

## ACCESS ANNUAL REPORT 2020/21

As Chairman of the ACCESS Joint Committee, I am pleased to introduce the latest Annual Report for our pool.

The backdrop to 2020/21 remained the COVID-19 pandemic, which continues to shape our world. The strength of the partnership between each of the eleven Authorities has been the foundation of how ACCESS has been able to adjust and respond to these challenging circumstances.

The year saw further substantial progress in the pooling of active listed assets, with seven new sub-funds being launched by Link Fund Solutions, the Operator of the ACCESS Authorised Contractual Scheme (ACS). As at 31 March 2021 a total of £20.4bn on behalf of all eleven ACCESS Authorities was invested within 22 ACS sub-funds across global equity, UK equity, fixed income and diversified growth.

For passive assets, ACCESS Authorities jointly procured the services of UBS in 2017, and a total of £11.1bn was being managed at the end of year.

In January 2021, the Joint Committee agreed the approach ACCESS will take to implement pooled arrangements for alternative / non-listed assets. This will cover the four areas set out below:

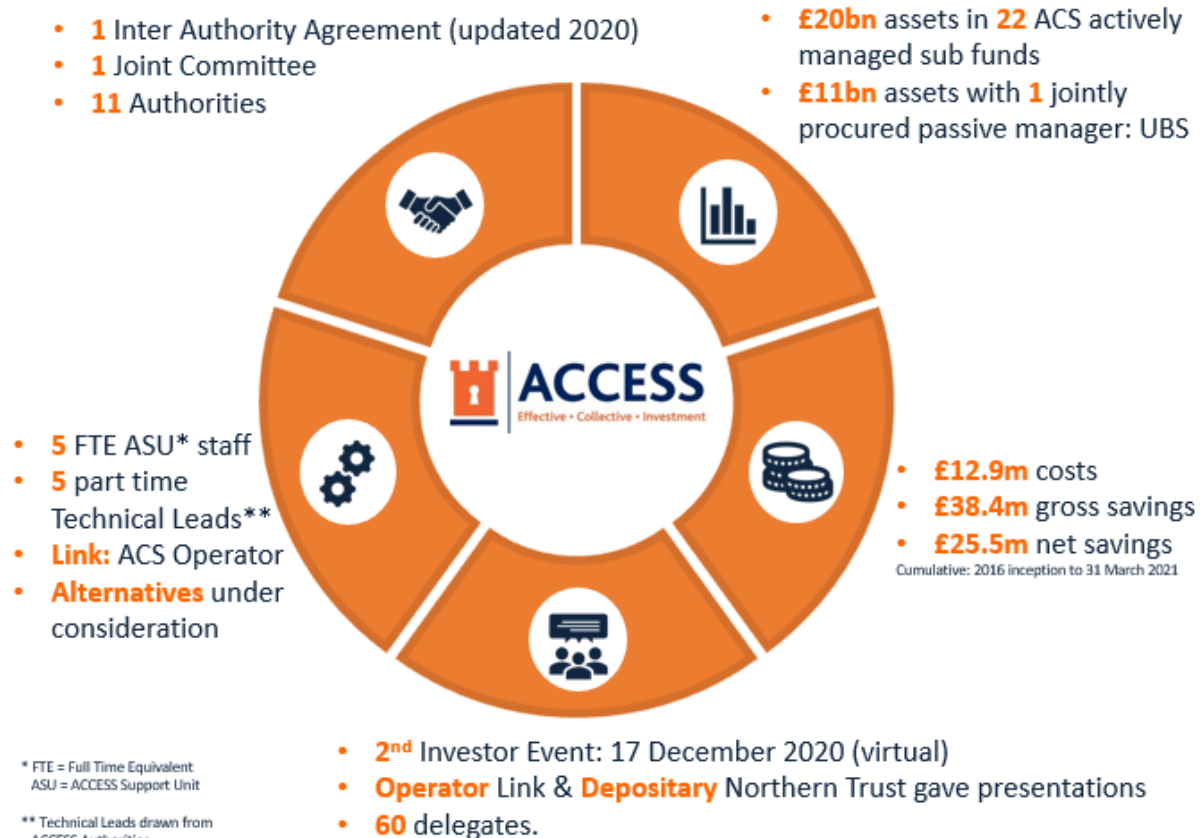
- Private Equity
- Private Debt
- Infrastructure
- Property

Having undertaken framework procurements, the ACCESS Joint Committee also confirmed the appointment of two key advisers during the year. In November 2020 we welcomed Engine MHP as our Communications partner, and, in January 2021, Minerva were appointed to conduct a review of the pool's Responsible Investment guidelines and advise on future reporting requirements.

