

Teresa Clay
Workforce, Pay and Pensions
Ministry of Housing Communities and Local Government
SE Quarter Fry Building
2 Marsham Street
London
SW1P 4DF

04/05/2018

Dear Teresa,

Spring Progress Update – Investment Reform

We are pleased to attach our update setting out the progress made by the ACCESS authorities to meet the Government's investment reform agenda.

We would like to highlight the following:

- In our July 2016 submission we indicated that **ACCESS authorities could benefit from eventual projected savings of £30m annually** (excluding any assumptions on asset growth). These estimates of savings remain consistent with current evidence.
- ACCESS authorities have appointed UBS to manage its passive mandates (approx. £11b). The **indicative saving of £5.2m per annum exceeds the estimated saving projection** of £4m per annum stated in our July 2016 submission.
- The ACCESS authorities have **appointed Link Fund Solutions (Link) as the pool's Financial Conduct Authority (FCA) authorised Operator**. The appointment means a significant shift in governance arrangements with the Operator responsible for selecting and contracting with managers on behalf of the authorities participating in the pool.
- With the procurement phase completed, the implementation phase of the project is in train and progressing well. **Link is preparing documentation for the FCA authorisation of an umbrella Authorised Contractual Scheme (ACS) and first sub-fund for submission in May 2018.**
- A key element of governance arrangements focuses on the **robust management of the Operator contract and the Operator** to ensure it is held to account by the administering authorities participating in ACCESS via the Joint Committee. ACCESS is also setting up the ACCESS Support Unit (ASU) which will manage the Operator contract against specified KPIs and provide technical and secretariat support services to the Joint Committee (JC) and Officer Working Group (OWG). Interim arrangements are already in place.
- The Pooling arrangements have been set up to ensure each administering local authority may **exercise proper democratic accountability and continue to meet fiduciary responsibilities.**
- The potential for greater savings in the longer term remains, as the ACCESS pool applies its **leverage as one of the largest asset pools in the UK** and collaborates with other pools to achieve further benefits of scale in investment management including new ways of investing in illiquid assets, in particular infrastructure.

- In addition to the savings in investment management fees due to the reduction in manager numbers and an increase in mandate size, there are **other tangible benefits from pooling including a governance dividend** (potential for reduced risk due to manager diversification achieved at pool level) and tax savings for funds moving from pooled funds to segregated mandates in the pool's tax transparent ACS. For some asset classes such as global equities tax savings alone are material relative to additional costs of implementing pooling.

If you have any other questions, please don't hesitate to get in touch. Otherwise we look forward to speaking with you on Thursday 10 May.



Cllr Andrew Reid,
Suffolk County Council
Chairman of the ACCESS Joint Committee



Cllr Richard Stogdon
East Sussex County Council
Vice-Chairman of the ACCESS Joint Committee



**Local Government Pension Scheme
Pooling**

Progress Report

May 2018

Progress report from

ACCESS

(A Collaboration of Central, Eastern & Southern Shires)

On behalf of



Cambridgeshire County Council



East Sussex County Council



Essex County Council

Essex County Council



Hampshire
County Council

Hampshire County Council



Hertfordshire County Council



Isle of Wight Council



Kent County Council



Norfolk 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

- 1 Enable participating authorities to execute their fiduciary responsibilities to Local Government Pension Scheme (LGPS) stakeholders, including scheme members and employers, as economically as possible.
- 2 Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.
- 3 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.

Therefore ACCESS has established governance to ensure that there remains a clear democratic link through the governance structure adopted, between the Pool's Joint Committee and Officers and the Pension Fund Committees of individual participating authorities.

Criterion A: Scale

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

Please state the total value of assets included in the transition plan for investment through the pool structure.

Please state the value of assets not included in the transition plan for investment through the pool structure and the rationale for retaining these assets outside the pool structure.

Within the July 2016 Submission (the Submission) the ACCESS Pool set out the value of assets of the authorities represented by the Pool based on asset values as at 31.3.2016. Audited values as at 31.3.2017 were included in the autumn progress report and have been updated in the table below.

The 31 March 2018 date has been used rather than 13 April 2018 as there will be no movement in assets during this period, and therefore the 31 March 2018 data is reflective.

Authority	31.03.2016 £b	31.03.2017 £b	31.03.2018 £b
Cambridgeshire County Council	2.3	2.8	3.0
East Sussex County Council	2.7	3.3	3.4
Essex County Council	4.9	6.0	6.5
Hampshire County Council	5.1	6.3	6.6
Hertfordshire County Council	3.5	4.2	4.4
Isle of Wight Council	0.5	0.5	0.6
Kent County Council	4.5	5.6	5.8
Norfolk County Council	2.9	3.5	3.6
Northamptonshire County Council	1.9	2.2	2.3
Suffolk County Council	2.2	2.6	3.0
West Sussex County Council	3.0	3.8	4.1
Total	33.5	40.6	43.2
Anticipated value of assets to be held under pool governance	31.8	39.0	39.4

There has been no change to the proposed assets to be permanently held outside since the Submission.

- Four of the participating authorities in the Pool have existing **direct property** allocations and each will hold these outside the Pool. Direct property portfolios have been built to specific target requirements and are designed to account for target holding sizes, to reflect the total portfolio size and achieve the required levels of diversification. To move these holdings to part of a bigger direct property portfolio would have significant cost implications, such as Stamp Duty Land Tax (SDLT), in order to reshape portfolios to meet new objectives which would be inconsistent with the value for money objective. In addition, the cost analysis shows that the direct property mandates are the most competitive in terms of value for money and Project Pool analysis showed that increasing direct mandate size does not result in incremental costs savings.
- One authority holds a small **illiquid local investment** that it intends to hold outside the Pool. The nature of this investment means that it would be impractical and inefficient to hold it inside the Pool. The investment is a joint venture with Cambridge University and will be held until there is no longer a locally decided strategic case for retaining the investment.
- Participating authorities need to manage their cashflow to meet statutory liabilities, including monthly pension payroll payments, therefore, a reasonable level of **operational cash** will be required to maintain efficient administration of schemes and would be held outside the Pool. This will be reviewed by participating authorities on a regular basis.

The values have been updated in the table below.

