

## INVESTMENT CONSULTANT SERVICE REVIEW

1 October 2022 to 30 September 2023

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
<b>1. Demonstration of Value added</b>				
<b>Outcomes Expected:</b>				
A. Help the Committee implement the Investment Strategy Statement (ISS)	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 ISS was tested against a range of strategies following the results of the 2022 Valuation report.</p> <p>The outcome being to tilt any investment changes towards increasing income. The rationale for this approach was discussed and agreed with the Committee on the 21 March 2023.</p> <p>First stages of implementation commenced with first steps agreed at its meeting on the 25 July 2023. Revised ISS agreed at the 12 September 2023 meeting.</p> <p>Officers and the Committee welcome the level of advice and rationale for the direction of the</p>	GREEN

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			Strategy and the implementation undertaken to date.													
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>Data from our performance measurers asset returns as at <b>30 Sept 2023</b> are as follows:</p> <p><b>5 Year strategic return</b></p> <table border="0"> <tr> <td>Fund return:</td> <td align="right">4.36</td> </tr> <tr> <td>Benchmark:</td> <td align="right">-3.21</td> </tr> <tr> <td>Excess Return</td> <td align="right">7.57</td> </tr> </table> <p><b>3-year composite benchmark</b></p> <table border="0"> <tr> <td>Fund return:</td> <td align="right">3.15</td> </tr> <tr> <td>Benchmark:</td> <td align="right">-11.60</td> </tr> <tr> <td>Excess Return</td> <td align="right">14.75</td> </tr> </table> <p>The current strategic benchmark is the return on index-linked Government bonds plus 1.7% per annum, which is consistent with the discount rate used by the Actuary as part of the 2022 actuarial valuation to value the Fund's liabilities.</p>	Fund return:	4.36	Benchmark:	-3.21	Excess Return	7.57	Fund return:	3.15	Benchmark:	-11.60	Excess Return	14.75	GREEN
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			Over the longer term, returns are ahead of the long-term (absolute) return deemed sufficient to support an affordable and stable level of contributions. The longer term migration away from interest rate sensitive assets has helped in this regard.	
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	As at June 2023, 60% of the Funds' assets are held with the London Collective Investment Vehicle (LCIV) - competitive fee arrangements are one of the primary aims of investing via LCIV and therefore not considered a key role for the IC.  Analysis of fees undertaken at mandate level as appropriate	GREEN
D. Help the Committee to implement an Investment Strategy, which adds value through the integration of Environmental, Social and	Duration of the contract	Committee feel adequately briefed on ESG and stewardship issues and understand its importance	IC prepared a report summarising the Fund's investment managers' compliance with the main industry governance standards and their voting and engagement activities	GREEN

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Governance (ESG) and stewardship considerations in investment manager appointments.		within the context of the prevailing strategy.  IC provides proactive advice on emerging trends in ESG issues	(where applicable) over the 12-month period to 30 June 2022, which was presented to the Committee on the 21 March 2023.  This report is submitted annually to add value to the monitoring process as set out in the ISS and for the Committee to understand if there are any stewardship issues.  Key focus for 2022/2023 was the continued development of the Fund's plan for addressing climate risk within the Fund's investment portfolio.  IC is instrumental is driving this forward – further presenting reports at the 13 Dec 2022, 21 March 2023 and 25 July 2023.  Having already identified the baseline for measuring carbon metrics and flag where there were	

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			<p>data gaps, the IC set out next steps to form an action plan and development of a Climate Risk Policy.</p> <p>The Climate Policy and Action Plan was agreed at the 25 July 2023 meeting, this includes the objectives set, targets to be measured and actions the committee will take. This will help the Fund better understand the climate risks facing the Fund and also to fulfil our reporting requirement against the Task Force Climate Related Financial Disclosures (TCFD) framework.</p> <p>The Funds third TCFD report produced by IC was presented to the Committee at the 12 September 2023, meeting the Committees desire to publish before it becomes mandatory.</p>	

