

ACCESS
Annual Report
2021/22

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Foreword

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

The COVID-19 pandemic not only shaped the way we all work but also led to significant market volatility. This volatility has continued following the Russian invasion of Ukraine and that cruel and unwarranted event has exacerbated energy and other supply chain issues that have contributed to rampant inflationary pressures. All in all, a difficult time for investors everywhere.

The development of the ACCESS Pool continues at pace with an additional four sub-funds opened during the year to assist the authorities in achieving diversification within their investment strategies attracting an additional £3.2 billion investment into the Pool.

In January 2022 MJ Hudson were appointed as implementation adviser for the establishment of pool vehicles for illiquid assets, after a competitive call off utilising the National LGPS Frameworks.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets including private equity, private debt, infrastructure and initially, real estate.

Another key achievement during the year was the development of updated Responsible Investment guidelines for which the pool was partnered by Minerva Analytics. Once consultation has been completed the guidelines will be formally published.

In addition to its Annual Report, ACCESS also produced a Progress Update report in conjunction with its communication advisers MHP Mischief, to provide an insight to the Pool, key activities and future plans.

In the year ahead we welcome representatives of the Local Pension Boards to observe the future Joint Committee meetings. Two members from each Board will be able to attend a meeting at least once a year.

In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the officers who support them, and the ACCESS Support Unit.



Cllr Mark Kemp-Gee

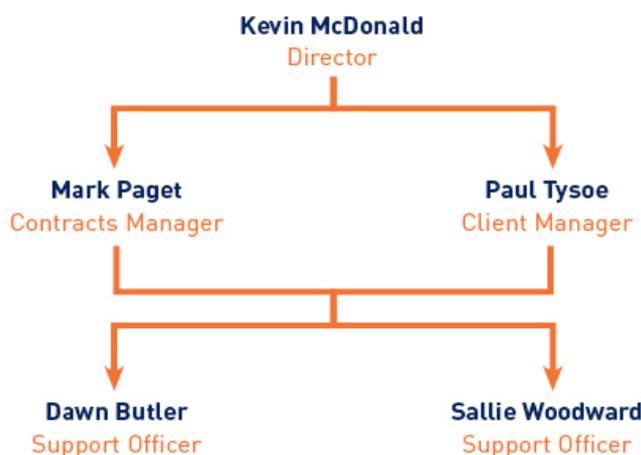
Chairman of the ACCESS Joint Committee

Chairman of the Hampshire Pension Fund Committee and Board

Introduction

It is my pleasure to introduce an overview of the work by the ACCESS Support Unit.

In 2018, the ACCESS Joint Committee agreed that a unit be established to provide day to day support for the work required to run the Pool, and that Essex County Council act as Host Authority. The ACCESS Support Unit (ASU) facilitates the Joint Committee (JC) and officer groups and has responsibility for programme management, client relationships, contract management/supplier relationships, administration and technical support services. The ASU's structure is set out below:



A business plan is developed and submitted for consideration by the JC ahead of the start of each year, prior to being recommended to each of the ACCESS Authorities. The business plan includes milestones across listed assets (both active and passive), non-listed assets and governance. The JC also determines an annual budget to support the activities within the business plan.

The ASU has responsibility to manage this development and implementation of the business plan, within budget, whilst assessing and managing the risks for the pool.

A central feature of ACCESS is the engagement of each of the eleven Authorities, and therefore the support and facilitation of stakeholder groups is key to the work of the ASU. The governance structure of the Pool ensures that dialogue with, and input from, Local Government Pension Scheme (LGPS) subject matter experts from each Authority, is gathered through the Officer Working Group (OWG) and various sub-groups. In turn, this enables the s151 Officer Group to form the recommendations that are ultimately considered by the JC.

It has long been recognised that considerable expertise exists within the LGPS officer community. The full time ASU staff are therefore supplemented by part-time Technical Leads whose work for ACCESS is part of the Pool's costs. In the last year this saw invaluable contributions from Sharon Tan, Suffolk (reporting); Samantha Andrews, Essex (budgeting) and Rachel Wood and Vickie Hampshire, West Sussex (Governance Manual).

