

HAMPSHIRE COUNTY COUNCIL

Officer Decision Record

Decision Maker:	<i>Director of Corporate Resources</i>
Title:	Pension Fund Investment Pooling
Reference:	7358

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1. The decision:

- 1.1. That the Hampshire Pension Fund will join the ACCESS (A Collection of Central Eastern and Southern Shires) investment pool.
- 1.2. That Hampshire County Council as the Administering Authority of the Pension Fund will sign a Memorandum of Understanding (MOU) with the other authorities in the ACCESS pool as the basis of the group working together to establish the pool.

2. Reason for the decision:

- 2.1. In the July 2015 Budget the Chancellor announced the Government's intention to work with LGPS administering authorities to pool the investments of the LGPS. In November 2015 the Government published its Investment Reform Criteria and Guidance for pooling, confirming its intention that it wanted six investment pools, each with at least £25bn of assets.
- 2.2. Pooling investments will deliver cost savings for the LGPS. Hampshire was one of 24 pension funds, supported by Hymans Robertson, which investigated the options for pooling LGPS investments. The group's findings were that pooling could deliver estimated eventual savings after 10 years of between £190m to £300m per year across the LGPS. These savings will take a number of years to be achieved and initially will be more than offset by the costs of establishing the pools and the transitioning of assets.
- 2.3. Two responses must be made to the Government's criteria for pooling; the first due on 19 February 2016 and the final part on 15 July 2016. The February submission should include 'a commitment to pooling'. The second submission must answer a number of specific questions on the pooling proposal including providing an estimate of cost savings. In addition the pools themselves are required to submit submissions for February and July; firstly their initial position and progress to date and a detailed business plan for the formation of the pool for July submission.

- 2.4. It was agreed by the Pension Fund Panel and Board at its meeting on 18 December 2015 that the response due on 19 February 2016 would be written by the Director of Corporate Resources in consultation with the Chairman of the Panel and Board and shared with the members of the Panel and Board for comment before submission. Following the December meeting it has become clear that the 19 February submission must include the pool each fund will be joining, hence this decision is required as part of the submission.
- 2.5. The decision by the Director of Corporate Resources that Hampshire joins the ACCESS pool has been agreed with the Chairman and shared with the members of the Panel and Board as agreed, and no objections have been received.
- 2.6. Preliminary work has been undertaken by the ACCESS pool in order to make a submission to the Government on 19 February and to scope the work that will be required to write the pool's business plan by July 2016. This work will require specialist legal, investment consultancy and project support. An early estimate is that this could cost a maximum of £50,000 per fund.
- 2.7. The funds in the ACCESS pool are extremely mindful of minimising the cost of establishing the pool, which is a founding principal in the formation of the group. The further scoping work in establishing the pool will ensure that external professional support is only used when it is absolutely necessary.
- 2.8. In order to move forward with the work to establish the ACCESS pool the authorities involved need a legal basis on which to work together and an agreement to equally share the costs. Therefore a MOU needs to be signed by each authority. It is intended that the MOU forms part of the pool's submission to the Government on 19 February, in order to show the level of commitment to the pool by each fund.

3. Other options considered and rejected:

- 3.1. Consideration was given to whether Hampshire had to commit to joining an investment pool at this stage and whether any of the seven other emerging pools would provide a better option.
- 3.2. A significant number of funds have already publicly stated which investment pool they will join, which has enabled a picture to form of which pools are most likely to meet the £25bn minimum criteria set by the Government. It is expected that all Administering Authorities will declare the pool that they are joining in their 19 February submission, or have agreed with the Government a later date. To not decide on selecting an investment pool would risk criticism from the Government for not being suitably committed to pooling.
- 3.3. Analysis has taken place of the eight investment pools that have emerged across England and Wales, including ACCESS. With the addition of Hampshire, ACCESS will meet the Government's £25bn minimum size, which is currently not the position of all of the pools. ACCESS offers the best

fit for Hampshire in terms of like-mindedness on key investment and governance issues. Although it is one of the least developed options for pooling this also offers an advantage, as it will allow Hampshire to play a full part in the development of the pool.

4. Conflicts of interest:

4.1. None

5. Dispensation granted by the Head of Paid Service:

5.1. None

Approved by:	Date:
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Carolyn Williamson Director of Corporate Resources	