



# Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>16 FEBRUARY 2022</b>
Title	<b>ACCESS POOLING UPDATE</b>
Report of	<b>TECHNICAL FINANCE MANAGER</b>

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## EXECUTIVE SUMMARY

1. This report updates the committee on activity in respect to the ACCESS pool since the last committee meeting on 24 November 2021. It also sets out proposals for future engagement with matters to be discussed at future Joint Committee meetings.
2. Agreeing to the recommendations outlined below will ensure that the Isle of Wight Council continues to have an important role in the governance of the investment pool.

## RECOMMENDATION

3. That the committee notes the summary reports from the joint committee meeting held on 6 December 2021.
4. That the committee adopts the ACCESS business plan for 2022-23, and the associated budget, as recommended by the Joint Committee.
5. That the committee agrees to delegate the provision of feedback on the ACCESS ESG/RI guidelines to the Technical Finance Manager, in consultation with the vice-chairman of the committee.
6. That the committee notes the appointment of MJ Hudson as implementation adviser for the pool's illiquid asset solutions.
7. That the committee confirms its response to the proposed solution for the representation of scheme members on the ACCESS joint committee.

## CONFIDENTIAL / EXEMPT ITEMS

8. This main body of this report is not considered exempt from disclosure, but some of the appendices are deemed to be 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.

9. The information contained within this report and appendices, where appropriate, was also deemed exempt from disclosure when it was presented to the ACCESS Joint Committee meeting on 6 December 2021.

#### JOINT COMMITTEE MEETING 6 DECEMBER 2021

10. The ACCESS Joint Committee (JC) meeting was held in London on 6 December 2021, attended by Councillor Andre and the Technical Finance Manager.
11. The agenda for this meeting is attached as appendix 1 to this report, and appendices 2 and 3 (exempt) contain a summary of the discussions at the meeting.

#### ACCESS BUSINESS PLAN AND BUDGET 2022-23

12. The JC received a report on the proposed business plan for ACCESS activities for the year to 31 March 2023, and the associated budget for the year. The key activities for the pool for the 2022-23 financial year are:
  - (a) Continued active asset migration from investing authorities.
  - (b) The anticipated launch of the first illiquid pooled vehicles.
  - (c) Further developments in the areas of governance, communications and Responsible Investment.
  - (d) Conduct an independent third-party review of the structure and work of the ACCESS Support Unit (ASU).
13. On recommendation from the section 151 officers' group, the JC agreed a budget for the financial year of £1.366 million, resulting in a contribution of approximately £124,000 per authority.
14. The business plan and budget paper presented to the JC is attached to this report as Appendix 4.
15. On recommendation from the JC, the committee is asked to adopt the ACCESS business plan, and confirm the contribution to the ACCESS pool from the fund.

#### ACCESS ESG/RI GUIDELINES

16. On 26 January 2022, a development session on the draft ACCESS guidelines was delivered to members of the pension fund committee and the local pension board by a representative from Minerva Analytics and an officer from Northamptonshire Pension Fund, within the ACCESS pool.
17. All funds have been asked to provide feedback on the draft guidelines, prior to them being presented to a future JC meeting (most likely June 2022) for adoption and onward recommendation to each investing fund.
18. Following discussion at the development session, it is proposed that the Technical Finance Manager work with the vice-chairman of the committee in developing the

fund's response to the guidelines and provide feedback to the pool for inclusion in the final version.

19. The committee is asked to approve this delegation and request a further report once the guidelines have been presented to the ACCESS joint committee.

#### POOLING SOLUTIONS FOR ILLIQUID ASSETS

20. Currently there are 31 planned sub-funds managed by Link Fund Solutions on behalf of the ACCESS pool. These cover equity, fixed income and diversified growth fund asset classes, collectively "liquid assets" as there is an open market for these investments.
21. The pool has been working to develop solutions for the pooling of "alternative" or "illiquid" investment classes, including private equity, provide debt, infrastructure and real estate. These are not a straightforward as liquid assets, as they tend to have fixed investment periods, with closed investments, which mean they are less easy to trade.
22. Following a detailed procurement exercise, the pool has appointed MJ Hudson Consulting Limited as implementation adviser, to support the pool and the investing funds in the development and launch of appropriate investment vehicles for these asset classes.
23. Isle of Wight Council Pension Fund currently has investments in private debt (Goldman Sachs Asset Management), infrastructure (Partners Group) and real estate (Schroder Investment Management) which are currently held outside the pool. All of these will be subject to the project being led by MJ Hudson.
24. Initial data on the local strategic and actual allocation to these asset classes has been provided to MJ Hudson, and a meeting is planned for early February 2022 to discuss the way forward.
25. Further information on this project, and proposals for the pooling of these asset classes will be presented to the committee in due course.

