Suffolk County Council

Suffolk Pension Board

(Quorum 2 – 1 member of each representative group)

Scheme Employer Representatives

Councillor Richard Smith MVO, representing Suffolk County Council.

Homira Javadi, representing all Borough, District, Town and Parish Councils.

Kate Harrison, representing all other employers in the Fund.

Scheme Member Representatives

Suzanne Williams, representing the Unions

David Rowe, representing Active Members

Eric Prince, representing Pensioners

Date: Monday, 11 July 2016

Venue: Rose Room
Endeavour House
8 Russell Road
Ipswich, Suffolk, IP1 2BX

Time: 2:00pm

For further information on any of the agenda items, please contact Ann McPherson, Democratic Services Officer, on 01473 264379.

Business to be taken in public

1. **Apologies for Absence**

   To note and record any apologies for absence or substitutions received.

2. **Declarations of Interest and Dispensations**

   To receive any declarations of interests, and the nature of that interest, in respect of any matter to be considered at this meeting.

3. **Minutes of the Previous Meeting** Pages 5 - 10

To approve as a correct record, the minutes of the meeting held on 4 May 2016.

4. **Investment Performance of the Fund during 2015-16** Pages 11 - 36

To receive a report from State Street Global Analytics outlining the performance of the Suffolk Pension Fund during 2015-16.

5. **Update on ACCESS Pooling submission** Pages 37 - 82

To receive a report on the business case being submitted to DCLG by the ACCESS Group on 15 July 2016.

6. **Compliments and Complaints** Pages 83 - 84

To receive a report summarising the compliments and complaints received by the Fund's administration team.

7. **Pension Ombudsman** Pages 85 - 88

To receive a report on the role and responsibilities of the Pension Ombudsman.

8. **Brainstorming future Work Programme Items**

To agree work priorities for future Pension Board meetings

9. **Forward Work Programme** Pages 89 - 92

To consider whether there are any matters which the Committee would wish to have included in its Forward Work Programme whilst having regard to the Key Decision Forward Plan.

10. **Urgent Business**

To consider any other item of business which, in the opinion of the Chairman, should be considered by reason of special circumstances (to be specified in the minutes), as a matter of urgency.

Date of next scheduled meeting – Thursday, 6 October 2016 at 11:00 am.

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Telephone: 01473 264379;

Email: Committee.Services@suffolk.gov.uk; or by writing to:

Democratic Services, Suffolk County Council, Endeavour House, 8 Russell Road, Ipswich, Suffolk IP1 2BX.

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www.suffolk.gov.uk/council-and-democracy/the-council-and-its-committees/apply-to-take-part-in-a-public-meeting/

and complete the online form.

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2. Follow the signs directing you to Fire Exits at each end of the floor.

3. Do not enter the Atrium (Ground Floor area and walkways). If you are in the Atrium at the time of the Alarm, follow the signs to the nearest Fire Exit.

4. Use the stairs, not the lifts.

5. Do not re-enter the building until told it is safe to do so.

Deborah Cadman OBE
Chief Executive

Suffolk County Council

Unconfirmed

Minutes of the Suffolk Pension Board meeting held on 4 May 2016 at 11:00 am in the Elisabeth Room, Endeavour House, Ipswich.

Present:	Councillor Richard Smith (Chairman), representing Suffolk County Council, David Rowe (Vice Chairman), representing Active Members, Suzanne Williams, representing the Unions, and Eric Prince, representing Pensioners.
Also present:	None
Supporting officers present:	Paul Finbow (Senior Pensions Specialist), Sharon Tan (Pensions Technical Specialist), Ann McPherson (Committee Administrator)

Public Participation Session

There were no applications received from the public.

1. Apologies for Absence and Substitutions

Apologies were received from Kate Harrison, representing all other employers in the Fund and Homira Javadi representing all Borough, District, Town and Parish Councils.

The Chairman and the Board expressed their condolences on the recent death of Councillor Peter Bellfield and wished to acknowledge his exceptional Chairmanship of the Suffolk Pension Fund Committee over the past 7 years.

2. Declarations of Interest and Dispensations

The following Board members declared a local non-pecuniary interest by virtue of the fact that each was a contributing member of the Local Government Pension Scheme:

Councillor Richard Smith, MVO

David Rowe

Eric Prince

Suzanne Williams

Eric Prince also declared a local pecuniary interest by virtue of the fact that he is in receipt of a pension from the Local Government Pension Scheme.

3. Minutes of the Previous Meeting

The minutes of the meeting held on 16 December 2015, after the following amendments, were confirmed as a correct record and signed by the Chairman.

Williamson – amend to Williams

East Sussex – amend to East Riding of Yorkshire

4. Progress on the Pooling of Assets

The Board received a report at Agenda Item 4 on the progress towards the pooling of Pension Fund Assets.

The Board heard that Suffolk County Council is one of eleven members of the ACCESS group, 10 of which are shire counties plus the Isle of Wight.

Officers of the Suffolk Pension Fund have worked closely with officers from the other 10 ACCESS Funds, with the support of Hymans Robertson. An initial submission to Government concerning the creation of the pool was submitted in February, in line with Government expectations. This was signed by all of the Chairs, or Acting Chairs, of the various Pension Fund Committees.

Officers continue to work on the full business case that needs to be submitted to Government by 15 July 2016.

The Pension Fund Committee will have the opportunity to approve the final business case at the 11 July meeting.

The Board heard that all organisations must be FCA registered as an operator, which will incur costs, although the ACCESS group are looking at alternatives to FCA registration as an operator. The cost benefits of each option will be assessed before a decision is made.

Decision: The Board agreed to note the report and asked to be kept up to date with the work of the Access Group.

Reason for Decision: The report contained matters relevant to the Board as they need to be kept up to date with the progress towards pooling of Pension Fund assets.

Alternative options: There were none considered.

Declarations of interest: Declarations of interest are reported at Minute number 2 of these minutes.

Dispensations: There were none reported.

5. Compliments & Complaints

The Board received a report at Agenda Item 5 providing details of the number of compliments and complaints received to enable them to determine any further action.

The Board heard that since the meeting on 16 December 2015, nine complaints have been received, once of which of which has gone through the IDRP - Internal Dispute - process. The member has now taken their complaint to the Pensions Ombudsman and a judgement is awaited.

The Internal Dispute Resolution Process case relating to the regulations not allowing the refund of contributions, mentioned in the report on 16 December 2015, is also now with the Ombudsman awaiting a decision.

Five compliments have been received since the 16 December. These were cases where individuals had gone out of their way to thank the team rather than the regular word of ‘thanks’ received daily as part of the communication with customers.

Decision: The Board agreed to note the report and asked for a report detailing the work of and powers of the Pensions Ombudsman.

Reason for Decision: The reports contained matters relevant to the Board.

Alternative options: There were none considered.

Declarations of interest: Declarations of interest are reported at Minute Number 2 of these minutes.

Dispensations: There were none reported.

6. Suffolk Pension Board Communications Strategy

The Board received a report at Agenda Item 6 providing details of the current communications strategy and seeking suggestions from the Board as to how its activity should be incorporated.

They heard that the Suffolk Pension Fund has a communication strategy that was last reviewed in 2008. The current review of the strategy, by the Pension Fund Committee, has been delayed to allow the Pension Board to consider its requirements and for these to be incorporated in a new document.

The Board were asked to consider what it wants to communicate, who with, how often and the way in which the communication should be delivered.

The Board asked that they be included in the e-mail distribution of the Employer’s Newsletter and agreed that a move to electronic copies of information for employees should be investigated. How employees wish to have information communicated to them should also be explored.

Communications to deferred members should be considered as well as current employees and pensioners.

It was agreed that a communication from The Board would be sent out with the pension statements in August and that the Pension Board Annual Report would be incorporated within the Suffolk Pension Fund Annual Report.

Decision: The Board agreed to note the Report.

Reason for Decision: The Board is keen to communicate its activity and engage with the employers and scheme members that they represent.

Alternative options: There were none considered

Declarations of interest: Declarations of interest are reported at Minute Number 2 of these minutes.

Dispensations: There were none reported.

7. Passive and Active Investment Management

The Committee received at Agenda Item 7, a report providing the Pension Board with information about the passive and active investments within the Suffolk Pension Fund.

The Board heard that passive is the cheapest type of investment and is appropriate for obtaining a low cost allocation to efficient markets. Active management is appropriate where a market is relatively inefficient, offering opportunities for active managers to add value.

The allocation in both active and passive investments was last reviewed in November 2015.

Decision: The Board agreed to note the Report.

Reason for Decision: The Board requested a report on the split between active and passive investment in the Suffolk Fund, comparing it with other Funds.

Alternative options: There were none considered.

Declarations of interest: Declarations of Interest are recorded at Minute No. 2 of these minutes.

Dispensations: There were none reported.

8. Risk Register

The Board received a report at Agenda Item 8, providing the Board with the Suffolk Pension Fund Risk Register. The Members of the Board posed a few questions for the officers to consider:-

Could items with minor impact be taken off the register?

Does the Board need its own Risk Register to reflect its Terms of Reference?

Could a training session be used as an opportunity to brainstorm for risk setting?

The Board also asked that a discussion of items for the Risk Register be added to the Forward Work Programme.

Decision: The Board agreed to note the Report.

Reason for Decision: The Board needs to be aware of the review and decisions made by the Pension Fund Committee.

Alternative options: There were none considered.

Declarations of interest: Declarations of Interest are recorded at Minute No. 2 of these minutes.

Dispensations: There were none reported.

9. Forward Work Programme

The Board received a report at Agenda Item 9, a copy of the Forward Work Programme.

It was agreed to add the following items to the Forward Work Programme.

Brainstorming for the Risk Register

Actuarial Valuations

Actuarial Report and how the task is approached by the Actuary

Administration update and how they would mitigate risk

The Board were asked to e-mail any further items for the Forward Work Programme to the officers.

Decision: The Board agreed to note the Forward Work Programme.

Reason for Decision: The Forward Work Programme is a responsibility of the Board under their Terms of Reference

Alternative options: There were none considered.

Declarations of interest: Declarations of Interest are recorded at Minute No. 2 of these minutes.

Dispensations: There were none reported.

Urgent Business

There was none reported.

The meeting closed at 13.18

Chairman

Suffolk County Council

Agenda Item 4

Suffolk Pension Board

Report Title:	Investment Performance – Year ending 31 March 2016
Meeting Date:	11 July 2016
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Senior Pensions Specialist Tel. 01473 265288

Brief summary of report

1. This report provides a summary of the performance of the Suffolk Pension Fund for the 2015-16 financial year and performance against other local authority pension funds.
2. The total size of the Fund as at 31 March 2016 was £2.206bn, an increase of around £8m from the previous financial year.
3. The annual return of 0.7% is behind the Fund's specific benchmark by 0.8%. This is mainly caused by asset allocation where compared with the Fund's strategic allocation the Fund was overweight Equities (with index returns being negative in the year), and underweight Bonds and Alternatives (which had positive returns).
4. However compared with other local authority funds the Suffolk lower weighting to equities and higher waiting to alternatives was beneficial in 2015/16.
5. The Fund's absolute return over a rolling three year period is 7.0%, just below the benchmark by 7.1%. However compared to other local authority funds the Suffolk Fund outperformed the local authority average by 0.5% per annum across the three years.
6. Suffolk Pension Fund was the 30th best performing fund in 2015-16 compared with other local authority pension funds, and was the 26th best performing Fund over three years.

Action recommended

7. The Board is asked to note the report.

Reason for recommendation

8. The Board is interested in the overall investment performance of the Fund.

Alternative options

9. None

<u>Main body of report</u>

10. The performance of the Pension Fund has been measured by Global Services Performances Services (formally State Street Investment Analytics) against market index returns and other LGPS over 1,3,5 and 10 years **(Appendix 1).**

11. In addition, the long term risk and return performance has been measured over 5, 10 and 20 years.

Sources of further information

12. Annual Performance Report for 2015-16 – Global Services Performance Services.

APPENDIX 1

Suffolk County Council Pension Fund

Annual Review

Periods Ending March 2016
11th July, 2016
Susanne Stewart

Agenda

Section 1 – Market Environment

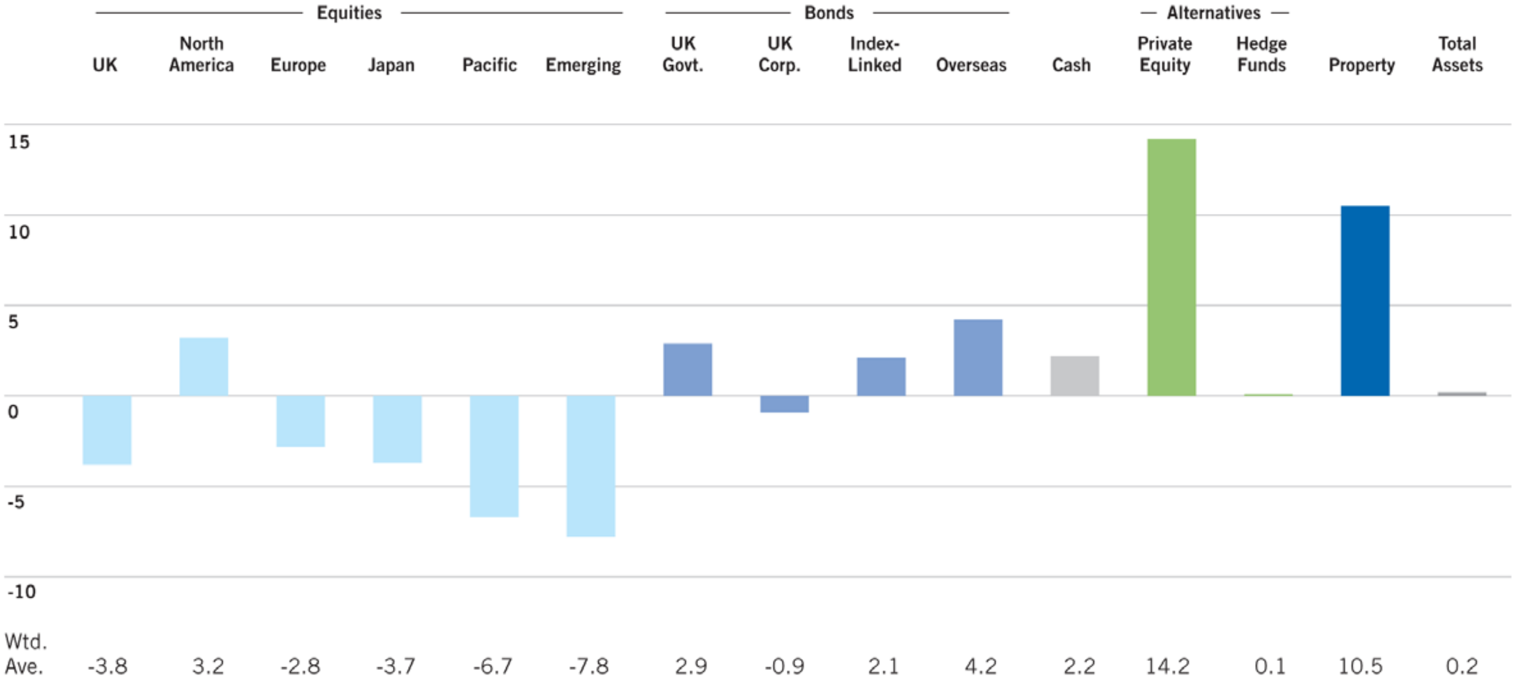
Section 2 – Fund Performance versus Benchmark

Section 3 – Fund Performance versus Universe

Section 1

Market Environment

2015/2016 Returns (%)

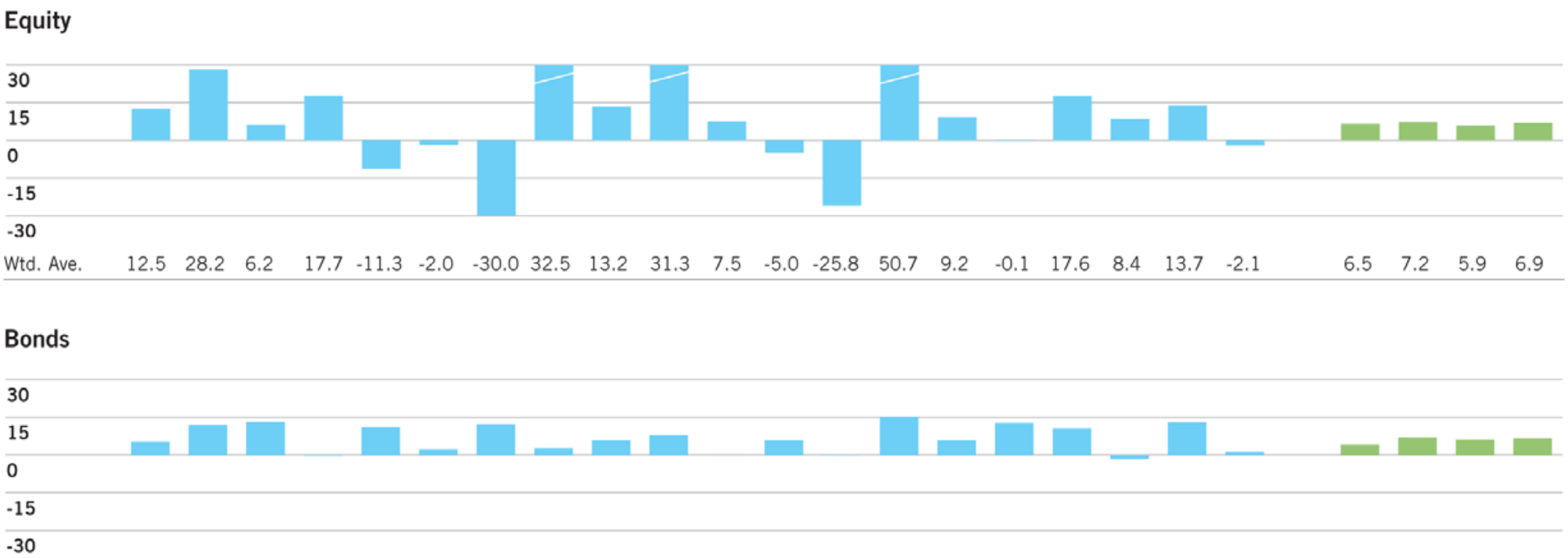


Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

Long Term Performance

Annual Returns (%)



