

PENSIONS PANEL – 8 JUNE 2022

Report of the Director for Corporate Services

COMPETITION & MARKETS AUTHORITY INVESTMENT CONSULTANT OBJECTIVES

Recommendation of the Chair

1. That the Pensions Panel concur with the view of the Director for Corporate Services; that the desired outcomes from the Investment Consultant Objectives for 2021/22 have been met, where these can be considered in the short term;
2. That the Pensions Panel confirm their assessment of the objective '*Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested*'; and
3. That the Pensions Panel approves the Investment Consultant Objectives provided in Appendix 2, noting the specific focus for the 2022/23 financial year.

Background

4. At its meeting on 3 December 2019, the Pensions Panel received a briefing paper from Hymans Robertson LLP (Hymans) advising of the findings of the December 2018 report of the Competition and Markets Authority (CMA), and their subsequent order, in respect of the need for Pension Scheme Trustees to set annual objectives for their investment consultants.
5. In response to the CMA Order, the Panel agreed a high-level set of objectives with Hymans for 2020/21 and these were developed further in 2021/22 to incorporate more focussed objectives and detail about how the objectives were to be measured. The 2021/22 objectives were signed off by the Panel at their meeting in July 2021.

Monitoring of Objectives

6. The Panel also agreed that they would assess / measure and report on the performance of the Investment Consultant against the objectives set, by way of a collective annual review, with a report submitted to the Panel each year, at their March or June meeting.
7. Appendix 1 has been annotated with comments (in parentheses) which reflect the Director for Corporate Services' view, as to whether the desired outcome has been achieved in the short term, and the Panel are asked to consider and concur with this view. It is reassuring that in all cases, bar one, where partial achievement has been stated, that the outcome and thus the objective has been met.
8. One assessment remains outstanding and, given they are best placed to comment, the Panel is requested to confirm their assessment of the objective

'Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested' at the meeting.

Setting of 2022/23 Financial Year Objectives

9. Many of the objective's set will continue to be at a high level and will reflect the long-term nature of the Fund's Investment Strategy; they will not change year on year. Following their reappointment in February 2021, Hymans suggested that it may be appropriate to be more specific with the focus of the objectives and, wherever possible, to link these to the workplan for the year ahead. The focussed objectives for the 2022/23 Financial Year are detailed in Appendix 2.
10. Proposed changes to the objectives are highlighted but given the workplan for 2022/23 is concerned with the implementation of the recommendations from the Strategic Asset Allocation Review and the Funds' Climate Change Strategy, both of which were approved in 2021/22, there are very few changes to the previous years' focussed objectives.

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Equalities Implications: There are no direct equalities implications.

Legal Implications: The legal are covered in the body of the report implications.

Resources and Value for Money Implications: There are no direct resources and value for money implications.

Risk Implications: There is risk that inappropriate advice can result in an inappropriate investment strategy and inappropriate investment decisions being taken by the Fund. These could have significant financial implications on the value of the Fund's assets over the long term.

Climate Change Implications: Whilst there are no direct climate change implications arising from this report, any investment advice needs to take into account the Fund's Climate Change Strategy and net zero ambitions together with the Fund's Investment Principles on Responsible Investment and Engagement.

Health Impact Assessment screening – There are no health impact assessment implications arising from this report.