



Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Pensions Sub-Committee	3 rd December 2019		n/a

Delete as appropriate		Non-exempt
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SUBJECT: SETTING OBJECTIVES FOR PROVIDERS OF INVESTMENT CONSULTANCY SERVICES

1. Synopsis

- 1.1 This is an update report to discuss and set strategic objectives for our Investment Consultancy providers to comply with the 'Order' following the investment consultancy and fiduciary management market investigation order 2019 to the extent applicable any superseding legislation.

2. Recommendation

- 2.1 To note that the legal requirement for trustees of occupational pensions (including LGPS) to set strategic objectives for investment consultancy providers, comes into effect from 10 December 2019
- 2.2 To discuss and agree the draft objectives to monitor the performance of our investment consultancy provider as set out in Appendix 1
- 2.3 To agree to review these objectives at least annually and or where there is a change in the fund's requirements.

3. Background

- 3.1 The Pensions Regulator (TPR) is the UK regulator of occupational pension schemes. They are a non-departmental public body established under the Pensions Act 2004. Their

sponsoring body is the Department for Work and Pensions (DWP) and Parliament sets the legislative and regulatory framework within which they work.

- 3.1.1 Following an investigation into the investment consultancy and fiduciary management market, the Competition and Markets Authority (CMA) has introduced new duties for trustees and managers of occupational pension schemes, which will take effect from 10 December 2019.
- 3.1.2 It appears that the only Remedy applicable to the LGPS is the requirement for Administering Authorities to set strategic objectives for their IC provider. Whilst we await the MHCLG guidance and legislation, the TPR 's consultation on guidance contained roles of an investment consultant and a case study of a pension fund setting objectives and agreeing a performance monitoring scorecard. The link to the full consultation is <https://www.thepensionsregulator.gov.uk/en/document-library/consultations/draft-guidance-consultation-in-response-to-cma-recommendation>
- 3.1.3 At the last meeting in September 2019, members considered the TPR's case study as an example to help them begin to think of the advice, activities, special projects, relationship and communications with their investment consultants and how they would measure performance. They agreed to have an update report in December 2019 to agree objectives they would set to monitor their investment consultancy providers .
- 3.2 Members are asked to consider the draft objectives attached as Appendix 1 and agree how and what they value and will measure to be compliant with the pension order by the CMA by 10 December 2019.
- 3.2.1 Members are also asked to agree to review the objectives at least annually and or where there is a change in the Funds requirements.

4. Implications

4.1 Financial implications

None applicable to this report. Financial implications will be included in each report to the Pensions Sub-Committee as necessary.

4.2 Legal Implications

- 4.2.1 On 10th June 2019, the Competition and Market's Authority (CMA) made the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 placing new obligations on service providers and pension scheme trustees with regard to Fiduciary Management (FM) and Investment Consultancy (IC) Services. The Order implements the CMA's recommended remedy 1 (tendering for FM services) in Part 3 and remedy 7 (Setting objectives for IC) in Part 7. Parts 3 and 7 come into force on 10 December 2019.
- 4.2.2 IC Services are defined as s the provision of advice
- 4.2.2.1 on investments that may be made or retained;
 - 4.2.2.2 in relation to the preparation or revision of the statement of investment principles;
 - 4.2.2.3 on strategic asset allocation; and

4.2.2.4 on manager selection.

However, IC Services do not extend to the high-level commentary provided by the scheme actuary in or in respect of triennial valuation reports and with regard to the link between the investment approach and the pension scheme's funding objectives.

4.2.3 Under Part 7, the council may not enter into a contract with an investment consultancy provider for the provision of IC Services or continue to receive such services from an existing provider unless it has set Strategic Objectives for the provider. Strategic Objectives are objectives for the provider's advice by reference to the four areas in paragraph 4.2.2 above in accordance with the council's pension investment strategy.

4.3

Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughngtonpensionfundinvestmentstrategystatement.pdf>

4.4 **Resident Impact Assessment:**

The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding".

4.4.1 An equalities impact assessment has not been conducted because this report is seeking opinions on a government policy document and therefore no specific equality implications arising from this report.

5. Conclusion and reasons for recommendation

5.1 Members are asked to consider and agree the draft objectives attached as Appendix 1, and review them annually and or where their requirements change.

Background papers:

None

Final report clearance:

Signed by:

Received by: Corporate Director of Resources Date

Head of Democratic Services Date

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