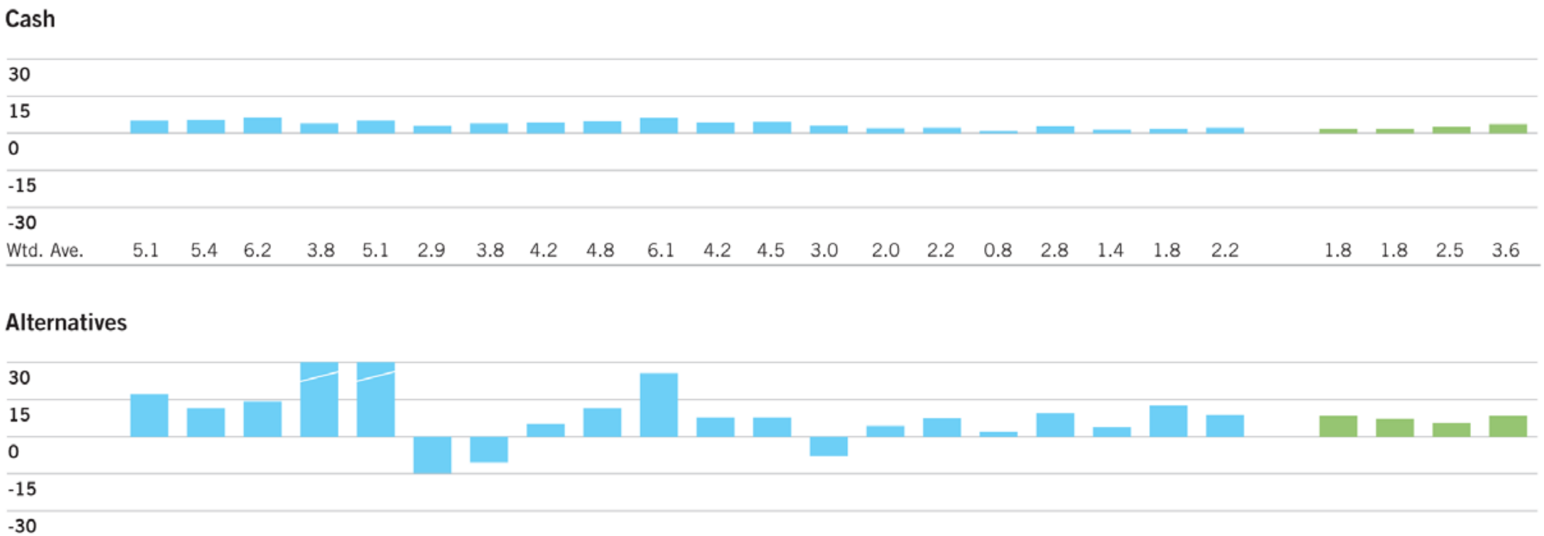
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% p.a. 3 Years	% p.a. 5 Years	% p.a. 10 Years	% p.a. 20 Years
Equity Wtd. Ave.	12.5	28.2	6.2	17.7	-11.3	-2.0	-30.0	32.5	13.2	31.3	7.5	-5.0	-25.8	50.7	9.2	-0.1	17.6	8.4	13.7	-2.1	6.5	7.2	5.9	6.9
Bonds Wtd. Ave.	5.3	11.9	13.1	-0.3	11.0	2.3	12.3	2.6	5.7	7.8	-0.0	5.7	-0.2	15.2	5.7	12.7	10.5	-1.6	13.0	1.2	4.0	7.0	6.0	6.6

* Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

Long Term Performance

Annual Returns (%)



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	20 Years (% p.a.)
Cash – Wtd. Ave.	5.1	5.4	6.2	3.8	5.1	2.9	3.8	4.2	4.8	6.1	4.2	4.5	3.0	2.0	2.2	0.8	2.8	1.4	1.8	2.2	1.8	1.8	2.5	3.6
Alternatives – Wtd. Ave.	17.2	11.5	14.3	30.4	32.5	-14.7	-10.4	5.1	11.5	25.6	7.8	7.8	-7.8	4.3	7.5	2.0	9.5	3.9	12.5	8.7	8.3	7.2	5.5	8.3

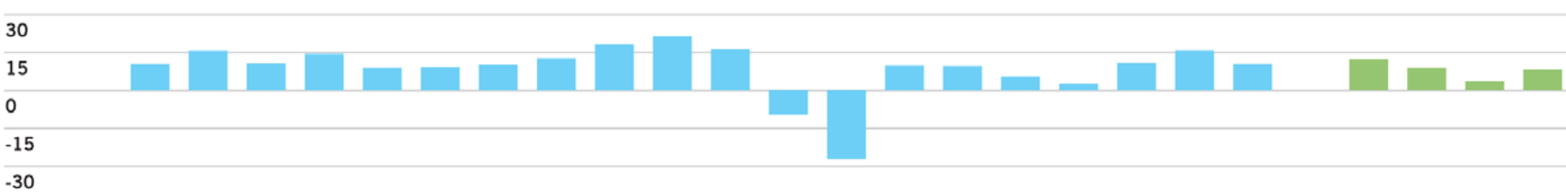
* Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

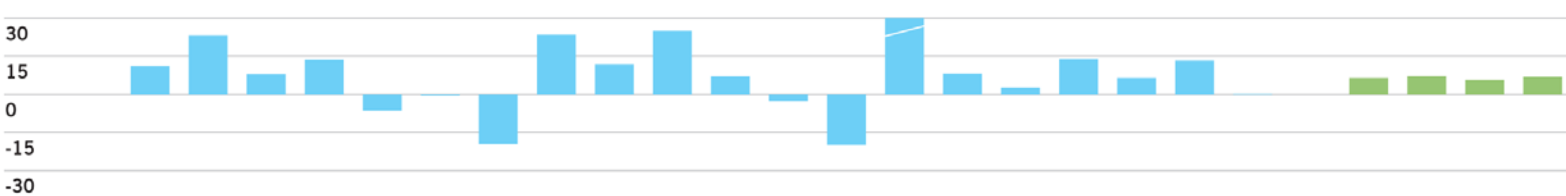
Long Term Performance

Annual Returns (%)

Property



Total Assets

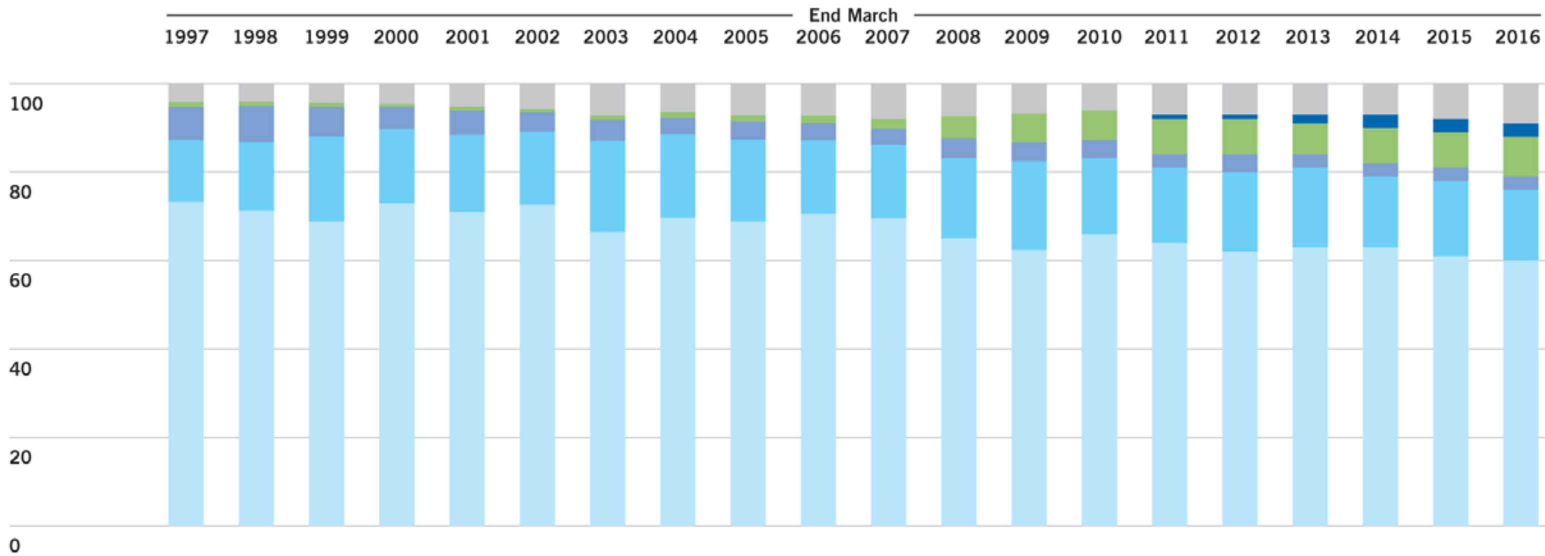


	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	20 Years (% p.a.)
Property Wtd. Ave.	10.5	15.7	10.8	14.4	9.0	9.3	10.2	12.7	18.2	21.4	16.2	-9.6	-27.1	9.9	9.7	5.5	2.8	11.0	15.8	10.5	12.4	9.0	3.6	8.2
Total Assets Wtd. Ave.	11.1	23.2	8.0	13.6	-6.3	-0.5	-19.5	23.4	11.7	24.9	7.0	-2.8	-19.9	35.2	8.2	2.6	13.8	6.4	13.2	0.2	6.4	7.1	5.6	6.8
RPI	2.6	3.5	2.1	2.6	2.3	1.3	3.1	2.6	3.2	2.4	4.8	3.8	-0.4	4.4	5.3	3.6	3.3	2.5	0.9	1.6	1.6	2.3	3.0	2.8

* Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

Longer Term Asset Allocation (%)



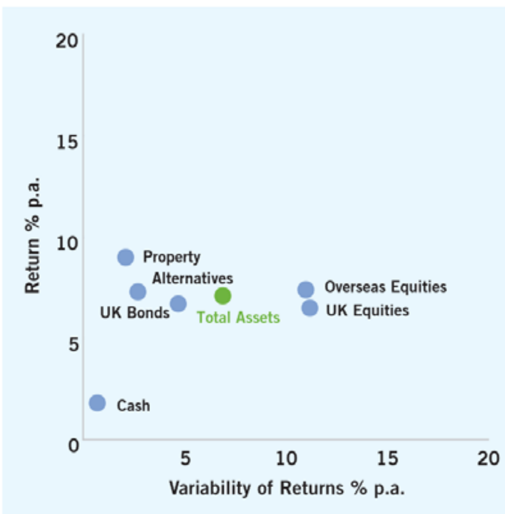
Equities	73	71	69	73	71	73	66	70	69	70	69	65	62	66	64	62	63	63	61	60
Bonds	14	15	19	17	17	17	21	19	19	17	17	18	20	17	17	18	18	16	17	16
Cash	7	8	7	5	6	4	5	4	4	4	4	4	4	4	3	4	3	3	3	3
Alternatives	1	1	1	1	1	1	1	1	1	2	2	5	7	7	8	8	7	7	8	9
Pooled Multi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	2	3	3	3
Property	4	4	4	5	5	6	7	7	7	7	8	7	7	6	7	7	7	8	8	9

* Source: State Street Global Services Performance Services, 2016.

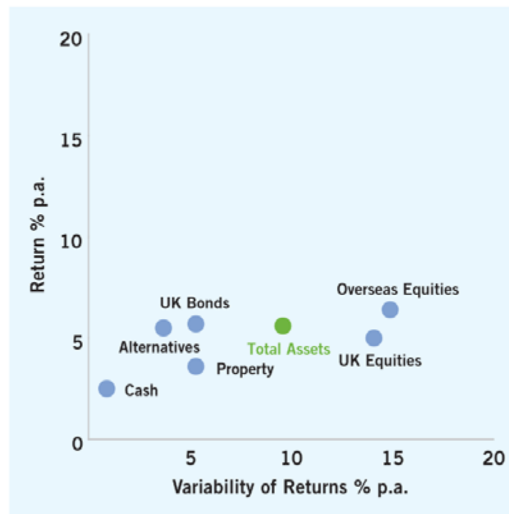
Past performance is not a reliable indicator of future results.

Long Term Risk and Return

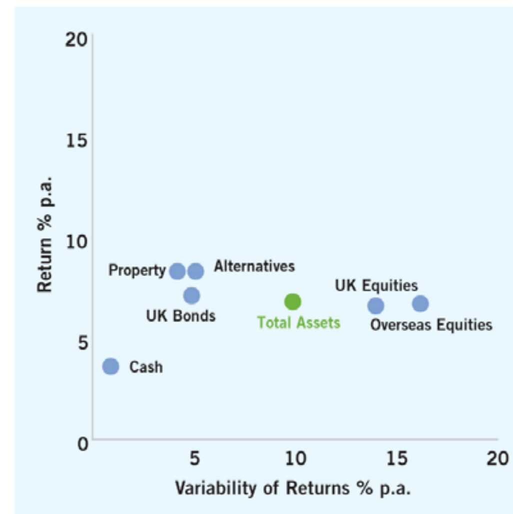
Last 5 Years



Last 10 Years



Last 20 Years



* Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

Section 2

Performance Relative to Strategic Benchmark

Strategic Benchmark

	Weight %	Strategic Benchmark Indices
UK Equities	16.0	FTSE All Share
Overseas Equities	22.5	Composite
Global Equities	8.0	RAFI All World 3000
Pooled Bonds	15.5	GBP 3 month LIBOR +5% p.a.
Emerging Debt	2.0	JP Morgan EMBI (Global Diversified)
UK Index Linked	4.0	FTSE Over 5 yr Index Linked Gilts
Private Equity	4.0	*FTSE World*
Absolute Return	10.0	*GBP 3 month LIBOR +5% p.a.*
Distressed Debt	2.0	8% p.a.
Infrastructure	5.0	8% p.a.
Timber	0.5	8% p.a.
Property	10.0	IPD UK PPF - All Balanced Funds
Cash	0.5	GBP 3 Month LIBOR

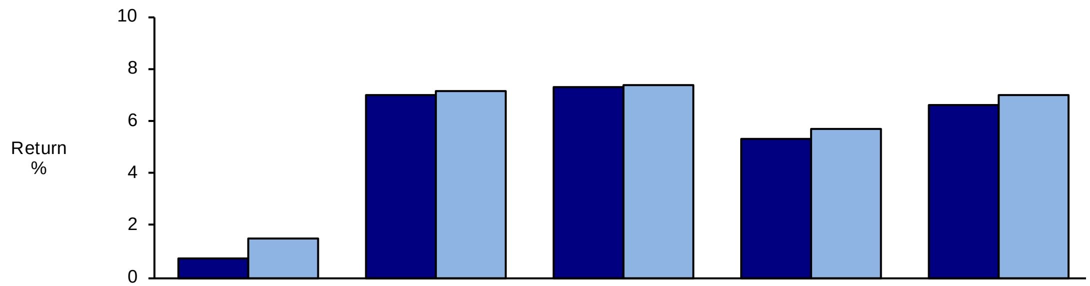
Long term objective

Fund Values

Values (GBP)'000	Mandate	Value at 31/03/2015	Transactions	Capital Gain / loss	Income	Value at 31/03/2016	*% Fund*
L & G	Balanced	1,062,206	-306,457	-27,794	-1,006	727,955	33
NEWTON	Eq Glbl	325,620	6,495	2,865	5,547	334,979	15
SCHRODERS	Prop Fund	230,371	6,712	16,502	6,530	253,586	11
BLACKROCK	Eq UK	200,392	7,030	-7,308	6,849	200,113	9
M & G	Bd Glbl	0	178,179	-6,183	3,179	171,996	8
BLACKROCK	Bd Glbl	0	134,458	-1,626	0	132,831	6
PYRFORD	Absolute	126,610	174	2,054	174	128,837	6
M & G	Distressed Debt	38,740	7,274	1,357	0	47,371	2
WINTON	Absolute	44,628	32,000	-2,701	0	73,927	3
BLUECREST	Absolute	39,079	-31,424	-153	0	7,503	0
PRIV EQ	Private Eq	68,982	-3,628	5,215	880	70,569	3
KKR	Infra	36,807	1,305	6,095	1,379	44,207	2
PARTNERS	Infra	9,571	6,856	1,558	1,787	17,985	1
BROOKFIELD	Timber	7,154	-305	99	0	6,948	0
CASH	Cash	3,063	2,253	0	0	5,316	0
Total Fund		2,193,223	40,922	-10,021	25,320	2,224,125	100

M&G and BlackRock appointed with bond mandates

Performance Summary



	Latest Year	3 Years % pa	5 Years % pa	10 Years % pa	20 Years % pa
Fund	0.7	7.0	7.3	5.3	6.6
Benchmark	1.5	7.1	7.4	5.7	7.0
Relative Return	-0.8	0.0	-0.1	-0.4	-0.4

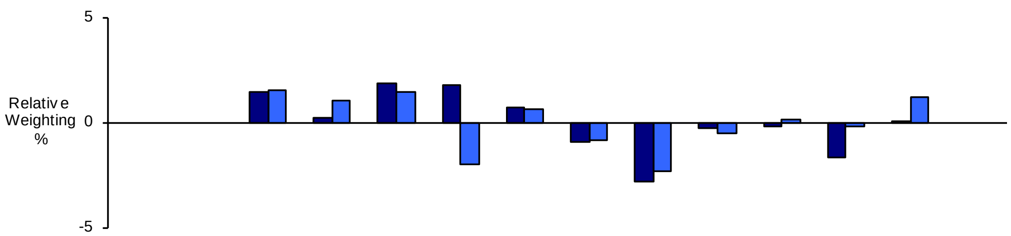
A difficult year

Longer term absolute returns are solid

STATE STREET.

