



## PENSIONS COMMITTEE

13 November 2018

**Subject Heading:**

**INVESTMENT ADVISOR SERVICE  
REVIEW AND PROCUREMENT  
UPDATE**

**SLT Lead:**

**Jane West**

**Report Author and contact details:**

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**Policy context:**

[Debbie.ford@onesource.co.uk](mailto:Debbie.ford@onesource.co.uk)  
In line with Myner's compliance statement  
policy number 4 recommendation on  
Performance measurement and contract  
procedure rules

**Financial summary:**

Investment Adviser fees of £79,000 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 October 2017 to September 2018.

Due to the expiry of the existing contract, this report also provides members with an update as to the procurement arrangements for a new investment Advisor contract.

**RECOMMENDATIONS**

It is recommended that the Committee notes:

1. the views of officers on the performance of the Investment Advisor and makes any comment on the report which it considers appropriate.
2. that Officers will resume the procurement process for the Investment Adviser for the Pension Fund (“the Fund”) through the “LGPS National Framework for Investment Management Consultancy Services”.

**REPORT DETAIL**

**1. Background**

- 1.1 Regulation 9 (4) Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 state that the Fund must take proper advice in relation to the appointment and the terms on which the appointment [of an investment manager] is made .
- 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, which included an option to extend for a further two years.
- 1.5 The contract was extended by one year, as agreed by members at its Pensions Committee meeting on the 22 November 2016.

- 1.6 A further one year extension was agreed by the Chair and noted by the Pensions Committee at its meeting on the 13 March 2018.
- 1.7 The current contract expires on 31 March 2019 with no further options to extend.

## **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 least four Pension Committee meetings, provision of investment advice and performance monitoring of the fund's investment managers.
- 2.3 In addition to the above core services, Hymans attended two Special Pensions meetings and delivered training and oversight in relation to the appointment of the Real Asset Managers and Private Debt Managers. Hymans also had discussions with the London CIV (Collective Investment Vehicle) on progression of the Fund's investment strategy and undertaken monitoring of the Fund Managers' Responsible Investment and Stewardship policies.
- 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 also instrumental in progressing the appointments of the new fund managers, providing training as appropriate to assist the committee in understanding the new asset classes.</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.</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 is submitted annually to add value to the monitoring process as set in in the investment strategy statement.</li> <li>• Feedback from members is very positive and they have confidence in the advisors market knowledge.</li> </ul>
The value they will/could	<ul style="list-style-type: none"> <li>• The advisors are expected to add value</li> </ul>

<b>CRITERIA</b>	<b>ASSESSMENT</b>
add to the decision making process	through their input to the development of the Fund's investment strategy and their assistance 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.
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.</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**

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

### **4. Procurement update:**

4.1 At the Pensions Committee meeting held on the 21 November 2017, members agreed to undertake the procurement of an Investment Adviser for the Fund through the "LGPS National Framework for Investment Management Consultancy Services".

4.2 Following this decision and pre-procurement approvals the Havering Pension Fund joined the LGPS National Framework and the procurement process commenced with invitations to tender (further 'mini' competition) issued on the 19 January 2018.

4.3 In February 2018, the procurement process was withdrawn due to the issue of a London CIV Governance consultation. Officers, in agreement with the Chair, agreed that it would await the outcome of the consultation so that

consideration could be given as to whether there would be an impact on the services required by the Investment Advisors.

- 4.4 in agreement with the Chair, it was also decided that given that the Pensions Committee also agreed (21 November 2017) that they wanted to be involved in the selection process it was deemed more appropriate that the new committee, following the local elections, make this decision before a five to seven year contract was awarded.
- 4.5 In line with the Pensions Committee previous decision, officers will resume the procurement process for the Investment Adviser for the Fund through the “LGPS National Framework for Investment Management Consultancy Services”.
- 4.6 Officers will review the tender specification to reflect any change of functions now undertaken by the LCIV and it is anticipated that the Invitation for further completion will be re-issued during November 2018 with an estimated presentation to be made before the Committee after December 2018.

## **IMPLICATIONS AND RISKS**

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

The cost of Investment Advisory services from October 2017 to September 2018 was £78,540 (prior year £58,895). This includes costs of £37,840 (prior year £49,394) for the core services and £40,700 (prior year £9,500) for additional services.

The increase in costs compared to the same period last year is mainly attributable to the progression of the Investment Strategy and oversight of the new fund manager appointments for Real Assets and Private Debt mandates.

The costs of the Investment Advisor are met from the Pension Fund.

The fee of £5,000 for joining the LGPS framework is also 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:**

There are no direct human resource implications and risk arising from this report.

**Equalities implications and risks:**

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

An EIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

**BACKGROUND PAPERS**

Background Papers List

None