



## **PENSIONS COMMITTEE**

**25 November 2014**

<b>Subject Heading:</b>	<b>REVIEW OF INVESTMENT ADVISOR</b>
<b>CMT Lead:</b>	Andrew Blake-Herbert
<b>Report Author and contact details:</b>	Contact: Debbie Ford Designation: Pension Fund Accountant Telephone: (01708) 432569 E-mail address: Debbie.ford@havering.gov.uk
<b>Policy context:</b>	In line with Myner's compliance statement policy number 4 recommendation on Performance measurement
<b>Financial summary:</b>	Investment Adviser fees are met from the Pension Fund

**The subject matter of this report deals with the following Council Objectives**

- Clean, safe and green borough
- Excellence in education and learning
- Opportunities for all through economic, social and cultural activity
- Value and enhance the life of every individual
- High customer satisfaction and a stable council tax

### **SUMMARY**

This report reviews the performance of the Investment Advisor, Hymans Robertson, covering the period September 2013 to September 2014.

### **RECOMMENDATIONS**

It is recommended that the Committee notes: -

The views of officers on the performance of the Investment Advisor and makes any comment on the report which it considers appropriate.



## **REPORT DETAIL**

1. Myner's Principles number 2 on clear objectives recommends that the committee, in setting out its overall objective for the Fund, should take proper advice and appoint advisors in open competition.
2. At a Special Pensions meeting on 16<sup>th</sup> December 2011, the Pension Committee appointed Hymans Robertson to provide Investment Advisory services to the Havering Pension Fund following a competitive tender process. Hymans Robertson was appointed for the period commencing on the 1<sup>st</sup> April 2012. The contract is to run from 1<sup>st</sup> April 2012 until 31<sup>st</sup> March 2017 unless terminated or extended by the Council in accordance with the terms of the contract.
3. Members have adopted the procedure to undertake an annual assessment of the Investment Advisor performance which is in line with Myner's Principle number 4 on performance measurement.

### **4. REVIEW OF THE INVESTMENT ADVISER'S PERFORMANCE**

5. Hymans Robertson has been the Fund's Advisors since April 2006. A change to the individual advisor who was assigned to the Havering Pension Fund took place shortly before the new contract was awarded and this arrangement has continued after the contract commenced.
6. The advice services provided by Hymans Robertson are generally in relation to the core service which includes quarterly monitoring performance reports, attendance at Pensions Committee and providing questions for officer meetings with fund managers.
7. In addition to the above services, over the year of review and following research and production of long and short lists, the Investment Advisor had produced guidance and training for the multi asset manager appointments and the subsequent transition of assets. Outside of this review period Hymans Robertson undertook an additional tendering exercise to search for a replacement multi asset manager due to the unforeseen termination of one of the earlier appointed multi asset managers. This replacement manager was appointed in October 2014.
8. A set of criteria was defined as part of the investment advice tender specification and these are outlined below:
  - Attendance at Committee Meetings
  - Investment Advice
    - Setting Investment Strategy

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- Investment Management structure
  - Appointing an investment Manager
  - Monitoring an investment Manager
  - Other responsibilities (advising on statement of investment principles, custody, setting investment guidelines etc.)
- The value they will/could add to the decision making process
  - The level of Pro-Activity expected from the adviser
  - Support arrangements
9. In addition, included within the tender documentation officers selected other criteria which the Advisors should be assessed against, as they are essential in a service such as investment advice, as:
- Communications and advice are clear, timely, accurate, challenging and comprehensive
  - Provision of advice to officers and members include comprehensive options and is encouraged to test the alternatives to decisions being made
  - A partnership approach to reaching investment decisions
10. The Investment Advisor's performance has been reviewed using the above criteria; the results of the review of performance over the year of review are set out in the following table and have been discussed with the adviser:

<b>CRITERIA</b>	<b>ASSESSMENT</b>
Attendance at Pensions Committee Meetings	Investment Advisor has attended each Pension Committee as required.
Investment Advice :	<p>It is important that the Pensions Committee and officers receive expert advice on investment issues and how they affect the Local Government Pension Scheme.</p> <ul style="list-style-type: none"><li>● Setting investment strategy – As the investment strategy had been finalised in July 2013, no further strategy reviews were planned. Hymans Robertson has been commissioned to look at changing the benchmark for the passive equity manager and will review the bond manager's mandate to see if returns can be maximised.</li><li>● Investment Management Structure – No further asset allocation reviews were</li></ul>

CRITERIA	ASSESSMENT
	<p>undertaken during the year under review as this was undertaken at the time of the investment strategy.</p> <ul style="list-style-type: none"> <li>• Appointing an Investment Manager – Following the tender submissions and analysis of those submissions a shortlist of multi asset managers was produced. The investment advisor guided the Pensions Committee through the interview process and two managers were appointed in September 2013.</li> <li>• Monitoring an investment manager - Every quarter the investment advisors produce a monitoring report which covers market analysis and the performance of the Investment Managers. They attend the Pensions Committee meetings to discuss their report and have provided valuable advice and guidance at these meetings. The advisor also provides useful information and advice to officers and produces suggested questions for officers for meetings with investment managers. As part of their monitoring role Hymans Robertson provided advice on the termination of one of the multi asset managers due to unforeseen changes in the investment arrangements of the manager, this was completed in August 2014.</li> <li>• Other responsibilities – Hymans Robertson produced and presented training for the induction of new Pension Committee members.</li> <li>•</li> </ul>
<p>The value they will/could add to the decision making process</p>	<p>The advisors are expected to add value through their input to the development of the Fund’s investment strategy and in the selection of individual managers. Time will tell if value has been added once the investment strategy has had a chance to become established. The advisor is looking to review the form of reporting to develop more quantitative measures of recognising added value and this was introduced for the March 14 committee meeting.</p>

<b>CRITERIA</b>	<b>ASSESSMENT</b>
The level of pro-activity expected from the Adviser	The investment advisors have taken an active role at Pension Committee meetings and on behalf of the committee have challenged the fund managers on their performance and strategies.
Support arrangements	The support arrangements in place are good.
Communications	The communication with the advisor is good. Reports are well structured and easy to understand.
Partnership Approach	The advisor has close working relationships to the Fund's actuary which helps the understanding of the implications of different strategies on the Fund.

### **11. Conclusion**

Officers are satisfied with the service provided by Hymans Robertson and have continued confidence in the advice being given.

### **12. Cost of the Service**

The cost of Investment Advisor services from September 2013 to September 2014 was £60,542 (prior year £83,690). This includes costs of £25,515 for the conclusion and appointment of multi asset managers in September 2013. Costs have been kept within budget.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

There are no financial implications or risks arising directly from this report. The costs of the Investment Advisor are met from the Pension Fund.

### **Legal implications and risks:**

None arise from this report.

**Human Resources implications and risks:**

None arise from this report.

**Equalities implications and risks:**

There are no equality implications or risks as a result of this report.

**BACKGROUND PAPERS**

Background Papers List

Specification for the Advice to the London Borough of Havering Pension Fund