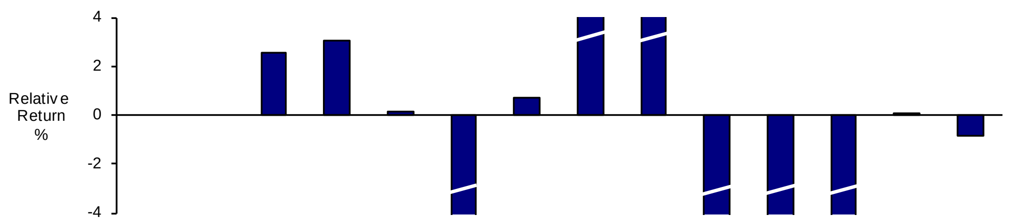
Latest Year Attribution

Asset Allocation



	UK Eqty	O/S Eqty	RAFI	Bonds + IL	Cash	Priv Eq	Infra	Absl	Dist Debt	Timber	Prop	Total Fund
Fund Start	17.4	24.6	10.0	20.0	1.2	3.1	2.1	9.6	1.8	0.3	10.0	100.0
Fund End	17.2	23.3	9.6	19.8	1.1	3.2	2.7	9.5	2.1	0.3	11.2	100.0
BM Start	15.9	24.3	8.2	18.2	0.5	4.1	4.9	9.9	2.0	2.0	10.0	100.0
BM End	15.7	22.2	8.2	21.8	0.5	4.1	5.0	10.0	2.0	0.5	10.0	100.0
Impact	-0.1	-0.2	-0.1	-0.1	-	-	-0.2	-	-	-0.1	-	-0.8

Stock Selection



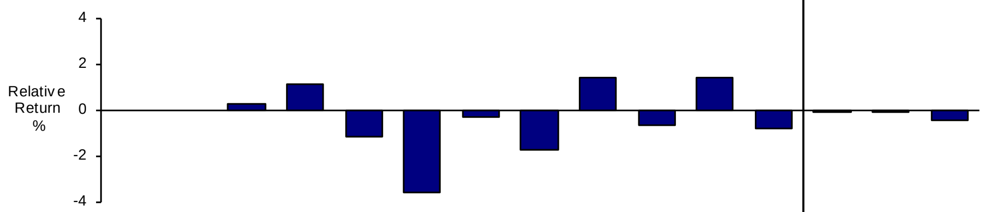
	UK Eqty	O/S Eqty	RAFI	Bonds + IL	Cash	Priv Eq	Infra	Absl	Dist Debt	Timber	Prop	Total Fund
Fund	-1.5	-0.7	-2.4	-1.9	1.3	9.1	19.5	-0.0	3.4	1.3	10.6	0.7
Benchmark	-3.9	-3.6	-2.5	3.1	0.6	0.0	8.0	5.6	8.0	8.0	10.6	1.5
Impact	0.4	0.7	-	-1.0	-	0.3	0.3	-0.5	-0.1	-	-	0.1

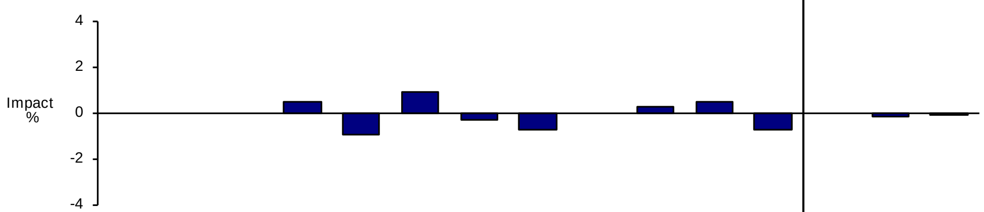
Asset allocation was unfavorable

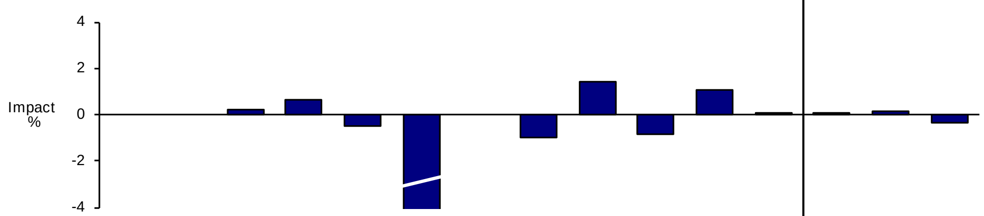
STATE STREET.

Contribution to Long Term Performance

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3yrs % pa	5yrs % pa	10yrs % pa
Fund Returns													
Fund	8.0	-2.5	-22.2	32.6	8.1	2.0	13.6	5.6	15.4	0.7	7.0	7.3	5.3
Benchmark	7.7	-3.6	-21.3	37.6	8.5	3.8	12.1	6.3	13.8	1.5	7.1	7.4	5.7
Relative	0.3	1.1	-1.2	-3.6	-0.3	-1.7	1.4	-0.7	1.4	-0.8	-0.0	-0.1	-0.4
Asset Allocation													
Impact	-	0.5	-0.9	0.9	-0.3	-0.8	-	0.2	0.4	-0.8	-	-0.2	-0.1
Stock Selection													
Impact	0.2	0.6	-0.5	-4.5	-	-1.0	1.4	-0.9	1.0	0.1	0.1	0.1	-0.4







Stock selection pulling down long term performance

Manager Performance

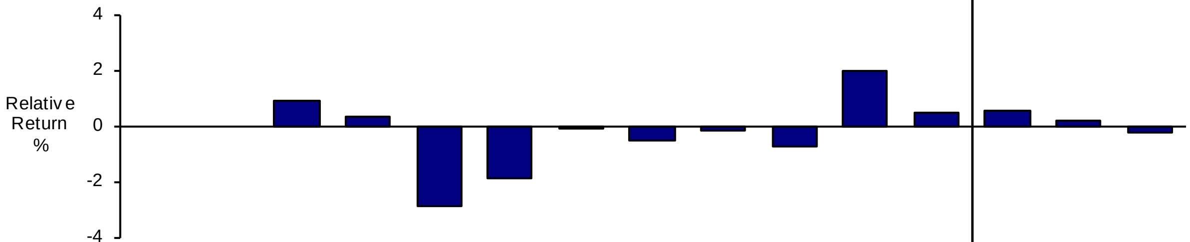
	1 Year	3 Years	5 Years	10 Years	Since Inception	Incept. Date
L&G PASSIVE	-3.7	5.3	6.9	5.9	5.5	29/9/2000
SUFFOLK L & G BM	-3.6	5.5	7.1	6.0	5.7	
	-0.1	-0.2	-0.2	-0.1	-0.2	
NEWTON GLOBAL EQUITIES	2.6	9.4	9.2		7.0	19/7/2007
MSCI AC World NDR	-1.2	7.5	7.5		5.9	
	3.8	1.8	1.6		1.0	
BLACKROCK UK EQUITIES	-0.2	6.2	6.9		6.1	19/7/2007
FTSE All Share TR	-3.9	3.7	5.7		3.5	
	3.8	2.4	1.2		2.5	
SCHRODERS PROPERTY	10.0	13.4	9.3	3.4	7.0	30/4/2001
IPD UK ALL BALANCED FUNDS	10.6	13.0	9.0	3.1	6.4	
	-0.6	0.4	0.3	0.3	0.6	
PYRFORD ABSOLUTE RETURN	1.8	2.8			3.7	28/9/2012
GBP 3 MONTH LIBOR + 5%	5.6	5.5			5.5	
	-3.6	-2.6			-1.7	
WINTON ABSOLUTE RETURN	-3.3	6.3			6.7	28/9/2012
GBP 3 MONTH LIBOR + 5%	5.6	5.5			5.5	
	-8.4	0.8			1.1	
BLUECREST ABSOLUTE RETURN	-2.3	2.2			2.7	28/9/2012
GBP 3 MONTH LIBOR + 5%	5.6	5.5			5.5	
	-7.5	-3.1			-2.7	
PRIVATE EQUITY	9.1	7.5	9.9	5.3	5.0	31/12/2004
FTSE WORLD TR	0.0	8.5	8.6	6.8	8.7	
	9.1	-0.9	1.2	-1.4	-3.4	
PARTNERS INFRASTRUCTURE	26.2	11.3			9.1	30/3/2012
8% PER ANNUM	8.0	8.0			8.0	
	16.8	3.1			1.0	
KKR INFRASTRUCUTRE	19.9	20.0			18.1	30/12/2011
8% PER ANNUM	8.0	8.0			8.0	
	11.0	11.2			9.3	
BROOKFIELD ASSET MANAGEMENT	1.3				19.8	31/1/2014
8% PER ANNUM	8.0				8.0	
	-6.2				10.9	
M & G DISTRESSED DEBT	3.4	6.6			8.0	28/9/2012
8% PER ANNUM	8.0	8.0			8.0	
	-4.2	-1.3			0.0	
M & G BONDS					-1.9	1/5/2015
GBP 3 MONTH LIBOR + 5%					5.1	
					-6.6	
BLACKROCK BONDS					-1.4	4/6/2015
GBP 3 MONTH LIBOR + 5%					4.6	
					-5.7	

Section 3

Performance Relative to Universe

Relative Performance

Fund Returns

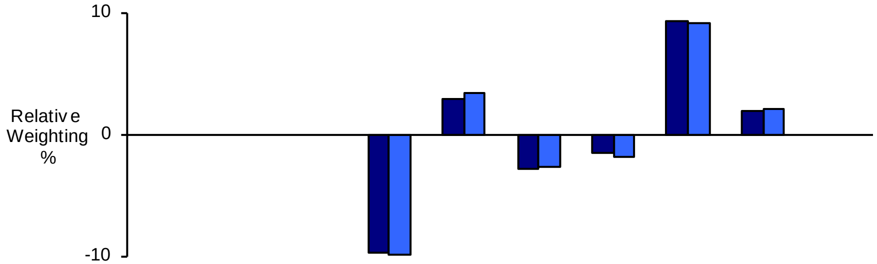


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3yrs % pa	5yrs % pa	10yrs % pa
Fund	8.0	-2.5	-22.2	32.6	8.1	2.0	13.6	5.6	15.4	0.7	7.0	7.3	5.3
Benchmark	7.0	-2.8	-19.9	35.2	8.2	2.6	13.8	6.4	13.2	0.2	6.4	7.1	5.6
Relative	0.9	0.3	-2.9	-1.9	-0.1	-0.5	-0.2	-0.7	2.0	0.4	0.5	0.2	-0.3
Ranking	(20)	(36)	(72)	(73)	(47)	(76)	(62)	(69)	(16)	(30)	(26)	(43)	(64)

Top third of Universe in the latest year

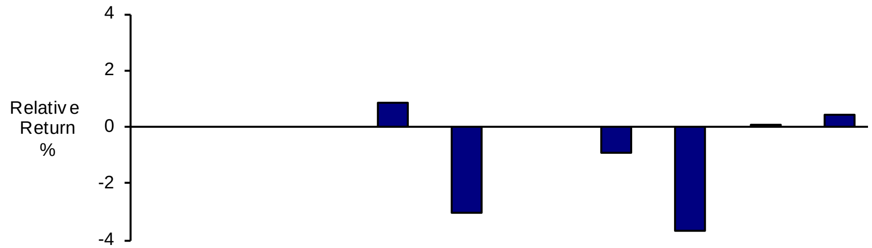
Latest Year Relative Performance

Asset Allocation



	Total Equity	Bonds + IL	Multi Asset	Cash	Alts.	Prop.	Total Fund
Fund Start	51.9	20.0		1.2	16.9	10.0	100.0
Fund End	50.1	19.8		1.1	17.8	11.2	100.0
BM Start	61.6	17.1	2.8	2.7	7.8	8.1	100.0
BM End	60.1	16.4	2.8	2.9	8.7	9.1	100.0
Impact	0.2	0.1	0.1	-	0.7	0.2	1.4

Stock Selection

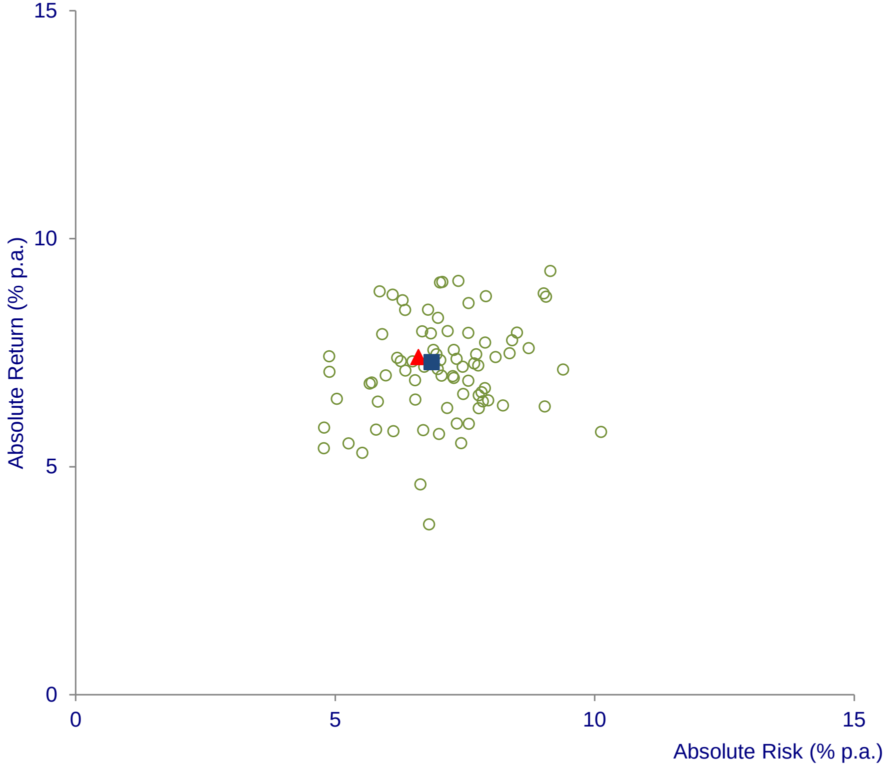


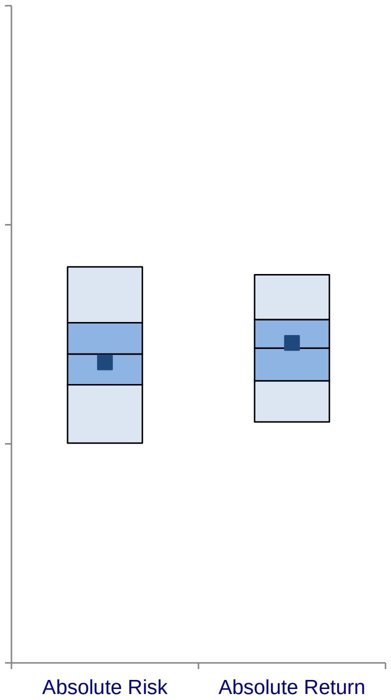
	Total Equity	Bonds + IL	Multi Asset	Cash	Alts.	Prop.	Total Fund
Fund	-1.3	-1.9		1.3	4.6	10.6	0.7
Benchmark	-2.1	1.2	-2.5	2.2	8.7	10.5	0.2
Impact	0.4	-0.6		-	-0.7	-	-0.9

Strategy added value relative to other local authority funds

Risk Adjusted Returns – Absolute
(5 Years p.a. to March 2016)

