

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>Since the latest review of the ISS in July 2020, Investment Consultant (IC) have been instrumental in progressing the periodic implementation of the strategy, with progress and recommendations for further implementation at meetings on the 1 October 2020, 16 March 2021, 20 July 2021 and 14 September 2021..</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</p>	<p>Based on data from our performance measurers asset returns as at September 2021 are as follows:</p> <p>5 Year strategic return Fund return: to follow Benchmark: to follow Relative Return: to follow</p> <p>3 year composite benchmark Fund return: to follow Benchmark: to follow Relative Return: to follow</p> <p>Returns - A measure of improvement can be demonstrated by looking at the Government Actuary Department (GAD) s13 report; Havering received an amber flag against the insolvency</p>

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		benchmark over rolling three year periods	<p>measure in the 2016 report, which was downgraded to white in the 2019 report.</p> <p>Over the longer term, returns are ahead of the long-term (absolute) return deemed sufficient to support an affordable and stable level of contributions.</p>
<p>C. Enable the Committee to implement scheme investments on a more competitive fee basis through negotiation on implementing and periodic benchmarking of fees</p>	<p>Duration of the contract</p>	<p>Where appropriate, the IC provide input on fee arrangements and proposes actions to reduce fees where possible</p>	<p>65% 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 undertaken during the period for assets held outside the LCIV.</p> <p>Commercial terms for private debt mandates were negotiated as part of a broader project run by Bfinance (Project Monument) in 2018 and favourable terms were offered to investors if they agreed to invest in follow on vintages.</p>
<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</p>	<p>Duration of the contract</p>	<p>Committee feel adequately briefed on ESG and stewardship issues and understand its importance within the context of the prevailing strategy.</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 2020 which was presented to the Committee on the 12 January 2021.</p>

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investment manager appointments.		IC provides proactive advice on emerging trends in ESG issues	<p>This report is submitted annually to add value to the monitoring process as set out in the ISS. This report has helped the Committee to understand the managers voting and engagement activity.</p> <p>IC were instrumental in formulating a statement of investment beliefs agreed by Committee 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>IC was instrumental in introducing ESG related investments as part of the implementation of the Investment strategy, in line with the Committee investment beliefs.</p> <p>As a result the Committee agreed to invest in:</p> <ul style="list-style-type: none"> • London Collective Investment Vehicle (LCIV) Renewables Fund, • switch the existing LCIV Global Alpha Fund to the Paris Aligned version, • switch to a climate tilted Multi Factor passive equity fund – LGIM Future World Fund • LCIV Passive Equity Progressive Paris Aligned (PEPPA) Fund.

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			<p>The consequences of making the above changes would be to reduce the Weighted Average Carbon Intensity of the Fund's equity assets from 82% to 76%.</p> <p>In January 2021 - A guide in relation to tackling Climate Change was produced by Hymans. This was distributed to members of the Pensions Committee for education/background and to the potential regulatory reporting obligations against the Taskforce for Climate-related Financial Disclosures (TCFD) framework.</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>Proactive response and advice where changes in cashflow requirements are identified.</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 monitoring tool. This will be reviewed when monthly outgoings increase by more than 20%. No review required to date.</p> <p>Officers consult with the IC regularly on the management of funding capital call requests as part of cash flow management.</p>

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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.	There were no recommendations to adjust the funding approach following the release of the 2019 triennial valuation report, The next valuation will take place using data as at 31 March 2022 but the ISS is kept under review and modified as required.
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		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 valuations.
C. Help the Committee to develop and define their investment beliefs	Duration of the contract	IC provides input and challenge on investment beliefs as appropriate IC facilitates discussion on beliefs and interprets the consequences of investment beliefs for the Committee.	The IC has been instrumental in the production of the Committee's investment beliefs, which incorporates beliefs on responsible investment matters. The Pensions Committee at its meeting on the 10 December 2019 agreed the set of investment beliefs and this was incorporated into the ISS when it was reviewed and agreed at the Pensions Committee on the 29 July 2020. Reference to investment beliefs is now included as part of any ongoing investment decisions.

