paper to full council on 15 March 2017, recommending the Inter Authority Agreement for approval.

<https://www.iwight.com/Meetings/committees/mod-council/15-3-17/Paper%20C.pdf>

Paragraphs 17 – 21 of that report are replicated below:

Cost Sharing

17. It is the aim of the ACCESS Pool that costs are shared equitably between the member funds. Some costs will be shared equally between the member funds, or costs will be shared according to the value of investments by each fund as follows:
18. Costs to be shared equally between the member funds are:
 - The pool establishment costs including strategic and technical advice, legal advice, project management costs and the costs associated with running either the procurement process to appoint a CIV Operator or to set up a collaboratively procured framework of investment managers.
 - Under the CIV Operator pool model, any set-up costs charged by the Operator for the overall creation of the sub-fund structure.
 - The ongoing costs of managing and governing the pool including the host authorities' costs of hosting the Joint Governance Committee and providing the secretariat function, the cost of any external advice commissioned by the Joint Governance Committee and the periodic re-procurement processes for either the CIV Operator or investment manager framework.
19. Costs in relation to funds' investments will be shared according to the value of each fund's investments, either:
 - As charged by the CIV Operator for the sub-funds that each fund is invested in; or
 - Charged directly to the funds by Investment Managers they have invested with through Collaborative Joint Procurement.
20. Other costs will not be shared and will be borne by the fund that they are incurred by, which include:
 - Each fund's costs of participating in the pool, such as attendance at meetings.
 - Any transition costs of moving assets to or within the pool.

Withdrawal and termination

21. Any fund can withdraw from the IAA and therefore the ACCESS Pool by giving 12 months' notice. Following the signing of the IAA, any fund that wishes to withdraw from the pool will be liable for its share of the costs (not relating directly to investments) for the remainder of the contract period of the CIV Operator or in the case of Collaborative Joint Procurement a period to be agreed by the Joint Committee after the exit date that could extend to the period of commitment for any open frameworks.

Schedule 5 of the current draft Inter Authority Agreement (version 8) which is currently in the process of being agreed and executed by all 11 participating authorities, contains more detail about the cost sharing arrangements. Once this agreement has been executed, it will be made public and a copy will be shared with members of the committee.

In respect of the second element of the question, financial projections have not been formally updated since the July 2016 submission, which included costs for the pool as a whole, rather than for individual funds. However as the pool is progressing with the procurement for the operator, and developing plans for the transition of assets into the pool, the costs will become clearer.

The July 2016 submission for the ACCESS pool was presented in draft to the pension fund committee at a special meeting convened on 8 July 2016:

<https://www.iwight.com/Meetings/committees/IW%20Pension%20Fund/8-7-16/Paper%20B.pdf>

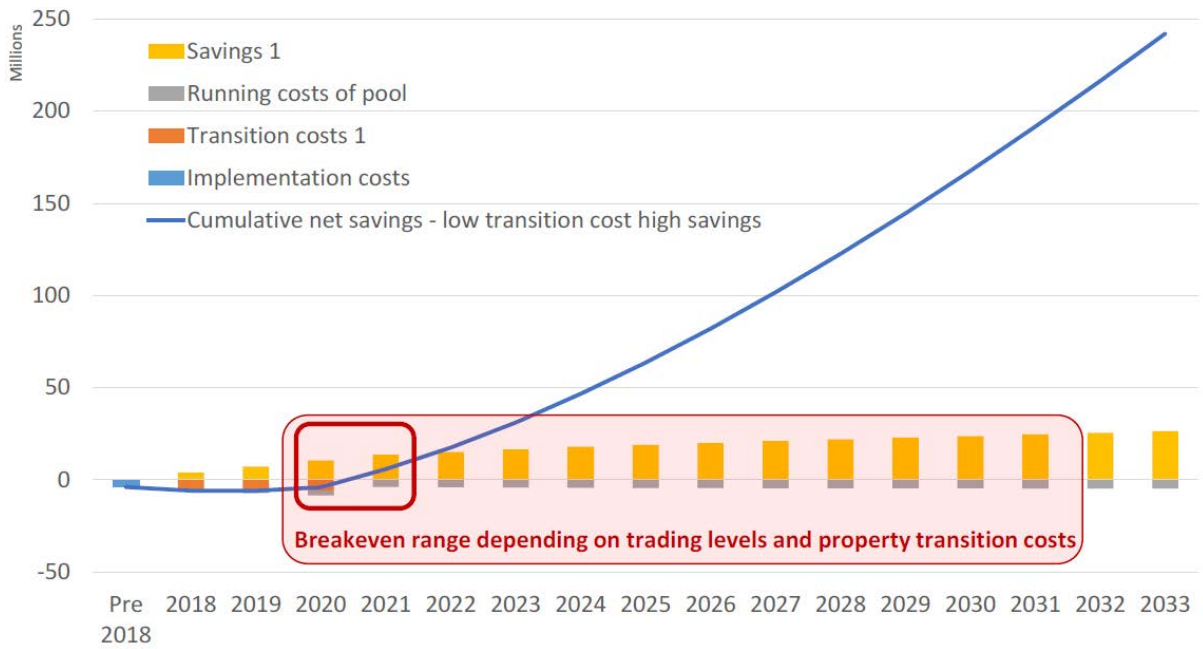
In summary, the total costs and potential savings included in the submission for the pool as a whole are summarised in the table below:

