



Havering
LONDON BOROUGH

PENSIONS COMMITTEE

7 November 2023

Subject Heading:

**INVESTMENT CONSULTANCY
SERVICES PERFORMANCE REVIEW –
1 October 2022 to 30 September 2023**
Kathy Freeman

SLT Lead:

Report Author and contact details:

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Policy context:

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LGPS (Management and Investment of
Funds) Regulations 2016.

Financial summary:

Investment Consultant fees 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 requests that Committee review performance of the Investment Consultant for the period 1 October 2022 to 30 September 2023 against strategic objectives previously set.

RECOMMENDATIONS

It is recommended that the Committee:

1. Note the views of officers on the performance of the Investment Consultant (Hymans) against the strategic objectives and make any comment on the report which it considers appropriate (**Appendix A**).
2. Agree to extend the Investment Consultancy contract for a further two years to the 31 March 2026

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 The term Investment Consultancy Services is used to describe the provision of advice to the committee to support decisions on matters such as investment strategy, strategic asset allocation and manager selection. Hymans was appointed to provide Investment Consultancy services.
- 1.3 The Competition and Markets Authority (CMA) issued “The Investment Consultancy and Fiduciary Management Market Investigation Order 2019” (the ‘Order’). Amongst other recommendations, it includes a requirement for trustees to set strategic objectives for their investment consultants (IC) (Part 7, Remedy 7). The Order took effect from the 10 December 2019.
- 1.4 The Committee has historically undertaken an annual assessment of the IC’s performance and at the Pensions Committee on 12 November 2019 agreed to adopt the CMA format and set objectives, measure(s) of success, expected outcomes and expected timescales for delivery.

- 1.5 The Department for Levelling Up Housing and Communities (DLUHC) included in its recent consultation “Next Steps on investments” a proposal to amend the LGPS Regulations and statutory guidance for the LGPS to implement the CMA’s requirements.
- 1.6 Undertaking the service review ensures that this will meet the criteria set out under the CMA’s “The Investment Consultancy and Fiduciary Management Market Investigation Order 2019” (the ‘Order’). Part 7, Remedy 7)” and the potential changes to regulations.
- 1.7 Monitoring the contract also meets post contract award procedures and ensures services are being delivered in accordance to the contract.

2 REVIEW OF THE INVESTMENT CONSULTANT SERVICE PERFORMANCE

- 2.1 Hymans was appointed to provide Investment Consultancy services using the “LGPS National Framework for Investment Management Consultancy Services” from the 1 April 2019. Contract duration is 5 years and expires on the 31 March 2024 with an option to extend by a further two years until 31 March 2026.
- 2.2 Officers are requesting that the contract be extended by a further two years, as permitted by the framework agreement and extend the contract to 31 March 2026.
- 2.3 Hymans have provided investment advice to the Fund since April 2006.
- 2.4 The core services provided by Hymans includes: production of quarterly monitoring performance reports, attendance of at least four Pension Committee meetings, provision of investment advice and performance monitoring of the Fund’s investment managers.
- 2.5 Hymans performance has been reviewed against a set of objectives agreed by the Committee in November 2019, and the results of the review of performance over the year of review are set out in **Appendix A**.
- 2.6 The objectives have been set with reference to the services required as set out in the “LGPS National Framework for Investment Management Consultancy Services” and included within the contract for IC services provided to the Havering Pension Fund.
- 2.7 The six core strategic objectives are:
 - Demonstration of Value added
 - Delivery of specialist Services
 - Proactivity of Advice
 - Support with scheme management and compliance
 - Relationship and service standards
 - Support with additional matters arising

- 2.8 Committee members were invited to provide feedback and any comments were incorporated in the service review meeting with Hymans. Officers met with Hymans on the 3 October 2023 where feedback was discussed and areas of improvement were agreed. The outcome, any actions and service assessment are included within the Service Review attached as at **Appendix A**.
- 2.9 Officers and members conclude that they are satisfied with Hymans service and have continued confidence in the advice being given.

IMPLICATIONS AND RISKS

Financial implications and risks:

Table 1 – Fees

Dates	£
Apr 19-Sep 19	33,440
Oct 19 – Sep 20	78,030
Oct 20 - Sep 21	78,049
Oct 21 – Sep 22	64,707
Oct 22- Sep 23	100,720
Total	354,946

The above costs have been charged in line with the hourly rate as set out in the contract. Some costs incurred, which are included in the above, relate to additional work commissioned and agreed outside of the contract e.g development of Climate Risk Policy and due diligence/training for the LCIV Global Bonds investment.

Hymans were appointed using the **2019 Investment Consultancy Services Framework** and one of the advantages of this was the possibility to benefit from the cumulative rebate, based on the overall value of work awarded to a supplier under the Framework.

The Fund has received rebates, as follows:

Table 2 - Rebates

Rebate Year	£
2020/21	1,300.85
2021/22	2,829.73
2022/23	3,007.67
Total	7,138.25

These rebates have been received and reflected in Table 1- fees above.

The costs of Investment Consultancy Services are met from the Pension Fund.

Legal implications and risks:

The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 referred to above can be enforced by the CMA against Pension Scheme Trustees. The CMA can give directions to anyone to take any necessary actions to comply with the Order, and has power to bring proceedings against a party who has not complied with it. It is also possible that a failure to comply with the Order might result in the Pensions Regulator considering that trustees do not have adequate internal controls in place.

In relation to the requirements to set objectives for providers of investment consultancy services, unless an exemption applies, the Trustees must not:

- enter a new contract, or
- continue to obtain investment consultancy services

unless the Trustees have set strategic objectives in relation to the services they are going to or are already receiving.

This prohibition is effective from 24 June 2019 and will apply to new and existing contracts for investment consultancy services.

The report at Appendix A sets out the strategic objectives and the consultants' performance against these objectives and there appear to be no further legal implications in considering this and making any appropriate comments as recommended.

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.

Pensions Committee, 07 November 2023

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

BACKGROUND PAPERS

Background Papers List

None