

ACCESS

As Chairman of the ACCESS Joint Committee I am pleased to be introducing the first Annual Report for the ACCESS Pool. The Pool has made excellent progress during the year with just under £20 billion of assets pooled. £8.176 billion is invested directly in the Pool through Link Fund Solutions and the passive investments of £11.431 billion are invested on a pool governance basis.



I am grateful for the dedication and support from my fellow Chairmen on the Joint Committee, the officers from the ACCESS authorities and the staff of the Support Unit whose hard work and collaborative spirit has made such progress possible.

The pace of development for the Pool will continue during 2019-20, with further sub-fund launches planned throughout the year.

Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering 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 and West Sussex County Council in response to the Government's pooling agenda across the LGPS.

The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating within a clear set of objectives and principles that drives the decision making process.

Collectively as at 31 March 2019, the pool has assets of £46 billion serving 3,000 employers with over 1 million members including 290,000 pensioners.

Governance

The ACCESS Pool is not a legal entity in itself but is governed by an Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Officer Working Group and the ACCESS Support Unit (ASU).

The Officer Working Group are officers representing the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and technical support services. The permanent staff roles within the ASU are employed by the Host Authority (Essex) with additional technical support from Officers of the ACCESS Pension Funds.

The Section 151 Officers of each authority provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making on their individual Funds asset allocation and the timing of transfers of assets from each Fund into the arrangements developed by the ACCESS Pool.

The Operator

Link Fund Solutions Ltd has been appointed to provide a pooled operator service. Link is responsible for establishing and operating an authorised contractual scheme (ACS) along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies, and the appointment of the investment managers to those sub-funds.

Progress

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool and has regularly submitted progress reports to Government. These are all published on the Pool's website (www.accesspool.org).

Included in the proposal is an indicative timeline of when assets will be pooled and ACCESS has made excellent progress against the principal milestone of having £27.2 billion assets pooled and estimated savings of £13.6 million by March 2021.

Pooled Assets

As at 31 March 2019 ACCESS has pooled the following assets:

	£ billion
Passive investments	11.431
UK Equity Funds	2.323
Global Equity Funds	5.853
Total Pooled Investments	19.607

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an ACS.

Key milestones achieved in 2018-19

- Establishment of the ACCESS Support Unit and recruitment of a contract manager and support officer to provide day to day support for the Pool. The unit was further strengthened by the appointment of technical leads from existing officers to lead and progress specific areas of work.
- Development of a Governance Manual to reflect decision making principles, communications strategy, policies and procedures.
- Approval and launch of the first two tranches of sub-funds.
- Establishment and implementation of the stock lending programme.
- Providing updates of progress to Government and responding to consultations.

Objectives for 2019-20

Following the launch of a number of sub-funds, progress will continue a pace with significant rationalisation of the existing range of mandates. The Operator will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the Funds and facilitate a significant move of the assets to be pooled.

Whilst establishing and developing the ACCESS Pool, the initial focus has been on pooling the most liquid assets, mainly equities and fixed income bonds. The next step is to formulate an approach to pooling and managing illiquid assets such as private equity and infrastructure. This will involve reviewing various structures and platforms and assessing these to identify the best fit to meet with the Funds' current and future requirements.

Financial Management

Pool Set-Up Costs

The set-up costs incurred by the pool includes professional and legal advice received in relation to establishing the pool and procuring the operator, and advice and support in the development of good governance. A breakdown of the total costs from inception are as below. The costs are split equally amongst the 11 Funds.

	2015 – 2016	2016 – 2017	2017 – 2018
	£'000	£'000	£'000
Strategic & Technical Advice	38	295	281
Legal	1	95	313
Project Management	20	379	189
ACCESS Support Unit			3
Other	1	108	101
Total Set Up Costs	60	877	887

Fee Savings

The ACCESS pool has sought out fee savings based on economies of scale with investment mandates that have been set up as sub-funds by Link and by consolidating its passive investments with one investment manager. The management fee savings received by the pool are as overleaf:

	2015 – 2016	2016 – 2017	2017 – 2018	2018 – 2019	Total
	£'000	£'000	£'000	£'000	£'000
Set Up Costs	60	877	887	-	1,824
Ongoing Operational Costs	-	-	149	1,248	1,397
Transition Costs	-	-	-	674	674
Total Costs	60	877	1,036	1,922	3,895
Fee Savings	-	-	681	6,378	7,059
Net Savings Realised/(Costs)	(60)	(877)	(355)	4,456	3,164

Expected v Actual Costs and Savings

The table below compares the actual costs and savings for 2017-18 and 2018-19 to the Business case submission to MHCLG.

	2017 – 2018		2017 – 2018	
	Actual	Budget	Actual	Budget
	In Year	In Year	Cumulative to date	Cumulative to date
	£'000	£'000	£'000	£'000
Set Up Costs	887	800	1,824	1,400
Ongoing Operational Costs	149	-	149	-
Transition Costs	-	-	-	-
Total Costs	1,036	800	1,973	1,400
Pool Fee Savings	(681)	(950)	(681)	(950)
Net Savings Realised/(Costs)	(355)	(150)	(1,292)	(450)

	2018 – 2019		2018 – 2019	
	Actual	Budget	Actual	Budget
	In Year	In Year	Cumulative to date	Cumulative to date
	£'000	£'000	£'000	£'000
Set Up Costs	-	-	1,824	1,400
Ongoing Operational Costs	1,248	1,266	1,397	1,266
Transition Costs	674	2,499	674	2,499
Total Costs	1,922	3,765	3,895	5,165
Pool Fee Savings	6,378	3,800	7,059	4,750
Net Savings Realised/(Costs)	4,456	35	3,164	(415)

The original budget for setting up the ACCESS Pool was £1 million which was 0.3 bps based on the value of the Funds, £33.5 billion as at 31 March 2015. The Fund value has risen in the intervening years and 0.3 bps on the current value is £1.4 million. The additional expense has been incurred in securing technical and legal advice in setting up the Pool and procuring the Operator.

Ongoing operational costs were included in the submission at 1.5 bps of pooled assets excluding the passive investments. These are the costs for running the ACCESS Pool and include the costs of the support unit and professional and legal advice.

Significant additional savings have also been achieved through negotiating a reduction in investment management fees in pooled aligned investments. These savings have not been included in the table overleaf.

The ACCESS Pool has worked hard to minimise the costs of transition for pooled holdings. Transition costs for the passive investment mandate were met by the appointed investment manager.

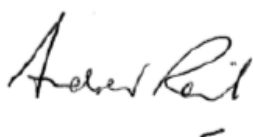
Environmental, Social and Governance

The Pension Funds in ACCESS believe in making long term sustainable investments whilst integrating environment and social risk considerations, promoting good governance and stewardship.

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

ACCESS acknowledges its responsibilities as an investor and has considered how environmental, social and governance issues can be taken into account when managing investment portfolios. It believes that the pursuit of standards of best practice aligns the interest of Fund members with those of fellow shareholders and with society as a whole.

The ACCESS pool has a single voting policy for pooled assets and seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies. The voting policy sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies.

A handwritten signature in black ink, appearing to read 'Andrew Reid', with a small horizontal line underneath.

Andrew Reid

Cllr Andrew Reid - Chairman, ACCESS Joint Committee