



ACCESS

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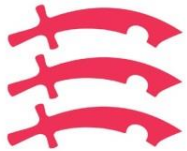
**A Collaboration of Central,
Eastern & Southern Shires**

17 February 2016

Scale

	Authority £m	Cumulative £m
Cambridgeshire County Council	2,268	2,268
East Sussex County Council	2,740	5,008
Essex County Council	4,906	9,914
Hampshire County Council	5,111	15,025
Isle of Wight Council	483	15,508
Kent County Council	4,515	20,023
Norfolk County Council	2,930	22,953
Northamptonshire County Council	1,850	24,803
Suffolk County Council	2,193	26,996
West Sussex County Council	2,964	29,960

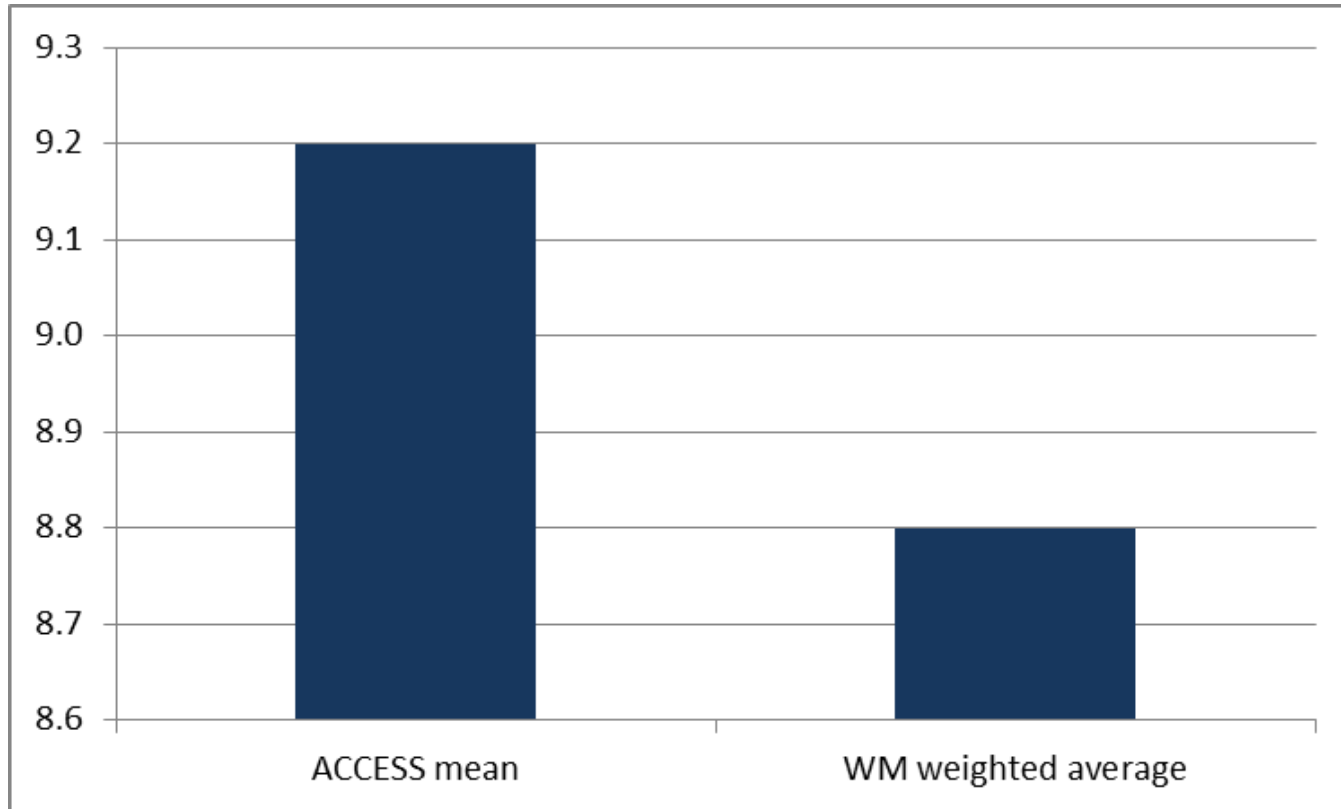