Outside of Pool	31.03.2016 values (£m)	31.03.2017 values (£m)	31.03.2018 values (£m)
Direct property	1,600 (4.8% of Pool assets)	1,523 (3.8% of Pool assets)	1,705 (3.9% of Pool assets)
Local investment	43 ¹ (0.1% of Pool assets)	55 (0.1% of Pool assets)	76 (0.2% of Pool assets)
Operational cash	Variable	Variable	Variable

In addition:

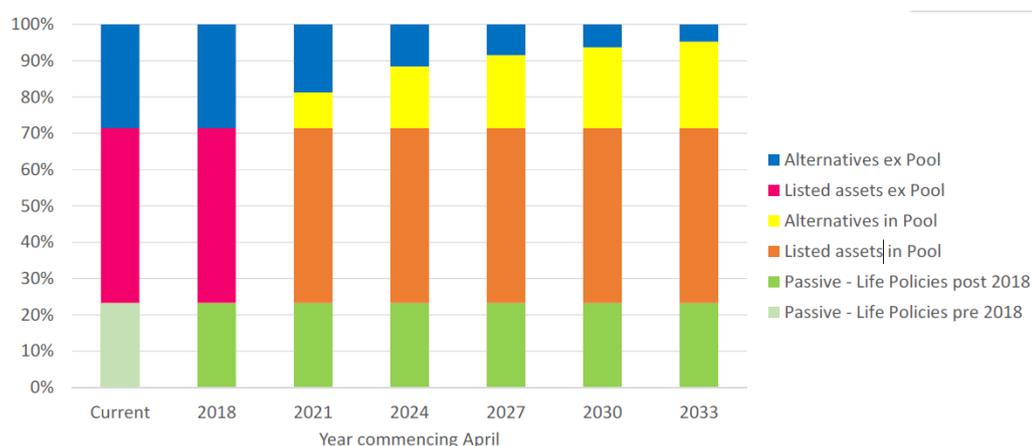
- **Passive investment** (via Life Policies) have already transferred to a single manager and are under pooled governance. This represents £11.1b at 31 March 2018 (£7.8b 31 March 2016).
- **Existing illiquid asset programmes** for alternatives, such as private equity, timberland, infrastructure, will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned. This represents £1.5b at 31 March 2018 (£1.7b 31 March 2016). Over time, a Pool solution will be developed for new investments.

¹ Asset value revalued for the 2016 Statement of Accounts from £17m (per July 2016 Submission) to £43m.

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

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

The July 2016 submission included the following chart illustrating the transition of assets into the Pool and with which ACCESS remains on course:



The table below reflects indicative movements into the Pool.

Asset class	Timing	Status	31.03.2018 values	
			£m	%
■ Passive	March 2018	Completed with contract awarded to UBS to bring assets under Pool governance	11,141	25.8
■ Listed active	July 2018 to March 2019	Phase 1 – 14 sub-funds agreed with Pool Operator.	23,984	55.5
■ Listed active	Completed by March 2021	Future Phases	5,771 ²	13.4
■ Alternatives	From 2021	Not included (existing direct property, local investment and operational cash)	2,284	5.3

² Includes all maturing existing investments are allocated to pool in the future

The intention of the Pool would be 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.

Assumptions

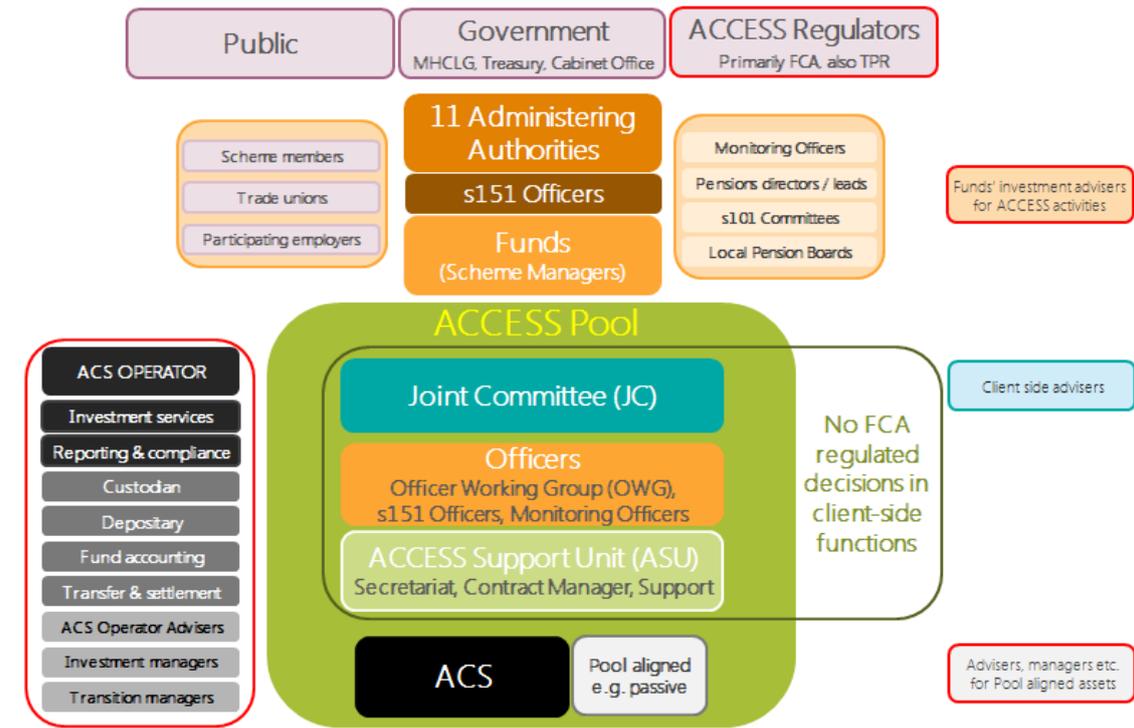
- Asset allocation remains unchanged
- No asset growth has been applied.

Criterion B: Governance

Please provide an update on the new governance arrangements established/planned 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 function etc.**

The diagram below sets out the overarching ACCESS governance arrangements.



The participating Authorities have appointed Link Fund Solutions (Link) as its Regulated Operator. Link will provide access to Financial Conduct Authority (FCA) Regulated Authorised Contractual Scheme (ACS).

The Inter Authority Agreement which determines the relationship between each individual Pension Fund and the Joint Committee has been ratified by each of the participating authorities. This sets out the Terms of Reference for the Joint Committee and the Officer Working Group.