Finally, a review of the size and scope of the ACCESS Support Unit was undertaken resulting in the establishment of two additional FTE positions to further support both the development and ongoing work of the Pool.



## At a glance



## Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of eleven Local Government Pension Schemes (LGPS) Administering Authorities: 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 (West Northamptonshire from 1 April 2021); Suffolk County Council and West Sussex County Council in response to the Governments pooling agenda across the LGPS. The first ACCESS Inter Authority Agreement was signed in late June 2017.

The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating within a clear set of objectives and principles that drives the decision-making process.

Collectively as at 31 March 2021, the ACCESS Authorities have total assets of **£56 billion** (of which **57%** has been pooled) serving **3,400** employers with **1.1 million** members including **300,000** pensioners

## Governance

An extract from the ACCESS governance model is shown below:



Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making on their individual Funds asset allocation and the timing of transfers of assets from each Fund into the arrangements developed by the ACCESS Pool.

The Joint Committee (JC) has been appointed by the eleven Administering Authorities under s102 of the Local Government Act 1972, to exercise specific functions in relation to the pooling of LGPS assets. The JC's functions include the specification, procurement, recommendation of appointment of pool Operators (for active asset management) and pool-aligned asset providers (for passive asset management), to the Administering Authorities. The Joint Committee also reviews ongoing performance.

The Section 151 Officers of ACCESS Authorities provide advice to the Joint Committee in response to its decisions to ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

The Joint Committee is further supported by the Officer Working Group (OWG) and the ACCESS Support Unit (ASU).

The Officer Working Group consists of officers with specialist LGPS investment skills, identified by each of the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management and supplier relationship, administration and technical support services. 2020/21 saw the approval of two additional roles to increase support capacity of the ASU which is hosted by Essex County Council. Appointments were made to these positions in March 2021 and July 2021. These roles are also supplemented with additional technical support from Officers within the ACCESS Authorities.

### **The Operator: Link Fund Solutions**

Appointed in 2018 Link Fund Solutions Ltd (Link) provide the pooled operator service, overseeing an Authorised Contractual scheme for the sole use of ACCESS Authorities. Link are responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds. This is designed to enable Administering Authorities to execute their asset allocation strategies

### **Pool Aligned Assets: UBS**

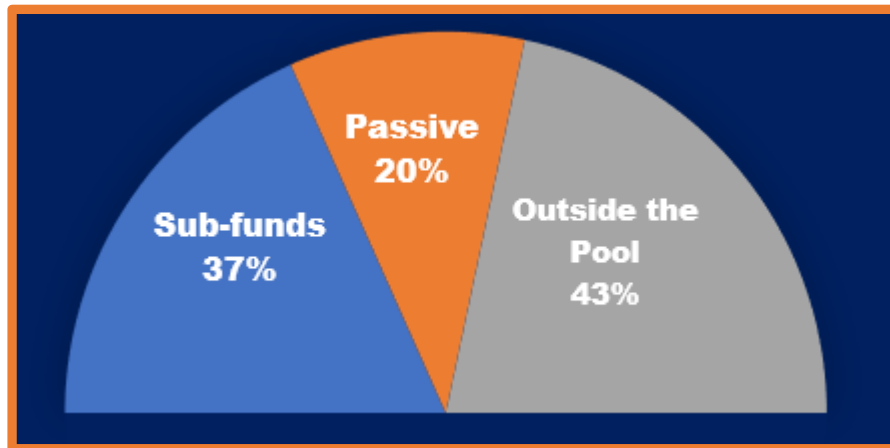
Appointed following a joint procurement in 2017, UBS act as the ACCESS Authorities' investment manager for passive assets.

### **Progress on Pooling**

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool. Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress against the principal milestone of having **£27.2 billion** assets pooled and estimated savings of **£13.6 million** by March 2021 exceeding the assets pooled by **£4 billion** and the savings by **£8 million**



As at 31 March 2021, **57%** of assets have been pooled:



## Pooled Assets

As at 31 March 2021 ACCESS has the following assets pooled:

| Pooled Investments              | £ Billion     |
|---------------------------------|---------------|
| Passive Investments             | 11.125        |
| UK Equity Funds                 | 2.159         |
| Global Equity Funds             | 14.676        |
| UK Fixed Income                 | 2.085         |
| Diversified Growth              | 1.465         |
| <b>Total Pooled Investments</b> | <b>31.510</b> |

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme.

