Local Government Pension Scheme Pooling

Progress Report

October 2018

Participating Authorities

ACCESS is not a legal entity. Instead it is operating as a true collaboration between participating Authorities.

Cambridgeshire County Council

East Sussex County Council

Essex County Council

Hampshire County Council

Hertfordshire County Council

Isle of Wight Council

Kent County Council

Norfolk County Council

Northamptonshire County Council

Suffolk County Council

West Sussex County Council

ACCESS Pool objectives and principles

Participating Authorities have a clear set of objectives and principles, set out below, that will drive the decision-making and allow participating Authorities to help shape the design of the Pool.

Objectives

- Enable participating Authorities to execute their fiduciary responsibilities to Local Government Pension Scheme (LGPS) stakeholders, including scheme members and employers, as economically as possible.
- Provide a range of asset types necessary to enable those participating Authorities to execute their locally decided investment strategies as far as possible.
- Enable participating Authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision-making and control.

In order to achieve these objectives, the participating Authorities have established the following governing principles:

Principles

- The participating Authorities will work collaboratively.
- Participating Authorities will have an equitable voice in governance.
- Decision-making will be objective and evidence based.
- The Pool will use professional resources as appropriate.
- The risk management processes will be appropriate to the Pool's scale, recognising it as one of the biggest Pools of pension assets in the UK.
- The Pool will avoid unnecessary complexity.
- The Pool will evolve its approach to meet changing needs and objectives.
- The Pool will welcome innovation.
- The Pool will be established and run economically, applying value for money considerations.
- The Pool's costs will be shared equitably.
- The Pool is committed to collaboration with other Pools where there is potential to maximise benefits and minimise risk.

Implicit within the above Principles is the democratic accountability and fiduciary duty of the Administering Authorities. Whatever arrangements are made to discharge the statutory responsibilities of the Administering Authority, including any joint arrangements with other Administering Authorities, each Administering Authority retains ultimate responsibility for the fulfilment of its statutory duties.

Scale

Please state the estimated total value of assets owned by participating funds.

Assets within the pool – please state the total value of assets included in the transition plan for investment through the pool, with the valuation date.

Assets outside the pool – please state the value of assets not included in the transition plan for investment through the pool structure, with the valuation date and the rationale for retaining these assets outside the pool structure.

The table below shows the total value of assets owned by participating funds, the assets to be held under Pool governance and those that will permanently be held outside the Pool.

Authority	31.03.2015 £b	Current £b
Cambridgeshire County Council	2.3	3.1
East Sussex County Council	2.7	3.6
Essex County Council	4.9	6.8
Hampshire County Council	5.1	7.0
Hertfordshire County Council	3.5	4.6
Isle of Wight Council	0.5	0.6
Kent County Council	4.5	6.1
Norfolk County Council	2.9	3.7
Northamptonshire County Council	1.9	2.4
Suffolk County Council	2.2	2.7
West Sussex County Council	3.0	4.3
Total	**33.5**	**44.9**
Anticipated value of assets to be held under pool governance [1]	31.8	43.1
Anticipated value of assets to be held outside pool governance	1.6	1.8

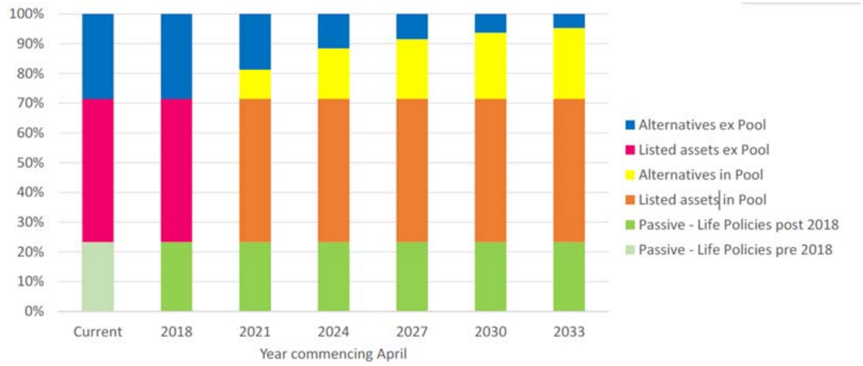
There has been no change to the proposed assets to be permanently held outside since the July 2016 Submission. The values have been updated in the table below.

[1] Subject to suitable Pool solutions being developed. Figure includes passive investment via Life Policies and existing illiquid asset programmes for alternatives, such as private equity, timberland, infrastructure, which will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned.