Elected Members continue to be fully engaged in the Pooling initiative. The Joint Committee continues to meet regularly and all agendas, papers and minutes can be found on the Kent County Council website.

The Joint Committee has appointed a Chairman (Cllr Andrew Reid, Suffolk County Council) and Vice-Chairman (Cllr Richard Stogdon, East Sussex County Council).

In respect of external appointments:

- Squire Patton Boggs has been appointed as legal advisers to the Pool (via a commissioning arrangement with Hertfordshire County Council).

- Hymans Robertson LLP has been appointed to provide technical and project management support to the Pool (via a commissioning arrangement with Suffolk County Council).
- Muse Advisory has been appointed to assist with a review of the governance arrangements for the Pool (via a commissioning arrangement with Norfolk County Council).

Squire Patton Boggs and Hymans Robertson are also providing interim Contract Management arrangements to the ACCESS pool. This will ensure effective and efficient arrangements and help secure a single smooth and safe handover to 'Business as Usual' arrangements (once agreed and established). It has been agreed that these interim arrangements could be in place until October 2018.

With the assistance of Muse Advisory, proposals are being developed for the ACCESS Support Unit (ASU) to support the ongoing work of ACCESS. The ASU will provide the necessary contract management, project management, administrative and technical support required by ACCESS and will be resourced from the most appropriate mix of new appointments, external specialist resource and existing authority officers.

- **For those establishing their own pool company – legal structure, FCA authorisation, key appointments, sub-contracts, etc.**

N/A

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).**

The Operator is responsible for establishing and operating an Authorised Contractual Scheme ACS and other collective investment vehicles, and its key functions will be to establish investment sub-funds, and to appoint, manage and dismiss investment managers of those funds. The Operator is also responsible for the appointment of the Depositary but the appointment must be in a form acceptable to the Administering Authorities and include rights of action to the Administering Authorities in the event of any loss to the assets of the Scheme.

Subject to objectives and restrictions set out within the Operator Agreement, the Operator, acting on behalf of the Administering Authorities as agent, will have complete authority over the Scheme (with such reference to the Administering Authorities or Joint Committee as may be required) to act as the Operator judges to be appropriate for the management of the Scheme.

In this context, the ACCESS Pooling arrangement has been set up with the intention of enabling the Administering Authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers as economically as possible and to provide a range of asset types necessary to enable participating authorities to execute their locally decided investment strategies, as far as possible.

Notwithstanding the arrangements set out above, the LGPS Regulations provide that each of the administering authorities listed in Part 1 of Schedule 3 to the Regulations must maintain a pension fund within the LGPS and that each administering authority retains ultimate responsibility for the fulfilment of its statutory duties. Therefore, 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
- **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 Operator will act in good faith and with due diligence and perform its obligations under this Agreement with the standard of skill, care and judgement that would be expected of a professional fund manager and Authorised Investment Fund Manager (AIFM).

The Prospectus, which establishes the ACS, is largely regulatory and will apply to the ACCESS ACS. It will set out items such as buying and redeeming units, valuation and pricing frequency, fees and expenses, risk factors, management and administration and the winding-up of the ACS.

Each sub-fund will then have its own bespoke documentation appended to the Prospectus, which will set out the launch date, FCA authorisation, the Investment objective and policy, Investor type, whether stock lending will be utilised or not and charges.

In making its individual investment into the sub-fund a participating authority is making its decision on the basis of full, transparent documentation.

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.

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

The Operator is required to provide monthly reports on the Key Performance Indicators (KPIs) and quarterly reports on other Performance Indicators (PIs). Details can be found in the Appendices.

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.

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

The Operator Agreement requires that Link, on behalf of the participating Authorities:

- Provides advice on, managing, coordinating, overseeing and providing full cost transparency reporting on the transition of assets of the Pool (which may include liaising with third party managers and transition managers, and, potentially advising the Administering Authorities on the transition of their existing assets where required);
- Provides manager fee information, transaction cost analysis, etc. to ensure the Funds and Pool can adhere to the Code of Transparency for LGPS asset managers.

Under the Operator Agreement, Link must discharge its obligations having regard to the requirements specified in the Local Government Transparency Code 2015, the Pension Fund Disclosure Code and the Financial Reporting Stewardship Code.

Please explain the extent to which benchmarking will be used to assess governance and performance of the fund and the pool company

The Operator is required to provide monthly reports on the KPIs and quarterly reports on other PIs. Details can be found in the Appendices.

Criterion C: Reduced costs and value for money

Please state your best current estimate for implementation costs to date and in future years distinguishing set-up costs, transition costs and running costs as far as possible, with assumptions and definitions where relevant. Please indicate to what degree costs are on a fully transparent basis in line with the Code of Transparency.

- **Set-Up Costs to date**

The following costs were incurred during 2017/18.

Item	2017/18
	£'000
Provision of services by advisers appointed by the Joint Committee including establishment costs	
Strategic and Technical advice	256
External Legal advice	292
Project management	280
Financial and Taxation advice (Passive manager procurement)	5
Fund Mapping for undertaking the procurement of the Operator	20
Provision of services to the Joint Committee by the Host Authority	
Secretariat	18
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	
Operation of the ACCESS Support Unit	48
Insurance advice	10
Governance advice	79
Website	1
Transition Framework – Founder Cost	26
TOTAL	1,036
<i>Participating Authority's share of costs</i>	<i>94</i>

The costs for 2018/19 are anticipated to be in line with those incurred in 2017/18.

- **Transition Costs**

The anticipated transition plan and costs remain as predicted in July 2016. Therefore the assumptions from the July 2016 have been re-presented below.

In July 2016 it was suggested that depending on the proportion of assets traded (assumed to be between 30% and 70%), **total estimated transition costs for liquid assets are between 8bps and 19bps of the value of assets being traded.** This excludes (i) any market impact / opportunity cost in transition and (ii) the transition costs on property.

