

# INVESTMENT CONSULTANT OBJECTIVES

# APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
<b>1. Demonstration of Value added</b>			
<b>Outcomes Expected:</b>			
A. Help the Committee implement the Investment Strategy Statement	Duration of the contract	Committee provided with advice allowing them to take effective decisions and implement strategic changes on a timely basis, including advice on the suitability of the Fund's strategic asset allocation and corresponding benchmarks, and risks associated with different approaches.	<p>The Investment Consultant (IC) 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.</p> <p>Investment Strategy – Since the current Investment Strategy Statement (ISS) was adopted in November 2017, Hymans have been instrumental in progressing the implementation of the strategy, introducing new asset classes i.e. Alternative credit, providing training as required and assisting in the assessment of potential new Fund managers.</p> <p>At the 20 August 2018 Special Pensions meeting members agreed to appoint Permira and Churchill to deliver some of the Alternative credit element of the ISS. This follows a successful appointment of Real Asset managers agreed by the Committee in March 2018</p> <p>Hymans continued the work of progressing with the Committee in implementing the next phase of alternative credit in the form of a Multi Asset</p>

## INVESTMENT CONSULTANT OBJECTIVES

## APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
			<p>Credit product which members agreed to progress with an appointment at its meeting on the 17 September 2019.</p> <p>Officers and the Committee are very appreciative of the progress made to date.</p>
B. Increase the asset value of the scheme through tactical and asset allocation over the long term	Duration of the contract	<p>Returns on the portfolio exceed the strategic benchmark over five-year rolling periods without excessive volatility.</p> <p>Returns on the Portfolio net of fees exceed the composite manager benchmark over rolling three year periods</p>	<p>Based on data from our performance measures as at June 2019 returns are as follows:</p> <p><b>5 Year strategic return</b>  Fund return: 7.7  Benchmark: 10.9  Relative Return: (3.1)</p> <p>The Fund has delivered a strong absolute return over the 5-year period. However, this was not sufficient to keep pace with the growth in the value of the liabilities over this period. This is due to substantial falls in gilt yields, which reached historic lows, leading to an increase in the value of the liabilities equating to c. 4% per annum. It should be noted that a 5-year period is generally expected to be reasonable for assessing progress relative to strategic requirements. However, a longer time period may be appropriate to reflect the full length of the market cycle.</p> <p><b>3 year composite benchmark</b>  Fund return: 8.0  Benchmark: 6.4  Relative Return: 1.5</p>

# INVESTMENT CONSULTANT OBJECTIVES

# APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
			Net Asset Value has increased by £47m (6.6%) since adoption of the November 17 ISS
C. Enable the Committee to implement scheme investments on a more competitive fee basis through negotiation on implementing and periodic benchmarking of fees	Duration of the contract	Where appropriate, the IC provide input on fee arrangements and proposes actions to reduce fees where possible	<p>As part of the implementation of the ISS new mandate fees were negotiated via bFinance as they were instrumental in the research and shortlisting.</p> <p>No benchmarking of fees were undertaken by Hymans for this process.</p>
D. Help the Committee to implement an Investment Strategy which adds value through the integration of Environmental, Social and Governance (ESG) and stewardship considerations in investment manager appointments.	Duration of the contract	<p>Committee feel educated on ESG and stewardship issues and understand the importance of issues within the context of the prevailing strategy.</p> <p>IC provides proactive advice on emerging trends in ESG issues</p>	<p>IC prepared a report summarising the Fund's investment managers' compliance with the main industry governance standards and their voting and engagement activities (where applicable) over the 12 month period to 30 June 2018 to the 11 December 18 Committee.</p> <p>This report is submitted annually to add value to the monitoring process as set out in the ISS.</p> <p>ESG considerations were considered during the selection of manager appointments.</p> <p>This report has helped the committee to understand the managers voting and engagement activity and used this as a stepping stone to formulate the next steps of developing a statement of investment beliefs.</p>
E. Manage cash flows needs in a	Annually	Development and regular	Hymans produced a Cash Flow Management

