

## PENSIONS PANEL – 4 JUNE 2024

### Report of the Director of Finance

#### COMPETITION & MARKETS AUTHORITY INVESTMENT CONSULTANT OBJECTIVES

##### Recommendation of the Chair

1. That the Pensions Panel concur with the view of the Director of Finance; that the desired outcomes from the Investment Consultant Objectives for 2023/24 detailed in Appendix 1 have been met, where these can be considered in the short term.
2. That the Pensions Panel confirm their assessment of the objective '*Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested*'.
3. That the Pensions Panel approves the Investment Consultant Objectives provided in Appendix 2, noting the specific focus for the 2024/25 financial year and notes the intention to agree appropriate objectives with the two Independent Investment Advisers in due course.

##### Background

4. At its meeting on 3 December 2019, the Pensions Panel received a briefing paper from Hymans Robertson LLP (Hymans) advising of the findings of the December 2018 report of the Competition and Markets Authority (CMA), and their subsequent order, in respect of the need for Pension Scheme Trustees to set annual objectives for their investment consultants.
5. In response to the CMA Order, the Pensions Panel continue to agree a high-level set of objectives with Hymans, for each financial year, which incorporate more focussed objectives and detail on how the objectives are to be measured. The 2023/24 objectives were signed off by the Panel at their meeting in June 2023.

##### Monitoring of 2023/24 Objectives

6. The Panel agreed that they would assess / measure and report on the performance of the Investment Consultant against the objectives set, by way of a collective annual review, with a report submitted to the Panel each year, at their March or June meeting.
7. Appendix 1 has been annotated with comments and relevant examples (blue text in parentheses) which reflect the Director of Finance's view, as to whether the desired outcome of the 2023/24 objectives has been achieved in the short term. It is reassuring that in all cases the outcome, and thus the objective, is considered to have been met. However, the Panel are asked to consider and concur with this view.

8. One assessment remains outstanding and, given they are best placed to comment, the Panel is requested to confirm their assessment of the objective *'Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested'* at the meeting.

### **Setting of 2024/25 Financial Year Objectives**

9. Most of the objectives for 2024/25 continue to be set at a high level and reflect the long-term nature of the Fund's Investment Strategy; they will not change year on year. Whilst the focus of the objectives will be linked to the workplan for the year ahead, wherever this is appropriate, as for 2023/24, it will be the outcomes and the examples that demonstrate how the objectives have been achieved which are most important. The focussed objectives for the 2024/25 financial year are detailed in Appendix 2.
10. Only a few minor changes are proposed to the objectives for 2024/25. These reflect the fact that the workplan for 2024/25 will begin to focus on a review of the Fund's Strategic Asset Allocation, as part of the planning for the 2025 Actuarial Valuation and, in conjunction with this, a review of the Fund's Climate Change Strategy and target metrics, which were last approved in 2021/22.
11. Also, as more of the Fund's assets are invested with LGPS Central Limited there is a need to consider the effectiveness of the oversight and monitoring arrangements in place to ensure that operational and performance standards are being met and a range of suitable and investable products continue to be offered.

### **Independent Adviser Objectives**

12. The October 2023 response to DLUCH's Local Government Pension Scheme (England and Wales): Next steps on investments consultation also mentioned CMA Objective Setting for Independent Advisers. It stated that 'LGPS regulations will be amended to require objective setting for all advisers including consultants, pools and independent advisers when providing advice on investments, investment strategy statements, strategic asset allocation and manager selection'.
13. Officers will work with both Independent Advisers to agree a set of objectives relevant to their role, for approval by the Pensions Panel in due course.

### **Director of Finance**

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**Equalities Implications:** There are no direct equalities implications.

**Legal Implications:** The legal are covered in the body of the report implications.

**Resources and Value for Money Implications:** There are no direct resources and value for money implications.

**Risk Implications:** There is risk that inappropriate advice can result in an inappropriate investment strategy and inappropriate investment decisions being taken by the Fund. These could have significant financial implications on the value of the Fund's assets over the long term.

**Climate Change Implications:** Whilst there are no direct climate change implications arising from this report, any investment advice needs to consider the Fund's Climate Change Strategy and net zero ambitions together with the Fund's Investment Principles on Responsible Investment and Engagement.

**Health Impact Assessment screening** – There are no health impact assessment implications arising from this report.