

## INVESTMENT CONSULTANT SERVICE REVIEW

1 October 2023 to 30 September 2024

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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>No further investment strategy implementation was required during the period.</p> <p>In line with the agreed work plan – Hymans undertook a review of the Equity portfolio which was discussed with officers on the 12 September 2024, actions and next steps will be submitted to the Committee meeting on 10 December 2024</p>	GREEN
B. Increase the asset value of the scheme through tactical and asset allocation over the long term	Duration of the contract	Returns on the portfolio exceed the strategic benchmark over five-year rolling periods without excessive volatility.	<p>Data from our performance measurers asset returns as at <b>31 September 2024</b> are as follows:</p> <p><b>5 Year strategic return</b></p> <p style="margin-left: 20px;">Fund return: 5.08</p> <p style="margin-left: 20px;">Benchmark: -5.32</p>	GREEN

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		<p>Returns on the Portfolio net of fees exceed the composite manager benchmark over rolling three year periods</p>	<p>Excess Return 10.40</p> <p><b>3-year composite benchmark</b></p> <p>Fund return: 2.01</p> <p>Benchmark: 6.40</p> <p>Difference in Return -4.39</p> <p>Asset values over the period has increased by £96.9m from £899.2m to £996.1m. 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> <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. Whilst performance relative to the strategic benchmark</p>	

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			<p>has been significantly positive, performance relative to the tactical benchmark (which represents the composite of individual manager benchmarks/targets) has been negative. There are two main reasons for this: (1) two of the growth mandates (LCIV GAGPA and LCIV Absolute Return) have underperformed expectations; (2) a CPI-plus benchmark has been used as a comparator for many of the private market mandates and whilst these mandates have delivered positive absolute returns, in line with expectations, these returns have fallen short of the comparator during a period of high inflation.</p>	
<p>C. Enable the Committee to implement scheme investments on a more competitive fee basis through negotiation on implementing</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>As at June 2024, 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</p>	<p><b>GREEN</b></p>

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and periodic benchmarking of fees			<p>and therefore not considered a key role for the IC.</p> <p>In line with the agreed work plan – Hymans undertook a review of fees to outline at a high level the costs and fees incurred by the Fund covering the year ending 31 March 2024, based on the data provided by investment managers. This was discussed with officers on the 12 September 2024 with recommendations for officers to explore with managers some of the results.</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	Committee feel adequately briefed on ESG and stewardship issues and understand its importance within the context of the prevailing strategy.	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 2023, which was presented to the Committee on the 19 March 2024.	GREEN

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		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 and for the Committee to understand if there are any stewardship issues.</p> <p>The Funds IC is instrumental in producing the Fund's reporting against the Task Force Climate Related Financial Disclosures (TCFD) Framework, meeting the Committees desire to publish before it becomes mandatory. IC have produced three reports to date, the latest one covering 2022/23.</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</p>	

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			<p>also to fulfil our reporting requirement against the Task Force Climate Related Financial Disclosures (TCFD) framework.</p> <p>Following a workshop to discuss progress against the action plan on the 27 March 2024. The IC later produced presentations and slides which was uploaded to the LOLA training platform for members to view or revisit for reference.</p>	
E. Manage cash flows needs in a more cost effective manner	Annually	Development and regular review of cash flow policy.	IC updated the Cash Flow Management Policy for the Pensions Committee on the 19 March 2024, which the Fund is using as a monitoring tool. This will be reviewed when monthly outgoings increase by more than 20% or every three years to incorporate cash information from the outcome of the valuation process.	GREEN

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		Proactive response and advice where changes in cash flow requirements are identified.	Officers consult with the IC regularly on the management of funding capital call requests as part of cash flow management and discussed options for investing the current surplus cash position at a meeting on the 12 September 2024.	
<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.	The Fund's 2022 valuation results were discussed at meetings with officers in October 2022 and February 2023.  As part of the 2022 valuation modelling was undertaken and the ISS was tested against a range of	GREEN

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			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.	
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. A mid valuation review was undertaken based on data as at 30 September 2023 to assess whether the Investment Strategy is still on track. Results were presented to the Committee on the 24 January 2024 – with no recommendations to change the investment strategy	GREEN
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	The IC was instrumental in the production of the Committee's investment beliefs, which has been	GREEN



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		<p>IC facilitates discussion on beliefs and interprets the consequences of investment beliefs for the Committee.</p>	<p>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>	
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 its</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</p>	GREEN