## INVESTMENT CONSULTANT OBJECTIVES

## APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
more cost effective manner		<p>review of cashflow policy.</p> <p>Proactive response and advice where changes in cashflow requirements are identified.</p>	<p>Policy for the Pensions Committee on the 17 September 2019 which will be reviewed annually or when monthly outgoing increase by more than 20%.</p> <p>This will assist officers with the understanding of the process for managing the cash flow requirements for the settlement of FX transactions as part of the Currency management process.</p>
<b>2. Delivery of specialist Services</b>			
<b>Outcomes Expected:</b>			
A. Work with the Fund Actuary to undertake asset liability modelling as required	Triennially	<p>IC regularly confirms the strategy to be on track and carries out a full review of the appropriateness of the strategy after each actuarial valuation, including consideration of the risks associated with different approaches.</p> <p>IC provides input and challenge on investment</p>	<p>Once the Triennial valuation March 2019 results are produced and the funding approach agreed any impact will be reviewed and incorporated into any required investment strategy changes. If the regulations do not change the next valuation will take place using data as at 31 March 2022.</p>
B. Work with the Fund Actuary on an ongoing basis in respect of the integrated management of fund assets and liabilities	Duration of the contract		<p>Hymans liaise with the Fund Actuary on an ongoing basis to ensure the management of the Funds assets are in line with recommendations outlined in the results of the triennial valuation in 2016. They regularly update the Committee with changes to the funding level and ongoing monitoring of meeting the Fund's Strategic benchmark</p>
C. Help the Committee to develop and define their investment	Duration of the contract		<p>Hymans has been instrumental in the progression of the development of the Committee's</p>

# INVESTMENT CONSULTANT OBJECTIVES

# APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
beliefs		<p>beliefs as appropriate</p> <p>IC facilitates discussion on beliefs and interprets the consequences of investment beliefs for the Committee.</p>	<p>investment beliefs which includes beliefs on responsible investment matters.</p> <p>In developing the investment beliefs Hymans distributed a questionnaire to members of the Committee in January 2019 and the results formed the initial basis of the set of Investment beliefs which were presented to the Committee on the 19 March 2019.</p> <p>The final formal set of investment beliefs is due to be presented to the committee and this will feed into the next review of the ISS (over the next few months).</p> <p>Officers and the Committee are very appreciative of the assistance provided in the development of a statement of Investment beliefs and the fund benefits from having the Head of Responsible Investments at Hymans as one of the consultants supporting the Fund.</p>
D. Help the Committee develop and maintain an appropriate framework to track progress against strategic and tactical benchmarks	Duration of the contract	<p>IC provides input on the monitoring regime for the Committee from time to time.</p> <p>Officers/Committee can understand and articulate the Fund's progress towards</p>	<p>Hymans has developed and maintains a reporting process where a review of fund performance includes tracking progress against the Strategic benchmark and individual fund manager performance. They have taken on an active role at Pension Committee meetings and on behalf of the Committee challenges the fund managers on their performance and strategies and continue to</p>

# INVESTMENT CONSULTANT OBJECTIVES

# APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
		its objectives from an investment perspective	<p>have ongoing dialogue with all the Funds' managers to keep up to date with developments.</p> <p>Reports are produced quarterly and meet the reporting requirements as set out in the contract.</p> <p>These reports are informative and help the committee understand whether the investment strategy and fund manager objectives are being met.</p>
<b>3. Proactivity of Advice</b>			
<b>Outcomes Expected:</b>			
A. Advise the Committee on new investment opportunities or emerging risks	Duration of the contract	IC proactively identifies potential investment opportunities or risks and communicates these to Officers/Committee for discussion	<p>New investment opportunities are explored on an ad hoc basis. During the year, Hymans produced a paper on the strategic rational of managing currency risk, presented to the Special Pensions on 24 July 2019.</p> <p>This resulted in the Fund appointing a currency manager who is in the process of being on-boarded.</p>
B. Advise on any changes in the investment governance arrangements to enable the committee to best access emerging opportunities	Duration of the contract	IC proactively identifies potential improvements to the prevailing governance arrangements and communicates these to Officers/Committee for	<p>As appropriate Hymans advise the Fund of the issuance of government consultations and legislation changes that impact on governance arrangements:</p> <ul style="list-style-type: none"> <li>• LGPS Draft Statutory Guidance consultation on asset Pooling</li> </ul>

# INVESTMENT CONSULTANT OBJECTIVES

# APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
		discussion	<ul style="list-style-type: none"> <li>• Competition and Markets (CMA) Order.</li> <li>• Hymans provided significant input in the London CIV Service Level Agreements (SLA).</li> </ul> <p>Although the Fund is still waiting for the publication of a revised SLA the feedback provided was appreciated.</p>
<p>C. Deliver training to enable the Committee:</p> <ul style="list-style-type: none"> <li>• to be supported maintaining high standards of investment governance and compliance.</li> <li>• engage with new investment opportunities, emerging risks or opportunities to transfer risk</li> </ul>	Duration of the contract	Committee has sufficient understanding of any new investment class and associated risks in which it is suggested they might invest	<p>Training delivered during the reporting period as follows:</p> <ul style="list-style-type: none"> <li>• Environmental, Social and Governance (ESG) Introductory Training with the Committee 11 December 2018 - an action agreed from that training session was to work towards developing a formal</li> <li>• Statement of Investment Beliefs for the Fund.</li> <li>• Managing Currency Risk with Officers 7 March 2019 – Helping officers to understand the rationale of adopting currency risk mitigations.</li> <li>• Managing Currency Risk with the committee 11 July 2019 – Helping the Committee to understand the rationale of adopting currency risk mitigations</li> </ul>
<b>4. Support with scheme management and compliance</b>			
<b>Outcomes Expected:</b>			
A. On a quarterly basis , undertake investment manager	Quarterly		Each quarter Hymans produces a monitoring report which covers market analysis and the