Absolute Risk & Return



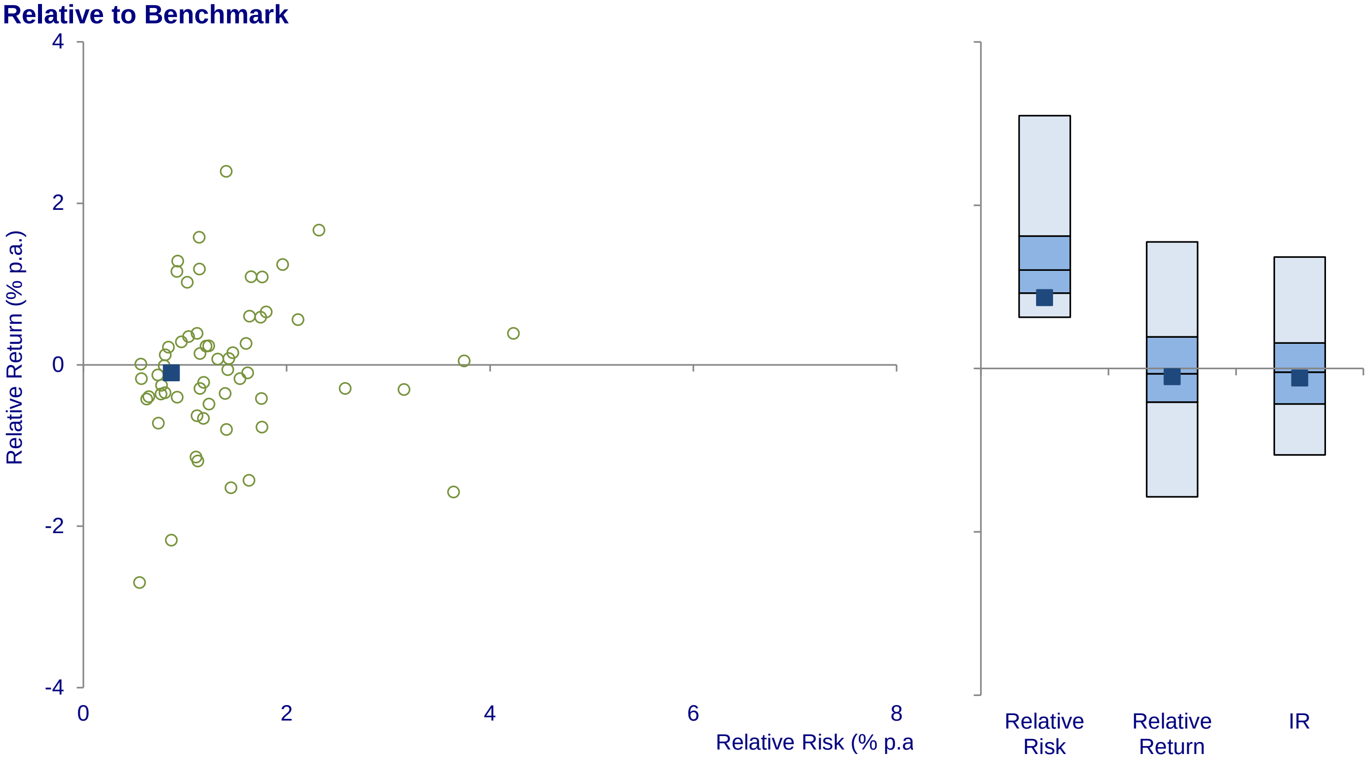


Your Fund

Your Benchmark

Lower risk & above average return

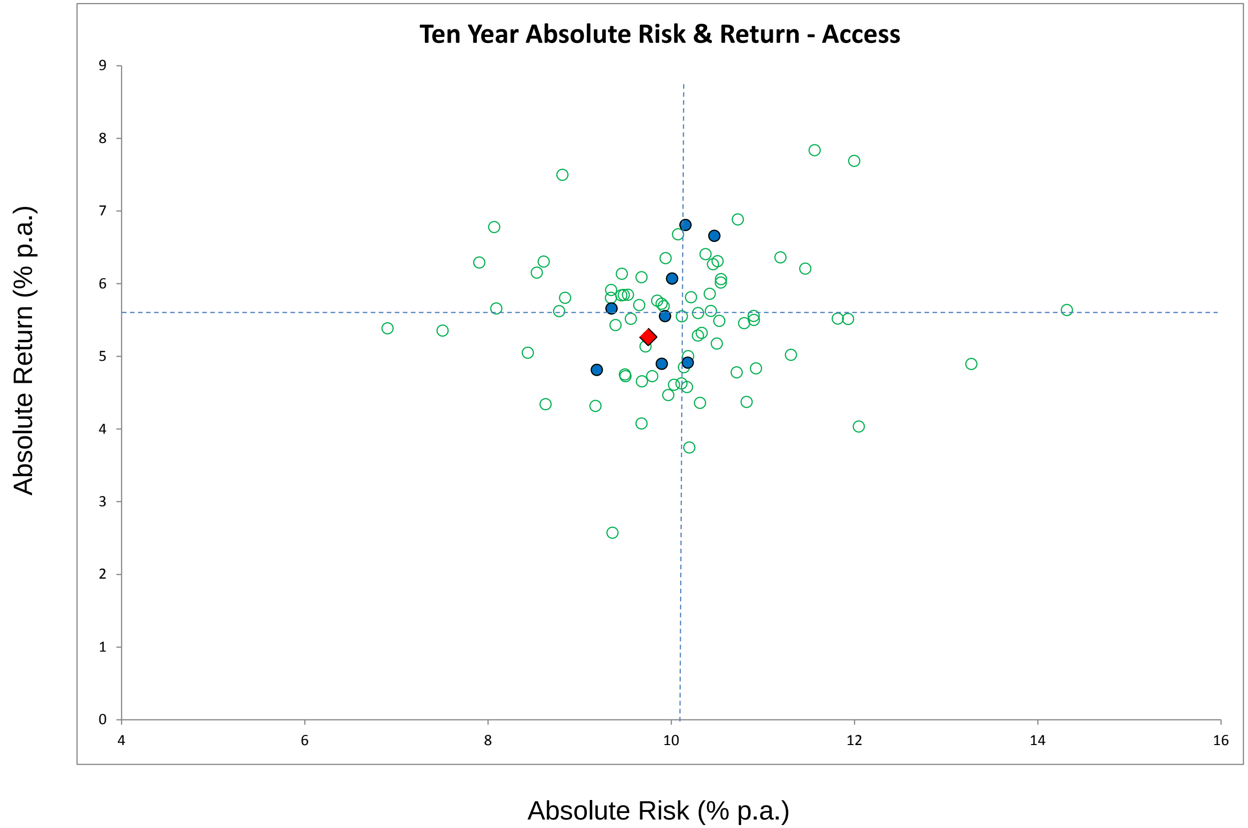
Risk Adjusted Returns – Relative (Active) (5 Years p.a. to March 2016)



A third of assets passive

STATE STREET.

Risk Adjusted Returns – Absolute with Access Pool (10 Years p.a. to March 2016)



Middle of the pack

Summary

- A difficult year for the industry in absolute terms and for Suffolk asset positions relative to the benchmark cost nearly 1%.
- Over the longer term the funds active management arrangements have not added value.
- Compared to other public sector funds the latest year performance ranked in the top third of the universe. Over the 5 year period the lower risk strategy has delivered slightly better returns than the average fund.
- Over the 10 year period the fund return of 5.3% p.a. is behind the average fund and as would be expected due to the lower risk profile. The risk/return profile is middle of the pack of the access pool.

Contact

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Suffolk County Council

Agenda Item 5

Suffolk Pension Board

Report Title:	ACCESS Submission to DCLG
Meeting Date:	11 July 2016
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Senior Pensions Specialist Tel. 01473 265288

Brief summary of report

1. This report provides an update of Suffolk's intention to pool its Pension Fund Assets within the ACCESS Group.

Action recommended

2. The Board is asked to note this report

Reason for recommendation

3. The Suffolk Pension Board is keen to keep up to date with progress towards pooling of Pension Fund Assets.

4. There are no alternative options.

Main body of report

5. The Suffolk Pension Board received a report at its 4 May 2016 meeting updating the Board on Suffolk's progress on preparing for the pooling of its assets.

6. The Pension Fund Committee met on 6 June 2016 and received an update on progress of the ACCESS submission.

7. The officers of the Suffolk Pension Fund have worked closely with officers from the other 10 ACCESS Funds, with the support of Hymans Robertson. There has been regular input in the drafting of the submission by all the Chairs (or acting Chairs) of the eleven Pension Fund Committees.

8. The ACCESS Group were invited to meet with DCLG, Cabinet office and Treasury officials on 9 June to update them on our current thinking and to report progress on meeting the Government's 15 July submission date. ACCESS was represented by five officers (from Hampshire, West Sussex, Hertfordshire, Essex and Norfolk) and one elected member (this was Andrew Reid, the Vice Chair of the Suffolk Pension Fund).

9. At the Pension Fund Committee meeting also on the 11 July 2016, the Committee will consider the submission on behalf of the Suffolk Pension Fund with a view to approving it. A copy of the submission is attached at Appendix 1.

10. It is still anticipated that pooling of assets is likely to start from April 2018, in accordance with Government expectations. However, DCLG have confirmed that the announcement of approved pools will not be made until the autumn, leaving a compressed time to plan the implementation.

Sources of further information
a) 16 December 2015 Pension Board Paper – Agenda Item 3
b) 27 January 2016 Pension Fund Committee - Agenda Item 5
c) 4 May 2016 Pension Board Paper – Agenda Item 4

ACCESS

Effective • Collective • Investment

The submission from

ACCESS

(A Collaboration of Central, Eastern & Southern Shires)

in response to the

LGPS: Investment Reform Criteria and Guidance

On behalf of

Cambridgeshire County Council

East Sussex County Council

Essex County Council

Hampshire County Council

Hertfordshire County Council

Isle of Wight Council

Kent County Council

Norfolk County Council

Northamptonshire County Council

Suffolk County Council

West Sussex County Council

ACCESS objectives and principles

ACCESS 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 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 ACCESS authorities have established the following guiding 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.

Contents

Please note: If you have any questions regarding the content of this document please contact either Paul Finbow at paul.finbow@suffolk.gov.uk or Rachel Wood at rachel.wood@westsussex.gov.uk.

Criterion A: Asset pools that achieve the benefits of scale

A1. The size of the Pool once fully operational.

a) Please state the total value of assets (£b) to be invested via the Pool once transition is complete (based on asset values as at 31.3.2015

a)

The ACCESS Pool represents assets in total of £33.4b based on asset values as at 31.3.2015. The values split by the participating Funds are set out in the table below.

Authority	£b
Cambridgeshire County Council	2.27
East Sussex County Council	2.74
Essex County Council	4.91
Hampshire County Council	5.11
Hertfordshire County Council	3.53
Isle of Wight Council	0.48
Kent County Council	4.52
Norfolk County Council	2.93
Northamptonshire County Council	1.85
Suffolk County Council	2.19
West Sussex County Council	2.96
Total	**33.42**

- The total value of assets to be held within the Pool once the transition is complete will be around £31.8b. This assumes that:
- The majority of existing illiquid assets will be run off over their normal investment lifecycle in order to optimise their existing economic benefit. Future allocations will be invested through the Pool.
- Passive assets currently held in Life Policies will be considered to be within the Pool although the Life Policies will remain an agreement between the participating authority and the appointed external investment manager(s) to ensure value for money through competitive fees, avoid unnecessary transition and oversight costs and to overcome some technical issues associated with a CIV holding a Life Policy.
- A small proportion of assets remain outside as set out in A2.

A2. Assets which are proposed to be held outside the Pool and the rationale for doing so.

a) Please provide a summary of the total amount and type of assets which are proposed to be held outside of the Pool (once transition is complete, based on asset values at 31.3.2015).

b) Please attach an ANNEX for each authority that proposes to hold assets outside of the Pool detailing the amount, type, how long they will be held outside the Pool, reason and how it demonstrates value for money.

a)

The table below sets out the assets which the participating authorities intend to hold permanently outside the Pool and the rationale for doing so.

In the future, it may be appropriate for participating authorities to hold additional assets outside the Pool, such as local targeted investments as set out in 3.12 of the investment reform criteria and guidance.

Outside of Pool	Current Value (£)	Rationale for holding outside
Direct property	1,600m (4.7% of Pool assets)	Four of the participating authorities in the Pool have existing direct portfolio allocations and each will hold these outside the Pool. The rationale for holding these outside are as follows: - The portfolios have been built to specific target requirements of the respective authorities including their risk and return requirements - Direct portfolios are designed to account for target holding sizes to reflect total portfolio size and achieve required levels of diversification. To move these holdings to part of a bigger direct portfolio would have significant cost implications, such as SDLT, in order to reshape portfolios to meet new objectives which would be inconsistent with the value for money objective - The cost analysis also shows that the direct mandates are the most competitive in terms of value for money. A pool approach that met all funds' requirements would result in higher costs initially given it would need to be a mix of direct and property fund holdings initially until a more efficient solution can be developed Project Pool analysis showed that increasing direct mandates sizes does not result in incremental costs savings.
Local investment	17m (0% of Pool assets)	One authority holds a small illiquid local investment which it intends to hold outside the Pool. The nature of this investment means that it would be impractical

Outside of Pool	Current Value (£)	Rationale for holding outside
		and inefficient to hold inside the Pool. The investment is a joint venture with a local university and therefore would be held until the investment reaches the end of its investment lifecycle.
Operational cash	TBC	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 therefore be held outside the Pool. This will be reviewed by participating authorities on a regular basis by individual funds.

b)

Annex 1 shows assets held outside of the Pool (amount, type, how long they will be held outside the Pool, reason and how it demonstrates value for money) by participating authority.

A3. The type of Pool including the legal structure.

a) Please set out the type of Pool, including legal structure, and confirm that it has been formally signed off by all participating authorities:

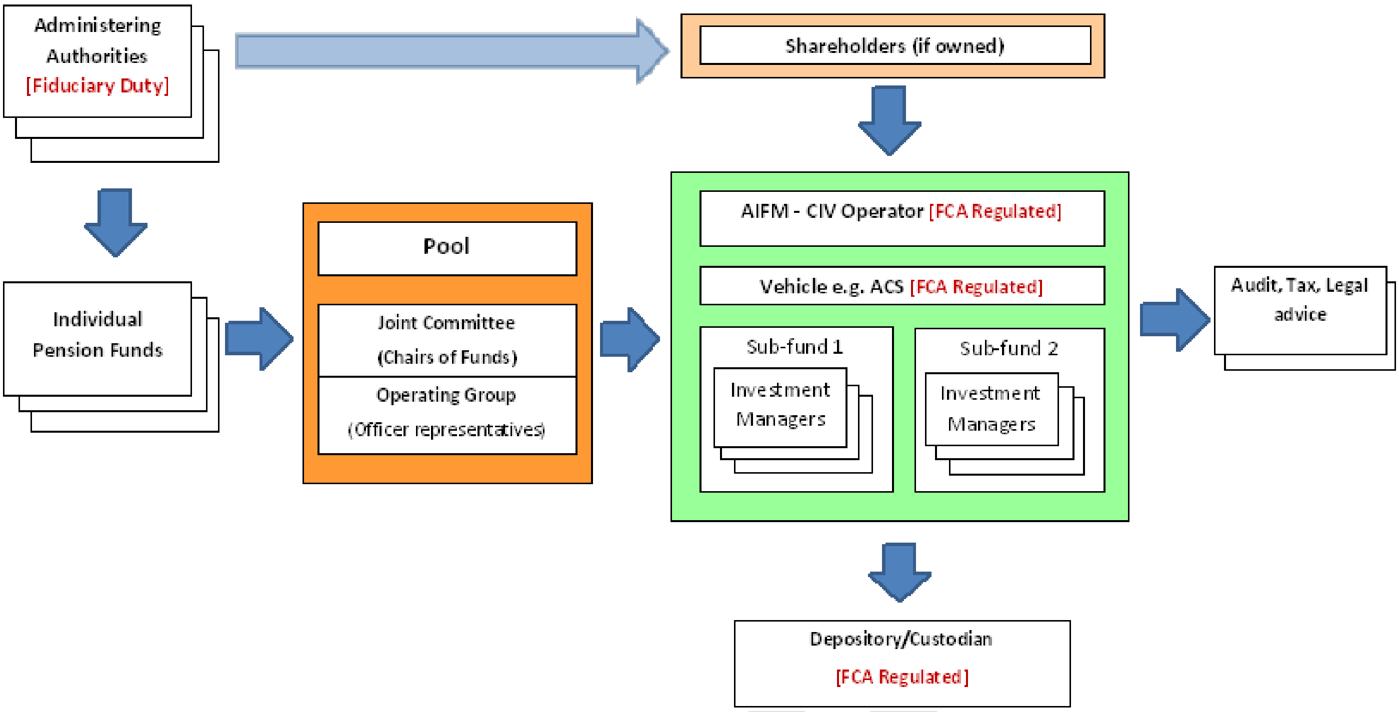
- Details of the FCA authorised structure that will be put in place, and has been signed off by the participating authorities.
- Outline of tax treatment and legal position, including legal and beneficial ownership of assets.
- The composition of the supervisory body.

Please confirm that all participating authorities in the pool have signed up to the above. If not, please provide in an Annex the timeline when sign-off is expected and the reason for this to have occurred post July submission date.

a)

The ACCESS Pool proposes to utilise fully FCA regulated Collective Investment Vehicles (CIV) and an Alternative Investment Fund Manager (AIFM) to build and operate the collective investment scheme. This will be a separate external legal entity. This structure will be referred to as the Operator from this point but for the avoidance of doubt consists of the CIV itself, the FCA authorised and regulated entity (the

Alternative investment Fund Manager– AIFM) and the FCA authorised and regulated depository.



The Operator will be the legal owner of the investments, creating a large single pool of assets.

The nature of the assets owned by the participating authorities will change. Authorities would hold shares or units in the CIV sub-funds and be beneficial owners of the assets, consequently they would no longer have direct ownership of the underlying assets.

Whilst the type of legal entity has been agreed by all participating authorities, ACCESS has not yet made a decision about whether to rent or establish (build) an Operator. It is critical that ACCESS makes an informed choice between these options and further work will be undertaken on whether to rent or an Operator, a decision will aim to be made in September 2016. The decision will be based on ACCESS' objective and evidence based decision making, achieving value for money, effective governance and the need to minimise complexity (see B4). Some initial commentary has been included below.

Rent an Operator from third party

Commentary	Considerations
The participating authorities would have investor rights as holders of shares / units in the Operator and would have a service agreement with the 'host' to regulate the terms on which the host would act as Operator. This removes the up-front costs associated with establishment and authorisation but there is a loss of control over the management of the Operator.	**Resource:** ACCESS has identified that the participating authorities do not currently have the staff or capacity to run our own Operator. Paying a third party to provide a solution could help overcome this. **Market Capacity:** There is a risk about the availability, experience and track record of suitable providers, and the cost of employing the skilled individuals required. **Time:** As the Operator is an existing company they will be responsible for the set up but it could still take up to one year to procure an Operator and then a further two years to build an Operator and sub-funds. **Cost:** Although set up costs will be borne by the

Commentary	Considerations
	Operator, there will still be procurement and legal costs associated with appointment. Research suggests that set up costs are around £1m (0.3 basis points (bps[1]) of Pool assets) with ongoing costs estimated at £3-5m p.a. (0.9-1.5 bps p.a.). This is covered in more detail in the response to B5. **Control:** Local and Pool decision making and control will be via its contractual and practical relationship with the Operator. Once a contract is agreed it will be difficult to change the service if the underlying requirements vary over time. The main recourse if the Pool is unhappy with the Operator is to replace them – which could be costly and complex – and in the interim there is a risk that the Operator will be in a strong negotiating position. **Regulatory Capital:** No regulatory capital will be required from participating authorities but the cost of the Operator putting aside capital will be covered in their fee.

