



ACCESS

Effective • Collective • Investment

ESPF Annual Employers Forum

3 November 2017

Presented by:

***Ola Owolabi,
Head of Pensions.***

What we will cover



- What is investment pooling?
- Why are we having to do it?
- What is the ACCESS investment pool?
- How will it affect East Sussex Pension Fund?
- What happens next?

2015 Summer budget



Local Government Pension Scheme pooled investments
“The government will work with Local Government Pension Scheme administering authorities to ensure that they **pool investments to significantly reduce costs, while maintaining overall investment performance.**

The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings.

A **consultation** to be published later this year will set out those detailed criteria as well as **backstop legislation** which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments”.



2015 Autumn Statement



Criteria

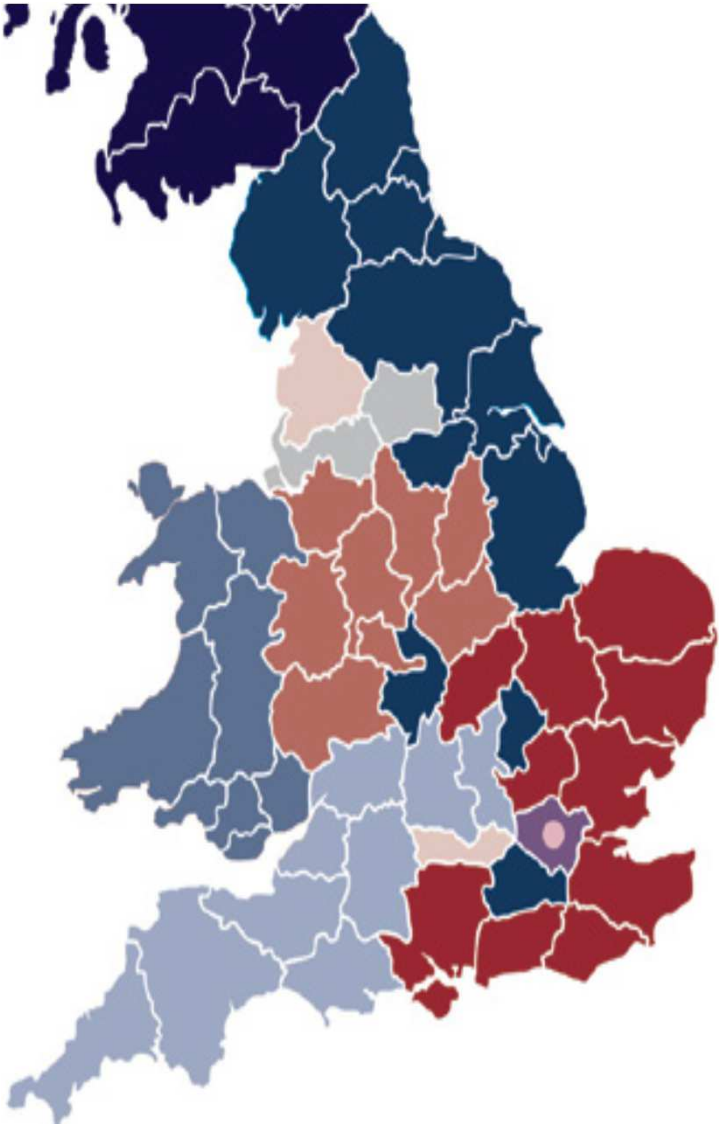
- Scale
- Fee savings
- Governance
- Infrastructure