The year ahead will see further sub-fund launches to meet the investment strategies of the Authorities, including emerging market equities, the start of the alternative asset investment platform with advice and guidance from MJ Hudson and the publication of the updated Responsible Investment guidelines.

I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the commendable progress of the Pool.



Kevin McDonald

Director of ACCESS Support Unit

ACCESS Background

ACCESS has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government’s agenda for pooling LGPS investments.

The following strategic objectives are in place:

- 1** Enable the Councils 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-determined investment strategies as far as possible.

- 3** Enable the Councils 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 Councils have established a set of governing principles.

The governing principles are summarised below:

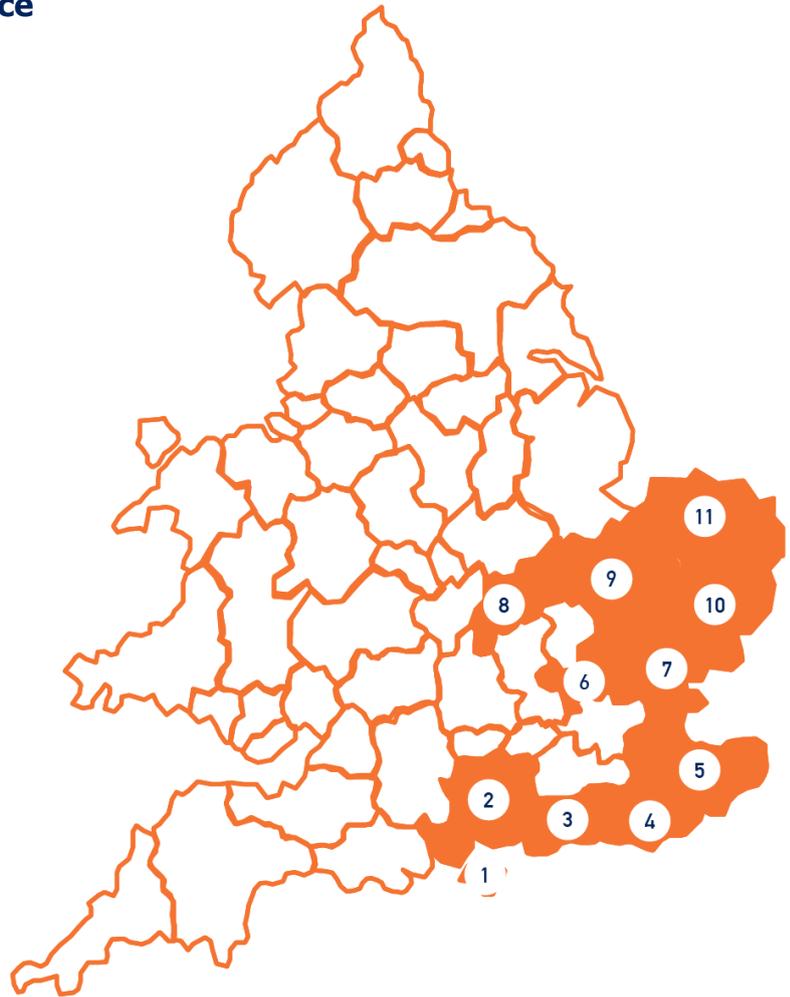
- Collaboration
- Objective evidence based decisions
- Professionalism
- No unnecessary complexity
- Value for money
- Risk management
- Equitable voice in governance
- Equitable cost sharing
- Evolution and innovation

Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

ACCESS LGPS Authorities

An overview of the Pool's governance structure is outlined below.