Assumptions

Asset class	UK Equity	Global equity	Fixed income – non traditional	Fixed income – traditional
Transition costs (bps)				
- Transition manager commission	2.0	2.5	7.4	7.4
- Spread cost	6.0	7.4	22.2	22.2
- Tax	25.0	7.7	0	0
- Total cost ex market impact	33.0	17.6	29.6	29.6

- UK equity tax cost assumes stamp duty not applied to assets on moving into Pool structure and applies only to traded asset purchases.
- Global equity cost assumes a split of 85% global developed and 15% emerging markets.
- Fixed income costs assume a split of 60% gilts / 40% corporate bonds as a proxy across traditional and non-traditional assets.
- Costs included for listed assets that the Pool expects to be traded only. For the purpose of the analysis some listed asset classes, such as Balanced, Diversified Growth Funds and Hedge Funds, would transition into the Pool with no costs required.
- Costs only include direct costs of transition and do not include the market impact or opportunity cost of the transition. This is a significant and highly variable element of the transition costs with cost ranges between +/- 15bps and 240 bps depending on the asset class, market and time period over which the transition is to be implemented.
- For illiquid assets, such as private equity and infrastructure, the assumption is that existing closed ended holdings will wind down and subsequent new allocations made within the Pool resulting in no additional transition costs.
- For property, the expectation is that participating authorities with direct holdings will maintain these outside the Pool, with no transactional costs. For the remaining property assets, the costs will depend on the eventual Pool solution, which is yet to be agreed. If there is a move from existing fund and fund of fund holdings to a broader managed fund approach it may be possible to retain the existing holdings with no additional costs. If the holdings need to be sold, or as part of the move to a more direct approach to investing there could be significant transaction costs which could be anywhere between 150-700bps.

Please state your best current estimate for investment cost savings to date and in future years, with assumptions and definitions where relevant.

The CIPFA post pooling reporting working group has recently agreed to recommend a draft baseline for reporting costs and savings arising from pooling of 31 March 2015. Please indicate what if any costs or savings before March 2015 are included.

Please also state your best current estimate for the date you will break even.

Where possible please also state total savings on management fees using the draft direct fee methodology presented to the CIPFA working group.

To date ACCESS authorities have made indicative savings of £5.2m per annum in relation to its passive assets.

The costs savings should be considered in the context of net of fees performance. Additional annual investment returns of only 10bps per annum (0.1% of assets per annum) on a £28.2b asset pool could deliver greater benefits than any potential cost saving on investment manager fees. Using the best available investment managers to deliver strong investment performance is therefore potentially even more important.

It should be noted that there will be significant differences between participating authorities and Pools in the savings proposed and achieved depending on where they start from (asset allocation, prevailing fees, current approach to accessing different types of assets, etc.).

Notwithstanding the above, anticipated fee savings predicted in July 2016 are consistent with the actual data to date. Therefore, the July 2016 assumptions have been re-presented below.

- Savings 1 assumes a saving on property assets based on a new managed account structure.
- Savings 2 assumes a more significant saving on property from moving to a more directly invested portfolio.

Asset class	Estimated savings (bps)	Rationale
Active equity	5	Current allocation has competitive fee base. Based on reduced number of mandates and increased manager mandate sizes of >£1b. Supported by indicative quotes provided by managers in Project POOL for mandates of this size.
Active fixed income – traditional	5	Current allocation has low fee base. Based on reduced number of mandates and increased manager mandate sizes. Supported by indicative quotes provided by managers in Project POOL for mandates of this size.
Active fixed income – non traditional	0	Limited potential saving given mix of current strategies and existing fee arrangements.

Asset class	Estimated savings (bps)	Rationale
Balanced	0	No savings assumed.
DGF / multi-asset	5 on DGF	Based on reduced number of mandates and increased manager mandate sizes. Supported by indicative quotes provided by managers in Project POOL for mandates of this size.
Property (direct)	0	Current allocation remains outside the Pool - no savings assumed.
Savings 1	32.8	Assume directly managed account containing pooled funds, tailored to meet needs of participating authorities. Removes fund of fund (FoF) fee layer and results in lower overall fee including underlying. Does not assume full move to direct fee levels.
Savings 2	62.8	Assume move away from a funds approach to a directly invested property portfolio. Reflects the scale of the property assets in the pool at over £1b.
Private Equity	39	Assume directly managed account containing pooled funds, tailored to meet needs of participating authorities.
Hedge Funds	5	Based on scale and negotiations. Supported by indicative quotes provided by managers in Project POOL for mandates of this size.
Infrastructure	35	Based on national platforms or equivalent. Supported by indicative quotes provided by managers in Project POOL and existing platforms such as Pension Infrastructure Platform (PIP).
Other	-	Small allocation with limited scope for savings.

Source: Hymans Robertson/ Project POOL

Assumptions

- Whilst the savings on listed assets look lower than those on alternative assets, given the relative size of assets under management, this analysis is consistent with the conclusions drawn by Hymans Robertson as part of their *LGPS Structure Analysis* report to the Department for Communities and Local Government (DCLG). This analysis showed that one of the greatest

potential for cost savings was through less expensive means of investing in alternative asset classes.³ This was corroborated by the findings of Project POOL.

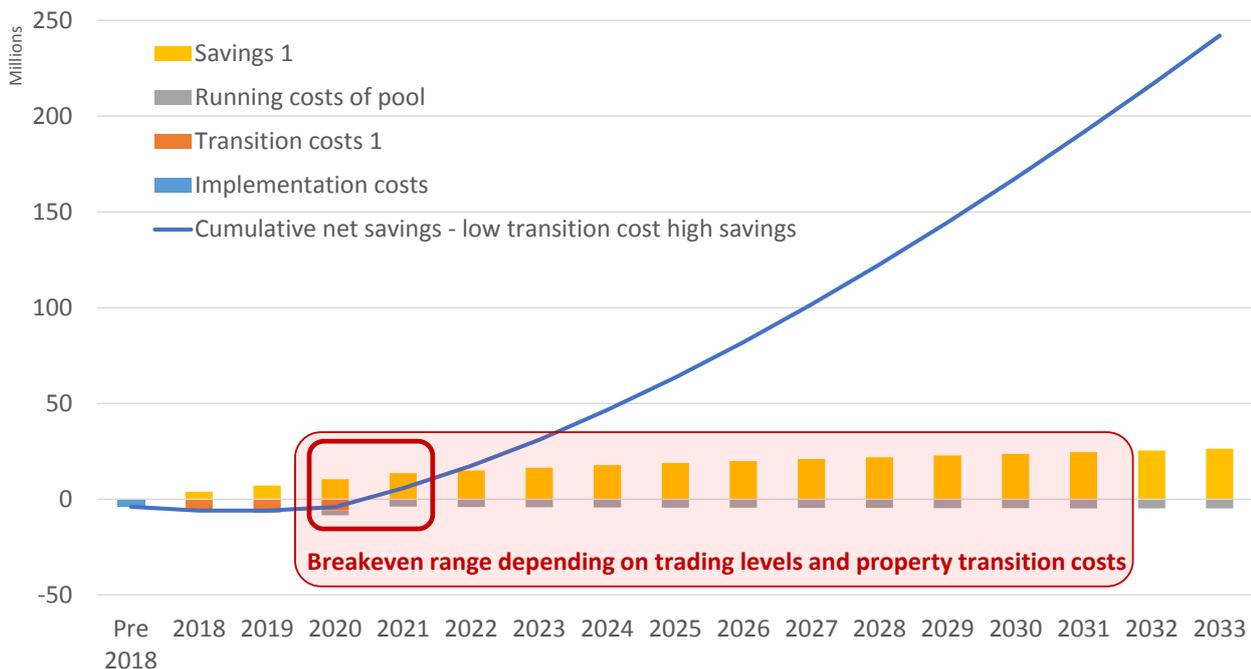
- These savings need to be offset against the additional costs of asset transition, establishment and running the Pool.
- Cash is not included in the figures below.