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E. Manage cash flows needs in a more cost effective manner	Annually	Development and regular review of cash flow policy.  Proactive response and advice where changes in cash flow requirements are identified.	IC produced a Cash Flow Management Policy for the Pensions Committee on the 17 September 2019, which the Fund is using as a monitoring tool. This will be reviewed when monthly outgoings increase by more than 20%. No review required to date.  Officers consult with the IC regularly on the management of funding capital call requests as part of cash flow management.	GREEN

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<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	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>The Fund's 2022 valuation results were discussed at meetings with officers in October 2022 and February 2023.</p> <p>As part of the 2022 valuation modelling was undertaken and the ISS was tested against a range of strategies, the outcome being to tilt any investment changes towards increasing income. The rationale for this approach was discussed and agreed with the Committee on the 21 March 2023.</p>	GREEN
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.	GREEN

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			A mid valuation review will be undertaken as at 30 September 2023 to assess whether the Investment Strategy is still on track.	
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 was instrumental in the production of the Committee's investment beliefs, which has been incorporated within the ISS since 2020.</p> <p>Reference to investment beliefs is now included as part of any ongoing investment decisions.</p> <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>	<b>GREEN</b>



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

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			Following previous feedback, Officers and the Committee are appreciative of the introduction of a headline page within their monitoring report to focus on key takeaways included in their report.	
<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 too Officers/Committee for discussion	<p>New investment opportunities are explored on an ad hoc basis as part of Investment Strategy development and the IC has regular contact with LCIV to keep up to date with new products being offered and assesses the suitability against the Funds Investment Strategy. Also participates in responding to questionnaires' issued by LCIV when they are determining new product demand.</p> <p>IC provides market updates to officers monthly and produced a product assurance note on a new</p>	GREEN

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			investment into the LCIV Global Bond Fund, resulting in a 5% allocation to this mandate.	
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 too Officers/Committee for discussion	As appropriate the IC advise the Fund of the issuance of government consultations and legislation changes that impact on governance arrangements.  Officers are appreciative of input from the IC and in particular to briefing papers to support any consultation responses. For example, the Governments “LGPS Governance and reporting of climate risk” and “Next steps on pooling” consultations.	GREEN
C. Deliver training to enable the Committee:  <ul style="list-style-type: none"> <li>• to be supported maintaining high standards of investment governance and compliance.</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	Training and Development for members is incorporated as part of the committee meetings when reports are being presented. Investment training is also provided via the Hymans LGPS Online Learning Academy (LOLA) platform	GREEN

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<ul style="list-style-type: none"> <li>engage with new investment opportunities, emerging risks or opportunities to transfer risk</li> </ul>			Specific training delivered: <b>6 March 2023</b> – TCFD Climate metrics training outlining: <ul style="list-style-type: none"> <li>TCFD requirements</li> <li>What are climate metrics</li> <li>Timelines of climate metrics</li> <li>Core climate metrics</li> <li>Scope 1,2 and 3 emissions - what are they?</li> <li>Target setting</li> <li>Risk Management plan</li> </ul> <b>12 September 2023</b> – Credit Grade Bonds /LCIV Global Bond Mandate.	
<b>4. Support with scheme management and compliance</b>				
<b>Outcomes Expected:</b>				
A. On a quarterly basis , undertake investment manager performance monitoring and review for presentation to the Committee	Quarterly	IC delivers advice on a timely basis in accordance with the expectations of Officers	Each quarter IC produces a comprehensive monitoring report, which covers market analysis and individual Fund Manager performance.	GREEN

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		<p>IC consults with Officers on the development of agenda items for future meetings</p>	<p>IC have attended each Committee meeting as required to discuss their report and have provided advice and guidance at these meetings. Timeliness of reports has improved enabling officers more time to review content.</p> <p>Officers in conjunction with IC, plan agenda items in order to deliver the Fund's Business Plan</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 produce monthly market briefings and briefing papers as applicable.</p> <p>IC delivered a product assurance note to officers in preparation for the investment into the LCIV Global Bond mandate.</p> <p>Timeliness on receipt of reports has improved enabling officers more time to review content and provide feedback</p>	<p>GREEN</p>