Pooling proposals to government



Approved 8 Pools



 Access



 Central




 Border to Coast




 Welsh CIV




 Brunel



 London CIV



 Northern Pool



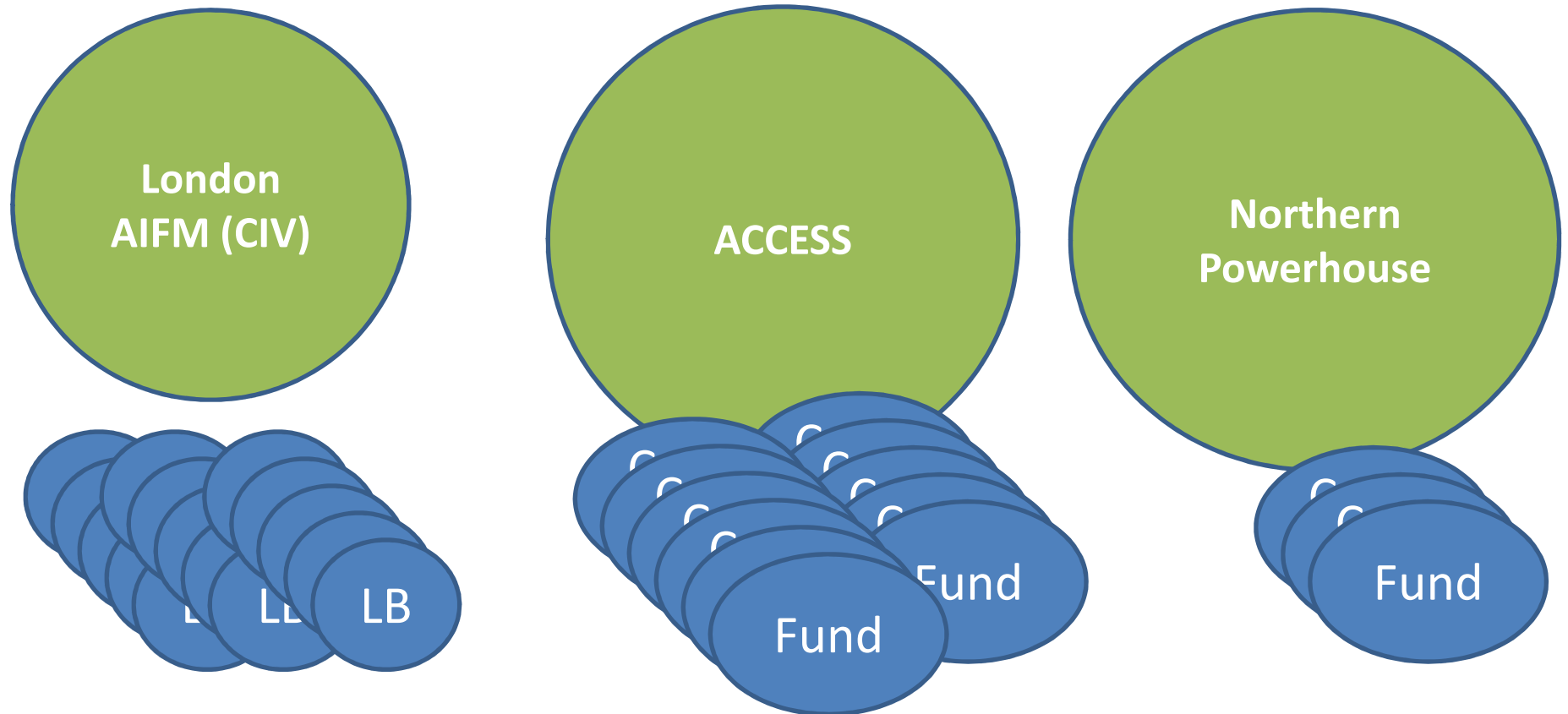
 Local Pensions Partnership



8 Pools Approved

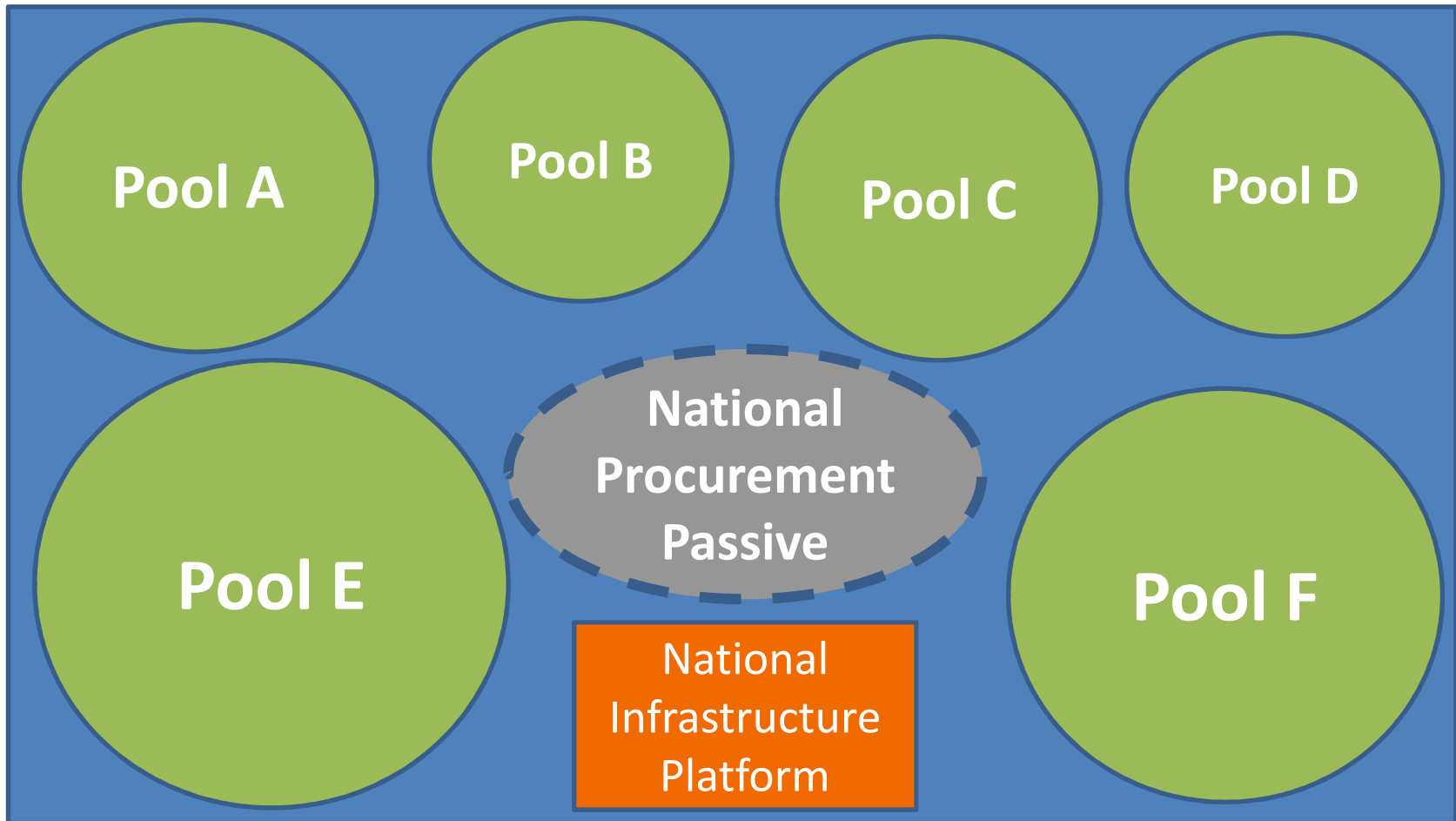
Pool	Current est size	In-house mgt team
London CIV	£24bn+	No
Northern Powerhouse	£35bn+	Yes
Central	£36bn+	Yes
ACCESS	£29bn+	No
Brunel (South West)	£24bn+	No
Borders to Coast	£34bn+	Yes
Wales	£15bn+	No
LPP	£12bn+	Yes

What is investment pooling?



Each LGPS fund remains separate. Retain responsibility for asset allocation decisions, local liabilities, contribution setting, administration.
Scale benefits: lower investment manager fees across the LGPS.

Multi-Asset Pools (MAPs)



MAPs plus small number of vehicles for asset types accessed more efficiently by LGPS wide collaboration & scale. Those vehicles accessible to all pools.



2016



Essex County Council



Hampshire County Council



ACCESS (a collaboration of central, eastern and southern shires) with assets of £34bn – **all of which are managed by third parties.**