In respect of **break-even**, this will depend on implementation costs, the timing of new investment options being available within the Pool and building a full transition plan to manage the risk and costs related to the transition. However the analysis provided in the July 2016 remains representative of the current views and the breakeven point for the savings of the Pool exceeding the expected costs is between 2021 and 2024 as shown in the charts below.

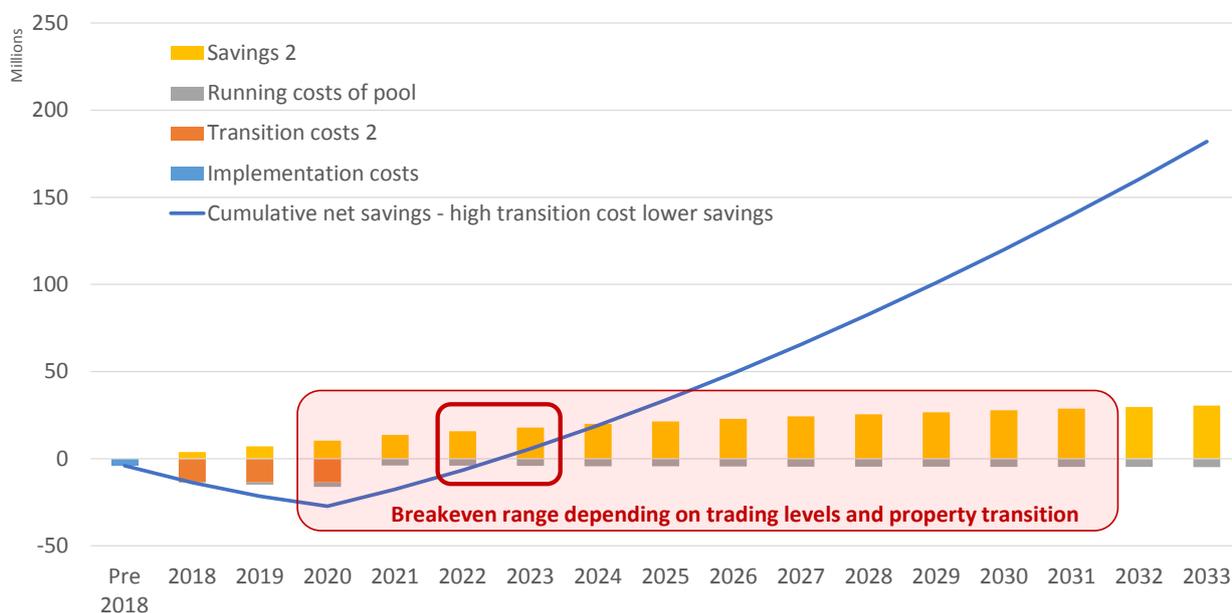
The cumulative net savings (blue line in charts below) are based on 2016 asset values and exclude (i) any market impact / opportunity cost in transition and (ii) the transition costs on property.

Depending on the agreed Pool solution, additional costs from transitioning property assets could push the breakeven point out by 2-8 years. This has been commented on as part of the assumptions. Additional costs related to market impact and implementation shortfall could have a similar impact on costs and the savings being achieved.

Scenario 1: Savings 1 and Transition Costs 1 (30% turnover)



Scenario 2: Savings 2 and Transition Costs 2 (70% turnover)



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 e.g. through joint procurement of passive management or joint custodian)

In respect of assets which are managed within the ACS structure, it is anticipated that the Operator, on behalf of the ACCESS pool, will establish 25-35 sub-funds – the majority of which should be single manager. This would necessarily require a rationalisation of fund manager arrangements versus those currently in place.

UBS Global Asset Management have been appointed to manage £11.b of participating Authorities passive assets (which will be held outside the ACS but within Pool governance, in Life Policies on jointly negotiated Pool terms). The transition to the UBS Global Asset Management funds was completed in March. This has resulted in estimated savings of £5.2m per annum (or 72% compared to the 2015 cost benchmark).

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 using the best available investment managers to deliver superior investment performance.
- **Access to asset classes:** The economies of scale may allow smaller LGPS Pension Funds, or Funds with small investments or allocations, may be able 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.

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

The Operator is required to provide advice on, manage, coordinate, oversee and provide full cost transparency reporting on the transition of assets (which may include liaising with third party managers and transition managers). Further details can be found in the Appendices.

The public reporting of this information will comply with the CIPFA Guidance and Scheme Advisory Board (SAB) Reporting requirements.

Please explain how you will publicly and transparently report:

- **transition costs against forecasts**

The Operator is required to provide advice on, manage, coordinate, oversee and provide full cost transparency reporting on the transition of assets (which may include liaising with third party managers and transition managers). Further details can be found in the Appendices. The public reporting of this information will comply with the CIPFA Guidance and SAB Reporting requirements.

- **fees and net performance for each asset class, with a comparison to a passive index for each listed asset class**

The Operator will provide monthly reports setting out valuations and the investment manager performance of all investments. Further details are in the Appendices. The public reporting of this information will comply with the CIPFA Guidance and SAB Reporting requirements.

- **savings and other benefits of pooling against forecasts**

The public reporting fee information will comply with the CIPFA Guidance and SAB Reporting requirements.

