



# Committee report

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| COMMITTEE | <b>ISLE OF WIGHT PENSION FUND COMMITTEE</b> |
| DATE      | <b>05 APRIL 2019</b>                        |
| TITLE     | <b>ACCESS UPDATE</b>                        |
| REPORT OF | TECHNICAL FINANCE MANAGER                   |

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## EXECUTIVE SUMMARY

1. This report provides the committee with an update on activity within the ACCESS pool since the last report provided at the January 2019 committee meeting.
2. Members are asked to note the report and agree the ACCESS business plan for 2019-20.

## CONFIDENTIAL / EXEMPT ITEMS

3. Some of 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 agenda for the ACCESS Joint Committee (JC) meeting held on 18 March 2019, the minutes of the previous JC meeting on 10 December 2018, and the ACCESS budget for 2019-20 are considered non-confidential; all other appendices are considered exempt, as described above. For information, these appendices were deemed exempt by the ACCESS Joint Committee.

## JOINT COMMITTEE MEETINGS

5. Appendix 1 to this report contains the published minutes for the JC meeting held on 10 December 2018. The key items on that meeting agenda were discussed at the Pension Fund Committee meeting in January 2019.
6. Appendix 2 to this report contains the agenda for the JC meeting held on 18 March 2019. The key items for discussion at that meeting were:
  - ACCESS budget 2019-20;
  - Ministry of Housing, Communities and Local Government (MHCLG) consultation on pooling governance;
  - ACCESS pool governance update;

- ACCESS communications;
  - sub-fund implementation.
7. More information about each of these items is provided in the remainder of this report.
8. Members are asked to note the dates for future joint committee meetings, as listed below:
- Tuesday 11 June 2019.
  - Monday 23 September 2019.
  - Monday 9 December 2019.
  - Tuesday 10 March 2020.

### ACCESS BUDGET

9. Appendix 3 to this report contains the report presented to the March JC on the business plan and budget for 2019-20. The budget for 2019-20 has been reviewed by the section 151 officers and was adopted by the joint committee.
10. The 2018-19 forecast expenditure has increased to £1.32 million, from £1.16 million originally budgeted. The Isle of Wight Pension Fund has already paid £105,000 as its share of the 2018-19 ACCESS budget; a further invoice for the additional contribution in respect of 2018-19, being £15,000, will be issued by Kent County Council before the end of the financial year.
11. The budget for 2019-20 has been agreed at £1.20 million in total, requiring a contribution of £109,000 from each fund.
12. The Joint Committee has reviewed the business plan underlying the budget for 2019-20 and has recommended its adoption to each authority.
13. The attached appendix also includes a summary of the key risks for the ACCESS project, specifically those risks which have an amber or red status.

### MHCLG CONSULTATION

14. At the Pension Fund Committee meeting on 8 February, members discussed the draft statutory guidance issued by MHCLG, and the process by which a response would be made by ACCESS, which would be supported by the Isle of Wight Pension Fund.
15. Separate emails have been sent out to committee members informing progress towards the finalisation of the ACCESS response, and the draft response from the fund.
16. The deadline for response to the consultation was 29 March 2019. Both the ACCESS response and the Isle of Wight response are on schedule to be submitted by that date. A copy of the ACCESS response as at 27 March 2019 is attached as appendix 4 to this report.

### ACCESS POOL GOVERNANCE

17. The exempt appendix 5 to this report contains the private agenda report to the March JC meeting on the work being undertaken to finalise the governance arrangements for the pool.

18. The appendix includes a timetable for the finalisation of the governance manual, and amendments necessary to the inter authority agreement (IAA), which governs the ACCESS pool. It is anticipated that the final documents will be presented to the June 2019 joint committee meeting for adoption.
19. Discussions are ongoing with the council's section 151 officer and monitoring officer to determine whether the amendments to the IAA require sign off by full council.

