

Investment Consultant Service Objectives

Committee

Pension Committee

Officer Reporting

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Papers with this report

Investment Consultancy Service Objectives

HEADLINES

In order to be compliant with new regulations that came into force in December 2019, the Fund must set strategic objectives for its appointed investment consultant; currently KPMG.

The purpose of this report is to present the agreed objectives to the Pensions Committee along with the metrics for monitoring their effectiveness in meeting these objectives.

RECOMMENDATIONS

It is recommended that Pensions Committee:

- 1. Note the objectives set for the Investment Consultancy Services provider along with the indicators set out for performance measurement in the appendix.**

SUPPORTING INFORMATION

This paper is produced in response to the Competitions and Markets Authority (CMA) investment consultancy and Fiduciary Management Market Investigation Order 2019. The order sets out requirements for appointment of fiduciary managers and Pensions Committees in Local Government Pension Schemes to set objectives for their investment consultants.

This Order was effective from 10 December 2019 and applies to new and existing contracts for investment consultancy services.

Setting objectives for investment consultants is an important part of an effective governance system. Putting objectives in place will ensure the Fund is better placed to assess the quality of the service it receives, deliver better outcomes for members, and achieve better value for money. This process will also enable the Fund to identify and manage areas of poor performance and determine and agree corrective action.

The objectives were approved by the Corporate Director of Finance and agreed by KPMG in accordance with the 10 December 2019 implementation date.

Fund's Objectives

The CMA stipulated such objectives should be closely linked to the Pension Fund's strategic goals and reviewed at least every three years and/or after a significant change to the investment strategy or objectives.

The Fund has two main policy papers clearly stating its objectives. These are the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS). The FSS provides a strategic overview of the Fund's long-term aims in relation to commitments to its members. Whilst the ISS is the vehicle for actualising these aims. The Fund's primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. In order to meet this overriding objective, the ISS looks to maximise returns from investment while managing risk within acceptable levels. In addition, the fund will

- Ensure appropriate liquidity
- Contribute towards 100% funding level
- Stabilise employer contribution rates as far as possible

Assessment Methodology

This assessment covers a period up to 3 years. It combines a mixture of qualitative and quantitative measures split into four main categories, namely

- Value Added
- Proactivity
- Service Levels/ Relationship
- Compliance

Scores for each item are awarded based perceived effectiveness of investment consultant's performance as shown by Fund performance against set targets.

Objectives are scored on a ranking of:

Red – Concern	Yellow – Satisfactory
Green – Good	Blue - Excellent

Consultants will be assessed against the objectives annually.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report

LEGAL IMPLICATIONS

The Legal implications are contained within the body of the report