# INVESTMENT CONSULTANT OBJECTIVES

# APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
performance monitoring and review for presentation to the Committee		<p>IC delivers advice on a timely basis in accordance with the expectations of Officers</p> <p>IC consults with Officers on the development of agenda items for future meetings</p>	performance of the investment managers. They have attended each Pension Committee meeting as required to discuss their report and have provided valuable advice and guidance at these meetings.
B. Produce briefing papers and periodic investment advice in advance of committee meetings in a timely basis	Duration of the contract		<p>Hymans produced the following papers/briefings:</p> <ul style="list-style-type: none"> <li>• The strategic rational of managing currency risk</li> <li>• Brexit implications on the Fund</li> <li>• In response to a councillor inquiry contributed to a briefing on the appropriateness of for the Fund sliver investments</li> </ul>
C. Support the Fund in obtaining data required to report investment fees in line with the Code of Transparency.	Duration of the contract		<p>This was the Funds first year of obtaining information from Fund Managers with regard to disclosing fee information in line with Code of Transparency.</p> <p>In order to meet the tight timescales in the production of the accounts fee estimates were provided by Hymans.</p> <p>Officers will work with Hymans in developing the process and collection of data for the 2019/20 accounts.</p>
D. Review and update as appropriate the schemes Investment Strategy Statement	Duration of the contract		ISS was last updated in November 2017. Once the Committee have had the opportunity to agree a set of investment beliefs this will be included within the next review of the ISS.



# INVESTMENT CONSULTANT OBJECTIVES

# APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
			<p>Once a funding approach has been agreed with the Fund Actuary following the 2019 results of the triennial valuation this will also be incorporated into the review of the ISS.</p> <p>Officers will work with Hymans to complete the review of the ISS over the next few months.</p>
E. Ensure compliance of the schemes investment arrangements with developments in regulation and all legislation	Duration of the contract		Examples of changes during the reporting period have been covered under item 3B.
<b>5. Relationship and service standards</b>			
<b>Outcomes Expected:</b>			
A. Maintain fees in line with tender submission	Quarterly	Invoiced fees are in line with agreed budgets	Fees are maintained in line with the tender submission and the IC has been requested to provide more detailed information against invoices to improve monitoring of costs against tender specification.
B. Agree fee budget with officers /Committee for any significant piece of work over £2,000 where the work and associated fees are not explicitly stated in the existing contract..	Duration of the contract	<p>IC provides an annual business plan and budget proposal for agreement with Officers</p> <p>IC provides fee quotes for</p>	Officers will work with the IC to ensure that fee budgets are agreed prior to commencing significant piece of work.

# INVESTMENT CONSULTANT OBJECTIVES

# APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
		significant work items	
C. Clear understanding of the Scheme's goals and objectives	Duration of the contract	Officers are satisfied with the knowledge and understanding of the IC with regard to the Fund's requirements	IC has a clear understanding of the goals and objectives through their input into the development of the ISS, cash flow requirements and ongoing monitoring
D. Appropriate quality and quantity of resourcing to meet the needs and requirements of the scheme	Duration of the contract	IC are able to support the needs of Officers and Committee at all times.  IC seeks feedback on views of Officers/Committee.	The tender documents submitted set out the quality and experience of the staff at Hymans who support the Fund which is sufficient to meet the Funds requirements.  The support arrangements in place are very good.
E. Maintain strong positive working relationship with the Committee members and officers	Duration of the contract	IC undertakes an annual business planning /review meeting	The communication and the relationship with the investment consultant are very good.  Reports are well structured and easy to understand.
F. Work collaboratively with other advisors and provide effective support to the Committee when engaging with other stakeholders	Duration of the contract	Positive feedback on working relationship from other advisors and stakeholders	The investment consultant has close working relationships to the Fund's actuary which helps the understanding of the implications of different strategies on the Fund
G. Appropriate management and mitigation of any conflicts of interest	Duration of the contract	IC promptly notifies Officers and any conflicts arising and proposed appropriate mitigations	No conflict of interest has arisen during the year.  We are confident that advice or comments provided to the Fund is independent as they do not receive revenue from managers relating to our investments

# INVESTMENT CONSULTANT OBJECTIVES

## APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
6. Support with additional matters arising			
<b>Outcomes Expected:</b>			
A. Provide advice and assistance to the Committee on any other issues arising	Duration of the contract	IC demonstrates support for the Committee as needed	<p>Investment Consultant has also provided advice on the suitability of investments on offer via the London CIV covering suitability to the investment strategy and the likelihood of engagement in their offered products.</p> <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>Feedback from members is very positive and they have confidence in the advisors market knowledge.</p>