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			<p>Officers and the Committee acknowledge 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>
<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 maintains a reporting process where a review of Fund performance includes tracking progress against the Strategic benchmark and individual fund manager performance.</p> <p>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 Fund 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>

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3. Proactivity of Advice			
Outcomes Expected:			
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 and the IC has regular contact with LCIV to keep up to date with new products being offered and assess the suitability against the Funds Investment Strategy. Also participates in responding to questionnaires' issued by LCIV when they are determining product demand</p> <p>IC provided feedback to officers and LCIV as part of the development of their PEPPA fund, resulting in the Fund making an initial allocation to this mandate.</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 discussion	<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 affect the LGPS i.e TCFD reporting. Whilst not yet a regulatory requirement IC produced a report, for inclusion in the Funds Annual report, summarising our current position against the climate related disclosures.</p> <p>Officers are appreciative of input from the IC</p>

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<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 was delivered during part of the Committee meetings as a precursor to investment decision making as follows:</p> <p>01 October 2021 - Strategy and Equity Structure Review</p> <ul style="list-style-type: none"> • Took the committee through how the ISS asset allocation is aligned with targets • Infrastructure - rationale for top up to the asset allocation. • Equity structure- rationale for rebalancing back to target. • Addressing climate risk within equity allocation. • Options for investing in a Multi factor fund <p>16 March 21- Strategy progress</p> <ul style="list-style-type: none"> • Outline of Renewable infrastructure. • Comparison of Renewable infrastructure funds. • Private Debt – rationale for maintaining asset allocation level. • Outline of the Paris Aligned Global Alpha Fund. <p>20 July 2021 – Strategy progress</p> <ul style="list-style-type: none"> • Multi Factor Equity – comparison of funds • Private debt- Rationale for retaining existing managers <p>14 September 2021- Strategy progress</p>

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			<ul style="list-style-type: none"> • Outline of the PEPPA Fund and rationale for asset allocation
<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 presentation to the Committee</p>	<p>Quarterly</p>	<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>	<p>Each quarter IC produces a comprehensive monitoring report, which covers market analysis and the performance of the investment managers.</p> <p>They have attended each Committee meeting as required to discuss their report and have provided advice and guidance at these meetings.</p> <p>Improvement to the timeliness of reports is an area required for improvement. No improvement on timeliness from previous year</p>
<p>B. Produce briefing papers and periodic investment advice in advance of committee meetings in a timely basis</p>	<p>Duration of the contract</p>		<p>IC produced the following papers/briefings:</p> <ul style="list-style-type: none"> • Investment Strategy papers • TCFD • Monthly market performance updates <p>Timeliness on receipt of briefings/reports to be improved to give officers the opportunity to review and provide feedback</p>
<p>C. Support the Fund in obtaining data required to report investment fees in line with the Code of Transparency.</p>	<p>Duration of the contract</p>		<p>Officers have been dealing directly with Fund Managers with regard to disclosing fee information in line with Code of Transparency to complete the 2020/21 exercise.</p>

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			Officers will work with the IC in developing the analysis of data going forward.
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 A lot of progress has been made over the last year implementing the strategy and officers will continue to work with IC to advance further implementation as required.
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	IC 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	Officers will work with the IC to ensure that fee budgets are agreed prior to commencing significant piece of work.

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		IC provides fee quotes for significant work items	Hymans will send monthly updates of work in progress and likely fees
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.	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 seeks feedback on views of Officers/Committee. 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 but members would like to see less use of technical language or better explanation of the technical aspects when this can't be avoided Review meeting held on the 14 October 2021 where feedback from members and officers were discussed
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. The IC will liaise with the Funds Actuary to ascertain if there are any strategic changes/risks

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			that the Fund can prepare for in the run up to the 2022 valuation exercise.
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	<p>No conflict of interest has arisen during the year.</p> <p>We are confident that advice or comments provided to the Fund are independent, as they do not receive revenue from managers relating to our investments.</p> <p>The IC does not provide advice to LCIV.</p>
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	<p>IC 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 Committee and officers receive expert advice on investment issues and how they affect the Local Government Pension Scheme.</p> <p>To further assist Committee members it was agreed that for a trial period Hymans will produce three questions for members to ask Fund Managers, setting out why the questions is being</p>

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			asked and an outline of expected response. Officers to ensure that Hymans are sent a copy of Fund Manager presentations.