	Type	£	Occurrence	Sharing basis
Cost				
Implementation cost (rent CIV)	One off	£1m - £2m	2018	Equal share (1/11)
Transition costs (excl. market impact)	One off	£17m - £41m	2018-2021	Assets under management
Running costs	On-going	£3m - £5m	2018 onwards	Assets under management
Savings				
Investment fee savings	Early years	£13m	2021	Assets under management
Investment fee savings	15 years after implementation	£26m - £30m	2033	Assets under management

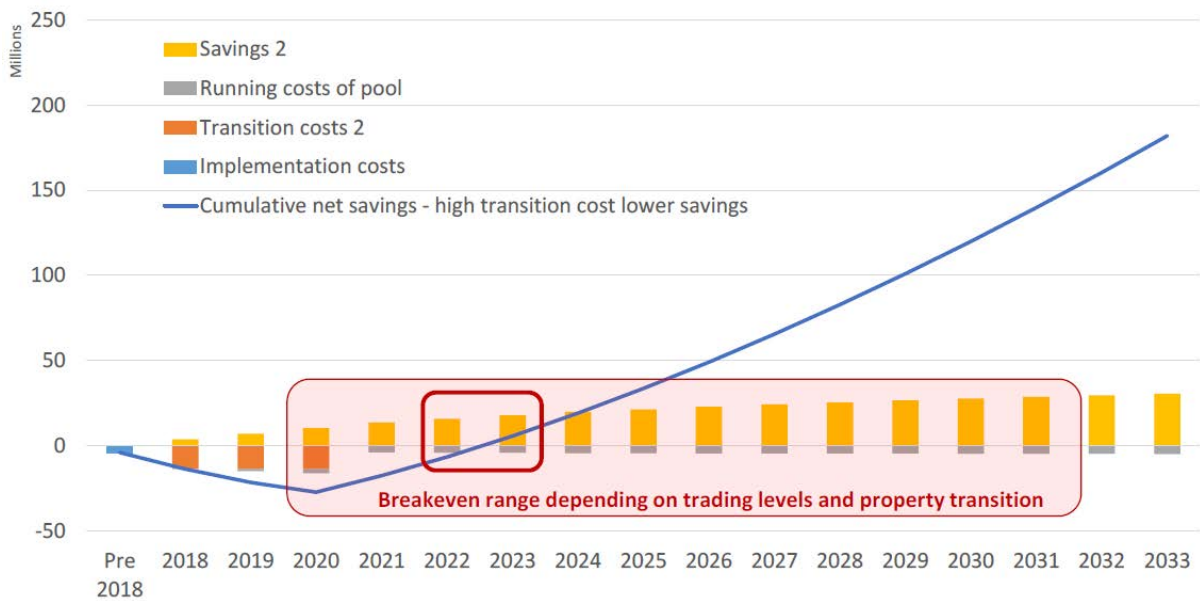
Similarly, breakeven projections included within the July 2016 submission were forecast based on the pool as a whole, and subject to estimated costs and savings profiles above.

Two scenarios were presented for breakeven projections:

Scenario 1:



Scenario 2:



As the procurement process for the operator progresses, and more detail is determined concerning the investment asset classes and sub-funds to be held by the pool, then the cost and savings estimates will be reviewed and revised, both for the pool as a whole and the Isle of Wight fund in particular.

Further reports will be provided to the committee at every formal meeting, and where necessary additional meetings will be called to provide more detail in the interim periods.

Jo Thistlewood
 Technical Finance Manager
 16 June 2017