Outside of Pool	Current Value
Existing **direct property** allocations by four participating Authorities will be held outside the Pool due to their specific target requirements including target holding sizes and diversification, the significant cost implications from any transition and the evidence from the Project Pool analysis that increasing the direct property mandate size does not result in incremental costs savings.	£1,724m (3.8% of Pool assets)
A small illiquid **local investment** will be held outside the Pool until there is no longer a locally decided strategic case for retaining the investment for practical and efficiency reasons.	£76m (0.3% of Pool assets)
A level of **operational cash** will be required to maintain efficient administration of schemes and will be held outside the Pool. This will be reviewed by participating Authorities on a regular basis.	Variable

Please state the current transition plan, including: the sub-funds that are on offer and planned, with launch dates; progress on establishing these sub-funds; and timetable for transitioning assets;

The July 2016 anticipated the following movements into the Pool and this plan remains on track:



Passive investments of £11.1bn have already transferred to a single manager and are under pool governance.

Following successful negotiations on the terms of the first ACCESS sub-fund, the Operator is currently negotiating terms with Investment Managers to launch a further series of sub-funds between December 2018 to April 2019, which will collectively reflect the strategic asset allocation needs of participating Authorities and facilitate a significant move of assets to meet the Government's objective of reduced costs whilst maintaining investment performance.

In tandem with this, the Operator is consulting with the ACCESS Authorities on the design of Phase II sub-funds and external advisors have been engaged to assist the design of suitable building blocks across fixed income and equity allocations. Their recommendations are likely to support significant rationalisation of the existing range of mandates.

The table below reflects indicative movements into the Pool. The original proposal to Government estimated £27.2bn under Pool governance by 2021 which, based on current projections, will be exceeded (£40.9bn anticipated by 2021).

Asset Class	Timing	Status	Current Value	
			£bn	%
Passive	March 2018	Completed with contract awarded to UBS to bring assets under Pool governance	11.1	25
Listed active	October 2018	Phase 1 - First sub-fund	1.7	4
	December 2018	Phase 1 - Further sub-funds	7.5	17
	April 2019	Phase 1 - Further sub-funds	7.8	17
	By March 2021	Future Phase of further sub-funds	8.8	19
Alternatives [2]	From 2021	Overtime a Pool solution will be developed for new investments.	6.1	14
Alternatives ex Pool		Not included (existing direct property, local investment and operational cash)	1.8	4

Please explain how you will publicly and transparently report progress against your transition timetable.

The first sub-fund will be seeded from in-species transfers from existing investment mandates to the LF ACCESS Long Term Global Growth Investment Fund. It is anticipated that a similar efficient transition arrangement is also applied for all investments into Phase I sub-funds. In these scenarios, the cost associated with transition into the ACS is limited to re-registration of some individual securities in specific markets. This will mean that the transition costs will be minimal and the payback period should be short for those assets moved into the Pool.

As reported previously, it is the intention of the Pool to employ a specialist transition manager to assist in the implementation of future transitions into the Pool. As part of this service, the manager will be asked to prepare a pre and post trade analysis that will allow the Pool to compare actual and estimated costs and also compare these with the initial estimates provided in this submission. The Pool and participating Authorities will publish information in respect of progress against the indicative (or revised) timetable, when appropriate, on a publicly accessible website. However information around transition is commercially sensitive and this must be considered in any public updates.

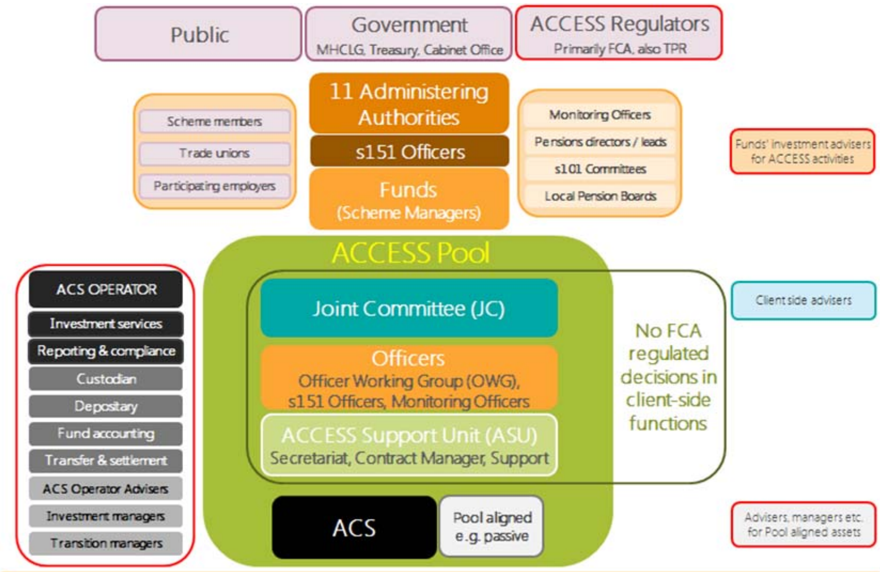
[2] Existing illiquid asset programmes will run off to avoid crystallising exit costs and loss of illiquidity premium and future investments may be made into a Pooled solution, if appropriate. .