Who



Essex County Council



Average investment performance 5 years to March 2015

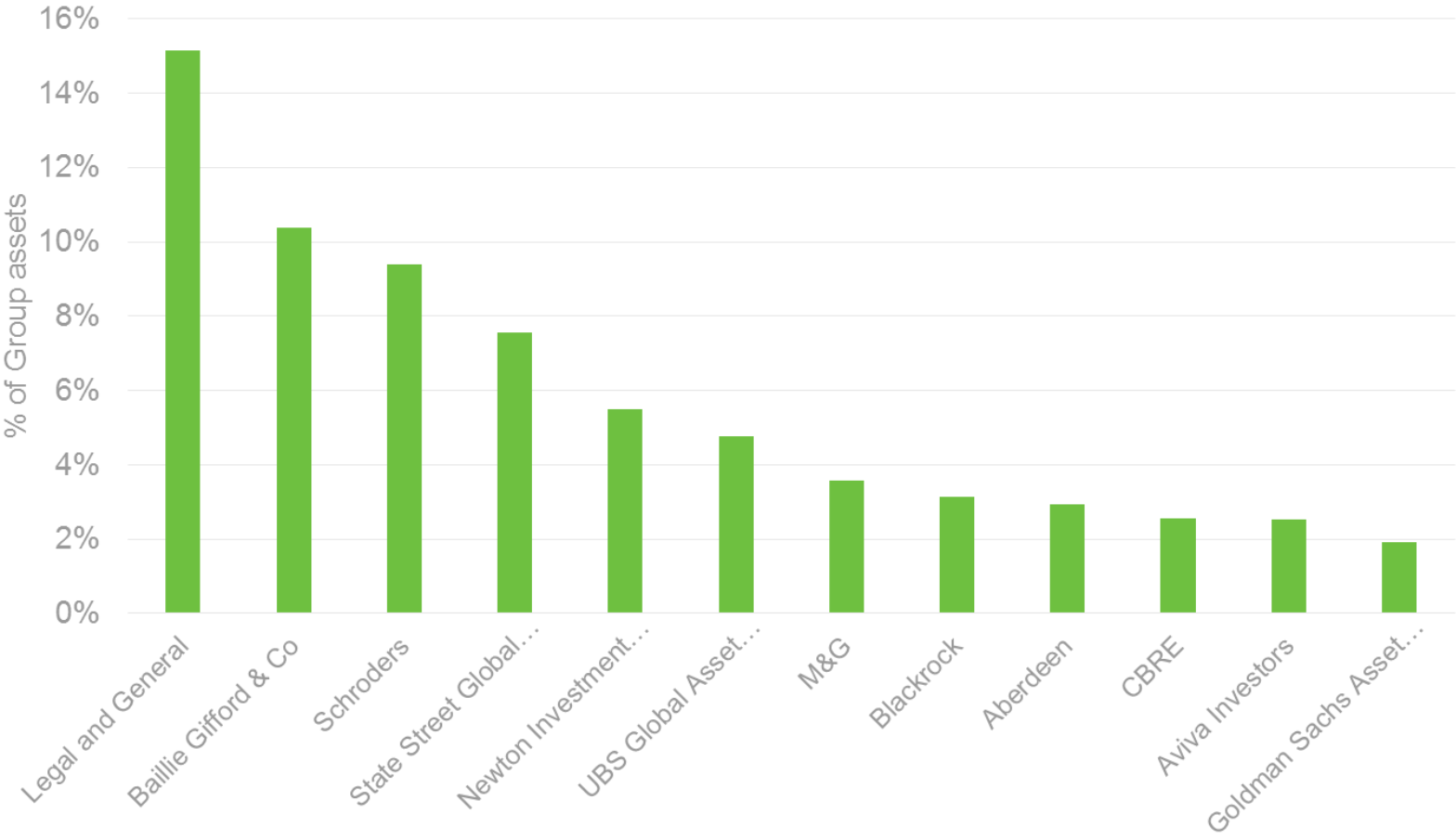


Source: Essex Pension Fund

Features of ACCESS

- A **commitment** to work collaboratively.
- **Similar** investment strategies and a significant level of overlap of investment managers.
- Currently **no internal** investment management activity.
- Primarily **County Council** Funds.
- **No intention** to establish an investment management business to sell to other Funds.
- No single dominant Fund in terms of size.
- Some geographical rationale which will assist in holding meetings and doing business.

