



LOCAL PENSION COMMITTEE – 8 NOVEMBER

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

‘ADVISOR’ OBJECTIVES

Purpose of the Report

1. The purpose of this report is to seek the Committee’s approval on the Advisor Objectives for Hymans Robertson LLP who are the ‘Advisors’ for the Leicestershire County Council Pension Fund.

Background

2. At the end of 2018, the Competition and Markets Authority (“CMA”) published its report following a review of the investment consulting and fiduciary management markets. Earlier this year, following on from this review, the CMA issued an Order, setting out requirements for the appointment and governance of fiduciary managers, and for Pension Scheme Trustees to set objectives for their investment consultants.
3. Pension Scheme Trustees means the trustees or managers of Occupational Pension Schemes that have their main administration in the United Kingdom. The CMA requirements extend to both Trust-based schemes, and Local Government Pension Schemes (i.e. Pension Committees).
4. The relevant parts of the order come into effect on the 10th December 2019 and prohibits Pension Scheme Trustees (including LGPS scheme managers) from entering into a contract or continuing to obtain investment consultancy (IC) Services without setting strategic objectives for the IC provider.
5. The order defines an IC service as the provision of advice, this includes advice on which investments are to be made, advice that the scheme manager is required by law to take (for LGPS this includes proper advice under regulation 7(1) of the Investment Regulations 2016), advice on investment strategy and advice on manager selection.
6. Part 2 of the Order defines IC Service as:

‘Investment Consultancy Services’ means the provision to Pension Scheme Trustees of services where the provider advises the Pension Scheme Trustees in relation to one or more of the following:
 - Investments that may be made or retained by or on behalf of the Pension Scheme Trustees;

- Any matters in respect of which the Pension Scheme Trustees are required by law to seek advice in relation to the preparation or revision of the statement of investment principles;
- Strategic asset allocation;
- Manager selection.

The requirements

7. The CMA has stipulated that Pension Scheme Trustees should set objectives for their investment consultants, and that such objectives should be:
 - ‘closely linked’ to the pension scheme’s strategic objectives;
 - reviewed at least every three years, and after a significant change to the investment strategy or objectives;
 - established no later than 10 December 2019 (i.e. 6 months following the date of the final Order published by the CMA) or prior to appointment of a new investment consultant.

Advisor Objectives

8. Officers have given consideration to the professional advice and guidance that the Fund requires from its Independent Advisor and drafted a set of Strategic Objectives (attached as an appendix) in conjunction with Hymans, that aims to ensure these requirements are met.

Recommendation

9. It is recommended that the Local Pension Committee approve the Objectives for Consultants.

Equality and Human Rights Implications

10. None.

Appendix

Advisor Objectives for the Local Pension Committee.

Background Papers

None

Officers to Contact

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