Criterion D: Infrastructure

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

At the time of the July 2016 Submission the participating authorities had £372m or 1.1% of total Pool assets invested in infrastructure assets. At 31.3.2017, this figure had increased to £490m, or 1.2% of total Pool assets and is now £565m, or 1.3% of total Pool asset.

Hertfordshire have recently made an allocation to infrastructure and the target allocations across the Pool have been set out below.

Fund	Target Asset Allocation 31.03.2018
Cambridgeshire	5%
East Sussex	4%
Essex	6%
Hampshire	5%
Hertfordshire	3%
Kent	1%
Suffolk	5%

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

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 to levels comparable to similar sized international funds, at around 5%. The allocation will vary at individual fund level. This potential is predicated on a vehicle, or vehicles, being able to deliver improved access to the appropriate type of global infrastructure investment, at a lower cost than at present and which meets the objectives of the underlying investors.

It is not possible to provide a timescale for ambition for infrastructure investment as any commitment will depend on participating authorities' strategic asset allocation decisions.

Please explain 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**

The ACCESS Pool is continuing to participate in discussions regarding a longer term solution for infrastructure investment such as the establishment of a national vehicle through which participating authorities could allocate to specialist infrastructure.

ACCESS is committed to continuing to work with all the other Pools (through the Cross Pool Collaboration Infrastructure Group) to progress the development of collaborative

infrastructure initiatives that will deliver improved access to the appropriate type of global infrastructure investment as well as UK infrastructure and be available to all Pools.

- **indicators of progress made to date (e.g. mandates awarded, specialist appointments at pool companies, examples of investments made)**

N/A

Appendix 1 – Reporting Requirements

Holdings

Requirements	Frequency	Deadline	Description
Summary Valuation	Monthly	11 Business days	Summarised version of Detailed Valuation report
Market Value Reconciliation Summary	Monthly	11 Business days	Reconciliation of Investment Manager and Custodian valuations
Detailed Valuation	Monthly	11 Business days	Portfolio Valuation by ISIN / sedol including nominal, cost price, MV, native value, URG split by price/FX. Geographical split between UK and OS
Statement of Change in Book cost	Monthly	11 Business days	Reconciliation of Book Cost between opening and closing position
Changes of Investment reconciliation	Monthly	11 Business days	Reconciliation of Market Value between opening and closing position
Asset Detail by Sector and Industry	Monthly	11 Business days	Valuation of assets categorised by sector/industry
Change in Cash Statement	Monthly	11 Business days	Reconciliation of Cash between opening and closing position
Asset Level Determination	Annual	11 Business days	List detailing the fair value hierarchy level assigned to each asset (to comply with Code of Practice & CIPFA guidance)

Transactions

Requirements	Frequency	Deadline	Description
Transaction Summary	Monthly	11 Business days	Summarised version of Transaction Statement report
All Transaction Statement	Monthly	11 Business days	Detailed listing with trade/settlement date, nominal, ccy, charges, etc
Purchases	Monthly	11 Business days	Detailed listing with trade/settlement date, nominal, ccy, charges, etc
Sales	Monthly	11 Business days	Detailed listing with trade/settlement date, nominal, ccy, charges, etc
Transaction Cost Report	Monthly	11 Business days	Detailed listing showing costs associated with transactions
Expenses Cost Report	Monthly	11 Business days	Detailed listing showing costs associated with expenses
Outstanding settlements	Monthly	11 Business days	List of all deals with trade date prior the month end but not yet settled
Foreign Exchange - Pending	Monthly	11 Business days	List of open FFX
Foreign Exchange - Settlements	Monthly	11 Business days	List of deal close during the period with detail of realised result
Foreign Exchange rates	Monthly	11 Business days	List detailing the FX rates from local currencies to GBP as at specified dates.
Contributions Withdrawals	Monthly	11 Business days	List of capital injection/withdrawals and inter-fund transfer
Corporate Actions	Monthly	11 Business days	List of all corporate actions booked during the period
Reconciliation of Cash	Monthly	11 Business days	List of all corporate actions booked during the period
Cash Transactions	Monthly	11 Business days	List of all cash movements during the period including trade/income/expense settlement

Income

Requirements	Frequency	Deadline	Description
Summary of Income Receivable	Monthly	11 Business days	Summary of all outstanding dividend/coupon detailing stock, ex/due, nominal, rate, gross, net tax, expenses by ISIN
Summary of Income Received	Monthly	11 Business days	Summary of all settled dividend/coupon detailing stock, ex/due, nominal, rate, gross, net tax, expenses by ISIN
Income Received	Monthly	11 Business days	List of all settled dividend/coupon detailing stock, ex/due, nominal, rate, gross, net tax, expenses by ISIN
Income Receivable	Monthly	11 Business days	List of all outstanding dividend/coupon detailing stock, ex/due, nominal, rate, gross, net tax, expenses by ISIN
Income Earned	Monthly	11 Business days	List of all income due: dividend/coupon detailing stock, ex/due, nominal, rate, gross, net tax, expenses by ISIN
Fixed Deposit Interest Received	Monthly	11 Business days	List of Deposit matured during the period and Interest received

Expenses

Requirements	Frequency	Deadline	Description
Expenses	Monthly	11 Business days	Summary of expenses paid broken between custody/market expenses, Mgmt fees or pooled fund expenses
Commissions Broker Cost Report	Monthly	11 Business days	Detailed listing showing costs associated with commissions and stamp duty

Tax

Requirements	Frequency	Deadline	Description
Tax reclaim status summary	Quarterly	11 Business days	Report of outstanding tax summarised by reclaim stage (under preparation, documentation required, submitted etc. and aged)
Tax Applicable to Div Int Income All Markets	Ad-hoc	11 Business days	Current dividend and interest tax rates (full, custodian and reclaimable) across all markets
Tax Received Detail	Quarterly	11 Business days	List of all received reclaims detailing reclaim date, transaction, amount in local and base, fx rate
Tax Reclaim Analysis	Quarterly	11 Business days	Reclaim detail by aged analysis

Securities Lending

Requirements	Frequency	Deadline	Description
Value of stock on loan	Daily	Next business day	Value of stock on loan
Collateral Exposure	Daily	Next business days	Report detailing borrower, loan value, collateral, loan vs collateral %. Further split by loan/collateral asset/country.
Loan Balance vs Income	Monthly	11 Business days	Report detailing gross daily P&L, ave daily P&L and ave book value in fund currency, split by asset class
Settlement/ Input Activity	Monthly	11 Business days	Detail of new loan, return of loan including trade ref, fund minor/major name and code
Portfolio Utilisation	Monthly	11 Business days	Report showing total/lendable holding, ave loan balance
Stock lending income	Monthly	11 Business days	Statement showing income & split between custodian and Pension Fund