Significant overlap of Investment Managers



75% assets with 12 managers

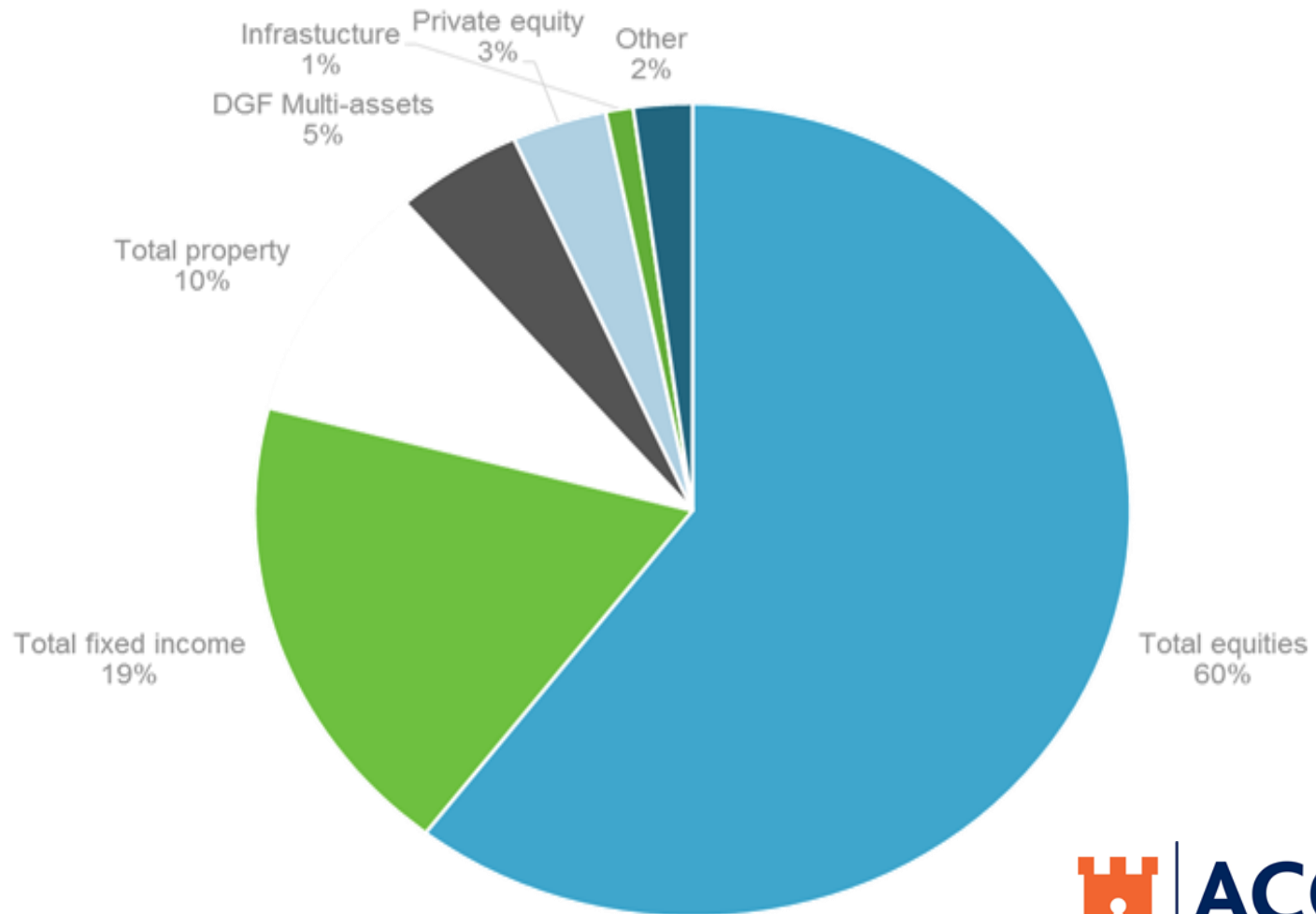


Objectives

Approved by Elected Members representatives (February 2 2016)

- Enable participating authorities to execute their fiduciary responsibilities to 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.

Locally decided investment strategies



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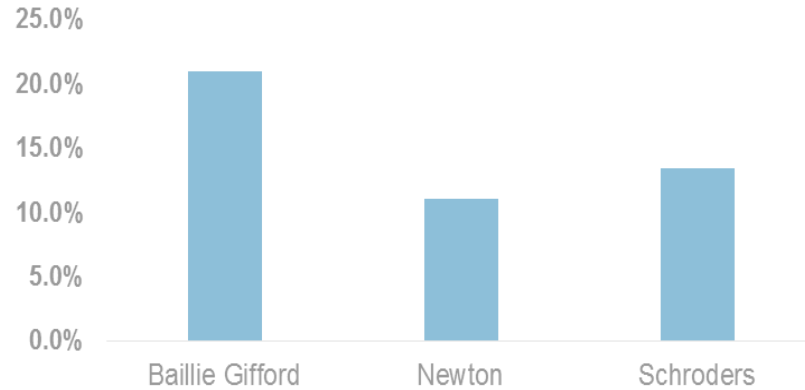