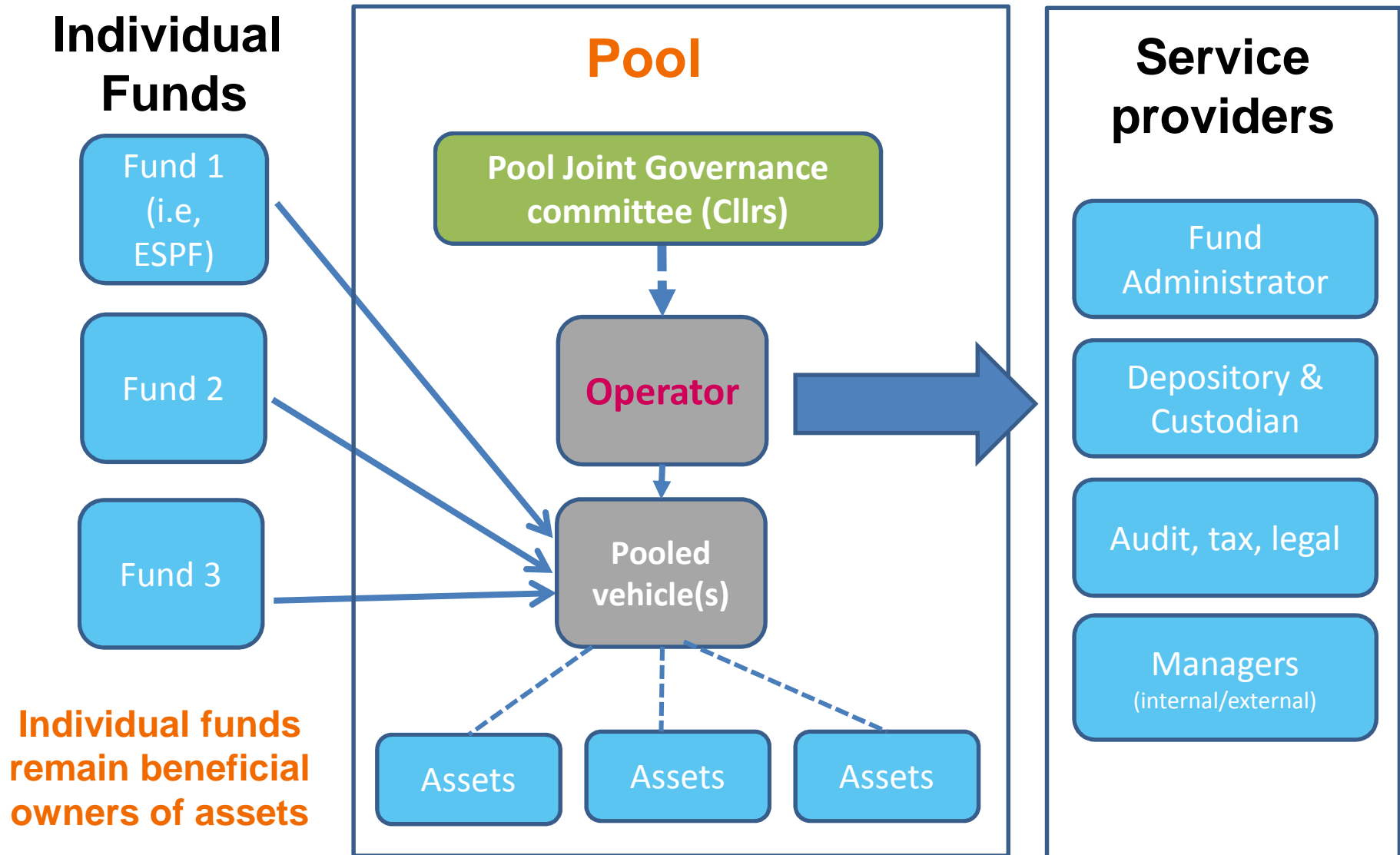
c3,000 employers

c900,000 members

Strong performing funds and potential for substantial benefits for a group of successful like-minded authorities collaborating and sharing their collective expertise.

75% of the assets are invested across 12 managers and 71 different managers used across the authorities.

