



PENSIONS COMMITTEE

24 November 2015

Report

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

Havering will be clean and its environment will be cared for
People will be safe, in their homes and in the community
Residents will be proud to live in Havering

SUMMARY

This report reviews the performance of the Investment Advisor, Hymans, covering the period September 2014 to September 2015.

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 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.
- 1.2 Hymans was appointed to provide Investment Advisory services to the Havering Pension Fund 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.
- 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.

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.
- 2.2 The services provided by Hymans are generally in relation to the core service which includes production of quarterly monitoring performance reports, attendance at Pensions Committee and providing questions for officer meetings with fund managers, Investment advice and monitoring of the funds investment managers.
- 2.3 In addition to the above services, over the year of review Hymans undertook a tendering exercise to search for a replacement multi asset manager. This replacement manager was appointed in October 2014. They also undertook a review of the passive equity mandate and the bonds mandate. As a result of this review the allocation to the passive manger was increased and Hymans managed the transition of assets. The bonds mandate will be amended to increase the outperformance target.

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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 Advisor should be assessed against, as they are essential in a service such as investment advice, as:

2.6 Communications and advice are clear, timely, accurate, challenging and comprehensive

2.7 Provision of advice to officers and members include comprehensive options and is encouraged to test the alternatives to decisions being made

2.8 A partnership approach to reaching investment decisions

2.9 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:

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">• Investment strategy –Hymans undertook a review of the passive equity mandate and the bond mandate.• Investment Management Structure – Following the review mentioned above the

CRITERIA	ASSESSMENT
	<p>asset allocation to the passive mandate was increased and the passive market indices to be tracked were amended. Hymans also managed the transition of additional assets to the passive fund manager successfully. The outperformance target of the bond mandate will be amended and implemented during the review year 2016/17.</p> <ul style="list-style-type: none"> • Appointing an Investment Manager – The Investment Advisor managed the tendering process for a multi asset manager and guided the Pensions Committee through the interview process and a manager was appointed in October 2014. • Monitoring an investment manager - Every quarter the investment Advisor produces 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. • Other responsibilities – Hymans produced and presented training for the Pension Committee, briefing members on current investment strategy and the difference between Fundamental indices vs. market capitalisation. Training preceded the decision required for changing the passive mandate.
<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. The investment advisor has introduced to 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.</p>
<p>The level of pro-activity expected from the Adviser</p>	<p>The investment advisor has taken an active role at Pension Committee meetings and on behalf of the committee has challenged the fund managers on their performance and strategies.</p>
<p>Support arrangements</p>	<p>The support arrangements in place are good.</p>

CRITERIA	ASSESSMENT
Communications	The communication with the adviser 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.

3. Conclusion

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

Advisor costs

The cost of Investment Advisory services from October 2014 to September 2015 was £65,940 (prior year £53,627). This includes costs of £28,382 (£22,758) for the core services and £37,558 (£30,869) for additional services. Costs for additional services 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