Governance

Please provide an update on the governance arrangements and their current status, including: fund governance (i.e. joint committees or equivalent/related functions) – terms of reference, resources, key appointments, policies and procedures, accountability to elected members, external support/scrutiny; contract management resources, appointments policies and procedures.

Please provide an update on the relationship between the fund and the pool company, including: who makes what decisions (asset allocation, manager selection, custodian selection, etc and reporting and communications – to assure authorities that their investments are being managed appropriately by the pool company, in line with their stated investment strategy.

The diagram below illustrates the relationship of the various parties within the ACCESS pool and key parties within the governance arrangements are described in more detail on the following pages:



Administering Authority

As noted previously, each of the 11 Administering Authorities retains ultimate responsibility for the fulfilment of its statutory duties to maintain a Pension Fund and ACCESS has established protocols to ensure that there remains a clear democratic link through the governance structure adopted by the individual participating Authorities. As such, Administering Authorities will retain responsibility for the following decisions:

- Defining investment beliefs and strategic asset allocation decisions
- Determining policies in respect of responsible investment, rebalancing policy, voting and stock lending.
- Selecting ways of holding the pool to account (e.g. reviewing poor sub-fund performance)
- Determining the appropriateness of sub-funds and the timing of transitions

The ACS Prospectus has codified the management and valuation of units, accounting risk factors, fees, charges and expenses, the rights of unit holders and voting to provide full and transparent documentation, and each sub-fund will have the relevant investment objective, investment policy and risk management set out within the relevant schedules. Any changes to investment guidelines must be notified by the Operator and any breach of the investment objectives or restrictions must be notified to the Authorities and Joint Committee immediately and resolved. This will help assure authorities that their investments are being managed appropriately by the pool company, in line with their stated investment strategy.

The Joint Committee

The Pooling arrangements are underpinned by an Inter Authority Agreement (IAA) which was put in place in July 2017 and determines the relationship between each individual Pension Fund and the Joint Committee. Elected Members continue to be fully engaged in the Pooling initiative and all agendas, papers and minutes from their regular meetings are published on the Kent County Council website.

The ACCESS Joint Committee has been set up to undertake the following functions:

- Deciding, in consultation with the Authorities the specification of services and functions that the Operator will be required to deliver including the sub-funds and classes of investments required to enable each Authority to execute its investment strategy and keeping the performance of the Operator under review.
- Agreeing the method and process for the procurement and selection of the Operator.
- Making a recommendation to the Authorities as to the identity of the Operator and the terms upon which the Operator is to be appointed.
- Keeping the performance of the Operator under constant review.
- Making decisions about any other action to be taken to manage the Operator Contract including making recommendations to the Authorities on the termination or extension of the Operator Contract
- Appointing such professional advisers on such terms as it thinks fit.
- Deciding which tasks shall be performed by the ACCESS Support Unit (ASU) (formerly the Client Unit) and which Authority shall manage the (ASU) including the employment arrangements for employees in the ASU. Making recommendations to the Authorities on the strategic plan for transition of assets that are to become Pool Assets.
- Making recommendations to the Authorities about assets under pool governance (including proposals concerning the migration of investments, such as passive investments via life fund policies, to become Pool Aligned Assets),
- Making recommendations to the Authorities about the annual strategic business plan for the Pool and determining the budget necessary to implement the plan.
- Keeping the structures created by the Inter Authority Agreement under review from time to time and make recommendations to the Authorities about the future of the Pool, any changes to this Agreement and as to the respective merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the Authorities.