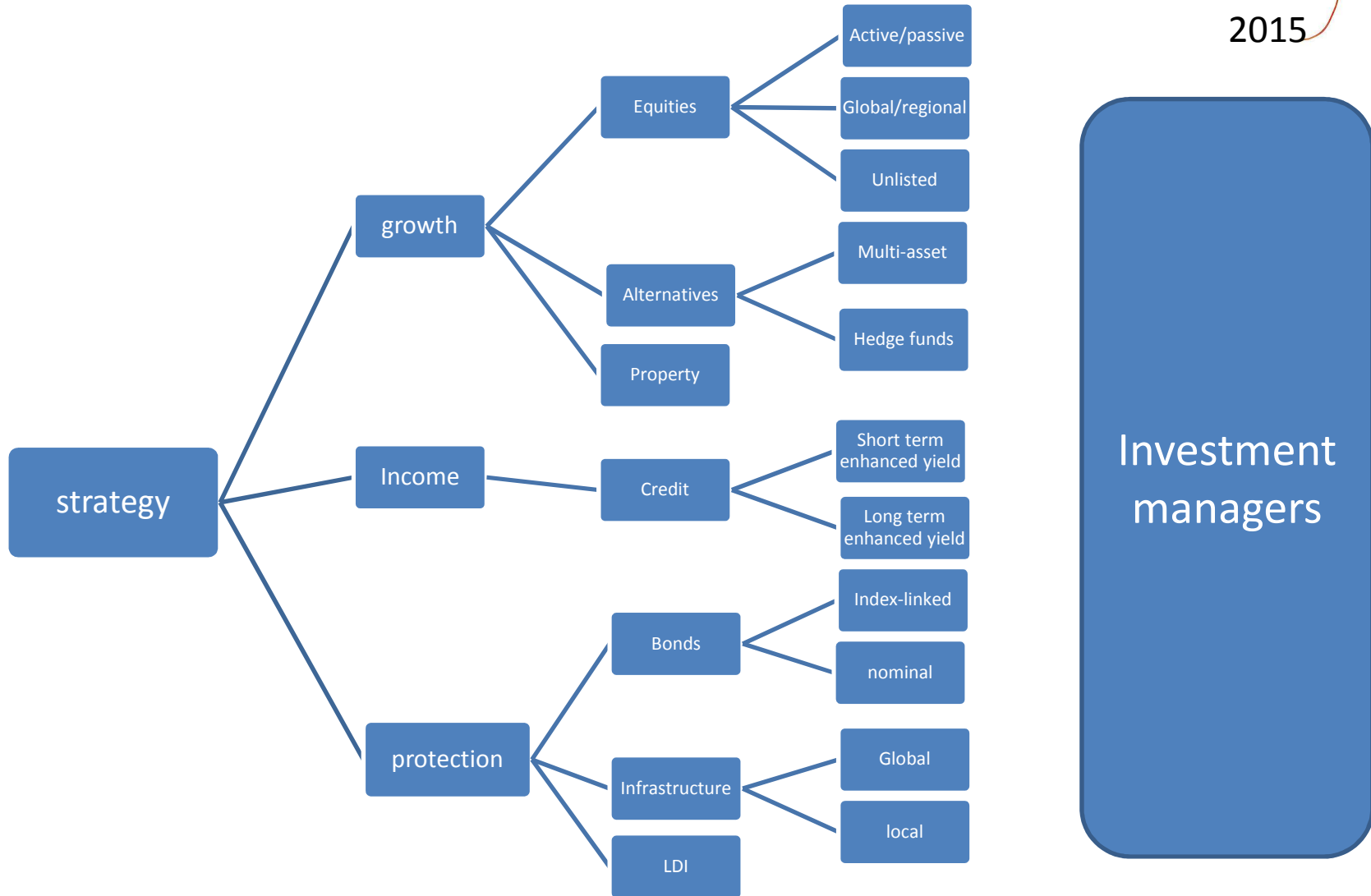
Collective Investment Vehicle



Governance and decision making



2015

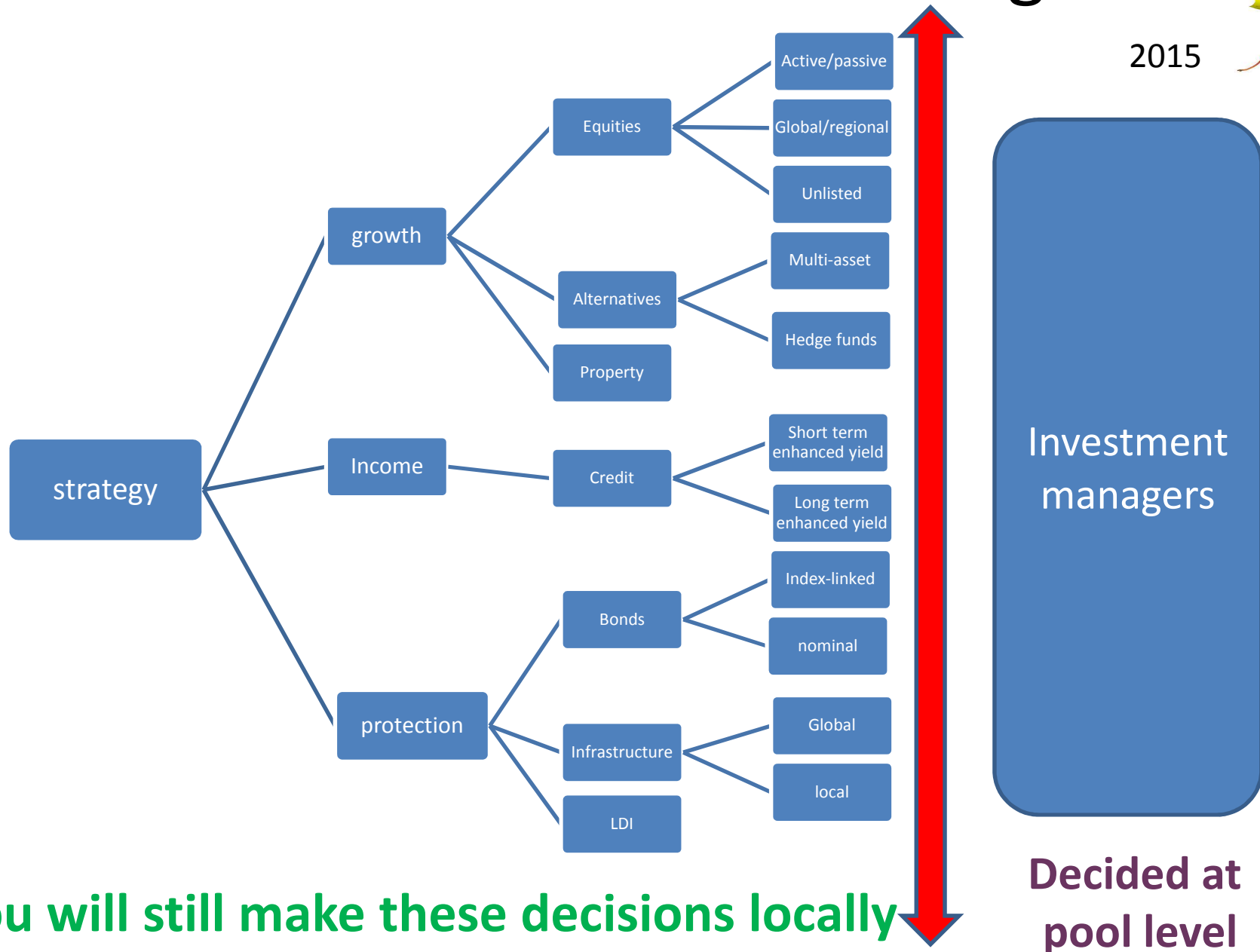


Currently all of these decisions are made by you

Where does local decision-making end?

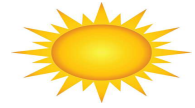


2015



You will still make these decisions locally

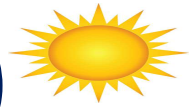
Governance & decision making



2016

Pension Fund Committees	<ul style="list-style-type: none">• Set asset allocation• Contractual rights through sponsorship or shareholder agreement with operator• Hold pool to account via representation on Joint Governance Committee• Receive quarterly reports on operator and pool investment performance
ACCESS Joint Governance Committee (Elected Members)	<ul style="list-style-type: none">• One representative from each participating fund• Responsible for ensuring the pooling arrangements deliver value for money• Responsible for the appointment and termination of the Operator• Ensures that pool meets the needs of individual funds e.g. decisions on sub-funds the operator will be required to provide to support individual fund strategies• Set pool level policies e.g. sharing of costs• Receive quarterly reports on Operator performance against agreed KPIs• Receive quarterly reports on investment performance• CHAIRMAN Cllr. Andrew Reid (Suffolk)• VICE CHAIRMAN Cllr. Richard Stogdon (East Sussex)

Governance & decision making (cont.)



