

By: Chairman Superannuation Fund Committee
Corporate Director of Finance & Procurement

To: Superannuation Fund Committee – 18 March 2016

Subject: **LOCAL GOVERNMENT PENSION SCHEME POOLING**

Classification: Unrestricted

Summary: To update on the LGPS pooling work and seek agreement to proposed project costs.

FOR DECISION

INTRODUCTION

1. At its last meeting the Committee agreed that the Fund should join with the ACCESS Group. This report updates on progress since the last meeting and sets out the approach proposed to get the group to the initial July submission, including proposed project costs.

PROGRESS TO DATE

2. In terms of membership of ACCESS, East Sussex County Council confirmed that it would join and the London Borough of Bromley opted to join the London Collective Investment Vehicle largely on the basis of cost. Hertfordshire County Council is making a final decision at their Council meeting on 22 March. ACCESS now has approaching £30bn of assets and so meets the Government's criteria on size.
3. The KCC submission to DCLG is attached in Appendix 1 and the ACCESS submission in Appendix 2. The issues of working with new partners are not to be underestimated and the fact that the ACCESS submission is a high quality piece of work says much for how good working relationships are being established and about the quality of support from Hymans Robertson.

NEXT STEPS

4. Governance

- (1) Monthly meetings of the Chairman's Group are being set up.
- (2) The Officer Working Group meets regularly and also has a fortnightly conference call and the workstreams set out below have a weekly call.

5. **DCLG Criteria**

- (1) For 19 July each fund and pool has to submit “ambitious proposals” for pooling investments against the following criteria:
 - Asset pools that achieve the benefits of scale – the pools must be at least £25bn and the proposals should describe the pools, explain how assets will be split between the pools and describe the benefits.
 - Strong governance and decision making – set out proposed governance arrangements at pool and local level.
 - Reduced costs and excellent value for money – this is across the full range of costs incurred. The savings proposed have to be set out in detail.
 - Improved capacity and capability to invest in Infrastructure – how the proportion of investments in Infrastructure are increased. The Project Pool work envisaged a different approach on Infrastructure to other asset classes with a national pool being established.
- (2) The Head of Financial Services is on the officer sub-group for asset pools and the Treasury and Investments Manager for cost reduction.
- (3) The July response will be very challenging to respond to and it is envisaged that the Committee will receive a draft on 24 June. It is already becoming clear that there are a number of key issues where we will need to be robust on our position:
 - Investment vehicle- there are two main options here, either a Collective Investment Vehicle (CIV) where investments are made through an Authorised Contractual Scheme with the ownership of assets transferred to the ACS, or a Collective Asset Pool where ownership of assets remains with the member Funds and investments are pooled. ACCESS in collaboration with several other pools is taking legal advice on this.
 - Governance arrangements- how the member Funds will collectively take decisions.
 - Infrastructure- how Funds meet the Government’s clear desire to see more investment by Local Authority pension Funds in UK Infrastructure.

6. **Project Management**

- (1) The Officer Working Group commissioned Hymans Robertson to provide project and technical support to ACCESS through to the July submission.

After the July submission a procurement will have to be undertaken for this work moving forward. The high level project plan developed by Hymans is included in Appendix 3.

- (2) Generally the ACCESS work has proceeded on a consensual basis with good collaboration. The approach to the use of investment consultants has though revealed very different approaches between the funds. Some Funds make no use of investment consultants, some work as Kent does commissioning specific pieces of work from consultants and others rely much more heavily on investment consultants.

- (3) The Hymans proposal is:

To date:	
ACCESS workshop	£7,000
Consultancy support	£25-30,000
Project support	£27-30,000

Proposed to July:	
Project Management costs	£80-100,000
Consultancy support	£100-200,000
Legal costs	To be confirmed

Based upon an equal split of costs this means a figure per fund of £11,500 - £30,500.

- (4) Members are asked to agree a budget of up to £50,000 for the work through to the July submission. This investment should set ACCESS on a solid foundation for receiving Government endorsement of the proposal and for moving on from that.

RECOMMENDATIONS

7. Members are asked to:

- (1) Note the progress made on the ACCESS pool and proposed next steps.
- (2) Agree a budget of up to £50,000 for the work for the project management and technical support.

Nick Vickers
Head of Financial Services
Tel: 03000 416797
E-mail: nick.vickers@kent.gov.uk

Background documents - none