The clarity that this provides in respect of the pivotal role of the Joint Committee has been key to assist the Authorities with a collaborative approach to progressing the pooling agenda whilst ensuring a clear democratic link through the governance structure to the individual participating Authorities.

The Operator

In the context of the above, Link Fund Solutions has been appointed to provide a full range of Operator services for ACS and non-ACS investments including:

- Establishment of the ACS or other investment vehicles.
- Investment management services, ad-hoc manager searches in relation to Sub-Funds, Monitoring of investment managers' performance and performance measurement.
- Appointment of third parties including the Depositary and the Custodian.
- Compliance monitoring, production of management information and reporting and investment accounting.
- Safekeeping of assets in a range of global markets.
- Tax reclaims, trade settlement, corporate actions instruction and collection and Proxy voting facilitation and passive currency hedging.
- Implementation of third party transition management services, oversight of transition into and out of any Sub-Fund of the Scheme and ad-hoc transition advice.
- Advice and/or assistance on investment implementation such as exposure management using derivatives, currency hedging or other execution services.
- Providing training.
- Other asset administration services which may arise from time to time.

In providing the above services, the Operator will act in good faith and with due diligence and perform its obligations with the standard of skill, care and judgement that would be expected of a professional fund manager and Authorised Investment Fund Manager (AIFM)].

The contractual arrangement with the Operator provides clarity in respect of obligations, fees and charges and liabilities and is backed by very clear performance expectations and ultimately remedial steps for inadequate performance.

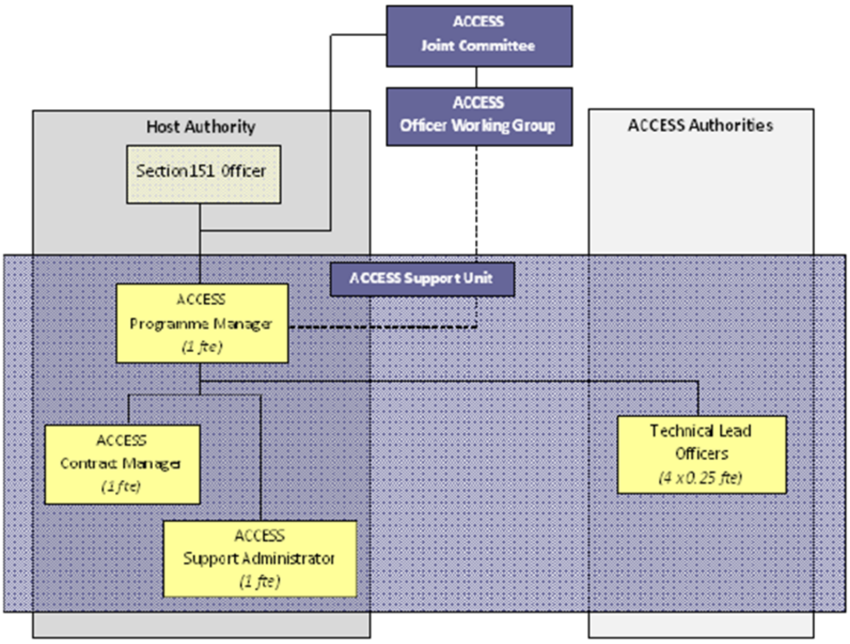
The ACCESS Support Unit (ASU)

The significance of the work in implementing the pooling arrangement and the critical importance of professional management of contracts with the third party Operator and other providers means that the Joint Committee has defined a Support Unit which is dedicated to driving the project forward and managing contractual arrangements with Link and others on behalf of the Joint Committee and participating Authorities.

Interim contract management, legal and technical advice (via Squire Patton Boggs, Hymans Robertson, Muse and others) has been fundamental to the success of the ACCESS Pool's work to date and has ensured effective and efficient arrangements with the Operator and within the Pool.

At their meeting on 11 June 2018 the Joint Committee approved the structure of the permanent ACCESS Support Unit (ASU) comprising a Programme Director, a Contract Manager, support administrator and technical lead officer support. Essex County Council has been agreed as the Host Authority for the full time permanent positions, and it is expected that the recruitment to the Support Unit will complete towards the end of 2018.

The diagram on the following page shows the intended structure of the ASU.



Please confirm that the pool company has signed up to the Scheme Advisory Board Code of Transparency.

Please set out how benchmarking will be used to assess governance and performance of the fund.

As reported previously Link, as Operator to the ACCESS Pool, has signed up to the Scheme Advisory Board Code of Transparency and has contractual obligations in place around compliance with the Local Government Transparency Code 2015, the Pension Fund Disclosure Code and the Financial Reporting Stewardship Code.