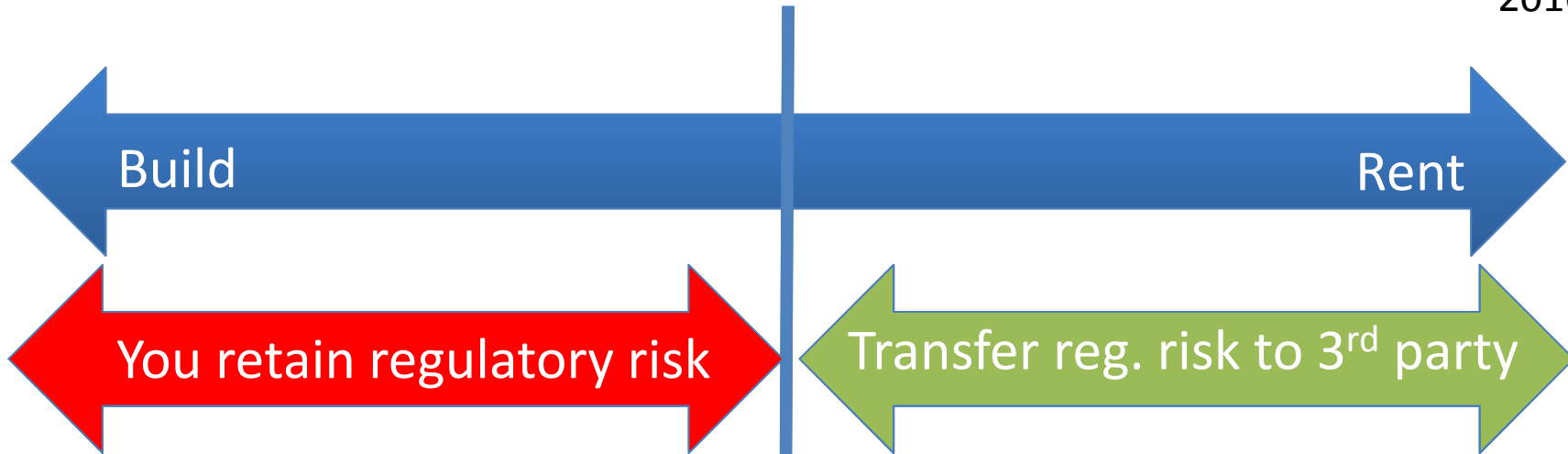
2016

Operating Group (Officers)	<ul style="list-style-type: none">• One officer representative from each participating fund• Monitor performance of investment portfolios, Operator and 3rd party contractors• Provides information and advice to the Elected Member Joint Governance Committee on value for money of operations
CIV Operator	<p>Responsible for:</p> <ul style="list-style-type: none">• Legal and regulatory responsibility for selecting & contracting with investment managers via fully compliant procurement. (Consult with officers and Chairmen / JGC as investors.)• Establishing and operating pooling vehicles e.g. ACS• Responsible for due diligence on 3rd party suppliers (e.g. investment managers), compliance & risk management, sourcing tax and legal advice as appropriate, reporting performance to ACCESS funds, regulatory compliance• Administration of underlying investments including dealing, valuations, determination of unit price, portfolio accounting, record keeping & client reporting