- | | | | |
|---|---|----|---|
| 1 |  | 7 |  |
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| 4 |  | 10 |  |
| 5 |  | 11 |  |
| 6 |  | | |



3,500 Employers
1.1 million Members
310,000 Pensioners



Key Performance

Pooled Assets
As at March 2022

ACS (26 sub-funds)

£23.9_{bn}

UBS (1 jointly procured provider)

£11.2_{bn}

Pooling Progress

59%

Costs & Savings
As at March 2022

Gross Savings

£70.3_m

Costs

£21.4_m

Net Savings

£48.9_m

Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities.

2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

The table below summarises the financial position for 2021/22 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2021– 2022		2021 – 2022	
	Actual In Year £'000	Budget In Year £'000	Actual Cumulative to date £'000	Budget Cumulative to date £'000
Set Up Costs	-	-	1,824	1,400
Transition Costs	2,664	4,408	3,338	6,907
Ongoing Operational Costs	1,046	1,247	4,117	4,795
Operator & Depositary Costs	4,845	4,787	12,149	11,364
Total Costs	8,555	10,442	21,428	24,466
Pool Fee Savings	28,038	15,700	70,300	47,750
Net Savings Realised	19,483	5,258	48,872	23,284

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

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 2021/22 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 original submission to Government whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

2021-2022 Business Plan Milestones

The Business Plan for 2021-22 was proposed by the ACCESS Joint Committee in January 2020 to the 11 LGPS Authorities.

Actively managed listed assets:

Further progress was made in pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions. Between July 2021 and February 2022, a further four sub-funds were launched.

Link's appointment of BlackRock expands the UK Equity capacity within the Pool, the appointment of Macquarie broadens the Global Equity coverage whilst the addition of ACS mandates for Fidelity and M&G extends the Fixed Income offering.

Six Authorities participated as original investors within these sub-funds which totalled £3.2bn.

Alternative/non-listed assets:

In January 2022, following a procurement via the National LGPS frameworks, ACCESS announced the appointment of MJ Hudson as implementation adviser for the pooling of illiquid assets including private equity, private debt, infrastructure and real estate.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

Passive assets:

Ongoing monitoring and engagement continued with jointly procured passive manager, UBS.

Responsible Investment Guidelines:

Last year, following a procurement via National LGPS frameworks, ACCESS appointed Minerva Analytics as Environmental, Social & Governance (ESG) adviser.

Having reviewed the ESG policies of and engaged extensively with officers from each of the 11 ACCESS Authorities, Minerva Analytics drafted revised and updated Responsible Investment (RI) guidelines for the Pool.

2022-2023 Business Plan

The Business Plan for 2022-23 was proposed by the ACCESS Joint Committee on 6th December 2021 to the 11 LGPS Authorities. This plan included:

Actively managed listed assets:

Further pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions which will include emerging market equity and further fixed income sub-funds.

Alternative/non-listed assets:

Launch of the Pool's first illiquid asset investment vehicles. MJ Hudson will be undertaking procurement exercises to appoint a UK Core Manager and a Global Real Estate allocator.

Initial work will commence on the planning for other illiquid asset investment platforms.

Passive assets:

Ongoing monitoring and engagement with jointly procured passive manager, UBS.

Responsible Investment Guidelines:

Following consultation with the ACCESS Authorities the updated Responsible Investment Guidelines will be published.

Work will commence on establishing criteria to develop a matrix to report on key performance indicators to demonstrate how the responsible investment guidelines have been implemented.

Environmental, Social & Governance

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.

Responsible Investment:

ACCESS appointed Minerva Analytics as its Environmental, Social & Governance (ESG) adviser. Following a review of the ESG policies, and engagement with officers from each of the Authorities Minerva Analytics drafted consolidated Responsible Investment (RI) guidelines for the Pool.

Following a period of consultation, it is expected that finalised Guidelines will be adopted by the Pool during 2022.

Voting:

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 guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,391 meetings on 32,834 resolutions.

Engagement:

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the Authorities Pension Fund Officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.



For any enquiries, please contact the Access Support Unit (ASU) on ASU@accesspool.co.uk

accesspool.org