Full details of the reporting to be delivered by the Operator is included within the Spring progress report.

Risk management/contingency planning on both sides (e.g. how will changes in fund requirements be implemented, how will unsatisfactory performance be tackled) and key contract features (where relevant).

Fund Requirements

There is a strong reporting and control framework in place via the Operator Agreement to assure Authorities that their investments are being appropriately managed.

At the outset, in making its individual investment into the sub-fund a participating Authority is making its decision on the basis of full, transparent documentation via the Prospectus and its associated Schedules for each sub-fund.

Once an investment is made, the Operator will maintain its own records of the Scheme and transactions relating to the Scheme to enable it to assess at any date their nature and value.

In the event that the investment objectives or restrictions are breached, the Operator shall notify the Joint Committee or the relevant Administering Authority immediately. The Operator shall use its reasonable endeavours to correct or otherwise address such breach unless the Joint Committee agrees in writing to revise the investment objectives and restrictions.

Performance and Key Contractual Features

The Operator is required to provide monthly reports on the Key Performance Indicators (KPIs) and quarterly reports on other Performance Indicators (PIs).

In addition, the Operator is contracted to attend meetings with the Joint Committee and its advisers, to discuss its management and such other performance metrics in relation to the services.

Where there has been a failure by the Operator to deliver the services, or if an issue is raised about the standard of services or about the manner in which any services have been supplied or performed in connection with the performance of the Operator's obligations, the Administering Authorities shall be entitled to investigate and escalate any issues in accordance with the escalation procedure. Repeats of a previously resolved default will potentially be deemed as a material breach.

Reduced costs and value for money

The new CIPFA guidance on LGPS annual reports for 2018/19 should be followed in calculating costs and savings. The baseline should be March 2015 as set out in the guidance unless otherwise stated.

Please also include relevant assumptions and definitions and indicate to what degree costs are on a fully transparent basis in line with the Code of Transparency.

Please state your set-up costs

Please state your current annual running costs or fee to operator

Please state your costs for transition of assets including fees, tax, and other costs, to date and forecast of annual costs until transition is complete

Where possible please state your total annual investment costs and total expense ratio, including fees, transaction costs and custody

Please also state your estimate of savings to date and total expected costs and savings as set out in the table below. Please use the methodology for calculating fee savings set out on pp12-13 of the CIPFA guidance where possible.

Please also state in what year you expect to break even.

It is considered too early to report against the CIPFA guidance.

Set Up and Running Costs

ACCESS Authorities have been keen to ensure cost effectiveness through the establishment phase. Historic and current financial year costs are considered to be modest in the context of the overall project and it is important to note that no Operator costs have been incurred to this stage of the implementation.

The costs incurred to date have been shown below:

Item	2015/16	2016/17	2017/18	2018/19 Est
	£'000	£'000	£'000	£'000
Provision of services by advisers appointed by the Joint Committee including establishment costs (strategic and technical advice, legal advice and project management).			853	829
Provision of services to the Joint Committee by the Host Authority			18	21
Operation of the ACCESS Support Unit including recruitment			48	471
Any other services provided by a Council or third party which are considered by the Joint Committee to be the shared responsibility of the ACCESS Authorities - Other Costs			116	106
TOTAL	**27**	**948**	**1,036**	**1,427**

Transition Costs

There have not been any transition costs to date.

Actual or Anticipated Savings and Costs on Assets under Pool Governance

The original proposal estimated eventual savings of £33m per annum. This in part was based on estimated savings on passively managed equity of 7.4bps, passively managed fixed income of 2.3bps and actively managed equities and bonds of 5bps. Initial fee negotiations by the Operator indicate that the original estimates appear to be robust.

	Current Value	Savings (manager fees and tax) Per annum	Pooling Cost (Operator/ Depositary) Per annum	Net
Passively managed equities	£11.1bn	£5.1m (4.6 bps)	Nil	£5.1m (4.6bps)
Potential Phase 1 ACS sub-funds[3]	£16.3bn	£10.0m (6.1bps)	£3.9m	£6.2m (3.7bps)
Total	**£26.0bn**	**£15.1m**	**£3.9m**	**£11.2m**

It should be noted:

- Savings are a combination of the fees agreed by the Operator on each sub-fund and tax savings relating to unbundling previously pooled investments and increasing tax recoveries in the ACS structure. Savings are not necessarily spread equally and in some cases could represent an initial net cost increase for individual Authorities due to the combined manager fee savings and tax savings being less than the Operator running costs.
- Not included within the figures quoted above are the substantial savings between Autumn 2016 and the time that the fund manager fees were negotiated by the Operator. Therefore the figures included above are expected (in some cases) to understate the fee savings measured using the approach set out in CIPFA draft Guidance. Savings should also increase over time as assets within the Pool increase (due to the tapered cost structure on the ACS).
- The costs exclude investment transition costs which will be estimated as part of transition planning and measured post-transition.