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Listed equity £20bn+

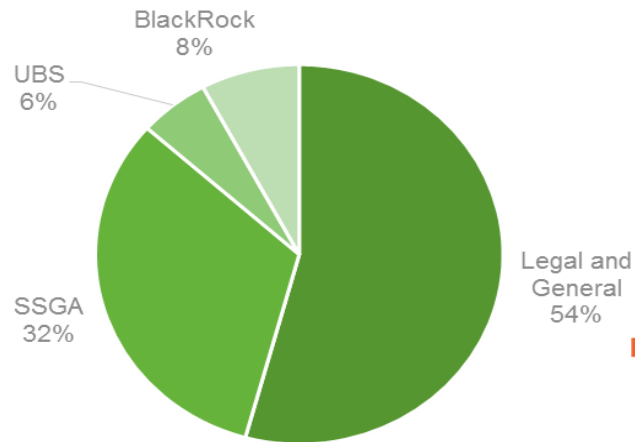


■ Active ■ Passive

Largest active equity managers as % of total active assets



Passive equity manager as % of total passive assets



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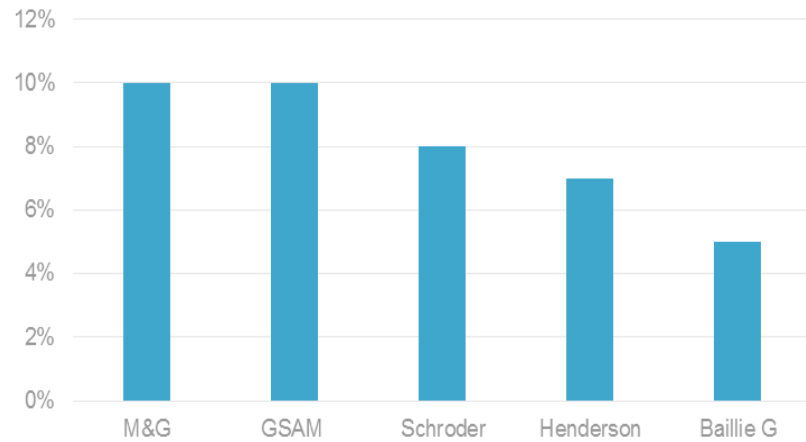
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Bonds c.£7bn

