

INVESTMENT CONSULTANT OBJECTIVES

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
1. Demonstration of Value added			
Outcomes Expected:			
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 Investment Strategy Statement (ISS) was adopted in November 2017, IC have been instrumental in progressing the periodic implementation of the strategy.</p> <p>At the 29 July 2020 Pensions meeting (postponed from 17 March 2020) the ISS was reviewed and updated to reflect progression of the ISS. In the lead up to reviewing the strategy IC were also instrumental in the development of a set of investment beliefs providing a framework for the ISS to be progressed.</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	Duration of the contract	Returns on the portfolio exceed the strategic benchmark over five-year	Based on data from our performance measurers asset returns as at September 2020 are as follows:

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allocation over the long term		<p>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>5 Year strategic return Fund return: 8.38 Benchmark: 9.36 Relative Return: -0.98 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, as measured by the return on index linked gilts + 1.8% p.a., over this period.</p> <p>3 year composite benchmark Fund return: 5.95 Benchmark: 5.39 Relative Return: 0.55</p>
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>62% of the Funds' assets are held with the London Collective Investment Vehicle (LCIV) - competitive fee arrangements is one of the primary aims of investing via LCIV and therefore not considered a key role for the IC.</p> <p>No benchmarking of fees were deemed necessary during this period for assets held outside of LCIV due to the majority of managers being relatively new appointments.</p> <p>The IC negotiated fees for the revised bond/Multi Asset Credit mandate.</p>
D. Help the Committee to implement	Duration of the	Committee feel adequately	IC prepared a report summarising the Fund's

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<p>an Investment Strategy which adds value through the integration of Environmental, Social and Governance (ESG) and stewardship considerations in investment manager appointments.</p>	<p>contract</p>	<p>briefed on ESG and stewardship issues and understand its importance within the context of the prevailing strategy.</p> <p>IC provides proactive advice on emerging trends in ESG issues</p>	<p>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 2019 which was presented to the Committee on the 29 July 2020.</p> <p>This report is submitted annually to add value to the monitoring process as set out in the ISS.</p> <p>This report has helped the Committee to understand the managers voting and engagement activity.</p> <p>Included within this report the IC also set out the Funds exposure to the most carbon intensive sectors from each of the equity mandate to help the committee understand its carbon risk exposure.</p> <p>IC were instrumental in formulating a statement of investment beliefs which incorporates a central belief that integration of ESG and stewardship are matters that should be considered as part of investment decision making.</p>
<p>E. Manage cash flows needs in a more cost effective manner</p>	<p>Annually</p>	<p>Development and regular review of cashflow policy.</p>	<p>IC produced a Cash Flow Management Policy for the Pensions Committee on the 17 September 2019 which the Fund is using to as a</p>

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		Proactive response and advice where changes in cashflow requirements are identified.	<p>monitoring tool. This will be reviewed when monthly outgoings increase by more than 20%. No review required to date.</p> <p>IC assisted the fund in producing a funding plan for the settlement of the college transfer mergers which was carried out successfully.</p> <p>Officers consult with the IC regularly on the management of funding capital requests from the Real Asset Managers.</p>
2. Delivery of specialist Services			
Outcomes Expected:			
A. Work with the Fund Actuary to undertake asset liability modelling as required	Triennially	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>Whilst there were no recommendations to adjust the funding approach following the release of the 2019 triennial valuation report, IC carried out a health check on the ISS and this was presented at the 29 July Committee meeting (postponed from 17 March 2020).</p> <p>If the regulations do not change the next valuation will take place using data as at 31 March 2022 but the ISS will be kept under review and modified as required.</p>
B. Work with the Fund Actuary on an ongoing basis in respect of the integrated management of fund	Duration of the contract		The IC liaises with the Fund Actuary on an ongoing basis to ensure the management of the Fund's assets are in line with the funding approach set out in the results of the triennial

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assets and liabilities			valuations. They regularly update the Committee with changes to the funding level and ongoing monitoring of meeting the Fund's Strategic benchmark
C. Help the Committee to develop and define their investment beliefs	Duration of the contract	<p>IC provides input and challenge on investment beliefs as appropriate</p> <p>IC facilitates discussion on beliefs and interprets the consequences of investment beliefs for the Committee.</p>	<p>The IC has been instrumental in the progression of the development of the Committee's investment beliefs which includes beliefs on responsible investment matters.</p> <p>In developing the investment beliefs, the IC 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 was agreed by the Pensions Committee at its meeting on the 10 December 2019 and this was incorporated into the ISS when it was reviewed and agreed at the Pensions Committee on the 29 July 2020.</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 Investment at the IC as one of the consultants supporting the Fund.</p>

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<p>D. Help the Committee develop and maintain an appropriate framework to track progress against strategic and tactical benchmarks</p>	<p>Duration of the contract</p>	<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 its objectives from an investment perspective</p>	<p>IC 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 an active role at Committee meetings and acted as its advocate in challenging the fund managers on their performance/strategy and continue to 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 is on track and fund manager objectives are being met.</p>
<p>3. Proactivity of Advice</p>			
<p>Outcomes Expected:</p>			
<p>A. Advise the Committee on new investment opportunities or</p>	<p>Duration of the contract</p>	<p>IC proactively identifies potential investment</p>	<p>New investment opportunities are explored on an ad hoc basis and the IC has regular contact</p>

