



## PENSIONS COMMITTEE

21 November 2017

**Subject Heading:**

**INVESTMENT ADVISOR SERVICE  
REVIEW**

**CMT Lead:**

**Debbie Middleton**

**Report Author and contact details:**

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**Policy context:**

In line with Myner's compliance statement  
policy number 4 recommendation on  
Performance measurement

**Financial summary:**

Investment Adviser fees are met from the  
Pension Fund

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

**SUMMARY**

This report reviews the performance of the Investment Advisor, Hymans, covering the period September 2016 to September 2017.

**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. Background**

- 1.1 Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2009 state that the Fund must obtain proper advice about its investments and in relation to the appointment of investment managers.
- 1.2 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.
- 1.3 Members have adopted the procedure to undertake an annual assessment of the Investment Adviser performance which is in line with Myner's Principle number 4 on performance measurement.
- 1.4 Hymans was appointed to provide Investment Advisory services to the Havering Pension Fund 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.
- 1.5 The contract has an option to be extended for an additional period of up to two years with written consent of both parties, no later than three months before expiry
- 1.6 At the Pensions Committee held on the 22 November 2016 it was agreed for the contract to be extended for a period of one year in order to make use of the new Investment Management Consultancy Framework due to be issued during 2017 and to avoid conflict with a number of external priorities expected at the time.

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- 1.7 The current extended contract expires on the 31 March 2018 and a procurement exercise will need to be undertaken to secure investment advice from April 2018.
- 1.8 A separate report is being presented on the same agenda to seek further action on the procurement of Investment Management Consultancy Services.

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

- 2.1 Hymans has been the Fund's Advisor 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 in April 2012.
- 2.2 The core services provided by Hymans generally includes production of quarterly monitoring performance reports, attendance at Pensions Committee and providing questions for officer meetings with fund managers, investment advice and performance monitoring of the fund's investment managers.
- 2.3 In addition to the above core services, Hymans prepared a paper and attended a Special Pensions Committee to oversee the appointment of a passive equity manager. They have also had discussions with the London CIV (Collective Investment Vehicle) on progression of the Fund's investment strategy and provided input to commence searches of a Private Debt and Real Assets mandate.
- 2.4 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
    - 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
- 2.5 In addition, included within the tender documentation officers selected other criteria which the Investment Advisor should be assessed against, as they are essential in a service such as investment advice, as:

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- 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

2.6 The Investment Advisor’s performance has been reviewed using the above criteria and with consultation of the Pensions Committee; 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>• Investment Strategy – Hymans assisted the Pensions Committee in developing the investment strategy and produced the Investment Strategy Statement to reflect this. They have been involved in progressing this and attended meetings with the London CIV and contributed to commencing searches on a Private Debt and Real Assets mandates.</li> <li>• Monitoring an investment manager - Every quarter the investment advisor produces a monitoring report which covers market analysis and the performance of the investment managers. Hymans attends the Pensions Committee meetings to discuss their report and have provided valuable advice and guidance at these meetings. The advisor also provided useful information and advice to officers and produced suggested questions for officers for meetings with investment managers.</li> <li>• The advisor also prepared a report of the responsible investment activities of the Fund’s investment managers in support of the Committee’s ongoing monitoring requirements. This report will be submitted annually to add value to the monitoring process as set in in the investment strategy statement.</li> </ul>

<b>CRITERIA</b>	<b>ASSESSMENT</b>
	<ul style="list-style-type: none"><li>• Feedback from members is very positive and they have confidence in the advisors market knowledge.</li></ul>
The value they will/could add to the decision making process	<ul style="list-style-type: none"><li>• 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. The investment advisor has continued to include in their quarterly monitoring reports a more quantitative measure of recognising added value, by breaking down the overall return to show market and manager contributions separately.</li></ul>
The level of pro-activity expected from the Adviser	<ul style="list-style-type: none"><li>• The investment advisor has taken an active role at Pension Committee meetings and on behalf of the Committee does challenge the fund managers on their performance and strategies.</li></ul>
Support arrangements	<ul style="list-style-type: none"><li>• The support arrangements in place are very good.</li></ul>
Communications	<ul style="list-style-type: none"><li>• The communication with the adviser is very good. Reports are well structured and easy to understand and member's feedback found the reports informative.</li></ul>
Partnership Approach	<ul style="list-style-type: none"><li>• The advisor has close working relationships to the Fund's actuary which helps the understanding of the implications of different strategies on the Fund.</li></ul>

### **3. Service Review Conclusion**

Officers and the Pensions Committee are satisfied that Hymans delivers a good service and have continued confidence in the advice being given.

## **IMPLICATIONS AND RISKS**

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

The cost of Investment Advisory services from October 2016 to September 2017 was £58,895 (prior year £32,755). This includes costs of £49,395 (prior year £28,255) for the core services and £9,500 (prior year £4,500) for additional services. Costs for additional services have been kept within budget.

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The increase in costs compared to the same period last year is mainly attributable to the preparation and production of the Investment Strategy Statement and progression of the investment strategy.

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:**

There are no apparent legal implications in noting the content of 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**

None