

Item No. 11.	Classification: Open	Date: 5 December 2022	Meeting Name: Pensions Advisory Panel
Report title:		CMA Order – Objectives for Fund's Investment Consultants	
From:		Senior Finance Manager, Treasury & Pensions	

Recommendations

1. The PAP is asked to:
 - 1) Note the requirements set out in this report for administering authorities to set objectives for their investment consultant and monitor these annually.
 - 2) Note the objectives which have been set to comply with this requirement and the arrangements in place to ensure ongoing compliance.
 - 3) Note the scoring mechanism as set out in Appendix 1.

Background

2. In June 2019 the Competition and Markets Authority (CMA) introduced new duties for trustees via an Order which took effect from December 2019. The Order aims to address several problems that the CMA found as part of its Investment Management Market Investigation. Although the CMA Order refers to trustees, the Order is also applicable to the Local Government Pension Scheme.
3. These duties were brought into pensions regulations in October 2022. The law now requires trustees to set objectives for investment consultants and review performance against those objectives at least annually. The objectives must also be formally reviewed and revised at least every three years. Regulation of these obligations has been transferred under the new regulations from the DWP to the Pensions Regulator.

Assessing Objectives

4. The administering authority is responsible for setting and reviewing the objectives and, to ensure continuity of assessment, officers will conduct this role.
5. The objectives that Aon will be assessed against are split into four categories: investment strategy; performance review; advice; and client servicing and relationship management. The detailed objectives are set out in the table below:

Category	Objective
Investment Strategy	Does the Fund have a clear and coherent investment strategy?
	Is the asset allocation appropriately diversified?
	Does the strategy incorporate a clear bias towards low carbon investment?
Performance Review	Is the Fund's performance regularly monitored and are reasons for variations from benchmark clearly explained?
	Are recommendations to change or review mandates made when appropriate?
	Is the risk profile of the Fund monitored and are variations from the agreed strategy explained?
Advice	Does the consultant respond in a timely manner to requests for advice?
	Is the advice received incisive and clear?
	Has the consultant been sufficiently pro-active in raising new suitable investment opportunities or risk mitigation opportunities?
Client Servicing and Relationship Management	Has the consultant produced papers in good time ahead of meetings?
	Has the consultant maintained fees in line with pre-agreed budgets?

6. Officers will assess Aon's performance against the above objectives annually in advance of submitting the annual compliance statement which will be signed by the strategic director of finance and governance. This annual assessment will form part of the ongoing review of the performance of the investment consultancy contract throughout its duration. The scoring mechanism which will be applied in the assessment is set out in Appendix 1 of this report.

Community, Equalities (including socio-economic) and Health Impacts

Community Impact Statement

7. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

8. There are no immediate implications arising.

Health Impact Statement

9. There are no immediate implications arising.

Climate Change Implications

10. There are no immediate implications arising.

Resource Implications

11. There are no immediate implications arising.

Legal Implications

12. There are no immediate implications arising

Consultation

13. There are no immediate implications arising.

Financial Implications

14. There are no immediate implications arising.

APPENDICES

Name	Title
Appendix 1	Scoring Mechanism

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Caroline Watson, Senior Finance Manager, Treasury and Pensions		
Version	Final		
Dated	21 November 2022		
Key Decision?	N/A		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Director of Law and Governance	N/A	N/A	
Strategic Director of Finance and Governance	N/A	N/A	
Cabinet Member	N/A	N/A	
Date final report sent to Constitutional Team		28 November 2022	

Appendix 1 – Scoring Mechanism

Weightings have been assigned to each objective to determine the most important aspects of the service. These weightings reflect the Fund's priorities with regards to progressing its zero carbon target. The weightings are set out in the following scorecard:

Objective	Rating	Weight
Investment Strategy		30%
Performance Review		25%
Advice		35%
Client Servicing and Relationship Management		10%
Overall Score		100%

A sliding numeric scale of 1-4 will be applied, and a simple average will be used to determine the overall rating.