Build an operator

Commentary	Considerations
This is a significant undertaking and the amount of work, the upfront costs and the business evolution involved should not be underestimated. It does however give participating authorities maximum control over the direction of the Pool via their sponsorship and shareholder agreement with the Operator.	**Resource:** ACCESS has identified that the participating authorities do not currently have the staff or capacity to run our own Operator, in particular staffing the necessary senior regulated positions such as CEO, CIO and Chief Risk Officer. This can be overcome through the recruitment of suitable staff to build and manage ACCESS' own Operator. **Market Capacity:** There is a risk in respect of the availability of suitable individuals, and the cost of employing the skilled individuals required. **Time:** An application process with the FCA is likely to take 6-9 months, plus the additional time to prepare the application. In addition time will be required to agree the detailed legal provisions around the relationship between participating

[1] Please note that throughout this submission in relation to pool implementation and operation costs the basis point costs have been expressed in terms of the total Pool assets of £33.4b. In practice the running cost fees will likely apply only to the assets physically held and directly managed within the Pool (i.e. excluding direct property and Life Policies)

Commentary	Considerations
	authorities, appointments to positions within the Operator, consolidation plans, procurement and transition plans and negotiating contracts with new service providers. The London CIV took three years to put their current structure in place – which is not complete and Friends Life took 18 months to implement a CIV. **Cost:** Research suggests that set up costs are around £1.5m - £1.7m but these are likely to be low due to first mover advantage. ACCESS estimates that the costs are likely to be closer to £3-5m (0.9-1.5 bps). Ongoing costs are estimated at £3-5m (0.9-1.5 bps p.a.). This is covered in more detail in the response to C3. **Control:** Local and Pool decision making and control will be via its contractual and practical relationship with the Operator. This relationship could be easier to manage and make reflective of the particular (and changing) circumstances of the participating authorities, their investments and the Pool's objective versus a rented solution. **Regulatory Capital:** Based on the current legal advice, regulatory capital of €10m will be required.

ACCESS will invest through the most appropriate Pooled vehicles for each sub-fund asset class. The decision on the most appropriate vehicles will include the cost of investing, including investment managers fees, the cost of managing the vehicle and tax treatment. It is assumed that for actively managed listed assets the vehicle will be an Authorised Contractual Scheme (ACS) and for passive investments it will be Life Insurance Policies (as the Funds in ACCESS currently use for passive investments). Until a decision is made on the most appropriate Pooled vehicle for the sub-fund asset classes, further details cannot be provided on the specifics around tax treatment.

It should be noted that whilst ACCESS expects the position to change, the current Investment Regulations place an upper limit on the proportion of each Fund which can be invested into a single CIV or a range of vehicles of the same description. Presently this would potentially prevent a participating authority from investing all or substantially all of their assets into a single (or limited number) of CIVs.

b)

The table below shows the timetable for participating authorities to approve the full submission. This reflects individual authorities' governance arrangements.

Authority	Date
Cambridgeshire County Council	7 July 2016
East Sussex County Council	18 July 2016
Essex County Council	13 July 2016

Hampshire County Council	Delegated authority to Officers
Hertfordshire County Council	12 July 2016
Isle of Wight Council	8 July 2016
Kent County Council	Delegation for sign-off to Officers, in conjunction with Elected Members, given on 24 June 2016
Norfolk County Council	29 July 2016
Northamptonshire County Council	30 June 2016
Suffolk County Council	11 July 2016
West Sussex County Council	Delegation for sign-off to Director of Finance in consultation with the Chairman of the Pensions Panel given on 29 June 2016

A4. How the Pool will operate, the work to be carried out internally and services to be hired from outside.

Please provide a brief description of each service the Pool intends to provide and the anticipated timing of provision.

- To operate in-house (for example if the Pool will have internal investment management from inception):
- To procure externally (for example audit services):

Please indicate the extent to which the service allocations listed above are indicative at this stage and subject to alteration either during or after the implementation of the pool.

The service listed below are indicative at this stage and subject to alteration either during or after the implementation of a pooling arrangement.

Internal (within Administering Authorities and within the main Pool)
Participating Administering Authority
Set its asset allocation based on its own assets, liabilities and risk return requirements.
Agree Fund's individual policies in their Investment Strategy Statement (ISS), such as decisions on stock lending and Responsible Investment Policies.
Hold Pool to account via representation on Joint Governance Committee
Receive periodic reports on Operator's performance against agreed KPIs and Service Level Agreement.
Receive periodic reports on sub-fund investment performance
Account for its underlying assets (including accountancy and performance measurement), engage with its own auditors (internal and external) and deal with other aspects of Fund administration including procuring its own legal advice as relevant.
Review delivery of services by Operator and third part providers against their contractual requirements.
ACCESS Joint Committee of Elected Members
Ensure the pooling arrangements deliver value for money
Appoint and terminate services of the Operator, if rented
Ensure that Pool meets the needs of individual authorities e.g. decisions on sub-funds the Operator will be required to provide to support individual authorities strategies
Set Pool level policies e.g. sharing of costs
Receive periodic reports on the Operator's performance against agreed KPIs and Service Level Agreement.
Receive periodic reports on sub-fund investment performance
Ensure the joint delivery of each of the Fund's individual policies in their Investment Strategy Statement (ISS), such as decisions on stock lending and Responsible Investment Policies, through the Pool's sub-fund structure.
Procure advice on behalf of the Pool.
ACCESS Officer Operating Group
Monitor sub-fund investment performance.
Monitor performance of the Operator and any third party contractors.
Fulfil the required client function with respect to the relationship between the Operator and the Fund's as investors in the underlying pooled investments including ensuring that nominated individuals are identified to perform the required role.
Provide information and advice to the ACCESS Joint Committee of Elected Members
Procure advice on behalf of the Pool.

Internal (within Administering Authorities and within the main Pool)
External Functions
Operator (whether built or rented) Responsible for the investment management of the sub-funds in the CIV. These would in turn be delegated to external investment managers but the Operator will be responsible for selecting and contracting with managers on behalf of the authorities participating in the Pool. Provide middle office functions including trade processing, portfolio accounting, pricing and valuation, corporate actions and proxy voting, derivative servicing, data management and client (Administering Authority) and regulatory reporting. Provide back office functions, including settlement management and reconciliation and income and tax reclaims. Setting up, administering and operating the sub-funds on a day to day basis, including obtaining the necessary FCA authorisations, creating and maintaining the required documents, appointment and oversight of auditors, obtaining any required legal or tax advice, the execution of relevant documents or contracts and regulatory compliance monitoring. Responsible for the contractual relationships in order to fulfil its regulatory requirements of the Pool and underling investors including appointing Depositary, Custody and Audit Maintain separate risk and compliance functions. These could be outsourced to a compliance firm. However, the Operator Pool will still hold overall responsibility to ensure compliance and ultimate responsibility in relation risk management. The Operator in holding the required FCA authorisations will be responsible for both the regulatory reporting that this role entails and for providing regular reporting to the Administering Authorities. Please note: If ACCESS chooses to build its own Operator it may outsource some of these services. However the Pool will still be required to demonstrate to the FCA that it has the systems and controls in place to effectively oversee its delegates. Even if ACCESS chooses to rent an Operator, the host may outsource some of these services. As above, it will still be required to demonstrate to the FCA that it has the systems and controls in place to effectively oversee its delegates. **External Investment Managers** As discretionary managers, the external investment managers will be responsible for the day to day decisions about the composition of the portfolios and entering into contracts with principals, intermediaries and other market participants.

A5. The timetable for establishing the Pool and moving assets into the Pool. Authorities should explain how they will transparently report progress against that timetable and demonstrate that this will enable progress to be monitored.

a) Please provide assurance that the structure summarised in 3 above will be in place by 01.04.2018 assuming: x, y and z (add caveats). If 'no' please state the expected date the structure will be in place and attach an ANNEX detailing the reasons for not being able to have the structure in place by 01.04.2018.

b) Please provide as an ANNEX a high level timetable for the establishment of the structure and transition of assets as well as the proposed methodology for reporting progress against this timetable.

c) Please provide as an ANNEX an outline of how you will approach transition over the years and where possible by asset class (any values given should be as at 31.3.2015.)

d) Based on the asset transition plan, please provide a summary of the estimated value of assets (in £b and based on values as at 31.3.2015 and assuming no change in asset mix) to be held within the Pool at the end of each 3 year period starting from 01.4.2018

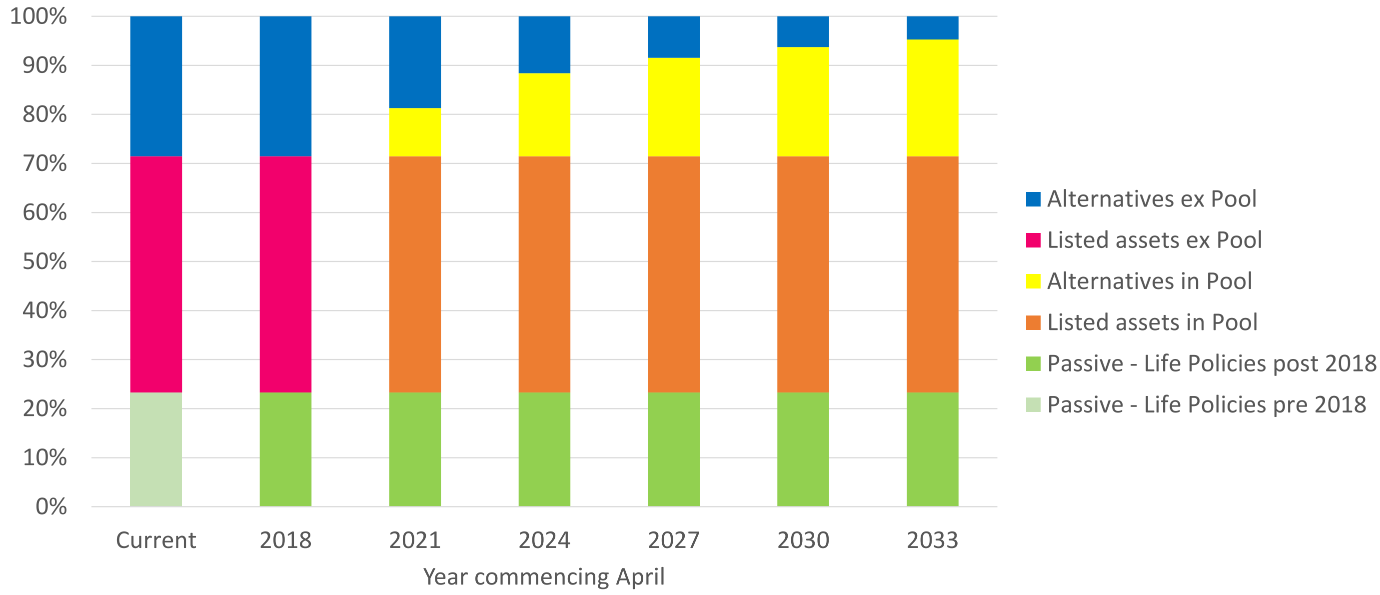
a)

The progress in relation to the establishment of the pool, whether via a build or rent solution, is set out below:

	Timeline
Formulate a detailed implementation plan	July 2016
Assessment of rent / build options	June-August 2016
Recommendation and Chairs' decision on rent/build	September 2016
Government agreement of ACCESS proposal	October 2016
Commence build or procurement of CIV	October 2016
Finalise plan for initial manager consolidation	March 2017
Appoint CIV Operator (if rented)	June 2017
Procure passive manager(s) using national framework	First half 2017
Agree pool terms for passive assets	Mid 2017
Contracts and SLAs agreed	October 2017
FCA Authorisation granted for ACCESS sub-funds	October 2017
Formulate plan for transition of liquid assets into sub-funds	December 2017
Governance arrangements established	December 2017
Custody accounts set up	January 2018
Illiquid assets manager selection completed	January 2018
Complete establishment of CIV (rented or built)	February 2018
Liquid asset transfer commences	April 2018

b)

The indicative timetable for transitioning assets into the Pool is shown in the chart below:



The table below reflects the following movements into the Pool:

Date (by)	Assets within the Pool
31/03/2021	£27.2bn
31/03/2024	£29.5bn
31/03/2027	£30.6bn
31/03/2030	£31.3bn
31/03/2033	£31.8bn

c)

The intended approach to transitioning each of the respective asset classes in line with the timetable above is set out in the table below. The speed at which assets move into the Pool is difficult to estimate and will depend greatly on the timetable for implementing the Pool investment options in addition to authorities allocations to underlying asset classes and market conditions.

Assets	Assumed timetable for transition to Pool
Passive Life Funds	Part of Pool assets but existing holdings in Life Policies maintained. Fees negotiated at pool level (e.g. via national framework). Work is already in progress to achieve this and expected to be completed with assets on pool terms and part of Pool governance (approx. 20% of the Pool's total assets) prior to April 2018.
Listed equity, Listed fixed income and Balanced/DGF/Multi-asset	Pool solution developed. Intend to reduce the number of managers for all listed equity, fixed income and multi-asset to provide economies of scale with the aim of transferring assets to pool by 2021.
Closed ended illiquid assets (private equity, timberland, infrastructure)	Pool solution developed for cost effective investment access to range of required asset classes. Existing illiquid asset programmes allowed to run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned. Assumes new allocations made through Pool by 2021. In practice commitments may continue for a period under existing arrangements depending on the speed at which a Pool solution can be agreed.
Property	Pool solution developed. Plan for indirect assets transitioned to pool from 2021 to 2030. Existing allocations to direct holdings maintained outside pool, as set out in A2.

The table below sets out some indicative costs of transitioning the respective assets classes moving into the Pool.

Asset	Transition Manager commission (bps)	Spread cost (half bid/ ask spread) (bps)	Tax (bps)	Market Impact / Opportunity cost (bps)	Total (bps)
Large cap equity	1-3	5-7	4-8	15-35	24-53
Emerging Market	3-8	15	5-30	50-100	73-153

equity					
Government fixed income	2-10	2-40	0	10-60	14-110
Corporate fixed income	4-15	3-45	0	10-180	15-240
Property (indirect)	?	150-700 (full spread)	0 for UK	?	150-700

Source: Goldman Sachs/Hymans Robertson

From a risk and cost management perspective the key areas of focus for transition purposes are the listed equity and fixed income assets.

To address this the Pool will carefully plan and co-ordinate transition activity and engage the services of a specialist transition manager(s) to ensure that costs and risk is minimised as far as is possible.

The scale of the transition activity within ACCESS specifically and across the LGPS generally is unprecedented. It will therefore be important for Government and the Pools to co-ordinate the activity across Pools, potentially via the Cross Pool Collaboration group, to ensure the actual transition costs do not wipe out years of potential fee savings. **Transition costs have the potential to push out the breakeven point by which the Pool savings outweigh the costs of developing, running and implementing the solution**.

d)

See response to A5.b)

Criterion B: Strong governance and decision making

B1. The governance structure for their Pool, including the accountability between the pool and elected councillors and how external scrutiny will be used.

a) Please briefly describe the mechanisms within the pool structure for ensuring that individual authorities' views can be expressed and taken account of, including voting rights.

b) Please list and briefly describe the role of those bodies and/or suppliers that will be used to provide external scrutiny of the Pool (including the Pensions Committee and local Pension Board).

a)

The LGPS Regulations provide that each of the participating authorities must maintain a pension fund within the LGPS and that the LGPS Administering Authority is responsible for managing and administering its Fund in relation to any person for whom it is the Administering Authority. Whatever arrangements are made to discharge the statutory responsibilities of the Administering Authority, each Administering Authority retains ultimate responsibility for the fulfilment of its statutory duties.

Consistent with the above, ACCESS's overall objective is to enable participating authorities to execute their fiduciary responsibilities to LGPS stakeholders by providing the range of asset classes necessary to enable those authorities to execute their locally decided investment strategies, whilst enabling them to achieve benefits of pooling investments. These objectives will drive the governance structure adopted by ACCESS.

As set out previously in this response, the Pool will be governed by the ACCESS Joint Committee of Elected Members under s.101 of the Local Government Act 1972, comprised of Elected Members. Each Administering Authority will select one representative, thereby ensuring that all members of ACCESS are represented in the governance of the Pool and can express their views. The terms of reference of the Joint Committee would be set out in a Memorandum of Understanding (MoU) (or other similar document) whereby they would deal with issues such as membership, joining, withdrawal and the principles of the Joint Committee.

In line with ACCESS's principles, set out in the response to question B4, participating authorities will have an equitable voice in governance. It is intended that decision making will be objective and evidence based and therefore the Joint Committee will work by consensus whenever possible and avoid the need for decisions to be voted on. The detailed mechanisms for voting will be agreed by participating authorities in due course and will be documented in the MoU.

Support will be provided to the elected members governing the pool from each Authorities s.151 Officer and their fund's officers, which will be formalised through an Operating Group for the pool. Again each fund will be represented by one officer, to ensure that the requirements of all funds are considered by the group, and the same guiding principles as set out above will be applied. The detailed mechanisms for voting will be agreed by participating authorities in due course.

Should the Pool build its own Operator, a shareholder board will also be required to oversee the running of the Operator. The Administering Authorities will select representatives to sit on the Board and execute their rights to ensure the good governance of the Operator.

The board of directors of the Operator must hold meetings which review the extent to which the pooled vehicles are being run in line with their stated objectives and regulatory requirements and interrogate data and reports from any outsourced providers. Operators are also expected to retain oversight of investment management and risk management functions.

b)

As set out above, the ACCESS Joint Committee of Elected Members will be responsible for holding the Operator to account. In doing so, they will be supported by the Operating Group. Both groups may be supported by external experts and advisers either on a co-opted, retained or as required basis.

In addition, each participating authority's elected member and officer representatives on the Joint Committee and Operating Group will be responsible for reporting back to their Administering Authority to ensure scrutiny at an individual fund level. Each Administering Authority will determine its own reporting arrangements to its Pension Committee, which could include its local Pension Board and other committees as agreed locally.

As a separate legal entity the Operator will be responsible for ensuring that it has the appropriate control framework including the appointment of auditors, and the use of external experts, such as non-executive directors, independent advisors and consultants. This will need to be determined by ACCESS' Operator as part of its creation by ACCESS or on-boarding to an existing supplier.