## Key milestones achieved in 2020/21

- Approval and launch of a range of sub-funds reflecting the strategic asset allocation needs of the ACCESS Funds.
- Provision of updates of progress of pooling to Government.
- Appointment of Engine MHP to review and advise in the further development of the Communications Policy.
- Appointment of Minerva to provide advice and guidance to develop Environmental, Social and Governance and Responsible Investment guidelines for ACCESS.
- In conjunction with Link Fund Solutions, held the second investor day for Elected members and officers of the individual Authorities. There were presentations by Link Fund Solutions as the ACS operator and Northern Trust as the depository.



- Determined an approach to pooling and managing the illiquid assets covering private equity, private debt, infrastructure and property.
- Additional resources appointed to the ASU to support the activities of the ACCESS Pool.

## Objectives for 2021/22

ACCESS is well placed to continue to develop the pool and progress will continue unabated despite the restrictions imposed by the COVID-19 lockdown. Virtual meetings are well established and productive. It is anticipated that 2021/22 will see key activities within the following themes:



- Actively managed listed assets: the completion of pooling active listed assets within the Authorised Contractual Scheme (ACS).
- Alternative / non listed assets: the initial implementation of pooled alternative assets.
- Passively managed assets: ongoing monitoring and engagement with UBS.
- Finalise and implement the Environmental, Social and Governance and Responsible Investment guidelines for ACCESS.
- ACCESS Support Unit (ASU): the size and scope of the ASU will be kept under review.

## Expected v Actual Costs and Savings

The table below summarises the financial position for 2020/21 along with the cumulative position since the commencement of ACCESS activity in early 2016.



A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2020/21 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

|                             | 2020 – 2021                |                            | 2016 – 2021                              |  |
|-----------------------------|----------------------------|----------------------------|--|--|
|                             | Actual<br>In Year<br>£'000 | Budget<br>In Year<br>£'000 | Actual<br>Cumulative<br>to date<br>£'000 | Budget<br>Cumulative<br>to date<br>£'000 |
| Set Up Costs                | -                          | -                          | 1,824                                    | 1,400                                    |
| Transition Costs            | -                          | -                          | 674                                      | 2,499                                    |
| Ongoing Operational Costs   | 863                        | 1,079                      | 3,071                                    | 3,548                                    |
| Operator & Depositary Costs | 3,672                      | 4,077                      | 7,304                                    | 6,577                                    |
| <b>Total Costs</b>          | <b>4,535</b>               | <b>5,156</b>               | <b>12,873</b>                            | <b>14,024</b>                            |
| <b>Pool Fee Savings</b>     | <b>21,747</b>              | <b>13,600</b>              | <b>42,262</b>                            | <b>32,050</b>                            |
| <b>Net Savings Realised</b> | <b>17,212</b>              | <b>8,444</b>               | <b>29,389</b>                            | <b>18,026</b>                            |

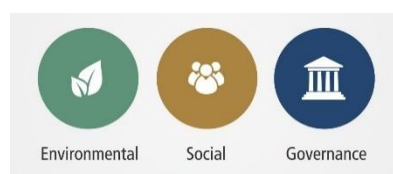
Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2020/21 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the MHCLG submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

## Environmental, Social and Governance (ESG) and Responsible Investment (RI)

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.



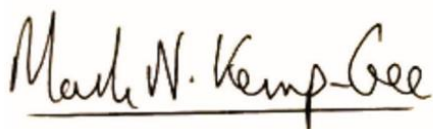
Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

ACCESS has reviewed its own ESG/RI guidelines to reflect both the requirements of the Authorities and the expectations associated with this fundamental aspect of institutional investment. Minerva have been appointed as part of this review to provide advice on guidelines and implementing these in a pooling environment.

Minerva will also provide advice on future appropriate reporting requirements to provide transparency to stakeholders, monitor adherence to the Guidelines and inform discussion on ESG/RI matters.

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The voting guidelines sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies. During the year ACCESS voted at **868** meetings on **11,351** resolutions.



**Mark Kemp-Gee**

Cllr Mark Kemp-Gee - Chairman, ACCESS Joint Committee