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<p>emerging risks</p>		<p>opportunities or risks and communicates these to Officers/Committee for discussion</p>	<p>with LCIV to keep up to date with new products being offered and assess the suitability against the Funds Investment Strategy.</p> <p>In line with the long term aims of the ISS, IC produced a paper outlining the potential options for implementing the Funds allocation to a Multi Asset Credit (MAC) mandate.</p> <p>This resulted in the Fund evolving its arrangements with the Fund’s existing Bond manager and invest in their MAC product in January 2020 when the LCIV product was “on watch” and unavailable for new investment. .</p> <p>As part of the development and implementation of the ISS the IC introduced a proposal to switch to a multi factor equity mandate. This was agreed by the Committee subject to further training and receipt of a presentation from the proposed fund manager.</p>
<p>B. Advise on any changes in the investment governance arrangements to enable the committee to best access emerging opportunities</p>	<p>Duration of the contract</p>	<p>IC proactively identifies potential improvements to the prevailing governance arrangements and communicates these to Officers/Committee for discussion</p>	<p>As appropriate the IC advise the Fund of the issuance of government consultations and legislation changes that impact on governance arrangements.</p> <p>In particular updates on Responsible Investment Regulatory updates that will impact the LGPS.</p>

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			<p>The IC advice officers and the Committee on procurement rules as part of investment considerations.</p> <p>Officers are appreciative of input from the IC</p>
<p>C. Deliver training to enable the Committee:</p> <ul style="list-style-type: none"> • to be supported maintaining high standards of investment governance and compliance. • engage with new investment opportunities, emerging risks or opportunities to transfer risk 	<p>Duration of the contract</p>	<p>Committee has sufficient understanding of any new investment class and associated risks in which it is suggested they might invest</p>	<p>Training delivered during part of the Committee meetings as follows:</p> <p>17 September 2019 - Multi Asset Credit:</p> <ul style="list-style-type: none"> • Debt markets overview • What is Multi Asset Credit (MAC) • Absolute Return Bonds (ARB) • Current Yields • Comparison of MAC vs ARB <p>01 October 2020 – Brief introduction to Multi Factor passive equity Investing:</p> <ul style="list-style-type: none"> • Importance of considering multi factor investing • Benefits of factor diversification
<p>4. Support with scheme management and compliance</p>			
<p>Outcomes Expected:</p>			
<p>A. On a quarterly basis , undertake investment manager performance monitoring and review for</p>	<p>Quarterly</p>	<p>IC delivers advice on a timely basis in accordance with the expectations of</p>	<p>Each quarter IC produces a monitoring report (not always in a timely fashion) which covers market analysis and the performance of the</p>

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presentation to the Committee		Officers IC consults with Officers on the development of agenda items for future meetings	investment managers. They have attended each Committee meeting as required to discuss their report and have provided valuable advice and guidance at these meetings. Improvement to the timeliness of reports in an area required for improvement
B. Produce briefing papers and periodic investment advice in advance of committee meetings in a timely basis	Duration of the contract		IC produced the following papers/briefings: <ul style="list-style-type: none"> • Carbon Risk Exposure • Weekly market performance update during April and May when the COVID 19 pandemic had its major effect on global markets, followed by ongoing monthly monitoring. • Monthly market performance updates
C. Support the Fund in obtaining data required to report investment fees in line with the Code of Transparency.	Duration of the contract		Officers are continuing to work with Fund Managers with regard to disclosing fee information in line with Code of Transparency. Officers will work with the IC in developing the process and collection of data for the 2020/21 accounts.
D. Review and update as appropriate the schemes Investment Strategy Statement	Duration of the contract		ISS was reviewed, updated and agreed by the Pensions Committee at its meeting on the 29 July 2020 (postponed from the 17 March 2020). Officers will continue to work with IC to complete the implementation of the ISS over the next few months.

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E. Ensure compliance of the schemes investment arrangements with developments in regulation and all legislation	Duration of the contract		As appropriate the IC advise the Fund of the issuance of government consultations and legislation changes that impact on governance arrangements.
5. Relationship and service standards			
Outcomes Expected:			
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 provides detailed information against invoices to enable 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	IC provides an annual business plan and budget proposal for agreement with Officers IC provides fee quotes for significant work items	Officers will work with the IC to ensure that fee budgets are agreed prior to commencing significant piece of work.
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.	There has been a change of personnel working on the Havering client team but this has had minimal impact on the service provided to the Havering Pension Fund.

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		IC seeks feedback on views of Officers/Committee.	The support arrangements in place are good but officers would like to see an improvement to the timelessness of reports.
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 IC 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. The IC does not provide advice to LCIV.
6. Support with additional matters arising			
Outcomes Expected:			
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	Investment Consultant has also provided advice on the suitability of investments on offer via the London CIV covering suitability to the

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			<p>investment strategy and the likelihood of engagement in their offered products.</p> <p>It is important that the Committee and officers receive expert advice on investment issues and how they affect the Local Government Pension Scheme</p>