#### SCHEME MEMBER REPRESENTATION ON JOINT COMMITTEE

26. At its meeting on 24 November 2021, this committee agreed to support a recommendation to the JC to allow scheme members to be represented as observers on the ACCESS joint committee. This matter was not included on the agenda for the 6 December 2021 JC meeting.
27. On 17 December 2021, the Scheme Advisory Board (SAB) published the minutes of its December meeting at which it was reported that ACCESS was the only pool not to have scheme member representation on its governing committee.
28. On 10 January 2022, the chairman of the ACCESS Joint Committee issued a briefing note to all funds, attached as appendix 5 to this report, setting out how he proposes that the pool deal with this matter. The appendix is considered exempt from publication as it contains draft documents for discussion at a future JC meeting.

29. The committee is asked to confirm how it wishes the fund's representative at the next JC meeting on 7 March 2022 to respond in respect of the proposals for scheme member representation on the JC.

## CORPORATE PRIORITIES AND STRATEGIC CONTEXT

30. The recommendations and actions in this report do not directly impact upon the [Corporate Plan 2021 - 2025](#).

### Pension Fund Objectives

31. Providing information to the committee on the work of the ACCESS pool and ensuring that the committee is informed of key strategic and operational decisions considered by the Joint Committee fulfils the fund's Investment Governance belief that "the Committee aim to have a good working relationship with the ACCESS pool."
32. Engagement with the development of the ACCESS ESG/RI guidelines ensures the achievement of the Responsible Investment objective that "the fund will work closely with ACCESS on stewardship and engagement issues including ESG issues and voting rights."

## FINANCIAL / BUDGET IMPLICATIONS

33. The costs of the fund's engagement with the ACCESS pool are borne directly by the pension fund, and have no direct impact on the Council's revenue budget.
34. The Isle of Wight Council Pension Fund pays an equal (1/11<sup>th</sup>) share of the ACCESS budget, as set out in Appendix 4.
35. Costs associated with the investment sub funds, including investment manager and Link fees, are allocated between the investing authorities based on the value of the assets invested in the sub-fund.

## LEGAL IMPLICATIONS

36. 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".
37. 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.
38. Throughout the ACCESS project, the 11 participating funds have been advised by Squire Patton Boggs, to ensure that appropriate legislative requirements are followed.
39. The council's monitoring officer and section 151 officer have also been engaged in the project as required.

## EQUALITY AND DIVERSITY

40. 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.
41. There are no implications for any of the protected characteristics as a result of participation in the ACCESS pool.

## RISK MANAGEMENT

42. A detailed risk register is maintained by the ACCESS Support Unit, and is presented for review at each Officer Working Group meeting and discussed at each joint committee meeting.
43. The business plan and budget recommended for adoption by the committee have been reviewed and agreed collectively by the Section 151 Officers from each ACCESS authority. The Joint Committee agreed the plan and budget based on a recommendation from the Section 151 Officers' group. Progress against the business plan, and performance against the budget are reported at each Joint Committee meeting.
44. There is therefore very little risk to the Isle of Wight Council Pension Fund in adopting the business plan and agreeing the budget.
45. The draft ACCESS ESG/RI guidelines are a combination of the statements already published by each ACCESS authority. Each individual pension fund within ACCESS retains its own policy statement in respect of ESG/RI activities, which are intended to fall within the boundaries of the guidelines.
46. Delegating the response to consultation on those draft guidelines to the Technical Finance Manager, in discussion with the vice-chairman of the committee, will reduce the timetable for response to the Joint Committee, and will ensure that the Isle of Wight Council Pension Fund's position is fairly represented within the guidelines.
47. The risk of the fund agreeing the draft guidelines is minimal. Adoption of the guidelines in due course should assist in enabling the local strategy statements to be enhanced by following other funds' best practice.
48. In agreeing the committee's response to the proposal for scheme member representation at the Joint Committee meetings, the risk that the fund's views are not considered in the discussion of that item is significantly reduced.

## APPENDICES ATTACHED

49. Appendix 1: ACCESS Joint Committee meeting Agenda 6 December 2021 (open)
50. Appendix 2: ACCESS Joint Committee meeting 6 December 2021 Part 1 summary update (open)

51. Appendix 3: ACCESS Joint Committee meeting 6 December 2021 Part 2 summary update (exempt)
52. Appendix 4: ACCESS Business Plan and budget 2022-23 (open)
53. Appendix 5: Joint Committee chairman's briefing on scheme member representation (exempt)

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