Other benefits and other indicators – please state other benefits of pooling (realised or expected), as well as other indicators of progress (e.g. reduction in the aggregate number of mandates awarded by participating funds, examples of individual savings achieved through joint procurement of passive management or joint custodian).

It is also acknowledged that there are additional benefits of scale in addition to cost savings:

- **Access to managers**: Investment performance is central and can easily deliver greater benefits. Outperformance of 0.1% (10 basis points) is currently worth over £30m annually for the ACCESS Authorities. Going forward, the ACCESS Authorities will continue to focus on performance and will hold the Operator to account for selecting using the best available investment managers to deliver superior investment performance.

[3] Assumes all mandates in scope transition. .

- **Access to asset classes**: The economies of scale may allow smaller LGPS Pension Funds, or Funds with small investments or allocations, to benefit from the collective scale to invest directly in asset classes such as infrastructure – as well as lower costs of investing.
- **Diversification:** Funds with small investments or allocations can spread risk by utilising a greater number of managers.
- **Tax benefits:** By investing in segregated rather than via pooled vehicles participating Funds could benefit from an increase in tax reclaim potential by pooling assets under the ACS.

Benefits realisation – please explain your plan for achieving (and monitoring the achievement of) savings and other benefits of pooling, while at least maintaining overall investment performance.

ACCESS is delivering pooling benefits by:

- Collaborative procurement of a passive manager
- Appointing a regulated Operator company to set up a tax efficient ACS to pool ACCESS investments
- Rationalising investment mandates to achieve greater investment manager fee savings
- Tasking the Operator with investment manager fee negotiations and procurement of managers to deliver high performing managers and value for money
- Investigating and identifying the most cost effective access to alternative asset classes including UK and global infrastructure with risk-return profile to meet the needs of ACCESS authorities
- Strong pool governance maintaining a link to local democratic decision making and ensuring professional contract management
- Maintaining focus on investment performance, ensuring the Operator monitors performance carefully, reports to the ACCESS authorities and takes appropriate action to address performance issues

We will monitor benefits realisation by:

- Requiring regular reporting of investment performance and costs by the Operator (a contractual obligation on the Operator)
- Reviewing the performance of the Operator against the contract and agreed KPIs
- Reviewing progress against the ACCESS Business Plan on a regular basis."

Please confirm that all the administering authorities participating in the pool will apply the new CIPFA guidance when preparing their annual reports from 2018/19 in order to publicly and transparently report: set up and transition costs; fees and net performance for each asset class, with a comparison to a passive index for each listed asset class; and savings and other benefits of pooling

The Authorities confirm that they will adopt the CIPFA Guidance when it is published when preparing their 2018/19 annual reports. It is our understanding that this is still subject to consultation and will not be available until early 2019.

Infrastructure

Please state the current allocation to infrastructure at participating funds and how much is currently committed.

Please state the current ambition of the pool for infrastructure investment with timescale.

At the time of the July 2016 Submission the participating Authorities had £372m or 1.1% of total Pool assets invested in infrastructure assets. The figure has now increased to £670m, or 1.5% of total Pool assets.

The participating Authorities continue to believe that, in the long-term, there is potential for Authorities in the Pool to achieve asset allocation to global infrastructure investments comparable to similar sized international funds, at around 5%. The strategic decision to allocate to infrastructure, and the terms of that investment, will vary between the participating Authorities.

The position from each of the participating Authorities is included at Appendix A.

Please state how pooling has increased capacity and capability to invest in infrastructure, or is expected to, including: the platform/product/external manager arrangements that are being used or are intended to be used; and indicators of progress made to date (e.g. mandates awarded, specialist appointments at pool companies, examples of investments made).

The work plan to date has been focused on transitioning liquid assets into the pool but this has not been at the expense of proactive engagement with other Pools and infrastructure investment managers to understand the potential opportunities that collective scale can bring to facilitate investment in infrastructure. Hampshire County Council is an example of how the traditional fund approach has been re-considered to provide improved opportunity for investments.