B2. The mechanisms by which authorities can hold the Pool to account and secure assurance that their investment strategy is being implemented effectively and that their investments are being well managed in the long term interests of their members.

a) Please describe briefly the type, purpose and extent of any formal agreement that is intended to be put in place between the authorities, Pool and any supervisory body.

b) If available please include a draft of the agreement between any supervisory body and the Pool as an ANNEX.

c) Please describe briefly how that agreement will ensure that the supervisory body can hold the Pool to account and in particular the provisions for reporting back to authorities on the implementation and performance of their investment strategy.

a)

As the legal entity responsible for its pension Fund, each Administering Authority will be responsible for contracting with ACCESS' Operator, which will be in the form of a sponsorship agreement. The sponsorship agreement is the legal contract between the Administering Authorities and the Operator, which will define the responsibilities of each party.

In addition, if the ACCESS Funds create and own the Operator the Administering Authorities will have a shareholder agreement, which will specify the shareholders right to appoint directors and management decisions that must be agreed by the directors, such as the operating budget and any significant change to the company's core activities (such as developing an internal investment management function).

In addition, and as set out in A1, the board of directors of the Operator must hold meetings which review the extent to which the pooled vehicles are being run in line with their stated objectives and regulatory requirements and interrogate data and reports from any outsourced providers. Operators are also expected to retain oversight of investment management and risk management functions.

b)

Not yet available

c)

Please refer to A4.

On behalf of the Administering Authorities the Joint Committee will be responsible for the selection of the Operator and as such have the ultimate sanction of being able to change the operator of the Pool.

As a regulated entity the Operator will have to fulfil regulatory requirements for reporting to investors on the performance of investments in the Pool, which will provide individual Funds with the necessary visibility of the performance of their investments. The ACCESS Funds would receive reports from their Operator as specified in a Service Level Agreement.

The Officer Operating Group will review and monitor the service provided by the Operator and the extent to which they are meeting the requirements as set out in the Service Level Agreement.

ACCESS will invest through the most appropriate pooled vehicles for the sub-fund asset class. The decision on the most appropriate vehicles will be made based on the cost of investing, including investment managers fees, the cost of managing the vehicle and tax treatment. It is assumed that for actively managed listed assets the vehicle will be an Authorised Contractual Scheme (ACS) and for passive investments it will be Life Insurance Policies (as the funds in ACCESS currently use for passive investments). Until a decision is made on the most appropriate pooled vehicle for the sub-fund asset classes, further details cannot be provided on the specifics around tax treatment.

B3. Decision making procedures at all stages of investment, and the rationale underpinning this. Confirm that manager selection and the implementation of investment strategy will be carried out at the Pool level.

a) Please list the decisions that will be made by the authorities and the rationale underpinning this.

b) Please list the decisions to be made at the Pool level and the rationale underpinning this.

c) Please list the decisions to be made by the supervisory body and the rationale underpinning this.

a)

Individual Administering Authorities will retain their fiduciary responsibility for the management of their pension fund and the participating authorities will continue to be responsible for setting their investment objectives, risk assessments and the asset allocation.

Administering Authorities will be responsible for governance decisions associated with their investments, such as decisions on stock lending and their Responsible Investment Policies, which will be set as part of each Fund’s Investment Strategy Statement (ISS).

The ACCESS Joint Committee will then be responsible for requesting the relevant sub-funds from the Operator.

The Operator will then be responsible for sub-fund implementation and (not withstanding comments made previously) investment review in line with their regulatory responsibilities.

b)

Please see the response to question A4

c)

Please see the response to question A4

B4. The shared objectives for the Pool and any policies that are to be agreed between participants.

a) Please set out below the shared objectives for the Pool.

b) Please list and briefly describe any policies that will or have been agreed between the participating authorities.

c) If available please attach as an ANNEX any draft or agreed policies already in place.

a)

ACCESS authorities have a clear set of objectives and principles, agreed at the start of the collaboration and 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 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 ACCESS authorities have established the following guiding 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.

b)

A Memorandum of Understanding (MOU) has been agreed and put in place by the participating Funds. The main purpose of this has been to facilitate the joint working to date on the development of the Pool including sharing of knowledge and resources and commissioning and meeting external costs incurred during the initial stages of the pooling process. This has been appended. Post July 2016 an updated or revised MoU will be required to further progress the pooling work in addition to a number of other policies including:

- Constitutional documentation on the structure and working of the Joint Committee and Operating Groups
- Pool approach to Responsible Investment (RI) and stewardship to the extent to which it will allow each Fund to implement their own locally agreed policy as per the response to B6.

The participating authorities will work together to develop the policies required to ensure the efficient running of the pool.

c)

A copy of the MoU is attached as Annex 2.

B5. The resources allocated to the running of the pool, including the governance budget, the number of staff needed and the skills and expertise required.

a) Please provide an estimate of the operating costs of the Pool (including governance and regulatory capital), split between implementation and ongoing. Please list any assumptions made to arrive at that estimate. Please include details of where new costs are offset by reduced existing costs.

- Implementation costs £
- Ongoing costs £
- Assumptions
- Comments

b) Please provide an estimate of the staff numbers and the skills/expertise required, split between implementation and ongoing. Please state any assumptions made to arrive at that estimate.

- Assumptions

a)

Estimated costs of the ACCESS Pool structure are as follows:

Implementation costs

If **build** CIV, £3-5m (0.9-1.5 bps) plus regulatory capital of 10m euros which will be met by the participating authorities although this is something that Treasury may be able to discuss with the FCA to avoid inappropriate and excessive capital requirements for LGPS pools.

If **rent** CIV , in excess of £1m (0.3 bps) but no direct regulatory capital requirements although the costs of providing such capital will be reflected in ongoing costs of renting the Operator – third party operator bears its own establishment costs and provides regulatory capital.

Excludes asset transition costs

Ongoing costs

£3-5m p.a. (0.9-1.5 bps p.a. of pool assets*) in short term whether rent or build and own. Build and own may cost less in the long term. This excludes custody, depositary and cost of regulatory capital and external investment manager fees. * Based on total pools assets including life policies. This represents circa 1.2-2bps of assets excluding c£8bn of passive investment in life policies.

Offset of existing costs:

It is considered that there will be very limited ability to offset the costs associated with the new structure and pooling arrangements against existing costs.

- Some costs will simply transfer from individual Funds to the Pool (e.g. custody of vast majority of assets via the Pool) and therefore savings will be limited.
- Some costs will be incurred once at Pool level rather than multiple times at individual Fund level, such as manager searches (for example 5 searches a year at circa £25k = £125k per annum)
- In some cases there may be additional costs for individual Funds as a result of the Pooling arrangement (e.g. client function)

Assumptions

Implementation cost estimates

	Build	Rent
Time cost of staff at administering authorities supporting implementation	Including oversight of build of Operator and establishment of non-CIV elements of the Pool structure including Joint Governance Committee 11 people at 1 day a week for 2.5 years at £60k salary **£330k**	Including senior officer support through implementation phase including establishing non-Operator elements of Pool governance and specifying third party requirements **£150k**
Hiring professional staff for the Operator	In advance of launch date to obtain authorisation and establish operations, processes and governance 5 people at 1.5 years at £100k salary plus recruitment costs of £150k **£900k**	N/A **£0k**
Project Management	To manage project to tight timeframes up to 2018. £150-225k a year per year **£300-450k**	To manage project to tight timeframes up to 2018. £150k a year **£300k**
Legal Advice	On authorisation process etc. **£1m**	On procurement and contracts **£200k**
Other external advisory	Various external expertise required including technical investment advice, asset transition and governance. Tax £200k, technical investment	Various external expertise required including procurement, technical investment advice, asset transition and governance. Tax, investments, transition

	advice including asset transition c£500k, governance c£100k **£800k**	£350k, procurement personnel (sourced from admin authority) est £25k **£375k**
Premises, IT and other non-staff costs	Costs assume that the majority of IT infrastructure and systems (risk measurement and monitoring) are procured. Building required systems could significantly increase the implementation costs. Excludes allowance for any IT interfaces with third parties. **£500k**	Potential cost of IT interfaces with third party suppliers not yet estimated.
Total (excluding transition costs)	**£4m (range £3-5m) (0.9-1.5 bps)**	**£1.0m (0.3 bps) (circa 0.4 bps on initial assets of the Pool)**

Other corroborating data on running costs: The London CIV is expecting to run with circa 12 professional staff initially but potentially doubling within a few years. 24 staff at say £50-150k per annum cost implies staff costs of circa £2.4m per annum. In addition there will be a) non-staff costs (premises, IT); b) some third party supplier costs; and c) the non-CIV running costs (e.g. Pool governance and officer responsibilities out-with the CIV acting for the client side of the relationship); d) cost of providing regulatory capital. The ACCESS Pool would expect total costs to exceed £3m per annum.

Comments

1 **Regulatory capital:** Government has given feedback that the FCA policymakers may be willing to relax regulatory capital requirements given the "closed" nature of the client / operator relationship – this is not at all like a retail investor situation where individual investors need protection. The ACCESS Pool would welcome government support in making the case to FCA.

2 **Rent / build decision:** The ACCESS pool is currently undertaking detailed analysis and due diligence of the options. A recommendation for decision by members will be made in September 2016, as set out in A5.

3 **Materiality:** The payback period is more sensitive to potential asset transition costs and estimated investment manager fee savings than it is to the differing implementation costs according to whether the ACCESS pool rents or builds and owns the Operator. The payback period is also fairly insensitive to whether the implementation and running costs are nearer the lower or upper end of the ranges quoted.

b)

Estimate on staffing numbers - Details will be available following further consideration of the "rent" or "build and own" decision.

B6. How any environmental, social and corporate governance policies will be handled by the Pool. How the authorities will act as responsible, long term investors through the Pool, including how the Pool will determine and enact stewardship responsibilities.

a) Please confirm there will be a written responsible investment policy at the Pool level in place by 01.4.2018.

- Confirmed YES/NO
- If no please attach an ANNEX setting out how the Pool will handle responsible investment and stewardship obligations, including consideration of environmental, social and corporate governance impacts.

a)

As set out in B4 one of the objectives of the Pool will be to enable participating authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible. Part of this responsibility will be to incorporate each Fund's own views on Responsible Investment (RI) and to act as good asset owners through their stewardship approach. The Pool will agree and put in place a Responsible Investment policy however the aim of the policy will be to allow each individual Fund to implement their own locally agreed approach to responsible investment issues.

ACCESS participates in the Responsible Investment Cross Pool Group, developing understanding and sharing knowledge. The Cross Pool Group will develop resources to enable ACCESS to further the Pools understanding of the financial implications of environmental, social and governance issues within the wider context of responsible investment.

B7. How the net performance of each asset class will be reported publicly by the Pool, to encourage the sharing of data and best practice.

a) Please confirm that the Pool will publish annual net performance in each asset class on a publicly accessible website, and that all participating authorities will publish net performance of their assets on their own websites, including fees and net performance in each listed asset class compared to a passive index.

- Confirmed YES/NO
- If no please attach an ANNEX setting out how the pool will report publically on its performance.

a)

The ACCESS Pool and participating authorities will publish annual net performance in each asset class on a publicly accessible website including fees and net performance in each listed asset class compared to a passive index where the relevant index exists or a suitable comparator index. Once established it is the intent of the authorities and the Pool to continue to use suitably qualified and independent third parties to allow clear and transparent reporting and scrutiny of the investment arrangements.

B8. The extent to which benchmarking is used by the authority to assess their own governance and performance and that of the Pool.

a) Please list the benchmarking indicators and analysis that the participating authorities intend to implement to assess their own governance and performance and that of the Pool.

a)

As part of the work in preparation for this July 2016 submission the participating authorities commissioned an independent third party (CEM Benchmarking) to carry out cost analysis and benchmarking of each Fund's investment arrangements and the aggregate cost information at Pool level. Once established it is the intent of the authorities and the Pool to continue to apply benchmarking comparisons and analysis using suitably qualified and independent third parties to allow clear and transparent reporting and scrutiny of the investment arrangements which will inform decision making and allow efficient reporting against the set criteria on which the pooling arrangements are to be measured.

Criterion C: Reduced costs and excellent value for money

C1. A fully transparent assessment of investment costs and fees as at 31 March 2013.

a) Please state the total investment costs and fees for each of the authorities in the Pool as reported in the Annual Report and Accounts for that year ending 31.03.2013.

b) Please state the total investment costs and fees for each of the authorities in the Pool as at 31.03.2013 on a fully transparent basis.

c) Please list below the assumptions made for the purposes of calculating the transparent costs quoted.

a)

The authorities provide transparent cost information as part of the regular accounting and reporting in line with CIPFA guidance and which are subject to independent external audit. In order to obtain consistent and comparable cost information each authority has provided cost information to an independent third party (CEM Benchmarking) and these costs are provided under b) below

b)

The total combined investment costs for all 11 participating authorities in the ACCESS Pool on a consistent basis are set out in the table below. These numbers have been preparing in conjunction with an independent third party, CEM Benchmarking, and ensure consistent and comparable cost information as far as is possible. Total investment costs for the year ending 31/3/2013 were therefore £131.1m on assets of £27bn.

Source of costs	Costs (£000s)	Costs (basis points)
Asset management	122,999	45.6
Oversight, custody and other	8,069	3.0
Total	131,068	48.6

Fees in some cases reflect performance of underlying mandates where performance related fees apply and therefore added value generated by the funds' managers may result in higher fees.

c) Total costs exclude carry/performance fees for infrastructure, natural resources and private equity. Performance fees are included for the public market asset classes. Other costs do not include non-investment costs such as pension administration. This is the standard approach used by CEM Benchmarking and has been consistently applied across all LGPS Funds in their July submissions.

For some assets classes there are underlying fee layers where actual information was not available and default assumptions have been used based on CEM's Benchmarking database of costs. For example for diversified Private Equity Fund of Funds a default for management fees paid to the 'bottom layer' underlying managers of 165 bps (on amount fees are based on) was used.

C2. A fully transparent assessment of current investment costs and fees, prepared on the same basis as 2015 for comparison, and how these will be reduced over time.

a) Please state the total investment costs and fees for each of the authorities in the pool as reported in the Annual Report and Accounts for that year ending 31.03.2015.

b) Please state the total investment costs and fees for each of the authorities in the pool as at 31.03.2015 on a fully transparent basis.

c) Please list below any assumptions made for the purposes of calculating the transparent costs quoted that differ from those listed in 1(c) above.

a)

The authorities provide transparent cost information as part of the regular accounting and reporting in line with CIPFA guidance and which are subject to independent external audit. In order to obtain consistent and comparable cost information each authority has provided cost information to an independent third party (CEM Benchmarking) and these costs are provided under b) below

b)

The total combined investment costs for all 11 participating authorities in the ACCESS Pool on a consistent basis are set out in the table below. These numbers have been preparing in conjunction with an independent third party, CEM Benchmarking, and ensure consistent and comparable cost information as far as is possible. Total investment costs for the year ending 31/3/2015 were therefore £166.5m on assets of £33bn.

Source of costs	Costs (£000s)	Costs (basis points)
Asset management	158,296	47.8
Oversight, custody and other	8,252	2.5
Total	166,548	50.3

Fees in some cases reflect performance of underlying mandates where performance related fees apply and therefore added value generated by the funds' managers may result in higher fees. Please note that the fees on listed assets are calculated on assets under management while fees for some alternatives are based on commitment. It should also be noted that the change in costs from 2013 to 2015 also reflect the growth in asset values over the period (fee base of £27bn in 2013 and £33bn in 2015).

According to CEM analysis, the current costs of the ACCESS pool compare favourably to UK and international peer group funds reflecting the effectiveness of historic public sector procurement

c)

Total costs exclude carry/performance fees for infrastructure, natural resources and private equity. Performance fees are included for the public market asset classes. Other costs do not include non-investment costs such as pension administration. This is the standard approach used by CEM Benchmarking and has been consistently applied across all LGPS Funds in their July submissions.

For some assets classes there are underlying fee layers where actual information was not available and default assumptions have been used based on CEM's Benchmarking database of costs. For example for diversified Private Equity Fund of Funds a default for management fees paid to the 'bottom layer' underlying managers of 165 bps (on amount fees are based on) was used.

C3. A detailed estimate of savings over the next 15 years.

a) Please provide a summary of the estimated savings (per annum) to be achieved by each of the authorities in the Pool at the end of each 3 year period starting from 01.04.2018.

Total value of savings (per annum) estimated to be achieved by each of the authorities in the Pool as at

- 31.3.2021: £
- 31.3.2024: £
- 31.3.2027: £
- 31.3.2030: £
- 31.3.2033: £

b) Please list below the assumptions made in estimating the savings stated above (for example if you have used a standard assumption for fee savings in asset class please state the assumption and the rationale behind it).

c) Alternatively you may attach an ANNEX showing the assumptions and rationale made in estimating the savings shown.

a)

The estimated annual savings to be achieved by the participating authorities at the end of each 3 year period starting from 1/4/2018 are set out in the table below. Savings are based on investment management fees and do not include the impact on operational costs associated with the new pooling structure. Savings have been calculated on two bases. Savings 1 assumes a saving on property assets based on a new managed account structure while Savings 2 assumes a more significant saving on property from moving to a more directly invested portfolio:

The impact of these savings compared to current costs has also been shown:

Date	Estimated savings 1 (£m)	Estimated savings 2 (£m)
31.3.2021	13.6	13.6
31.3.2024	17.9	19.9
31.3.2027	21.0	24.3
31.3.2030	23.7	27.8
31.3.2033	26.3	30.5

Please note that the savings are not expected to be pro rata across the underlying authorities as they will reflect the change from the current method of investing and the Pool solutions and the potential savings that will be achieved as a result.

It has been assumed that asset allocation remains unchanged and no asset growth has been applied.

b)

In deriving these savings the start point was to compare the eventual savings that the new pool solution might achieve for each underlying asset class once fully implemented (assumed by 2033). These have then been mapped back to allow for the gradual transition of assets into the pool as shown in the response to A5 b) and assume the savings apply from the point the assets are invested through the pool. In practice some savings may only apply once the weight of assets in the pool has been achieved.