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		objectives from an investment perspective	<p>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>Following the Funds Bond manager attendance at the 25 June committee meeting - IC were requested to undertake a review of the composite benchmark which incorporated the Multi-Asset Credit ("MAC") and index-linked gilts bonds. Officers are now liaising with</p>	

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			the Funds Bond Manager to implement recommended actions.	
<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.</p> <p>IC provides market updates to officers monthly and produces product assurance note when applicable.</p>	GREEN
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.	GREEN

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			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.	
<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 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</p> <p>No targeted training required during the period</p>	GREEN
<b>4. Support with scheme management and compliance</b>				

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<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 monitoring report, which covers market analysis and individual Fund Manager performance. IC have attended each Committee meeting as required to discuss their report and have provided advice and guidance at these meetings.  Officers in conjunction with IC, develop a work plan in order to deliver the Fund's Business Plan on a timely basis.	GREEN
B. Produce briefing papers and periodic investment advice in advance of committee meetings in a timely basis	Duration of the contract	IC consults with Officers on the development of agenda items for future meetings	IC produce monthly market briefings and briefing papers as applicable.	GREEN
C. Support the Fund in obtaining data required to report investment fees in line with the Code of Transparency.	Duration of the contract		Officers have been dealing directly with Fund Managers with regard to collecting fee information in line	AMBER

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			<p>with Code of Transparency to complete the 2023/24 exercise.</p> <p>IC has undertaken an exercise to assist officers in gaining a greater understanding of the overall level of costs incurred in the portfolio (including implicit costs such as transaction costs) rather than solely the explicit manager fees charged. This was discussed with officers at a meeting on 12 September 2024.</p> <p>Further analysis is required, so is currently a work in progress.</p>	
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</p>	GREEN

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			<p>the ISS was presented to the committee on 12 September 2023.</p> <p>IC undertook a review of the Fund's equity allocation, both at an aggregate portfolio level and an individual mandate level – assessing performance, exposures and climate characteristics with the aim of evaluating whether the Fund's equity allocation remains appropriate or if any changes should be considered. This was discussed with officers at a meeting on the 12 September 2024 and the outcome and recommendations will be presented to the committee for consideration at the 10 December 2024 meeting.</p>	
E. Ensure compliance of the schemes investment arrangements with	Duration of the contract		As appropriate the IC advice the Fund of the issuance of government consultations and legislation changes that impact on governance arrangements, in particular, briefing	GREEN

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developments in regulation and all legislation			papers covering next steps on pooling and the Pensions Review call for Evidence.	
<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	IC provides an annual business plan and budget proposal for agreement with Officers  IC provides fee quotes for significant work items	Officers will continue to work with the IC to ensure that fee budgets are agreed prior to commencing significant piece of work.  A pre-agreed work plan for the year ahead is discussed, which includes indicative costings. Hymans send through updates of work in progress and upcoming projects and associated fees.	GREEN



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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 has been 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.  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	GREEN

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			<p>the investment strategy. Hymans to contact the Chair for updates.</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><i>Officers and the Committee welcome the level of advice and rationale for the direction of the Strategy and the implementation undertaken to date.</i></p> <p>Review meeting held on the <b>15 September 2024</b> where feedback from members and officers were discussed along with suggested areas of improvement and future developments:</p>	

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			<ul style="list-style-type: none"> <li>• Further Support for Code of Transparency interpretation and analysis of data.</li> <li>• Progress against Climate actions and analysis/feedback on LCIV Climate Analytics.</li> <li>• Hold additional regular meetings with the Chair and the S151 officer to maintain relationship building.</li> <li>• Work plan for 2025 to be finalised (to include Index linked Bond manager review, Climate Plans and Investment Beliefs review)</li> <li>• LCIV Governance &amp; Oversight review</li> </ul>	
<p>F. Work collaboratively with other advisors and provide effective support to the Committee when engaging with other stakeholders</p>	<p>Duration of the contract</p>	<p>Positive feedback on working relationship from other advisors and stakeholders</p>	<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>GREEN</p>

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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
<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 provided advice on the suitability of investments on offer via the London CIV covering suitability to the investment strategy</p> <p>It is important that the Committee and officers receive expert advice</p>	GREEN

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			<p>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> <p>Following previous feedback, It was agreed that at the committee meeting the IC, as part of the 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>	