

Report to: **Governance Committee**

Date: **7 March 2017**

By: **Interim Chief Finance Officer**

Title of report: **Local Government Pension Scheme Investment Pooling: Appointment of Council representative to the Joint Governance Committee**

Purpose of report: **To appoint a County Council representative to the ACCESS pooling Joint Governance Committee**

RECOMMENDATIONS

The Governance Committee is recommended to appoint Councillor Stogdon as the Council's representative on the Joint Governance Committee for the period to May 2017, subject to the County Council approving the recommendations of the Pension Committee in relation to the establishment of a joint committee for the ACCESS Pool.

1. Background

1.1 East Sussex County Council is the Administering Authority for the East Sussex Pension Fund. This includes the management of over £3bn of funds that are invested to pay the current and future pensions of over 74,000 members of the Local Government Pension Scheme (LGPS) in East Sussex. It also involves managing the scheme on behalf of all LGPS employers in East Sussex. As the administering authority the County Council has fiduciary and public law duties to manage the fund in the best interests of scheme members and scheme employers.

1.2 In the summer 2015 budget the Chancellor announced the Government's intention to invite Administering Authorities to make proposals for pooling LGPS investments.

1.3 In November 2016 the Government published revised LGPS Management and Investment of Funds Regulations. The Regulations include the power for the Secretary of State to direct a fund to change its investment strategy or direct that a fund's investment function is undertaken by another organisation if the Secretary of State determines that a fund is failing to act in accordance with guidance issued, including the guidance to pool investments.

1.4 The Pension Committee has previously agreed that East Sussex Pension Fund join the ACCESS pool, which made a submission to the Government for pooling in July 2016. ACCESS contains the following other funds:

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|-------------------|---------------------|-------------------|
| 1. Cambridgeshire | 5. Norfolk | 8. Hertfordshire |
| 2. Kent | 6. Essex | 9. Suffolk |
| 3. Hampshire | 7. Northamptonshire | 10. Isle of Wight |
| 4. West Sussex | | |

2. Summary pooling proposals

2.1. Investment pooling is intended to create the scale that will enable access to lower Investment Manager Fees and deliver cost savings to LGPS funds. In the pooled investment structure individual funds, like East Sussex, will still be responsible for own investment strategy and asset allocation decisions.

3. Inter-Authority Agreement

3.1. The ACCESS funds have jointly commissioned the external legal firm Eversheds to provide assistance in drafting a legally binding Inter Authority Agreement ("IAA") for the pooling of investments

3.2. The IAA will be based on the governing principles agreed by the ACCESS pension funds including:

- working collaboratively;
- all Councils having an equitable voice in governance;
- avoiding unnecessary complexity; and
- running economically and applying value-for-money considerations.

3.3 The Pension Board and Pension Committee have considered exempt reports at meetings in February 2017 regarding the proposals on the ACCESS pooling developments including the Inter Authority Agreement. The reports also provided further detail regarding the draft Constitution and Terms of Reference of the Joint Governance Committee.

Governance

3.4. It is proposed that the ACCESS Pool will be governed by a Joint Committee constituted under s101 of the Local Government Act 1972 and made up of one elected councillor chosen by each authority from their pension committee. The Joint Committee (or Joint Governance Committee as it will be known) will be “hosted” by one of the ACCESS local authorities. The host authority will undertake the secretariat function for the Joint Governance Committee. It is proposed that Kent County Council will be the initial host authority. A Chair and Vice-Chair of the Joint Governance Committee will be appointed by the members of the Joint Governance Committee.

4. Timescales

4.1. Government requires LGPS funds to begin transferring their investments into pools by no later than April 2018. In order for the ACCESS Pool to meet this deadline, the procurement process will need to commence in or around April 2017. Government has not yet approved either of the ACCESS Pools’ proposals. However the ACCESS Pool has committed to move forward in a way that will enable either proposal to meet the Government’s April 2018 deadline.

4.2. It is therefore necessary for the Committee to appoint a councillor as the Council’s representative on the Joint Governance Committee, subject to the County Council agreeing the Pension Committee’s recommendations in relation to the establishment of a joint committee. At its meeting on 27 February 2017, the Pension Committee proposed that Councillor Stogdon (the Chair of the Pension Committee) should be nominated as the ESCC representative on the Joint Governance Committee.

5. Conclusion

5.1. The Committee is recommended to appoint Councillor Stogdon as the County Council’s representative on the Joint Governance Committee for the period to May 2017, subject to the County Council approving the proposals in relation to the establishment of a joint committee.

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Local Member(s): All
Background Documents - None