



Purpose: For Noting

Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	25 MAY 2022
Title	ACCESS POOLING UPDATE
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. This report updates the committee on activity in respect of the ACCESS pool since the last committee meeting on 16 February 2022.
2. Members are asked to note the content of this report, for information only.

RECOMMENDATION

3. That the committee note:
 - (a) the agenda and minutes from the joint committee meeting on 7 March 2022;
 - (b) the outcome of the decision in respect of scheme member representatives on the joint committee;
 - (c) the refund of the unspent 2021-22 contribution and the payment of the 2022-23 allocation;
 - (d) the decision to prioritise private equity as the first of the alternative asset classes to be pooled;
 - (e) the progress in sub-fund launches;
 - (f) the amendment to the operator agreement and the process followed to adopt that amendment;
 - (g) the process for the future amendments to the inter authority agreement.

CONFIDENTIAL / EXEMPT ITEMS

4. 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.

5. 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 7 March 2022.

JOINT COMMITTEE MEETING 7 MARCH 2022

6. The ACCESS Joint Committee (JC) meeting was held in London on 7 March 2022, attended by Councillor Andre and the Pension Fund Manager.
7. 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. Significant matters discussed at the meeting or subsequently arising are outlined in the following paragraphs.

SCHEME MEMBER REPRESENTATION ON JOINT COMMITTEE

8. At the local committee meeting on 16 February 2022, it was agreed that Isle of Wight Council would propose an amendment to the recommendation from the chairman of the Joint Committee for the rotation of scheme member representatives as observers to future joint committee meetings.
9. The Isle of Wight amendment, recommending that scheme member representatives be fixed appointments, was proposed at the meeting by Cllr Andre. The second part of the amendment, namely that these representatives should be voting members of the JC, was withdrawn to allow the first part to proceed.
10. Following detailed debate, the amendment was rejected (three funds voting in favour, with eight against), and the substantive motion was passed.
11. A press release was published on 14 March 2022, setting out the decision of the joint committee; the press release is attached as appendix 4 to this report.
12. It has been noted that an amendment to the Inter Authority Agreement (IAA) is required to change the terms of reference and constitution of the joint committee to facilitate the appointment and attendance of observers at future meetings. Further information on the process for adopting these changes is set out in paragraph 38 below.

BUDGET

13. The JC received a report which showed a projected underspend against the budgeted expenditure for 2021-22 equating to approximately £19,000 per authority, against an original contribution of £113,365 per authority. It has been agreed that this amount will be repaid to the fund in May 2022.

14. The expected contribution for the 2022-23 financial year is £124,182 per authority, which will be invoiced by Essex County Council, as host authority for the pool, in May 2022.

ALTERNATIVE INVESTMENTS

15. To date, the assets which have been pooled have all been “listed”, i.e. readily traded on open markets – equities, fixed income and diversified growth. These assets are managed by Link through their pooled investment vehicle.
16. ACCESS officers and advisers have been working for some time to determine how alternative, unlisted assets (e.g. private equity, private debt, infrastructure and real estate) will be brought under pool management. Due to the nature of these assets, the existing approach with Link is not deemed appropriate.
17. The appointment of MJ Hudson as implementation adviser was confirmed in December 2021, and initial discussions have begun with them to confirm each fund’s requirements and the prioritisation of asset classes to be considered.
18. At the March 2022 joint committee meeting, it was agreed that private equities would be the first asset class to be considered for pooling. From a local perspective this has no impact as Isle of Wight Council Pension Fund does not have an allocation to this.
19. Hampshire County Council has agreed to be the lead authority for the procurement of suitable investment vehicles for private equity allocations and will be working with MJ Hudson on this matter. At this stage, there is no action for us in this matter.
20. No priority has yet been agreed for other alternative investment assets. Further updates will be provided in due course.

DRAFT RESPONSIBLE INVESTMENT GUIDELINES

21. The Joint Committee received an update on the progress towards the completion of the Responsible Investment (RI) Guidelines, which were introduced to this local committee at a development session delivered by colleagues from ACCESS and Minerva Analytics on 26 January 2022.
22. A virtual members’ briefing on the draft guidelines (version 1.6) was held on 27 April 2022, attended by the Pension Fund Manager. At that briefing, the process for the completion and presentation of the guidelines to JC was discussed and agreed.
23. Following comments from the briefing in April, it is intended that the final draft guidelines will be presented to the 6 June 2022 JC meeting for onward recommendation to local committees for adoption.
24. The full draft guidelines are 41 pages long. On request from the JC a summarised document has been prepared which will be published on the ACCESS website. The full guidelines will also be made available and will be a key working document for officers in the pool and at each pension fund. The current draft of the summary guidelines is presented as appendix 5 to this report.

25. It has been noted that an amendment to the Inter Authority Agreement (IAA) is required to allow the creation, adoption and recommendation of pool-wide guidelines. Further information on the process for adopting these changes is set out in paragraph 38 below.