The assumptions made in deriving the savings above for each asset class (annual run rate savings by year 15) are as follows:

Asset class	Current cost (bps)	Estimated savings (bps)	Estimated Pool cost (bps)	AUM fee applies to (£m)	Saving (£m)	Rationale
Passive equity	8.9	7.4	1.5	5,199	3.8	Assume flat passive rate of 1.5bps for pool assets based on indicative fee levels procured by other pools
Passive fixed income	3.8	2.3	1.5	2,293	0.5	Assume flat passive rate of 1.5bps for pool assets based on indicative fee levels procured by other pools
Active equity	31.7	5	26.7	12,646	6.3	Pool saving based on reduced number of mandates and increased manager mandate sizes of >£1bn. Supported by indicative quotes provided by managers in Project POOL for mandates of this size and given current competitive fee levels of the participating ACCESS Funds.
Active fixed income – traditional	24.1	5	19.1	2,698	1.3	Current allocation has low fee base. Potential for reduction in fees by circa 5 bps based on scale, consistent with findings of Project POOL.
Active fixed income –non traditional	43	0	43	701	-	Limited potential saving given mix of current strategies and existing fee arrangements
Balanced / DGF / multi-asset	Balanced TBC ~ 60 DGF	0 balanced 5 on DGF	- 55	2,254 1,712	0 0.6	No saving assumed on balanced Potential 5bps saving assumed based on scale and ACCESS negotiations consistent with Project POOL approaches
Property (direct)	32.5	0	32.5	1,595		Kept outside pool – no savings assumed
Property (directly managed	112.8	32.8	80	1,380	4.5	Assume new approach developed for the pool – directly managed account containing pooled funds, tailored to

Asset class	Current cost (bps)	Estimated savings (bps)	Estimated Pool cost (bps)	AUM fee applies to (£m)	Saving (£m)	Rationale
account available to ACCESS pool funds) Option 1						meet needs of ACCESS funds. Removes FoF fee layer and results in lower overall fee including underlying (not assuming full move to direct fee levels)
Property (directly invested portfolio available to ACCESS pool funds) Option 2	112.8	62.8	50	1,380	8.6	Assume new approach which moves away from a funds approach to a directly invested property portfolio available to funds in the ACCESS pool - reflects the scale of the property assets in the pool at over £1bn
Private equity	214	39	175	1,794	7.1	Assume pool solution results in aggregate fee moving towards lower fee levels of funds within pool due to method of accessing asset class (e.g. directly managed account)
Hedge Funds	177	5	172	648	0.3	Potential 5bps saving assumed based on scale and ACCESS negotiations consistent with Project POOL
Infrastructure	110	35	75	517	1.8	Assume Pool solution developed to provide low cost access such as national platforms consistent with project POOL and existing platforms such as PIP
Other	0.54	0	-	87	-	Small allocation with limited scope for savings
Total Option 1 Total Option 2				33,092	26.3 30.5	Annual saving by 2033 based on rationale set out in table and excludes impact on other costs such as structural impact and governance

Source: CEM Benchmarking/ Hymans Robertson/ Project Pool

Please note the fees above are based on CEM data which reflects the average value of assets over the year from April 2014 to April 2015 while the AUM is the value at April 2015. For consistency with CEM values for some illiquid assets reflect commitments rather than invested assets. Cash is not included in the figures above.

These savings then need to be offset against the additional costs of asset transition, establishment and running the pool which are covered in more detail in the response to C4. It is assumed that the cost savings that can be negotiated will be the same on both the potential rent or build options discussed in this submission. It should also be noted that the costs savings should be considered in the context of net of fees performance as a 10bps (0.1% of assets) difference in performance on a £33.4bn asset pool would outweigh any potential cost saving. Using the best available investment managers to deliver strong investment performance is potentially even more important.

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 2013 report to DCLG. This analysis showed that one of the greatest potential for cost savings was through less expensive means of investing in alternative asset classes.[2] This was corroborated by the findings of Project POOL.

In the context of Project Pool it should also be noted that when allowing for future investment growth of 3-5% per annum, by year 10 the estimated annual savings will be equivalent to £[40-50]m which represents a significant proportion of the total year 10 annual savings of £200-300m across all pools estimated by Project POOL.

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).

C4. A detailed estimate of implementation costs and when they will arise, including transition costs as assets are migrated into the pool, and an explanation of how these costs will be met.

a) Please provide a summary of estimated implementation costs, including but not limited to legal, project management, financial advice, structure set-up and transition costs. Please represent these costs in a table, showing when these costs will be incurred, with each type of cost shown separately. Please estimate (using information in Criteria C Section 3) the year in which the pool will break even (i.e. the benefits will exceed additional costs of pooling).

b) Please list below the assumptions made in estimating the implementation costs stated above (for example if you have assumed a standard cost for each asset class please state the assumption and the rationale behind it).

c) Alternatively you may attach an ANNEX showing the assumptions and rationale made in estimating the implementation costs shown.

d) Please explain how the implementation costs will be met by the participating authorities.

a)

The implementation costs excluding transition costs are set out in the table below, transition costs are set out in the subsequent tables.

	2016	2017	2018*	2019	2020	2021	2022	Total
Time cost of admin authority staff	£225k	£112.5k	£55k	From April 2018 have running costs				£330k

2 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307926/Hymans_Robertson_report.pdf

	2016	2017	2018*	2019	2020	2021	2022	Total
Professional staff in CIV	£337.5k Including all recruitment cost and 3 months' pay	£450k	£112.5k	From April 18 have staff running costs which will increase as CIV staff expands				£900k
Project management	£100k	£150k	£50k					£375k (based on range midpoint)
Legal fees	£250k	£500k	£250k					£1,000k
Other professional advice (tax, transition, etc.)	£150k	£250k	£150k	£150k	£100k			£800k
Premises, IT, etc.	Nil	£400k	£100k					£500k
Total	£975k	£1,950k	£725k	£150k	£100k			£4,300k

*Note: We assume in the table above that most implementation costs in 2018 are for the **part year** to an assumed "go live" date of 1st April. Thereafter annual running costs commence. An exception is professional advice on matters such as transition of assets which could continue for a number of years beyond 2018.

The costs related to the transition of assets into the pool are set out in the table below. We have included two potential cost estimates which reflect different levels of required trading relating to the potential overlap or retention of existing holdings on moving to the new target structure. There is no allowance for additional costs that might be incurred on moving assets into the Pool resulting in change of beneficial owner, only costs through trading.

Depending on the proportion of assets traded (assumed to be between 30% and 70%), total estimated transition costs for liquid assets are therefore between £17.5m (8bps) and £40.8m (19bps) of the value of assets being traded. These costs do not make any allowance for market impact/opportunity costs which could significantly impact the cost estimates. The table in A3 c) sets out the potential magnitude and impact that these market related factors could have on the actual costs of transition.

Details of the cost estimates are set out in the tables below.

Transition costs estimate – lower (30% trading)

Asset class	UK Equity	Global equity	Fixed income – non	Fixed income – traditional	Total

			traditional		
Value subject to transition (Pool assets)	£3.4bn	£8.7bn	£1.2bn	£2.8bn	£16.1bn
Number of managers	7	18	4	11	
Number of strategies	14	35	9	19	
Target number of managers	4	8	3	3	
Value of assets requiring transition	£2,429m	£6,711m	£800m	£2,358m	12,298
% of assets requiring trading	30%	30%	30%	30%	30%
Transition costs (bps) - Transition manager commission - Spread cost - Tax - Total cost ex market impact	2 6 25* 33	2.5 7.4 7.7 17.6	7.4 22.2 0 29.6	7.4 22.2 0 29.6	
Transition cost excluding market impact (£m)	4.8	7.1	1.4	4.2	17.5

* Assumes no stamp duty on assets transferring into pool but still applies to traded asset purchases

Transition costs estimate – higher (70% trading)

Asset class	UK Equity	Global equity	Fixed income – non traditional	Fixed income – traditional	Total
Value subject to transition (Pool assets)	£3.4bn	£8.7bn	£1.2bn	£2.8bn	£16.1bn
Number of managers	7	18	4	11	
Number of strategies	14	35	9	19	
Target number of managers	4	8	3	3	
Value of assets requiring transition	£2,429m	£6,711m	£800m	£2,358m	12,298
% of assets requiring trading	70%	70%	70%	70%	70%
Transition costs (bps) - Transition manager commission - Spread cost - Tax - Total cost ex market impact	2 6 25* 33	2.5 7.4 7.7 17.6	7.4 22.2 0 29.6	7.4 22.2 0 29.6	
Transition cost excluding	11.2	16.5	3.3	9.8	40.8

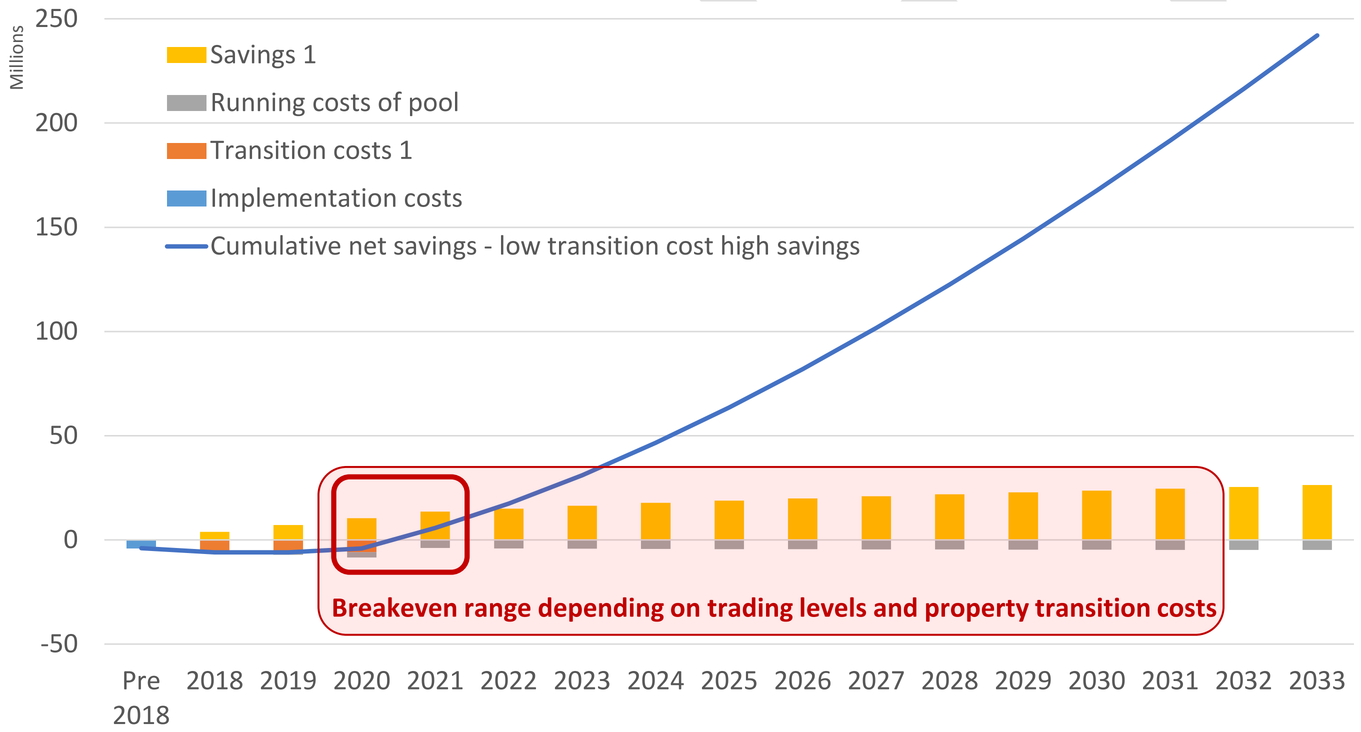
Asset class	UK Equity	Global equity	Fixed income – non traditional	Fixed income – traditional	Total
market impact (£m)					

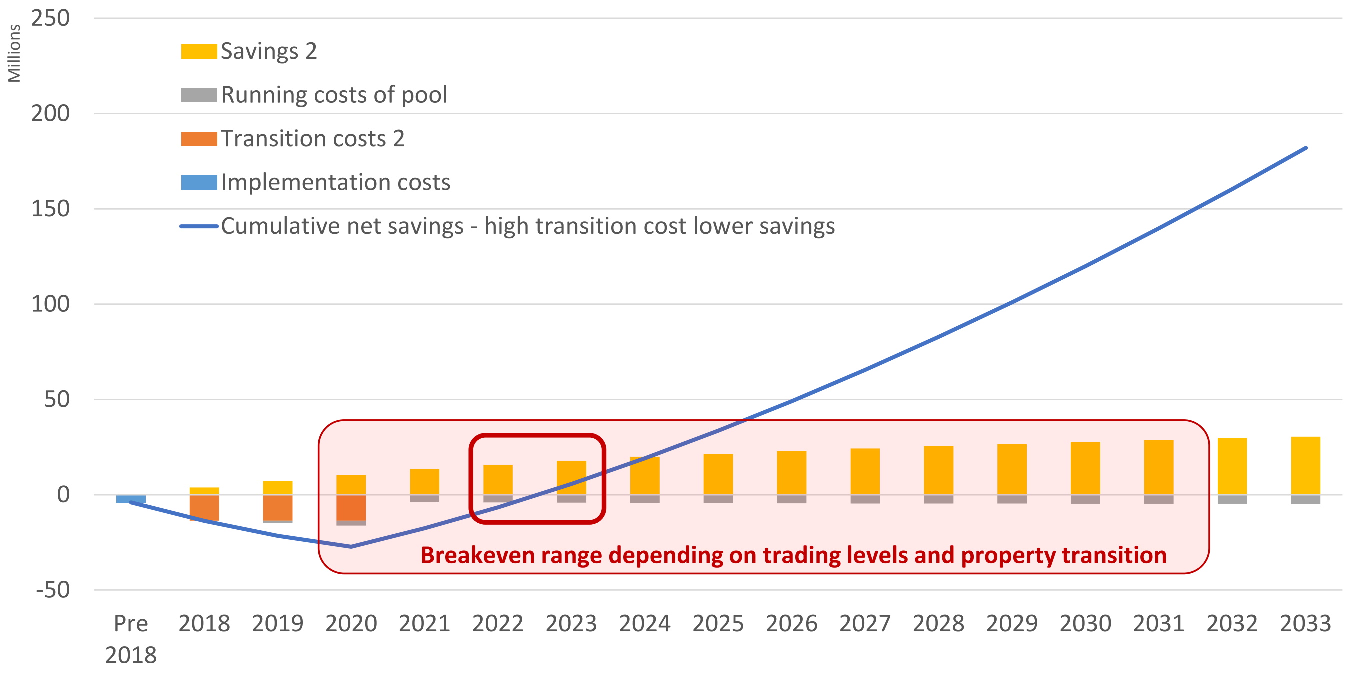
* Assumes no stamp duty on assets transferring into pool but still applies to traded asset purchases

The timing of these costs will reflect the timing of the new investment options being available within the Pool and building a full transition plan to manage the risk and costs related to the transition. As indicated in the response to A5 the current proposal is that **the listed assets requiring transition would be moved into the Pool between 2018 and 2021 and therefore costs would be incurred over this period**.

The breakeven point for the savings of the pool exceeding the expected costs is between 2021 or 2024 with the breakdown and timing of the relevant costs being shown in the charts below.

Please note that in the following assumptions we comment on the potential impact of transaction costs related to the property assets of the pool. **Depending on the agreed Pool solution additional costs from transitioning property assets could push the breakeven point out by 2-8 years**. Additional costs related to market impact and implementation shortfall could have a similar impact on costs and the savings being achieved.





b)

Assumptions in relation to implementation costs include:

- Time cost of staff at administering authorities supporting implementation including oversight of build of CIV and establishment of non-CIV elements of the Pool structure including Joint Governance Committee (say 11 people at 1 day a week for 2.5 years at £60k salary = circa £330k)
- Hiring professional staff in advance of launch date to obtain authorisation and establish operations, processes and governance (est 5 people for say 1.5 years @ £100k + recruitment costs £150k = £900k)
- Project management (est £150-225k a year for 2 years = £300-450k)
- Legal fees on authorisation process etc. (est £1m)
- Other external advisory over 2.5 years (including tax £200k, technical investment advice including asset transition c£500k, governance c£100k(= £800k)
- Premises, IT, other non-staff costs etc. c£500k
- Total = circa £4m (range £3-5m) (= circa 1.5bps on initial assets of the Pool)

For the purpose of the analysis it was assumed that all implementation costs except transition and technical investment advice ceased in April 2018 – however this will not be the case in practice.

Assumptions relating to the transition cost numbers above include:

- All costs are based on the midpoint of an indicative range provided by Goldman Sachs transition management as set out in A5 and with verification from Hymans Robertson's transition research based on actual client transitions
- 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 have only been included for listed assets which the Pool expects to require to be traded. The assumptions are that some listed asset classes such as Balanced, DGF 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 new allocations made within the pool resulting in no additional transition costs
- For property the expectation is that 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 fund holdings with no additional costs. If the fund holdings need to be sold due to ownership issues 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. Given the property allocation could be in the region of £1.5bn this could be a cost of £22.5m at the low end of the estimate up to £105m at the upper end which could add between 2 and 8 years to achieving the breakeven point.

c)

Please refer to response to C4.b)

d)

The costs incurred as part of the set up and implementation of the pooling solution will be met as follows:

- Advisory costs and project management up to Sept 16 will be met by the Funds of the participating authorities and are covered by a MoU such that costs are split equally across the 11 Funds.
- Subsequent costs in relation to the set up and implementation of the Pool will be covered by a new memorandum or related constitution with an agreed method of splitting the costs between the Funds. Costs will be met from current Fund assets.
- The exception to this may be any requirement for regulatory capital where the current understanding is that this needs to be paid by the operating company and needs to be financed by the Funds or Administering Authorities.
- The transition costs incurred will be met by the Fund assets of the participating authorities. How these costs are split is to be decided; it will depend on the method of transition as they will vary depending on the agreed solution for the respective asset classes and how this differs from the current asset structure of each Fund. The Pool will work closely with specialist transition managers to develop a transition plan that looks to manage these costs and address how and when the costs are met by each Authority's Fund.

