



PENSIONS COMMITTEE 30 October 2013	REPORT

Subject Heading:	REVIEW OF INVESTMENT ADVISOR
CMT Lead:	Andrew Blake Herbert
Report Author and contact details:	Contact: Debbie Ford Designation: Pension Fund Accountant Telephone: (01708) 432569 E-mail address: Debbie.ford@havering.gov.uk
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 Advisor, Hymans, covering the period September 2012 to September 2013.

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 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 Advisor 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 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 are 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. In addition to the above services, over the last year, the Investment Advisor has, together with the Pensions Committee, undertaken a review of the Investment Strategy. The Investment Advisors updated their modelling process using 2010 valuation data and updated this using data as at March 2012 to provide an estimated funding position for the fund, this formed the basis of the review. Advice, support and training at investment strategy review meetings were delivered during the review process.
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
 - Investment Management structure

Pensions Committee, 30 October 2013

- 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 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 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">● Setting investment strategy - A number of meetings took place since September 2012 to discuss the outcomes of the modelling exercise which formed the basis of reviewing the investment strategy. The Investment Advisor guided members at each stage of the review process, successfully agreeing a final Investment Strategy in July 2013.● Investment Management Structure – Asset allocation was reviewed during the investment strategy review and changed as part of this process.

CRITERIA	ASSESSMENT
	<ul style="list-style-type: none"> • Appointing an Investment Manager – The Investment Advisor was appointed to undertake the search for Multi Asset Managers and after producing a long list and a short list, two managers were successfully appointed by the committee at a Special Pensions Committee in September 2013. • Monitoring an investment manager - Every quarter the Investment Advisors produce a monitoring report which covers the performance of the Investment Managers and attend Pensions Committee meetings to discuss performance issues. The Advisor has provided valuable advice and guidance at the meetings. The Advisor has also provided useful information and advice to officers and provided questions for the officer meetings with the Fund Managers. • Other responsibilities – Hymans provided an input into the governance arrangements for setting up a process for evaluating infrastructure investments.
The value they will/could add to the decision making process	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. Officers will be meeting with the Advisor after December to discuss the methodology of measuring added value and any reporting changes.
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 and have continued confidence in the advice being given.

12. Cost of the Service

The cost of Investment Advisor services from September 2012 to August 2013 was £83,690. This includes costs of £55,350 for the Investment strategy Review and for the research and selection process of Multi Asset Managers. This was substantive pieces of work and 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:

None arise from this report.

BACKGROUND PAPERS

Background Papers List

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