

Essex Pension Fund Pension Strategy Board	EPB/07/16
date: 21 June 2016	

LGPS Reform – Asset Pooling

Report by Director for Essex Pension Fund

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1. Purpose of the Report

- 1.1 To present to the Board an outline of the draft July submission to Government of the ACCESS pool.

2. Recommendation

- 2.1 That the Board agree that the Essex Pension Fund be a signatory to the July submission to Government of the ACCESS pool.

3. Background

- 3.1 In the July 2015 budget, the Chancellor announced that LGPS Funds would be invited to put forward proposals on asset pooling.
- 3.2 With the Autumn statement in November 2015, DCLG issued the following criteria for pooling:
- asset pools that achieve the benefits of **scale** (minimum size £25bn as at 31 March 2015 values)
 - strong **governance** & decision making
 - reduced **costs** and excellent value for money
 - improved capacity to invest in **infrastructure**
- 3.3 Initial proposals were required in February with detailed submissions to be submitted by 15 July 2016.

4. Essex & ACCESS

- 4.1 At the start of the year meetings took place firstly amongst officers, subsequently amongst Fund Chairmen, around the possibility of forming an asset pool consisting of Funds in East Anglia and the South East. This became known as ACCESS (A Collaboration of Central, Eastern & Southern Shires).
- 4.2 Draft papers on the ACCESS proposal were circulated to ISC, PSB & PAB Members in January and February. At its meeting on 22 February, the Investment Steering Committee agreed that the Fund be a joint signatory to the ACCESS initial proposal.

5. Milestones since the last Board

- 5.1 Meetings of the Chairmen of each ACCESS Fund have continued to take place on a monthly basis. These have enabled the Chairmen to:
- consider the Government's response to the February proposal, and an exchange of letters with the Minister took place in April; and
 - review progress and give direction to the work undertaken by officers from the ACCESS Funds.
- 5.2 Central to the focus of this work has been consideration of the form of structure that the ACCESS pool will adopt. Whilst the initial preference had been for a Regulated Investment Management Company, developments in May followed by discussions with legal advisers Eversheds, led to the Chairmen agreeing to the pursuing a Collective Investment Vehicle (CIV).
- 5.3 A briefing on LGPS investment pooling was held on Tuesday 7 June 2016. Invitations were extended to members of the ISC, PSB & PAB. The slides from this briefing were subsequently circulated to all ISC, PSB & PAB members.

- 5.4 Representatives of ACCESS presented to a Government panel on 9 June consisting of representatives from HM Treasury, Cabinet Office, DCLG, the Government Actuaries Department & an independent specialist.
- 5.5 The ISC met on 21 June and received a presentation which covered many of the aspects of the draft July submission. The ISC agreed that final consideration of the draft submission would take place at Board's 13 July meeting.
- 5.6 The draft July submission will be circulated separately, and a presentation on its contents will be given at the meeting.

6. Link to Essex Pension Fund Objectives

- 6.1 Investments
- To maximise the returns from investments within reasonable risk parameters.
 - To ensure the Fund is properly managed.

7. Risk Implications

- 7.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Statement of Investment Principles.
- 7.2 Officers and advisers will examine the potential risks associated with pooling once the structures and timescales for the migration of Fund assets are better understood. These will then be brought to a future meeting of the ISC for consideration.

8. Communication Implications

- 8.1 The Fund was a signatory on the ACCESS proposal to Government in February.
- 8.2 The deadline for the detailed July submission to Government is 15 July 2016.

9. Finance and Resources Implications

- 9.1 In addition to the work undertaken by Officers, it is anticipated that the costs of participating in ACCESS will be £25,000 per Fund for the period between February and July 2016.
- 9.2 Further costs, of a significant nature, will be incurred in the development and establishment of pools.

10. Background Papers

- 10.1 Agenda & minutes of ISC meetings of 22 February 2016, 23 March 2016 & 21 June 2016..
- 10.2 PricewaterhouseCoopers report on establishing Collective Investment Vehicles
- 10.3 25 November 2015 publications released with the Chancellor's Autumn Statement documents :
 - (i) criteria for LGPS investment reform
 - (ii) a consultation on revised LGPS Investment Regulations and
 - (iii) Government's response to the May 2014 consultation on "*Opportunities for collaboration, cost saving and efficiencies*"
- 9.6 Findings of "Project Pool".
- 10.4 DCLG consultation "Opportunities for collaboration, cost saving and efficiencies" – May 2014
- 10.5 Fund response agreed 9 July 2014