### ACCESS COMMUNICATIONS

20. The exempt appendix 6 to this report contains the private agenda report to March JC setting out the key communication messages for ACCESS members, designed to ensure that should local questions be asked, a centrally agreed response is provided.
21. A previous JC meeting agreed that the chairman and vice-chairman of the ACCESS JC should be the primary spokespersons for the ACCESS pool. National enquiries about ACCESS should be directed to one of them in the first instance.
22. It was further agreed that the chairman of each local pension fund committee should have a set of key messages with which to respond to any local enquiries about each individual fund's participation in ACCESS.
23. The March JC agreed that these key messages were not designed to be published in total; rather they should be used to support local responses to any enquiries, and to inform communications with scheme members and employers about ACCESS.
24. Members are asked to note these key messages.

### SUB-FUND IMPLEMENTATION

25. The exempt appendix 7 to this report contains the private agenda report to the March JC on the progress made in launching sub-funds within the ACCESS pool, including an indicative timetable for future sub-fund launches.
26. Financial Conduct Agency (FCA) approval for the three 'tranche 3' sub-funds was received on 15 March 2019, and the sub-funds are expected to be available for investment in the week commencing 6 May 2019. This tranche includes the Isle of Wight Pension Fund's first transition of assets into the pool.
27. To date, ACCESS has focussed on investing liquid assets (including equities, fixed income and diversified growth portfolios). The report to JC introduces discussion about how the ACCESS funds should develop pooled investment vehicles for illiquid assets (including property, infrastructure and private equity investments).
28. Members are asked to note the progress in identifying options of pooling illiquid investments.

### STRATEGIC CONTEXT

29. The key objectives of the fund are:
  - (a) 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) regulation and statutory provisions;

- (b) to ensure sufficient assets are held to meet the assessed cost of the benefits; and
- (c) to maintain an appropriate balance between stable, affordable employer contributions and investment risk.

- 30. 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.
- 31. 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

- 32. The budget for the ACCESS pool is currently managed by Kent County Council. This will ultimately transfer to Essex County Council as the permanent support unit is developed. Regular reports on the ACCESS budget are presented to Joint Committee meetings.
- 33. Costs for the setup of the ACCESS pool, and ongoing costs of the ACCESS Support Unit, are shared equally between the 11 participating funds.
- 34. The cost of the operator and the investment sub-funds will be shared by the participating funds in proportion to their assets under management.
- 35. The Isle of Wight Pension Fund's share of all the cost of the ACCESS pool will be borne by the pension fund, rather than the council's budget.
- 36. An element of the business planning recommendation from the fund's governance review is that a budget for the pension fund is created. The costs of the ACCESS pool, both central and investment related, will be included in the budget. Costs will be evaluated to ensure that value for money is achieved by the fund.

### LEGAL IMPLICATIONS

- 37. 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".
- 38. 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.
- 39. Throughout the ACCESS project, the 11 participating funds have been advised by Squire Patton Boggs, to ensure that appropriate legislative requirements are followed.
- 40. The council's monitoring officer and section 151 officer have also been engaged in the project as required.

## EQUALITY AND DIVERSITY

41. 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.
42. There are no implications for any of the protected characteristics as a result of participation in the ACCESS pool.

## RISK MANAGEMENT

43. The 11 participating funds within the ACCESS pool are currently 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 officer working group and JC meeting.
44. Included within appendix 3 to this report is a summary of the key risks for the ACCESS project, specifically those risks which have an amber or red status.

## RECOMMENDATION

45. That the committee note this report and the appendices.
46. In addition, that the committee:
  - (a) agrees the ACCESS business plan for 2019-20.

## APPENDICES ATTACHED

47. [Appendix 1](#) – Joint Committee minutes 10 December 2018.
48. [Appendix 2](#) – Joint Committee agenda 18 March 2019.
49. [Appendix 3](#) – ACCESS budget and business plan 2019-20.
50. Appendix 4 – CONFIDENTIAL: ACCESS response to MHCLG consultation (as at 27 March 2019).
51. Appendix 5 – CONFIDENTIAL: ACCESS governance report, 18 March 2019.
52. Appendix 6 – CONFIDENTIAL: ACCESS communications key messages, 18 March 2019.
53. Appendix 7 – CONFIDENTIAL: ACCESS investment sub-fund implementation, 18 March 2019.

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