

Report to: **Pension Committee**

Date: **27 February 2017**

By: **Interim Chief Finance Officer**

Title of report: **Asset Pooling – Passive Procurement**

Purpose of report: **To update the Committee of the procurement of passive investments within ACCESS.**

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## **RECOMMENDATIONS – The Committee is requested to note the content of the report.**

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### **1. Background**

1.1 On the 15th July 2016, the ACCESS pooling proposals were submitted to DCLG, comfortably in advance of the required deadline. The submission to DCLG set out an intention for a “quick win” from consolidating passive mandates, assuming passive assets currently held in Life Policies will be considered to be within the Pool.

1.2 Life Policies remain an agreement between the participating authority and the appointed external investment manager(s), with selection focusing on value for money through competitive fees, efficiency of performance and consideration of transition costs. ACCESS, working through the National LGPS Frameworks procurement vehicle has completed the construct of a Multi-Provider Framework. ACCESS has now commenced a “mini” tender process within this framework.

### **2. Key Findings and “mini” tender process.**

2.1 The Passive Framework documentation provides useful information, which can be applied against ACCESS Funds current arrangements, such as “ceiling prices” from each of the four passive providers on the Framework. This information indicates:-

- That all funds currently holding passive mandates will make savings against any of the four providers on the Framework.
- The July plan estimated a pool level savings target of £4m and is a reasonable expectation of the outcome of the “mini” tender process.

2.2 Feedback regarding the other LGPS Pools passive tender exercises suggests that ACCESS is the largest passive investment tender within the LGPS.

2.3 East Sussex (50% of fund assets) is the largest user of passive investments within ACCESS, and currently use two providers (LGIM and State Street) due to legacy arrangements reflecting the 2009 Investment Regulation, Schedule A limitations on Life Policies (35%) and counter party risk considerations.

2.4 The “mini” tender requires the ACCESS Authorities to determine the requirement for a single or multi lot process. A single lot tender is much cleaner and simpler as it concentrates the £9.8bn assets under management with a single manager with the expectation of driving prices significantly lower than the ceiling prices. A multi lot process will require both a single lot tender and a parallel multi lot tender to be run, in order to ensure clarity of bids and comparison of outcomes.

### **3. Conclusion and reasons for recommendations**

3.1 The passive procurement framework plans for a quick win from consolidating passive mandates and assumes passive assets currently held in Life Policies will be considered to be within the Pool. Life Policies will remain an agreement between the participating authority and the appointed external investment manager(s), which will: ensure value for money through competitive fees; avoid any unnecessary transition and oversight costs; and overcome some technical issues associated with a Collective Investment Vehicle (CIV) holding a Life Policy

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Background Documents

None