ONS Reporting

Requirements	Frequency	Deadline	Description
ONS I & E Report - Quarterly	Quarterly	11 Business days	Report categorised as per ONS return format
ONS T & B Report - Quarterly	Quarterly	11 Business days	Report categorised as per ONS return format
ONS Balance Sheet Report	Annually	11 Business days	Report categorised as per ONS return format

Proxy Voting

Requirements	Frequency	Deadline	Description
Proxy voting report	Quarterly	11 Business days	Report detailing all voting opportunities, and details of all votes cast by Fund Managers

Financial Reporting

Requirements	Frequency	Deadline	Description
Quarterly financial accounts for investments	Quarterly	11 Business days	Quarterly accounts to comply with the Code of Practice and CIPFA guidance
Annual financial accounts for investments	Annual	11 Business days	Annual accounts to comply with the Code of Practice and CIPFA guidance
Reconciliation of investment movements	Monthly	11 Business days	Reconciliation of opening and closing investment values with sales, purchases and changes in market value based on SORP reporting

Performance Measurement

Requirements	Frequency	Deadline	Description
Market Background	Monthly Quarterly	13 Business days	Charts showing the % return of the major markets (quoting index used) over past quarter, 1 year, 3 years, 5 years.
Total Fund value reconciliation	Monthly Quarterly	13 Business days	Table summarising the change in Total Fund value (analysed by portfolio) over the past quarter, including total values of transactions, capital gain/loss and income in the period.
Total Fund returns	Monthly Quarterly	13 Business days	Chart showing Total Fund % returns versus customised benchmark returns (and relative return) for past quarter, 1 year, 2 years, 3 years and 5 years and since inception.

Requirements	Frequency	Deadline	Description
Detailed analysis of latest quarter performance	Monthly Quarterly	13 Business days	Charts showing the relative performance of Total Fund over last quarter versus customised benchmark, attributable to asset allocation & stock selection (each further analysed by impact of asset class)
Long term performance analysis	Monthly Quarterly	13 Business days	As per 'Detailed analysis of latest quarterly performance' but showing the quarterly history for the past 3 years, plus annualised figures for 1 year, 2 years, 3 years and 5 years and since inception.
Summary of manager performance	Monthly Quarterly	13 Business days	Performance of each manager's total portfolio versus their customised benchmarks, with their relative returns, for the past quarter, 1 year, 2 years, 3 years and 5 years and since inception.
Quarterly returns	Monthly Quarterly	13 Business days	Chart of quarterly relative returns % over past 3 years
Annualised rolling returns	Monthly Quarterly	13 Business days	Chart of annualised rolling 1, 3, 5 and 10 year returns %, displayed on quarterly basis (detailing fund returns, customised benchmark returns and relative risk).
Rolling risk	Monthly Quarterly	13 Business days	Chart of rolling 1, 3, 5 and 10 year relative risk %, displayed on quarterly basis (detailing relative risk and information ratio)
Performance summary - manager attribution	Monthly Quarterly	13 Business days	Table detailing the portfolio and benchmark % returns for the last quarter, and the relative performance attributable to Strategic Allocation and Manager Contribution.
Performance summary	Monthly Quarterly	13 Business days	Table detailing the portfolio and benchmark % returns for past quarter and annualised for 1 year, 2 years, 3 years and 5 years and since inception. Including Administering Authority defined sub-totals (e.g. by asset class) and customisable Administering Authority benchmark
Manager attribution	Monthly Quarterly	13 Business days	Table detailing the relative performance of Total Fund over last quarter versus customised benchmark; attributable to Strategic Allocation and Manager Contribution (each further analysed by manager portfolio).

Performance Measurement - Against Peer Group

Requirement	Frequency	Deadline	Description
Long term performance returns (quarterly)	Monthly Quarterly	13 Business days	Charts showing relative performance of Total Fund over each quarter versus Local Authority benchmark (including rankings against peer group) for past 3 years, including performance attributable to asset allocation & stock selection for each quarter. Also annualised figures for 1 year, 3 years & 5 years.
Summary of long term returns (quarterly)	Monthly Quarterly	13 Business days	Table detailing Total Fund % returns at asset class level (each with corresponding ranking against the peer group) on quarterly basis for past 3 years. Also annualised figures for past 1 year, 3 years, 5 years, 10 years
Long term performance returns (annually)	Monthly Quarterly	13 Business days	Charts showing relative performance of Total Fund for each year versus Local Authority benchmark (with rankings against peer group) for past 10 years, including performance attributable to asset allocation & stock selection for each quarter. Also annualised figures for 3 years, 5 years & 10 years.
Summary of long term returns (annually)	Monthly Quarterly	13 Business days	Table detailing Total Fund % returns at asset class level for each year (each with corresponding ranking against the peer group) for past 10 years. Also annualised figures for past 3 years, 5 years & 10 years.

Control

Requirements	Frequency	Deadline	Description
Auditor reports	Annual	13 Business days	Auditor reports on the operator and sub funds invested in
External Assurance control reports	Annual	13 Business days	External Assurance Reports for operator, custodian, depositary, sub funds and Managers.
Fee Transparency	Quarterly	13 Business days	Fee information in line with the SAB transparency code when released.

Appendix 2 – Services

SERVICES

1 SERVICES

- 1.1 Services including but not limited to:
- (a) Investment management services.
 - (b) Establishment of the ACS.
 - (c) Appointment of third parties including the Depositary and the Custodian.
 - (d) Compliance monitoring.
 - (e) Production of management information and reporting.
 - (f) Online reporting.
 - (g) Providing training.
 - (h) Tax reclaims.
 - (i) Other asset administration services which may arise from time to time.
 - (j) Safekeeping of assets in a range of global markets.
 - (k) Trade settlement.
 - (l) Corporate actions instruction and collection.
 - (m) Proxy voting facilitation.
 - (n) Investment accounting.
 - (o) Performance measurement.
 - (p) Passive currency hedging.
 - (q) Oversight of transition into and out of any Sub-Fund of the Scheme.
 - (r) Adhoc manager searches in relation to Sub-Funds.
 - (s) Adhoc transition advice.

