



PAPER E

Purpose: For Noting

Committee report

Committee	PENSION FUND COMMITTEE
Date	14 SEPTEMBER 2018
Title	ACCESS UPDATE
Report of	Technical Finance Manager

EXECUTIVE SUMMARY

1. This report provides an update to the committee on progress since the last committee meeting on 13 July, and future actions required in the next stage of the project.
2. Members are asked to note this progress report.

CONFIDENTIAL / EXEMPT ITEMS

3. 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.
4. The appendices include the draft agenda for the ACCESS Joint Committee (JC) meeting scheduled for 19 September 2018, and the draft minutes/action log from the previous joint committee meeting on 11 June 2018. At the time of publication of papers for the Isle of Wight Pension Committee, these papers have not yet been made public – hence they are presented as confidential appendices to this report.

INVESTMENT SUB-FUND LAUNCH - PHASE ONE

5. At the last committee meeting, members were advised of delays in the launch of the first investment sub-fund. On 16 July 2018, the operator, Link Financial Solutions Limited (“Link”) submitted the Financial Conduct Agency (FCA) application for “The ACCESS Pool Authorised Contractual Scheme” and first sub-fund (the Baillie Gifford Long Term Global Growth Fund).
6. This sub-fund was approved by the FCA on 7 August 2018, and is expected to be available for the first investment by 31 October 2018.
7. Fee negotiations have commenced between Link and the prospective investment managers for the second tranche of sub-funds to be created, with a view to the application for FCA approval for those sub-funds being submitted on 25 September 2018.
8. Following the approval of those sub-funds, it is anticipated that the FCA approval submission for the final phase 1 sub-funds will take place in January 2019.

INVESTMENT SUB-FUND LAUNCH - PHASE TWO

9. Officers held a workshop to determine the likely composition of the phase two sub-fund requirements for UK and Global Equities on 13 August 2018. The approach to creating these sub-funds will be agreed by the JC on 19 September.
10. Work has been commissioned from bFinance Limited to consider the requirements for sub-funds for fixed income and diversified growth portfolios. The outcomes of this work will be presented to officers in October 2018, for agreement by the JC at its December meeting.

GOVERNANCE

11. Section 151 officers from eight of the 11 funds met on 25 July (the Isle of Wight was represented via telephone link) at which the governance arrangements for the pool were discussed, including the governance manual and value for money considerations in the creation of sub-funds.
12. Legal advice has been sought on the fiduciary duty implications of the potential different approaches to value for money, and will be discussed further at the joint committee meeting on 19 September.
13. The governance manual for ACCESS has been completed, and the review by legal advisers and democratic support officers from Kent County Council (who provide secretariat support to the JC) has identified that there is a need to review the current inter authority agreement, which all participating administering authorities signed up to in March 2017.
14. A communications plan workshop is being held for officers in late September 2018, which will further inform governance activities.

15. The JC will also be considering current guidance and national/local discussions with regards to scheme member and local pension board (LPB) representation on investment pool governance structures.

ACCESS SUPPORT UNIT

16. At their meeting on 25 July, section 151 officers agreed the process for the recruitment of senior posts into the permanent ACCESS Support Unit (ASU) to be hosted by Essex County Council.
17. The advert for the Programme Director has been published with a closing date for applications of 10 September, with a two stage interview process commencing on 4 October.
18. Once the programme director has been appointed, recruitment of the other roles within the ASU will commence.

STRATEGIC CONTEXT

19. 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.
20. 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.
21. 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

22. 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. Regular reports on the ACCESS budget are presented to JC meetings.
23. The cost of the operator and the investment sub-funds will be shared between the participating funds in proportion to their assets under management.
24. The Isle of Wight's contribution to all of these costs will be borne by the pension fund, rather than the council's budget.

25. 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.
26. It is anticipated that the draft budget for the Isle of Wight Pension Fund will be presented to this committee in November 2018.

LEGAL IMPLICATIONS

27. 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”.
28. 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.
29. Throughout the ACCESS project, the 11 participating funds have been advised by Squire Patton Boggs, to ensure that appropriate legislative requirements are followed.
30. The council’s monitoring officer and section 151 officer have also been engaged in the project as required.

EQUALITY AND DIVERSITY

31. 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.
32. There are no implications for any of the protected characteristics as a result of participation in the ACCESS pool.

RISK MANAGEMENT

33. 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.
34. An updated high level risk report will be presented to the joint committee meeting on 19 September 2018 – the draft version of this report is attached to this report as appendix 3.

EVALUATION

35. This must set out clearly why one or more options are being recommended and others are not. In almost every case, the assessment will be how well the option contributes to the objective, how cost effective and affordable the option is and what risks are associated with the option.

RECOMMENDATION

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

CONFIDENTIAL APPENDICES ATTACHED

37. Appendix 1: Draft minutes from ACCESS Joint Committee meeting 11 June 2018.
38. Appendix 2: Draft agenda for ACCESS Joint Committee meeting on 19 September 2018.
39. Appendix 3: Draft high level risk report for ACCESS Joint Committee meeting on 19 September 2018.

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 ADRIAN AXFORD
Chairman of Pension Fund Committee