C5. A proposal for reporting transparently against forecast transition costs and savings, as well as for reporting fees and net performance.

a) Please explain the format and forum in which the Pool and participating authorities will transparently report actual implementation (including transition) costs compared to the forecasts above.

b) Please explain the format and forum in which the Pool and participating authorities will transparently report actual investment costs and fees as well as net performance

c) Please explain the format and forum in which the Pool and participating authorities will transparently report actual savings compared to the forecasts above.

a)

As part of the work in preparation for this July 2016 submission the participating authorities commissioned an independent third party (CEM benchmarking) to carry out cost analysis and benchmarking of each Fund's investment arrangements and the aggregate cost information at Pool level.

Once established it is the intent of the authorities and the Pool to continue to carry out cost analysis using suitably qualified independent third parties to allow clear and transparent reporting and scrutiny of the investment arrangements which will inform decision making and allow efficient reporting against the set criteria on which the pooling arrangements are to be measured.

The intention of the Pool would also be to employ a specialist transition manager to assist in the implementation of any transition into the Pool. As part of this service the manager will be asked to prepare 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 intends to publically disclose the Pool level costs on an annual basis.

b)

As above the Pool will ensure that performance costs and fee analysis is undertaken on a regular basis to ensure the good governance and operation of the Pool. This information will be publically disclosed on an annual basis and will include net of costs performance.

Funds will also receive regular quarterly reporting from the Pool that will encompass performance, fee and cost information (trading, transaction and transition costs).

Performance of the underlying manager options and sub-funds will also be published on the ACCESS Pool website.

Regular reporting will also be provided specifically for the Joint Committee and Operating Group.

c)

As above the relevant information on costs and savings are calculated and disclosed on a regular basis. The actual costs and savings can then be compared with the numbers provided in this submission. This information will then be made available to the relevant parties as set out in C5 b) above.

Criterion D: An improved capacity to invest in infrastructure

D1.	**The proportion of the total Pool asset allocation currently allocated to / committed to infrastructure, both directly and through funds, or "funds of funds"**
a)	Please state the Pool's committed allocation to infrastructure, both directly and indirectly, as at 31.3.2015.
b)	Please state the Pool's target asset allocation to infrastructure, both directly and indirectly, as at 31.3.2015.
	Please use the definition of infrastructure agreed by the Cross Pool Collaboration Group Infrastructure Sub-Group.

a)

For the purpose of ACCESS's response, ACCESS has used the definition of Infrastructure as agreed by the Cross Pool Group.

Global infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. For illustration purposes key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, and social accommodation. Each of the ACCESS Authorities will assess which infrastructure assets are suitable and appropriate for their own fund's purposes; this may or may not include the sectors set out in the illustration.

Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be. Infrastructure service companies would not normally be included.

The development, construction and commissioning of infrastructure assets is included in the broad definition, but such assets may not meet the needs of core infrastructure investors until operational, and such activities may be supported through other investment areas such as private equity.

In the context of the above definition and exclusions **ACCESS authorities have 1.1% invested in infrastructure assets**.

Fund	Value of Investment (£M)	Actual Asset Allocation (%)	Value of undrawn Commitment (£M)	Target Asset Allocation	Method of Investing
Cambridgeshire	47.6	2.10	34.3	5%	Indirect
East Sussex	61.3	2.24	3.8	2%	Indirect
Essex	159.0	3.2	68	6%	Indirect
Hampshire	9.7	0.18	27.5	5%	Segregated
Kent	47.0	1%	8	1.5%	Indirect
Suffolk	47.5	2.20	38.6	5%	Indirect
Total	372.10		180.2		

b)

Please refer to D1.a)

D2. How the Pool might develop or acquire the capacity and capability to assess infrastructure projects, and reduce costs by managing any subsequent investments through the combined Pool, rather than existing fund, or "fund of funds" arrangements.

a) Please confirm that the pool is committed to developing a collaborative infrastructure platform that offers opportunities through the utilisation of combined scale, to build capability and capacity in order to offer authorities (through their Pools) the ability to access infrastructure opportunities appropriate to their risk appetite and return requirements more efficiently and effectively.

b) Please confirm that the pool is committed to continuing to work with all the other Pools (through the Cross Pool Collaboration Infrastructure Group) to progress the development of a collaborative infrastructure initiative that will be available to all Pools and include a timescale for implementation of the initiative.

a)

It is acknowledged that infrastructure can deliver attractive returns combined with lower volatility than publicly-traded instruments. As long term investors Funds should benefit from a 'liquidity premium'. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics

- Substantially backed by durable physical assets
- Long life and low risk of obsolescence
- Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked
- Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry
- Returns to show limited correlation to other asset classes

Individual Funds will have further additional criteria they apply before making investments, such as current yield, time to income generation, management strength, risk mitigation measures, and amount of leverage.

The differential between the strategic allocation and actual investment for global infrastructure demonstrates the significant challenge in finding investments which will yield returns large enough, and of appropriate profile, to justify their acquisition. Based on research by the ACCESS group and others, there is a concern that even with current levels of investment, the capital available is outweighing the supply of infrastructure opportunities.

However, the ACCESS Pool will work to provide opportunities that meet the underlying requirements of the participating Funds.

Notwithstanding the comments set out below, ACCESS authorities are committed to investigating all options for providing the participating authorities with access to the most appropriate global infrastructure investments to match their asset allocations, including working with other LGPS authorities or Pools nationally to investigate the creation of a vehicle which will help make appropriate infrastructure investments more accessible to the LGPS at a lower cost.

It is acknowledged that smaller LGPS Funds, such as the Isle of Wight within ACCESS, have not had sufficient scale to invest directly in infrastructure and therefore the higher fees levied by fund of fund arrangements make the net return to the investor insufficient to meet the Fund's return targets. The economies of scale which are derived from the pooling of assets should deliver an opportunity for these funds to invest more directly and therefore lower the cost of investing.

To ensure success, such a vehicle should be designed to meet the specific needs of LGPS investors given the distinctive nature of LGPS pension liabilities and risk appetite and it will take time to create a suitably diversified portfolio for investors.

In the short to medium term, this will mean providing the opportunity for participating authorities to move away from fund of fund arrangements to direct Investment, via an external investment manager.

Over the longer term, the establishment of a national vehicle could be an appropriate way for participating authorities to allocate to specialist infrastructure. ACCESS is working with other Pool's on the feasibility of this approach. The work to date has established that any infrastructure collaboration across Pools should:

- Ensure that any collaborative investment in this area is made in the financial interests of the members of the Funds, with no undue outside influence either at a local or national level,
- Leverage the combined buying power of the LGPS,
- Share and expand the internal expertise currently available within individual Pools to the benefit of all,
- Accept that to be effective we should play to our strengths and look to build collaborative strategic partnerships with the wider infrastructure investment management industry.
- Make the asset class accessible to all Funds within each Pool regardless of scale.
- Use the combine LGPS scale and expertise to improve governance rights and reduce the fee burden.

However, it must be acknowledged that ensuring the national vehicle is capable of delivering on the requirements of all LGPS Funds could take up to fifteen years, before it is in a position where it could invest directly on behalf of the LGPS. The national vehicle's team will need to demonstrate that they have sufficient knowledge, expertise, experience and strategic partnership relationships within the infrastructure sector.

In the work carried out as part of Project POOL the amount invested in infrastructure across the LGPS was estimated to be around £2bn, of which around £400m were invested on a fund of funds basis and £1.6bn through direct investments or direct fund allocations. The report therefore cited the potential for achieving significant savings through removing the fund of fund layer for some investors and investing more directly through in house teams or a more cost effective infrastructure platform. The level of fees within the ACCESS participating authorities ranged from around 80bps to 150 basis points. The Pool will continue to look at potential models and platforms to access the asset class which meets the needs of the authorities.

This will include existing platforms where ACCESS is aware of fees levels as low as 50bps which would be a marked reduction in the existing level of fees, but any option would also need to deliver attractive returns net of fees.

b)

ACCESS is committed to continuing to work with all the other Pools (through the Cross Pool Collaboration Infrastructure Group) to progress the development of a collaborative infrastructure initiative that will be available to all Pools and include a timescale for implementation of the initiative.

c)

See response to D2.a)

D3. The proportion the Pool could invest in infrastructure, and their ambition in this area going forward, as well as how they have arrived at this position.

a) Please state the estimated total target allocation to infrastructure, or provide a statement of potential strategic investment, once the capacity and capability referred to in 2 above is in full operation and mature.

b) Please describe the conditions in which this allocation could be realised.

a)

Short to medium term proposal on infrastructure

It is an important premise that LGPS asset allocation decisions must remain matters for each local pension fund taking into consideration their own asset and liability profile and their own risk and return targets.

Decisions must not be influenced by other global pension fund investors or benchmark comparators.

In making any investment decision, pension funds must invest in the best interests of their scheme members and beneficiaries and in the event of a conflict, in the sole interests of members and their beneficiaries.

In addition the growing structural weight allocated to infrastructure at the same time that there is a shortage of large scale, long term, infrastructure assets, means that there is too much money chasing too few sizeable, high quality infrastructure assets and developments. It is widely reported that there is no shortage of pension fund capital seeking infrastructure investments in the UK or elsewhere and this could impact on costs and returns.

Therefore the Government must not set targets for global, national or local infrastructure investment or remove the right from individual pension fund authorities to make their own decisions about strategic asset allocation. Investments must be made solely on the basis of infrastructure being an attractive investment for funds and nothing to do with political pressure.

However ACCESS authorities believe that in the short to medium term there is potential for the ACCESS Pool to increase their asset allocation to global infrastructure investments (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.

Longer term aim for infrastructure allocation

ACCESS authorities believe that in the long term there is potential for funds participating in the ACCESS 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.

b)

Please see response to D3.a)

Suffolk County Council

Agenda Item 6

Suffolk Pension Board

Report Title:	Compliments and Complaints
Meeting Date:	11th July 2016
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Stuart Potter

Brief summary of report

1. This report provides the Pension board with the number of compliments and complaints received by the Pension Administration team since the previous board meeting on 4th May 2016.

Action recommended

2. To consider the information provided and determine any further action

Reason for recommendation

3. The board requested to receive information about the number of compliments and complaints received.

Alternative options

4. There are no alternative options.

Main body of report

5. At the Pension Board Meeting on 24 July 2015, the Board requested to receive information about the number of compliments and complaints received by the Pensions Administration team.
6. Updates have been provided at each Board Meeting since this date.
7. Following the previous update in the Board Meeting of 4th May 2016 there have been 5 compliments received by members of the team. These are cases where the individuals have gone out of their way to thank us for something, rather than the regular words of ‘thanks’ received daily as part of the day to day communications with customers.
8. During this time there have been 2 complaints. One of these complaints was in respect of a Pensioner not agreeing with the details on their P60. The other complaint involved the Pensions team being named as part of a larger complaint, including Human Resource functions, from a member who left through ill health retirement.
9. There have been no new IDRP (Internal Dispute Resolution Process) complaints since the last Board meeting. However, one of the previous cases that was refused at Stage 1, in relation to a refund of contributions, progressed to Stage 2 and the decision was made in the members favour. Following this necessary improvements have been made both with the scheme employer and internally to avoid a repeat scenario.

10. In relation to our previous 2 IDRP complaints, reported in the Board Meeting of 4th May 2016, that have gone to the Pensions Ombudsman no decisions have been received as yet. Once we have responses we will ensure these are reported to the Board.

Sources of further information

a) None

Suffolk County Council

Agenda Item 7

Suffolk Pension Board

Report Title:	Pension Ombudsman Service
Meeting Date:	11 July 2016
Chairman:	Councillor Richard Smith MVO
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Senior Pensions Specialist Tel. 01473 265288

Brief summary of report

1. This report provides the Pension Board with information about the pension ombudsman service.

Action recommended

2. The Board is asked to note the report.

Reason for recommendation

3. The Board requested a report on the role of the Pension Ombudsman.
4. There are no alternative options.

Main body of report

Introduction

5. The Pensions Ombudsman Service is a non-departmental public body stewarded by the Department of Work and Pensions and was established in 1991. It is an independent organisation set up by law to investigate complaints about how pension schemes are run. The service is run free of charge and is funded through registration levies applied to occupational pension schemes.
6. The Ombudsman investigates and decides on complaints about the way that pension schemes are run, which covers:
    - When wrong or misleading information has been provided
    - Decisions on awarding of ill health pensions
    - Disputes on the award of discretionary decisions
7. The Ombudsman cannot make managers, employers or scheme administrators change their general working practices and the scheme cannot be fined.
8. There is no financial limit to the value of the award that can be made to put an upheld complaint right and to put the complainant back into the position that they would have been in if everything had been done correctly.

Process

9. The Pension Ombudsman will not deal with a dispute unless it has been through the Internal Dispute Resolution procedure. The Pensions Ombudsman Service cannot be used if before making the complaint or the reference of the dispute, proceedings had begun in any court in respect of matters which could be the subject of the investigation.
10. An adjudicator is allocated to each case and will contact each party for information regarding the complaint. This information is shared with all parties involved in the case.
11. An oral hearing is held if there is a significant conflict of evidence that cannot be decided based on the information submitted or if there is an indication that a party may have been dishonest.
12. Applications are usually resolved in a few months but may take longer depending on the complexity of the case.

Wrong or misleading information

13. When a complaint is received about misleading or incorrect information being provided the adjudicator will look at whether or not:
    - The information given was wrong
    - The scheme was to blame for the error
    - It was reasonable for someone to have relied on the information
14. If it is decided that someone has been given inaccurate information it will be determined how that happened and whether it was reasonable for them not to have noticed or to have checked the accuracy of the information received.
15. If it is decided that it was reasonable for someone to have relied on the information then it will be determined as to whether any loss has been suffered as a result, with consideration taken as to whether they would have acted any differently with the correct information and as to whether reasonable steps were taken to reduce any loss when the error came to light.

Ill Health

16. When a complaint is received regarding the complainant not being awarded an ill health pension the adjudicator will look at the way that the decision has been reached. The adjudicator does not look at the medical evidence or make their own decision based on it or obtain further medical reports. The test is whether due process has been followed and whether the decision made was reasonable.
17. The decision makers need to know what their powers are and in particular what the test for the payment of a pension is. The adjudicator will determine whether the right body has made the decision as per the scheme rules and whether the decision makers have used their powers in a way that is consistent with the scheme's rules and regulations.

18. It will also be considered whether the decision makers have looked at all the relevant evidence and not taken anything into account that was irrelevant. For example they will need to take into account the medical evidence and reports, though they can decide which to follow if the medical experts disagree.

19. Overall a ruling will be determined as to whether decision makers have reached a decision that makes sense based on the evidence available. The adjudicator is impartial and will not have an opinion on the outcome itself only whether the correct process was carried out and whether the process took the right amount of time.

Discretionary decisions

20. The adjudicator will look to see if the discretionary powers have been applied consistently within the rules or regulations governing the scheme in conjunction with relevant regulations.

21. The adjudicator will not have to agree with the decision but decide as to whether due process has been followed and whether the decision was arrived at properly.

Decisions

22. When the ombudsman makes a determination it will also include instructions to put the situation right if required. The scheme may be directed to make payments to compensate for any financial loss that has arisen as a result of a person relying in inaccurate information and in some cases a sum may be awarded for the non-financial injustice such as the distress and inconvenience caused by the error.

23. An Ombudsman determination is similar to a court judgement and the courts can enforce an Ombudsman determination if necessary.

24. An Ombudsman decision is final and binding and cannot be further reviewed. The only exception is an appeal to the court on a point of law if a party believes the Ombudsman has made an error of law in reaching a decision.

25. Unless there are special circumstances all decisions are published in full on the website (www.pensions-ombudsman.org.uk)

Sources of further information
a) Pension Ombudsman Website: https://www.pensions-ombudsman.org.uk/

Suffolk County Council

Agenda Item 9

Suffolk Pension Board Forward Work Programme

Purpose

The purpose of this forward work programme is to support the Pension Board in promoting and strengthening corporate governance across the Council.

Terms of reference

The terms of reference of the Pension Board are:

a) to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
b) to secure compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator
c) to secure the effective and efficient governance and administration of the LGPS for the Suffolk Pension Fund.
d) in such other matters as the LGPS regulations may specify
e) to provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Committee will deal with this issue?
Thursday, 6 October 2016	Added 4 May 2016	Complaints and Compliments	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 11 July 2016	**Administration Update**	**To receive a report on the performance of the Pensions Administration team and the returns from Employers**	**Written Report**
	Added 11 July 2016	**Pension Board Risks**	**To formulate a list of risks associated with the Board**	**Board Discussion**
	Added 4 May 2016	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report
Monday, 12 December 2016	Added 4 May 2016	Complaints and Compliments	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 11 July 2016	**Actuarial Valuation process**	**To receive a report on the completion of the 2016 Actuarial valuation.**	**Written Report**
	Added 4 May 2016	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

Meeting date (see Note)	Added to Work Programme	Subject	Short description	How is it anticipated the Committee will deal with this issue?
Thursday, 9 March 2017	Added 4 May2016	Complaints and Compliments	To receive a report on the complaints and compliments received by the Fund	Written Report
	Added 4 May 2016	Forward Work Programme	To approve the Forward Work Programme for the Suffolk Pension Board.	Written Report

Note: Additions and amendments to previous Forward Agenda are marked in bold.

If you have any questions or queries, please contact Paul Finbow. Email: paul.finbow@suffolk.gov.uk, Telephone: 01473 265288.

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