Case study: Hampshire Pension Fund

Since 2014 the Hampshire Pension Fund has had a specific allocation to infrastructure investments - which now stands at 5% of the total Fund. Hampshire's Pension Fund Panel and Board keep the allocation to infrastructure under review as part of their consideration of the Fund's overall asset allocation, and regularly review the cash target for the infrastructure portfolio to ensure that this is in line with the overall value of the Pension Fund.

In order to build a portfolio of high quality infrastructure investments Hampshire has appointed a specialist external investment manager - GCM Grosvenor, who have the required skill, capacity and presence to source and assess global infrastructure investment opportunities.

The portfolio invests directly in primary infrastructure funds (50-80%), secondary funds (10-30%) and, in order to minimise costs and benefit from high quality assets, co-investments (10-30%). Hampshire's current portfolio includes 11 direct primary and secondary funds, managed by general partners including Antin, Equitix, IFM and Macquarie and six co-investments including roads, car parks, data centres and telecoms infrastructure.

Hampshire's allocation to infrastructure is on a global basis, in order to access the best opportunities, although between 10-40% can be invested in the UK. Up to 40% of the portfolio can be invested in social infrastructure, which includes financing housing developments for students, the military or residential. Currently a small proportion of the portfolio is invested in housing, including supported housing developments in the UK and student accommodation in the UK and

US. The portfolio does not have any limits for greenfield or brownfield development, 10% of the current portfolio is invested in greenfield development.

In the context of the ACCESS pool it is not possible to provide a timescale for infrastructure investment as any commitment will depend on participating Authorities' strategic asset allocation decisions and the availability of pooled vehicles offering suitable infrastructure investments that meet strategic investment needs.

Appendix A

Fund	July 2016 Target Asset Alloccation	Current Target Asset Allocation	
Cambridgeshire	5%	7%	The Cambridgeshire Fund has increased its allocation to infrastructure, recognising the diversification benefits and return expectations in line with the Fund investment targets.
East Sussex	2%	4%	The East Sussex Pension Committee continues to be a strong supporter of infrastructure. In 2007 it was one of the earlier UK LGPS funds to make significant investments in infrastructure via the M&G Infracapital and UBS Infrastructure funds, allocating in the region of £50m (3%) to dedicated projects globally including some in the UK including early stage smart metering, transport infrastructure, utilities and renewable energy projects. The overall Fund has grown substantially since the original allocations were agreed resulting in the actual allocation being a significantly smaller percentage of the Fund than originally targeted. As a consequence the Pension Committee has been keen that the allocation not only be maintained, but grown seeking the best value opportunities. To this end the East Sussex Pension Fund's allocation to Infrastructure was increased to 4% with a view to increasing this further post pooling. In 2017 the Pension Committee decided to replace the 2% allocation that was vacated by the wind up of M&G's Infracapital fund which ceased during 2017. The Committee agreed to a £42m (1.25%) commitment to both M&G's Infracapital fund III and the Pantheon Infrastructure fund III.

Essex	6%	10%	The Essex Pension Fund Investment Steering Committee (ISC) continues to be a strong supporter of UK infrastructure, not only for the benefit of members of the Fund, but also the UK economy. In 2007 it was one of the earlier UK LGPS funds to make significant investments in UK infrastructure via the M&G Infracapital fund, allocating in the region of £75m (2.5%) to dedicated UK and European projects including early stage smart metering, transport infrastructure and renewable energy projects. The overall Fund has grown substantially since the original allocations were agreed resulting in the actual allocation being a significantly smaller percentage of the Fund than originally targeted. As a consequence the ISC has been keen that the allocation not only be maintained, but grown by expanding the opportunity set to include global opportunities as well as UK infrastructure in all areas of the market to seek best value for members and diversify the Fund's exposure. To this end a further 4% was allocated to Partners Group. In 2015, the ISC agreed to a four year rolling commitment whereby further top ups to Partners Group allocation would be investigated when new funds are launched. In 2016 the ISC once again returned its focus to this asset class investigating various options including both greenfield and brownfield to replace the 2% allocation that was vacated by the wind up of M&G's Infracapital fund which ceased during 2017. In February 2017 following a full procurement exercise, the Committee agreed to a 1% (£75m) commitment each to both JPMorgan infrastructure and IFM Investors funds. Commitment to both funds were fully drawdown by the end March 2018. The infrastructure allocation targeted by the Fund was recently reviewed again following the outcome of the Asset Liability Study resulting in the decision by the ISC to further increase the infrastructure allocation from 6% to 10 %.

