

By: Corporate Director of Finance
To: Pensions Board – 15 June 2018
Subject: **ACCESS POOLING UPDATE**
Classification: Unrestricted

Summary: To update on progress on pooling.

FOR INFORMATION

INTRODUCTION

1. This report is to update the Board on progress on pooling.

JOINT COMMITTEE

2. The Joint Committee met in December 2017, January, March and April 2018. A further meeting is planned for 11 June 2018. Minutes of the meetings are circulated to the Superannuation Fund Committee.

APPOINTMENT OF OPERATOR

3. Following the completion of the Procurement process all the ACCESS Funds agreed to accept the Joint Committee's recommendation for the award of the contract to Link Fund Solutions Ltd and the contract was finalised on 5 March 2018.

ESTABLISHMENT OF THE ACS AND SET UP OF SUB-FUNDS

4. The ACCESS' onboarding sub-group is meeting with Link on a weekly basis to agree the creation of the Authorised Contractual Scheme (ACS) and the sub-funds that ACCESS requires.
5. Discussions have taken place on various aspects of the ACS prospectus that Link will need to submit to the FCA including stock lending, ESG and voting policy, and the Joint Committee has approved these policies. The submission of the application to the FCA was planned for late April 2018 with the launch of the first sub-fund scheduled for end August 2018.
6. It is now anticipated that the initial sub-fund will be the Baillie Gifford Long Term Global Growth Fund. A further 8 sub-funds are proposed for tranche 2 including the Kent Fund's Schroders UK Equities, Baillie Gifford and M&G Global Equities mandates.
7. The principal aim of pooling is to achieve reductions in investment manager fees. Clearly the extent to which this can be achieved depends upon a number of

factors including the starting point of how competitive your fees are currently. The independent benchmarking undertaken previously showed that Kent has the lowest fees in aggregate within ACCESS despite a relatively small proportion of the Fund being passively managed.

8. At its March meeting the Kent Committee confirmed that it will only move funds in to the ACS if the fee reduction negotiated by Link more than offsets the additional costs of the ACS structure. The Committee agreed to delegate to the Corporate Director of Finance in consultation with the Chairman any decisions on moving funds into the ACS depending upon the outcomes achieved by Link on the fees to be paid.

INTERIM ACCESS SUPPORT UNIT (ASU) ARRANGEMENTS

9. The Joint Committee has agreed interim ASU arrangements to support Officers in the Establishment Phase of the project. Officers supported by Hymans Robertson and Squire Paton Boggs are now actively working on progressing actions to implement the establishment of the asset pool.
10. Kent officers are actively participating in the Operator onboarding sub-group and providing secretariat services with KCC being the host authority for the time being.
11. ACCESS officers provided a briefing for Section 151 officers on 9 March on the governance arrangements and resourcing issues.

PASSIVE MANAGER

12. The Kent Fund's UK and Global passive equity mandates transitioned from State Street to UBS on 21 February 2018. It was anticipated that all the ACCESS funds will have transitioned to UBS by the end of March 2018. Whilst this was a straightforward exercise for Kent two ACCESS funds have faced large and unanticipated costs in the transition.

RECOMMENDATION

13. Members are asked to note this report.

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