2 ANCILLARY SERVICES

- 2.1 Ancillary Services including but not limited to:
- (a) Provision of equivalent services to those set out in paragraph 1 above in relation to Non-Scheme Investments and non-UK collective investments.
 - (b) Advice and/or assistance on investment implementation such as exposure management using derivatives, currency hedging or other execution services.
 - (c) Monitoring of investment managers' performance.
 - (d) Implementation of third party transition management services.
- 2.2 These Ancillary Services will form part of this Agreement following the completion of the Change Control Procedure.

3 SERVICE LEVELS

Service Description	Service Standard	Frequency
Establishment		
Initial establishment management meeting.	Attendance at an initial meeting to discuss the key deliverables for the project, including the provision of a detailed project plan and the establishment of the governance requirements in relation to Schedule 8 (Contract management).	Within two weeks of the Effective Date.

Service Description	Service Standard	Frequency
Attendance at planning and implementation meetings.	Attendance by appropriate personnel (in person) and the Operator's advisors (as required) at a location in London at planning and implementation meetings. Including providing documentation and presenting information as determined by the Administering Authorities from time to time	As required during the establishment phase, including weekly updates of progress towards an agreed project plan.
Production of first draft FCA application documentation.	Production of required draft application documentation for review by the Administering Authorities.	Within two months from the Effective Date.
Submission of FCA application to establish and operate an ACS.	Submission of application to the FCA to establish and operate an ACS.	Within two months from the Effective Date.
FCA authorisation of an ACS.	Ongoing processing of the application for authorisation from the FCA to establish and operate an ACS exclusively for the Administering Authorities and development of an initial Sub-Fund range.	Within six months from the Effective Date.
Sub-Fund management		
Ascertain requirements for Sub-Funds.	Liaise as necessary with the Administering Authorities including face to face meetings in London or on site at the Operator's offices.	As required
Establishment and ongoing management of Sub-Funds.	<ul style="list-style-type: none"> • Participate in discussions regarding practical considerations in relation to the design and establishment of Sub-Funds to rationalise existing manager structure and facilitate implementation of individual fund investment strategies; • Provide advice on, manage, coordinate, oversee and provide full cost transparency reporting on the transition of assets (which may include liaising with third 	Ongoing and as required.

Service Description	Service Standard	Frequency
	party managers and transition managers); <ul style="list-style-type: none"> • Proactively engage in discussions regarding the performance of all underlying managers with the Joint Committee (and Administering Authorities) and its advisors following delivery of the monthly performance reports or as required. In particular, provide advice on and practical solutions as to the management of any Sub-Fund under performance; and • Liaise with the Administering Authorities' advisors as necessary. 	
Market searches		
Whole of market searches.	Provide whole of market searches for fund managers within agreed timeframes.	On request.
Reporting and valuations		
Reporting on KPIs, PIs and Monitoring Metrics.	Providing reports in relation to KPIs, PIs, Monitoring Metrics and appointed third parties including, at a minimum adherence with regulatory requirements including delivery of reporting requirements and maintenance of an actions log.	Monthly and quarterly, as required.
Reporting on Investment manager valuations and performance of the Scheme and Non-Scheme Investments.	In line with the reporting requirements set out in Annex 1 of Error! Reference source not found. or as required by the Administering Authorities.	In line with the reporting requirements set out in Annex 1 of Error! Reference source not found..
Accounting reports/valuations.	In line with the reporting requirements set out in Annex 1 of Error! Reference source not found..	In line with the reporting requirements set out in Annex 1 of Error! Reference source not found..

Service Description	Service Standard	Frequency
Online reporting systems.	Ensure access to valuation and performance data via online reporting systems.	Daily access.
Engagement with the Administering Authorities' and Scheme's officers, auditors and client nominated stakeholder.	Ensure satisfactory timely provision of audited performance data ONS reporting and valuations in line with Error! Reference source not found. and any other data such as cost information required for external reporting.	When required.
Maintenance of pricing of assets/units, publish prices, issue/redeem units.	In accordance with the FCA Handbook on Collective Investment Schemes (COLL).	As required by COLL.
Report on personnel changes including Controlled Functions.	The Operator is required to submit a written report to the Administering Authorities and the Joint Committee of any change that might impact the management of the LGPS Funds' assets or the relationship with the Administering Authorities.	This report should be submitted as soon as the change is known or could be expected.
Provide educational training to members and officers of each Administering Authority on the delivery of the Services and the risks of such service delivery.	Facilitate training days covering the Services, including provision of training slides and other materials as necessary.	Twice per annum.
Attendance at monthly meetings.	Attendance by phone at meetings with appropriate representatives (to be determined by the parties).	Monthly.
Attendance at quarterly review meetings.	Attendance by appropriate personnel and the Operator's advisors (as required) at separate quarterly meetings in person at a location in London with the: <ul style="list-style-type: none"> • Officer Working Group; and • Joint Committee. Attendance at these meetings will include providing documentation and presenting information as determined by the Administering Authorities/the	Quarterly with the Administering Authorities.

Service Description	Service Standard	Frequency
	Joint Committee or the Officer Working Group from time to time.	
Attendance at annual meetings of the Administering Authorities.	Attendance by appropriate personnel and the Operator's advisors (as required) in person at a location in London including providing documentation and presenting information as determined by the Administering Authorities from time to time.	Annually, as required.
Engage with the governance groups of the Administering Authorities.	Engage with the Joint Committee and Administering Authorities' officers (as required) and any other governance groups and consult them on their needs.	As required.
Third party management		
Third party management.	The Operator will be responsible for the effective management and monitoring of sub-contractors including but not limited to the Depositary, Custodian and any other service provider in respect of the Scheme and Non-Scheme Investments. Including reporting on due diligence prior to appointment of any third party and testing quality and costs.	At least every three years.
Ancillary Services		
Establishment of other UK collective investment vehicles	To the extent that there are assets available that are not appropriate to be held within an ACS, the Operator may be required to establish other UK collective investment vehicles. If this service is requested the Operator will provide equivalent service.	As required – to be agreed.
Establishment of non-UK collective investment vehicles	The Administering Authorities reserve the right to request that the Operator provides equivalent services to those set out in this Agreement in relation to non-UK collective investment vehicles.	As required – to be agreed.