Hampshire	5%	5%	See case study example
Hertfordshire		3%	As part of the review of the Fund's investment strategy the Pension Committee decided to lock in its improving Funding level by diversifying away from growth assets and into defensive assets that match the future liabilities of the Fund. As part of this the Fund decided to make a 10% allocation to inflation sensitive assets such as PRS, infrastructure debt, and HLV. Behind this decision there was also an element of diversifying the asset class base further. The Fund has appointed two infrastructure debt managers with a total commitment of £150m. Investment will be through partnership agreements where the Fund are a co-investor with other investors. One of the infrastructure debt managers will be UK focused and the other manager will have a European bias. The Fund has also made commitments of 3% of the Fund value (£150m) to two Private Rental Sector (PRS) managers. Investment will be through a pooled fund and will be in the UK property market. The Fund is also looking at a further allocation of 3% of the Fund value (£150m) to High Leave Value (HLV) property.
Isle of Wight		0%	The Fund does not currently have any allocation to infrastructure, primarily due to the size of its total asset portfolio. The Fund is currently undertaking a detailed review of its investment strategy, and welcomes the opportunities provided by the ACCESS pool to be able to consider infrastructure as a potential asset class to fulfil its investment objectives. This is an example of a small fund which would not previously have had any opportunities to access infrastructure as an investment class, due to the size of available investment, but which has new opportunities opened up to it from the pooling agenda.

Kent	1.0%	3.5%	The Kent Fund considers that investment in Infrastructure provides access to investment opportunities not available through public markets, strong diversification benefits and a link to inflation due to government links in many contracts. As a long term investor, the Fund can exploit the illiquidity premium and increased infrastructure spending is driving demand for investors. In September the Kent Fund agreed to increase its strategic asset allocation to infrastructure from 1% to 3.5% of total fund value and to fund this investment from the redemption of listed equity investments. It is estimate that it will take some 5 years to achieve this level of holdings. The Fund's preference is for investment in a Global Fund rather than restrict to UK as it can invest in a wide range of infrastructure projects worldwide but does not have a preference between brownfield and greenfield investments. The Fund has a 1% allocation to residential property and has already committed funds to a UK Residential Property Fund. It views this investment as an opportunity to diversify its property portfolio exposure.
Norfolk		10%	Over the summer the Fund embarked on a process to evaluate and select infrastructure and real asset investment opportunities for its long term enhanced yield portfolio, mindful of finding commonality where possible with our ACCESS partners. The strategic aim of this portfolio is to provide long term returns in excess of inflation, where yield is a significant component of the target return. As part of this process the Fund has also reviewed opportunities from GLIL and the PIP. The eventual size of this allocation is 10% of total scheme assets (£350-400 million). The aim is to build a robust portfolio managed by up to five commercial partners.

Norfolk (cont.)			This is likely to include elements of global and UK core assets together with smaller exposures to other interesting value add opportunities around secondary and development exposure (build to core). The Fund is also evaluating timberland investment, which is included in the allocation. The Committee intends to make appointments to the portfolio this quarter and next. The PRS piece sits within our existing property allocation (12% of fund). The Fund does not consider housing to form part of the infrastructure allocation but has a small existing allocation to private rental (PRS) via an M&G pooled vehicle, at 30 June 2018 this was valued at £11 million.
Northamptonshire	0%	4%	The Northamptonshire Fund has made commitments to infrastructure during 2017, recognising the diversification benefits and return expectations in line with the Fund investment targets.
Suffolk	5%	5%	The Fund has invested in infrastructure to diversify a proportion of the equity allocation into alternative assets to capture the return premium on a range of asset classes, reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. In total the Fund has commitments across five different infrastructure funds totalling a further 4.4% of the fund bringing total commitment to the asset class of 7.2%. This over commitment is to accommodate both invested monies being returned, and the fund value rising, therefore achieving a targeted investment of 5%. We have a mixture of investments in close ended fund global funds, one green field fund, and one open ended Fund.
West Sussex		0%	The Pension Panel are considering a potential allocation to infrastructure as part of its strategic allocation review and following its decision to increase its allocation to 'income' assets. Infrastructure could provide the potential to access long dated cash flows that are linked in some way to inflation and would diversify the asset base.