Operator - Build vs Rent



2016

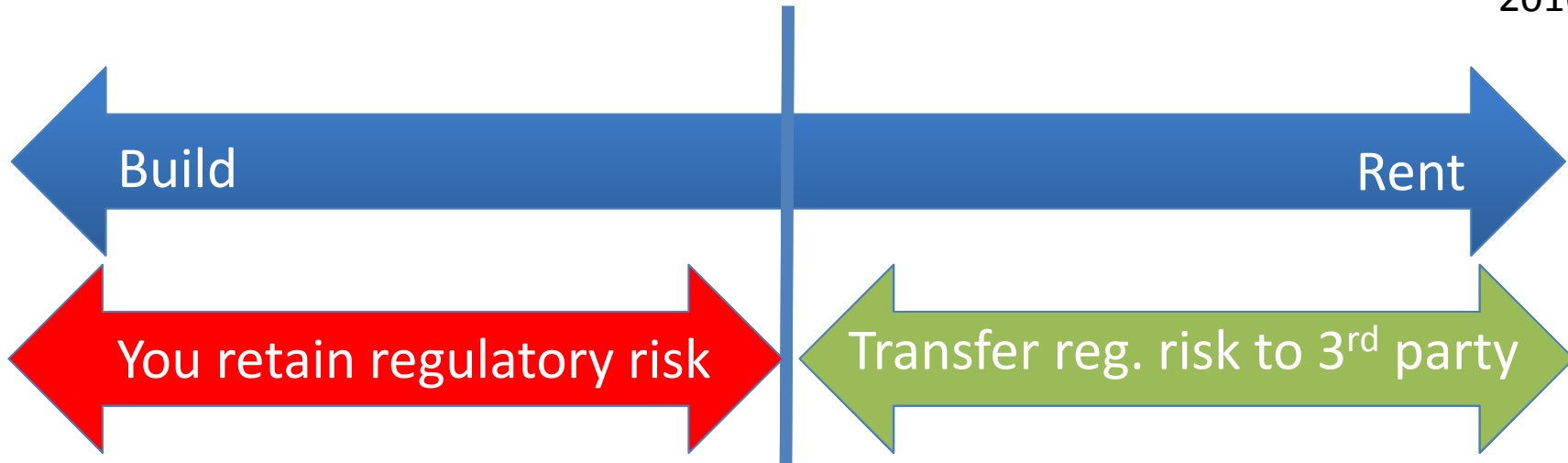


Build max	Build "light"	Rent "light"	Rent max
No outsource apart from depositary/custody. Manage some or all money with "in-house" team.	Minimum staff on payroll. Outsource as much as possible. Use external investment managers. <i>eg London CIV</i>	Operator consults on investment manager picks. Funds retain investment strategy decisions. <i>eg Wales</i>	Administering authorities have a hands off role. Manager choices & asset allocation fully delegated to Operator

Decision: Rent initially



2016



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Cost–Benefit Analysis

Cost	Type	£	Occurrence
Implementation costs (rent CIV)	One off	£1m - £2m	2017-2018
Transition costs (excl.market impact)	One off	£17m - £41m	2018-2021
Running costs	Ongoing	£3m - £5m	2018 +
Savings	Type	£	Occurrence
Investment Fee savings	Early years	£13m	2021
Investment Fee savings	In 15 years	£26m - £30m	2033

22 March 2017: Minister's letter



2017

Para 2

*“The guidance and criteria for pooling did not mandate a Financial Conduct Authority (FCA) authorised pool operator and collective investment vehicle, but as a minimum **I expect to see a single entity at the heart of the pool, appropriately regulated by the FCA.***

*The precise regulatory position and tax treatment will be for the FCA and HMRC to decide. However, **establishing a well-known existing structure such as an FCA regulated operator and collective investment vehicle minimises regulatory and tax risks and provides the greatest assurance to authorities, scheme members and local taxpayers”.***



Current Timetable

	Governance	Passive Work-stream	Procurement Work-stream	Sub-fund design*
July 2017	<ul style="list-style-type: none"> IAA signed/sealed by all authorities First formal Joint Committee meeting 	<ul style="list-style-type: none"> Evaluation concludes and supplier appointed to framework 	<ul style="list-style-type: none"> First draft of ITT documents completed Individual authorities review ITT documents 	<ul style="list-style-type: none"> Tender for and appoint advisor Data gathering and analysis
Aug 2017	<ul style="list-style-type: none"> Ongoing work on role definition for “client team” 	<ul style="list-style-type: none"> Outcome ratified by Joint Committee and individual authorities 	<ul style="list-style-type: none"> Update ITT documents in response to review ITT finalised & signed off 	<ul style="list-style-type: none"> Report received Reviewed by officers
Sept 2017	<ul style="list-style-type: none"> Agree “client team” proposal Appoint JC Chairman 	<ul style="list-style-type: none"> Passive framework contract awarded 	<ul style="list-style-type: none"> Issue OJEU notice & ITT 	<ul style="list-style-type: none"> Report findings shared with bidders as part of tender process
Oct 2017			<ul style="list-style-type: none"> Deadline for ITT responses Evaluation commences 	
Nov 2017			<ul style="list-style-type: none"> Evaluation concludes Individual authorities agree to sign operator agreement 	
Dec 2017	<ul style="list-style-type: none"> Client team appointed and operational when contract is awarded 		<ul style="list-style-type: none"> Notification of award, pre-award meeting & contract signed 	
Jan 2018		<ul style="list-style-type: none"> Individual authorities to commit to framework by March 2018 £10bn expected to be under pool governance by March 2018 	<ul style="list-style-type: none"> Application to FCA for ACS & initial sub-funds 	









*It has been decided to carry out this analysis before the ITT is issued to give greater clarity to bidders on number and type of sub-funds to be established and supported

Next steps



Joint Governance Committee (JGC)

2017

2017 Procurements	Passive Manager	Operator
ITT issued		
Evaluation & Governance		
Award		
Passive transition		n/a
Operator commences	n/a	

Any questions ?