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C. Support the Fund in obtaining data required to report investment fees in line with the Code of Transparency.	Duration of the contract		<p>Officers have been dealing directly with Fund Managers with regard to disclosing fee information in line with Code of Transparency to complete the 2022/23 exercise.</p> <p>Officers will work with the IC in developing the analysis of data going forward.</p>	AMBER
D. Review and update as appropriate the schemes Investment Strategy Statement	Duration of the contract		<p>ISS was reviewed following the 2022 Valuation – A report to Pensions Committee on 21 March 2023 set out proposed changes to the investment strategy and these were agreed.</p> <p>Implementation of this strategy has commenced and formal adoption of the ISS was presented to the committee on 12 September 2023.</p>	GREEN
E. Ensure compliance of the schemes investment arrangements with	Duration of the contract		As appropriate the IC advise the Fund of the issuance of government consultations and legislation changes that impact on governance	GREEN

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developments in regulation and all legislation			<p>arrangements, in particular, preparation for TCFD reporting and Climate Risk Policy.</p> <p>IC also provided input to discussions on meeting regulatory requirement around local investment.</p>	
<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	IC core 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.	GREEN
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 significant work items</p>	Officers will continue to work with the IC to ensure that fee budgets are agreed prior to commencing significant piece of work.	GREEN

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			Hymans now send regular updates of work in progress and upcoming projects and associated 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 been with the Fund since April 2006 and a clear understanding of the goals and objectives through their input into the development of the ISS, cash flow requirements and ongoing monitoring.	GREEN
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 support arrangements in place are satisfactory  To meet Hymans internal resources management there will be a change to the Funds Investment Consultant – phased to maintain continuity and knowledge transfer	GREEN
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 IC are very good.	



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			<p>IC proactive in arranging a one to one meeting with the Chair on 28 Feb 2023 as part of relationship building and to provide an outline of the investment strategy</p> <p>IC have been open to taking on-board improvements to the way reports are provided. Following previous feedback, Officers and the Committee are appreciative of the introduction of a headline page within their monitoring report to focus on key takeaways included in their report.</p> <p>Review meeting held on the <b>3 October 2023</b> where feedback from members and officers were discussed along with suggested areas of improvement and future developments:</p> <ul style="list-style-type: none"> <li>• Support for Code of Transparency interpretation and analysis of data.</li> </ul>	

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			<ul style="list-style-type: none"><li>• IC to produce outstanding capital call cash flow projections every six months</li><li>• Ensure ESG impact, in sufficient detail, is included within assessment of new mandates to evidence ESG has been considered within their advice.</li><li>• Fee analysis will be undertaken by Sept 2024 to facilitate further pooling of assets</li><li>• Climate workshop (yet to be arranged) to also include assessment of current investment beliefs and discussions around future direction of strategy</li><li>• As part of relationship building hold additional six monthly meetings with the Chair and the S151 officer.</li></ul>	

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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	<p>The IC has close working relationships to the Fund's actuary, which helps the understanding of the implications of different strategies on the Fund.</p> <p>The IC liaises with the Funds Actuary to ascertain if there are any strategic changes/risks that the Fund need to make as a result of the 2022 Valuation.</p>	GREEN
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>	GREEN

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<b>6. Support with additional matters arising</b>				
<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>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>Officers to ensure that Hymans are sent a copy of Fund Manager presentations in order that they can provide tailored advice for the committee meetings.</p>	GREEN

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			<p>Following feedback from the committee, officers have discussed with the IC the practicalities of providing key questions ahead of the committee meeting so that the committee are more aware of the reasoning, nature and purpose of what's being asked of the Fund manager when they are attending. It was agreed that at the committee meeting the IC, as part of their introduction and fund highlights, will cover key points that the committee needs to be aware of in advance of the Fund Manager presenting</p>	