



# PAPER J

Purpose: For Noting

## Committee report

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| Committee | <b>PENSION FUND COMMITTEE</b> |
| Date      | <b>13 JULY 2018</b>           |
| Title     | <b>ACCESS UPDATE</b>          |
| Report of | Technical Finance Manager     |

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### EXECUTIVE SUMMARY

1. At the briefing session following the committee meeting on 18 May 2018, John Wright and Kate Dix, both from Hymans Robertson LLP (Hymans), presented a briefing on the ACCESS pool, the latest developments and the next steps to take the project forward.
2. This report provides an update to the committee on progress since 18 May, and future actions required in the next stage of the project.
3. Members are asked to note this progress report.

### CONFIDENTIAL / EXEMPT ITEMS

4. The appendices are exempt from disclosure by virtue of paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972 (as amended) as it, "relates to financial or business affairs of any particular person", (including the authority holding that information). The public interest in maintaining confidentiality outweighs the public interest in disclosing it. Disclosing the information could place the Council at risk of legal challenge from individuals or other bodies identified in the report.

### INVESTMENT SUB-FUND LAUNCH – PHASE ONE

5. Members were advised at the briefing session on 18 May that it was expected that the operator, Link Financial Solutions Limited (Link) would submit the first sub-fund application to the Financial Conduct Agency (FCA) for approval before the end of May, subject to the agreement of some outstanding issues.
6. Unfortunately these issues have become more complex, and the documents that comprise the application have still not been finalised and signed off by the ACCESS legal advisers, Squire Patton Boggs (Squires).

7. Further information about the reasons for the delay in the launch of this sub-fund is included in appendix 1 to this report.

### INVESTMENT SUB-FUND LAUNCH – PHASE TWO

8. Despite the delays in the launch of the first sub-fund, work is commencing on identifying the next phase of sub-funds to be created. Officers are meeting on 6 July 2018 to discuss how this work will be taken forward, and a further update will be provided at the meeting today.
9. More information about the work of the Officer Working Group (OWG) onboarding sub-group, leading on this element of the project, is provided in the highlight report attached as appendix 2 to this report.

### GOVERNANCE MANUAL

10. Officers, supported by Muse Advisory Limited (Muse) are working to create a governance manual, which will include the governance structure, any relevant policies/guidelines in relation to the ACCESS group, and a decision matrix, setting out where the responsibility for all decisions made by ACCESS rests – whether with the Joint Committee (JC), OWG, individual fund pension committees, or section 151 officers.
11. Updates on the governance manual are presented to each JC meeting, where progress is noted and policies are recommended for adoption by individual funds.
12. As the decision matrix is developed, it will identify decisions which need to be taken at local fund level. These items will be identified, and will be brought to the pension committee for discussion and inclusion in the terms of reference and work plans as appropriate. This also links into recommendation 10 from the governance review, reported on earlier in this meeting.

### ACCESS SUPPORT UNIT

13. At the briefing on 18 May 2018, members were advised that interim arrangements for the ACCESS Support Unit (ASU) were in place, comprising project management and contract management support from Hymans Robertson LLP, legal support from Squire Patton Boggs, governance support from Muse Advisory Limited, and secretarial support for the joint committee from Kent County Council. Processes for the creation of the permanent ASU were still under discussion at that point.
14. Section 151 officers from eight of the 11 ACCESS funds met in London on 25 May 2018 to discuss the ACCESS project. At that meeting, the officers agreed the ASU structure and Essex County Council offered to host the ASU – recruiting the Programme Director, Contract Manager and Administrative Support posts identified as necessary for the running of this project. Full section 151 officer approval of the ASU and Host Authority was agreed via email after the meeting and was approved by the ACCESS Joint Committee at their 11 June meeting.

15. Technical officer support from the 11 funds is expected to continue, but on a more formalised basis than that currently operating. More detail on the technical officer roles will be formulated with the section 151 officers over the next few months.
16. The budget for the permanent ASU is expected to be within the currently agreed budget envelope set for the interim ASU arrangements, as previously reported to the committee. This cost will be shared equally by the 11 participating funds. The budget for the ACCESS pool is currently maintained by Kent County Council, but will ultimately transfer to Essex County Council as the permanent ASU is developed.
17. More information about the work of the OWG governance sub-group, leading on these elements of the project, is provided in the highlight report attached as appendix 3 to this report.

### STRATEGIC CONTEXT

18. 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.
19. The ACCESS pool will support the fund's investment strategy by ensuring that appropriate investment sub-funds are available to fulfil the fund's strategic investment requirements, generating savings in investment manager fees without compromising investment performance.
20. Robust governance arrangements within the ACCESS pool will be reflected in the governance and reporting arrangements for each of the participating pension funds.

### FINANCIAL / BUDGET IMPLICATIONS

21. The budget for the ACCESS pool is currently maintained by Kent County Council, but will ultimately transfer to Essex County Council as the permanent ASU is developed. Kent's external auditors have been asked to confirm that appropriate financial controls have been applied to the management of these funds; this will be reported back to the JC in due course. Regular reports on the ACCESS budget are presented to JC meetings.
22. The cost of the Operator and the investment sub-funds will be shared between the participating funds in proportion to their assets under management.

23. The Isle of Wight's contribution to all of these costs will be borne by the pension fund, rather than the council's budget.
24. An element of the business planning recommendation from the governance review is that a budget for the pension fund is created. The costs of the ACCESS pool will be included in the budget, and will be evaluated to ensure value for money is achieved for the fund.

### LEGAL IMPLICATIONS

25. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as "a [local authority] required to maintain a pension fund under the local government pension scheme regulations".
26. The Pension Fund Committee is a committee under section 101 of the Local Government Act 1972, with delegated authority to discharge the council's statutory duties in respect of the LGPS.
27. Throughout the ACCESS project, the 11 participating funds have been advised by Squire Patton Boggs, to ensure that appropriate legislative requirements are followed.
28. The Council's monitoring officer and section 151 officer have also been engaged in the project as required.

### EQUALITY AND DIVERSITY

29. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
30. There are no implications for any of the protected characteristics as a result of participation in the ACCESS pool.

### RISK MANAGEMENT

31. The 11 participating funds within the ACCESS pool are supported in the management of this project by Hymans Robertson LLP. A very detailed project risk register is maintained by Hymans, and is reported at each OWG and JC meeting.
32. The most recent high level risk report, presented to the joint committee meeting on 11 June 2018, is attached to this report as appendix 4. A further update on these risks will be provided at the committee meeting.

RECOMMENDATION

33. The committee is asked to note the progress with the ACCESS project.

CONFIDENTIAL APPENDICES ATTACHED

- 34. Appendix 1: First sub-fund launch delay.
- 35. Appendix 2: On-boarding sub-group highlight report 21 June 2018.
- 36. Appendix 3: Governance sub-group highlight report 21 June 2018.
- 37. Appendix 4: High level risk report 11 June 2018.

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