



PENSIONS COMMITTEE 31 October 2012	

Subject Heading:	REVIEW OF INVESTMENT ADVISOR
CMT Lead:	Andrew Blake Herbert
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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

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input checked="" type="checkbox"/>
High customer satisfaction and a stable council tax	<input type="checkbox"/>

SUMMARY

This report reviews the performance of the Investment Adviser, Hymans, since their appointment in April 2012.

RECOMMENDATIONS

It is recommended that the Committee notes: -

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

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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 16th December 2011, the Pension Committee appointed Hymans Robertson to provide investment advisory services to the Havering Pension Fund following a competitive tender process. Hymans was appointed for the period commencing on the 1st April 2012. The contract is to run from 1st April 2012 until 31st 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 Adviser which is in line with Myner's Principle number 4 on performance measurement.

4. REVIEW OF THE INVESTMENT ADVISER'S PERFORMANCE

5. Hymans has been the Fund's advisors since April 2006. A change to the individual adviser 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 since their appointment were generally in relation to the core service which includes quarterly monitoring reports, attendance at Pensions Committee and providing questions for officer meetings with fund managers.
7. The investment advisers, together with officers also developed a cash flow management policy.
8. In addition to the above services, the Investment Adviser has began, together with the Pensions Committee started an investment strategy review. The Investment Advisers have updated their modelling to take account of the 2012 valuation data and this will form the basis of the review. Advice, support and training at forthcoming investment strategy review meetings will be delivered during the review process.
9. A set of criteria was defined as part of the investment advice tender specification and these are outlined below:
 - Attendance at Committee Meetings

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- 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

10. 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

11. The Investment Adviser's performance has been reviewed using the above criteria; the results of the review of performance since inception of the new contract are set out in the following table and have been discussed with the adviser:

CRITERIA	ASSESSMENT
Attendance at Pensions Committee Meetings	Investment adviser 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> <p>Every quarter the Investment Advisers produce a monitoring report which covers the performance of the Investment Managers and attend Pensions Committee meetings to discuss performance issues. The adviser has provided valuable advice and guidance at the meetings.</p> <p>Training on overall objective and the importance of periodic review of the investment strategy has</p>

CRITERIA	ASSESSMENT
	<p>been delivered. Following a modelling exercise using 2010 data on the level of liabilities the adviser is in the early stages of proposing options to take forward the management structure and benchmarks as part of the Investment Strategy Review.</p> <p>The adviser has also provided useful information and advice to officers and provided questions for the officer meetings with the Fund Managers.</p>
<p>The value they will/could add to the decision making process</p>	<p>The advisers are expected to add value through their input to the development of the Fund's investment strategy and in the selection of individual managers. Value has been added to the investment strategy process by helping to develop a process for managing cash flow.</p>
<p>The level of pro-activity expected from the Adviser</p>	<p>The Investment Advisers 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.</p>
<p>Support arrangements</p>	<p>The support arrangements in place are good.</p>
<p>Communications</p>	<p>The communication with the Adviser is good. Reports are well structured and easy to understand.</p>
<p>Partnership Approach</p>	<p>The advisor has close working relationships to the fund's actuary which helps the understanding of the implications of different strategies on the fund. The adviser is working in partnership with the committee to progress the investment strategy review.</p>

12. Conclusion

As we are only six months into the new contract officers are satisfied with the service provided by Hymans and have confidence in the advice being given.

13. Cost of the Service

At the time of writing this report the cost of Investment Adviser services since 1 April 2012 was £37,440 (includes investment strategy review costs)

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications or risks arising directly from this report. The costs of the Investment Adviser 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:

None arise from this report.

BACKGROUND PAPERS

Background Papers List

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