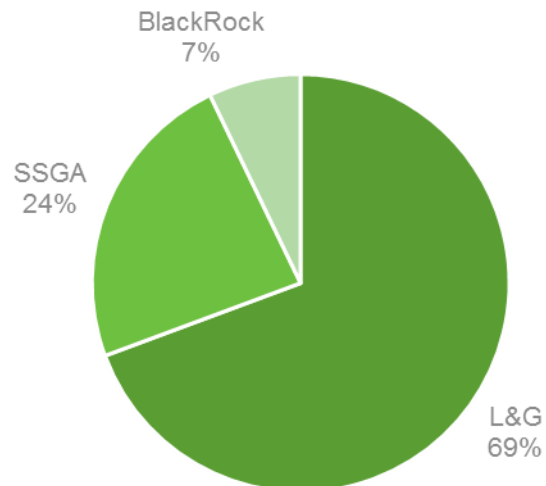


■ Active ■ Passive

Active bond managers as a % of active bonds



Passive bond manager split



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Infrastructure....

	Real Estate	Specialist Infrastructure
Strategic Allocation	From 8%-12%	From 1%-6%
Current Investment Value	From 5%-12% £2,999m	From 0%-3% £381m
Investment Type	Direct Multi-manager Pooled	Direct Fund of Funds

Infrastructure...

- The differential between the strategic allocation and actual investment for specialist infrastructure demonstrates the significant challenge in finding investments which will yield returns large enough, and of appropriate profile, to justify their acquisition.
- ACCESS authorities are committed to investigating all options for providing the participating authorities with access to the most appropriate infrastructure investments to match their asset allocations.
- To ensure success, a vehicle should be designed to meet the specific needs of LGPS investors given the distinctive nature of LGPS pension liabilities and risk appetite.
- ACCESS authorities believe that in the long term there is potential for the ACCESS pool to achieve an asset allocation closer to larger global funds.

Principles

Approved by Elected Members representatives
(February 2 2016)

Collaborative	Risk management	Objective evidence based decisions
Equitable voice in governance	Professionalism	Equitable cost sharing
No unnecessary complexity	Evolution and innovation	Value for money



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Principles...in detail

- 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.

“Decision making will be **objective** and **evidence based**”

Approach adopted by ACCESS authorities:

- Collective analysis of the options for pooling – **‘the what’** (Project POOL – commenced August 2015, prior to publication of criteria, Nov 15)
- Consideration of the options for forming pools – **‘the who’**
- Sharing of options with individual pension fund committees for consideration and decisions.