SUB-FUND IMPLEMENTATION

26. By the end of February 2022, 26 sub-funds had been launched, with a further five in development, as summarised in the table below:

Tranche Asset class	T1	T2	T3	T3a	T4	T5a	T4a	T4b	T5c	T5b	T6	Total
Global equities	1	5	1	1		4	1		1			14
UK equities		2				1		1				4
Emerging Market equities											2	2
Fixed income			1		1		1		2	3		8
Diversified growth					3							3
Total	1	7	2	1	4	5	2	1	3	3	2	31

27. In addition to the five sub-funds in development, requests were approved by the joint committee for a further four new sub-funds, one global equity fund and three fixed income funds. The application process for these funds to be approved has determined that the requested sub-funds are significantly different to those already in existence, and so are valid to proceed.
28. With the approval of these four new sub-funds, the total number of sub-funds within the Link vehicle will be 35. This is the number of sub-funds upon which the Link tender submission was based, and on which the current pricing structure has been established.
29. For a long time, clarity has been sought from Link as to the cost of establishing additional sub-funds, and the basis on which these costs will be shared between the participating authorities. No response has yet been provided by Link; the ACCESS Support Unit are in regular communication with Link to resolve this issue.

OPERATOR AGREEMENT AMENDMENT

30. As part of the ongoing contract management activity of the ACCESS Support Unit, agreement was reached with Link to introduce additional key performance indicators (KPIs) and strengthen some of the existing KPIs in respect of project management.
31. At its March 2022 meeting, the joint committee approved the amendments to the KPIs, which are set out in appendix 6 to this report.

32. In order for the operator agreement to be amended, each participating authority must approve the amendment, and must each execute a change control form. The operator agreement can only be amended once all 11 authorities have confirmed the change.
33. When the original operator contract was executed (January 2018) the Isle of Wight Pension Fund Committee delegated the signing of the contract to the Director of Finance in consultation with the chairman of the committee.
34. During March 2022, approval to the proposed changes was provided by Cllr Andre, as nominated attendee at the joint committee meetings, and Cllr Jarman as pension fund committee chairman. The Director of Finance provided authority to seal the change control form, and the executed document was returned to the ACCESS Support Unit on 31 March 2022.
35. Colleagues from the ACCESS Support Unit have confirmed that all 11 authorities have completed their approval of the change control form, and that the revised operator agreement has been operational since 1 April 2022.
36. Committee members are asked to note the process followed for the local approval of the change to the operator agreement.

CHANGES TO THE INTER AUTHORITY AGREEMENT

37. As indicated in paragraphs 13 and 26 above, a number of key activities for the pool are subject to amendment to the Inter Authority Agreement (IAA), which must be approved by all 11 authorities.
38. A draft deed of variation to the IAA has been prepared and circulated to the monitoring officers of each of the 11 funds, along with an explanatory memorandum prepared by the pool's legal advisers, Squire Patton Boggs. Monitoring officers have been invited to comment on the proposed amendments with a response deadline of 20 June 2022.
39. Once all comments have been received, reviewed and incorporated in the deed of variation, it is anticipated that the final version will be approved by all 11 funds in time for the joint committee meeting to be held on 12 September 2022, which will then allow the related activities to progress as soon as possible after that meeting.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

40. The content of this report does not directly impact upon the [Corporate Plan 2021 - 2025](#).

Pension Fund Objectives

41. 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.

42. 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."
43. Engagement with the development of the ACCESS Responsible Investment guidelines ensures the achievement of the Responsible Investment objective that "the fund will work closely with ACCESS on stewardship and engagement issues including Environmental, Social and Governance (ESG) issues and voting rights."

FINANCIAL / BUDGET IMPLICATIONS

44. 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.
45. The Isle of Wight Council Pension Fund pays an equal (1/11th) share of the ACCESS budget. The net contribution for 2021-22 was approximately £95,000; the forecast contribution for 2022-23 is £124,000.
46. 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

47. 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".
48. 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.
49. Throughout the ACCESS project, the 11 participating funds have been advised by Squire Patton Boggs, to ensure that appropriate legislative requirements are followed.
50. The council's monitoring officer and section 151 officer have also been engaged in the project as required.

EQUALITY AND DIVERSITY

51. 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.

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

RISK MANAGEMENT

53. 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.
54. The draft ACCESS 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.

APPENDICES ATTACHED

55. Appendix 1: ACCESS Joint Committee agenda 7 March 2022.
56. Appendix 2: ACCESS Joint Committee 7 March 2022 summary update Part I.
57. Appendix 3 (confidential): ACCESS Joint Committee 7 March 2022 summary update Part II.
58. Appendix 4: Scheme member representation press release.
59. Appendix 5 (confidential) : Draft summary Responsible Investment guidelines.
60. Appendix 6 (confidential): Amendments to KPIs in operator agreement.

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