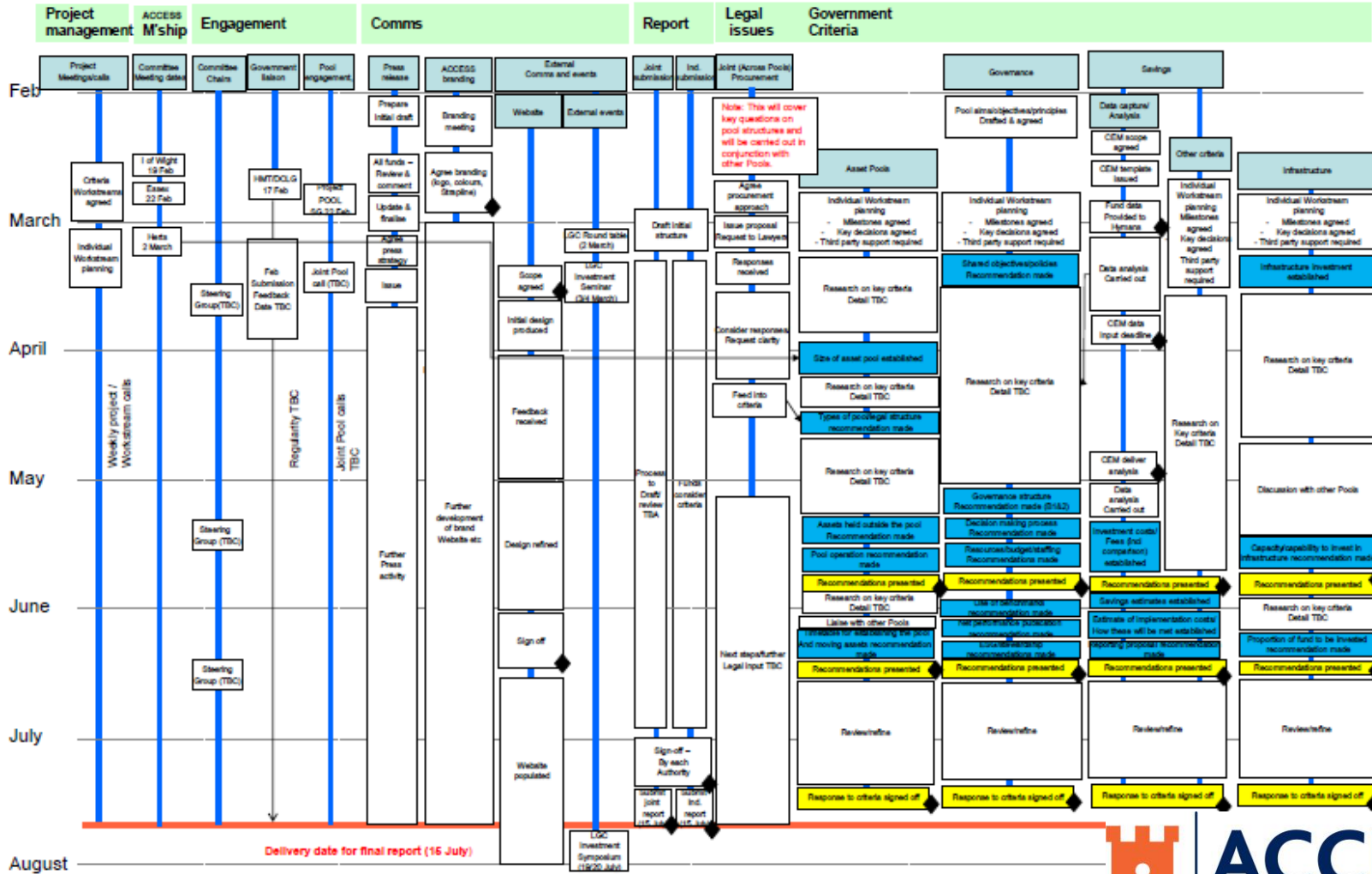
PROJECT Pool

- Focus on what, not who.
- Started with a blank sheet of paper.
- Discussion between 25-30 non-London funds- including large Metropolitan funds and shire county funds, facilitated by Hymans Robertson.
- Multiple work streams of practitioners to come up with how pooling could work.
- Genuine engagement and cooperation.
- Very different agendas between funds-like minded issue crucial to effective collaboration.

PROJECT Pool

- Preferred approach: **Multi-asset Pools (MAPs)** formed by regional and/or likeminded groups of funds
- For most asset types, regional pools may give sufficient size to get majority of scale benefits / fee reductions
- Regional or likeminded groupings also give individual funds more involvement in governance of pools
- For **infrastructure**, a national vehicle may be best (MAPs Plus) built on or running alongside existing arrangements
- Some pools will have choice of in-house and external management; effectively a manager choice and requiring similar due diligence
- Structure options: FCA authorised vehicle or “Joint Committee”?
- **In the short term, cost of change exceeds savings**
- **In the long term, estimated eventual annual savings c£200-300m**

Project Plan



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Meanwhile...



- 31 March 2016 Actuarial Valuation
- Evolving investment strategies
- Monitoring of investment managers
- Tender processes e.g. national passive equity procurement
- Employer issues
- Guaranteed Minimum Pensions (GMP)
- Increasing regulatory scrutiny and oversight
- Local Pension Boards



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Any questions ?