

## London Borough of Hammersmith & Fulham

**Report to:** Pension Fund Sub-Committee

**Date:** 3 March 2021

**Subject:** Independent Investment Advisor

**Report of:** Phil Triggs, Director of Treasury and Pensions

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### Executive Summary

1.1 This paper provides the Pensions Sub-Committee with a summary of case for appointing an independent investment advisor to the Pension Fund Sub Committee:

### Recommendations

1. The Pensions Sub-Committee is recommended to note the report with a view to formulating a decision on a selection/appointment process.
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**Wards Affected:** None

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### LBHF Priorities

| <b>Our Priorities</b>  | <b>Summary of how this report aligns to the H&amp;F Priorities</b>  |
|--|---|
| <ul style="list-style-type: none"><li>• Being ruthlessly financially efficient</li></ul> | Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer. |

### Financial Impact

- None

### Legal Implications

- None
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Verified by Phil Triggs

**Background Papers Used in Preparing This Report**

None

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## **DETAILED ANALYSIS**

### **1. Background**

- 1.1. The Pensions Sub-Committee currently has a long-standing relationship with Deloitte as its fund investment consultant. This relationship is a crucial one that enables strategic level planning and support to the Pensions Sub-Committee in delivering the long-term funding objectives as set out in the Funding Strategy Statement and Investment Strategy Statement.
- 1.2. It is the view of officers that the appointment of an individual independent advisor would offer a further, enhanced level of best ideas, investment strategy direction and governance that would further improve the Pensions Sub-Committee's decision-making processes. It would further enhance the existing relationship with the fund investment consultant and fund actuary. Numerous other LGPS Funds use the services of an independent investment advisor.
- 1.3. An independent advisor will offer impartial professional advice which will offer challenge and scrutiny to the fund's investment consultant, fund officers, current and future investment managers and the London CIV (LCIV) asset pool.
- 1.4. Officers would recommend that any initial contract should run for five years on commencement.

### **2. Role Profile**

- 2.1. An independent advisor to the fund would be expected to cover the following areas:
  - a. Work alongside other stakeholders to ensure an appropriate long-term strategic asset allocation that meets the pension fund's obligations and funding requirements.
  - b. Challenge and scrutinise proposals and reports from the fund's investment consultant and investment managers.
  - c. Contribute to the future fund manager selection processes, both within the London CIV and other appropriate external asset manager appointments.
  - d. Provide support to the Pensions Sub-Committee reference the overall investment process, rebalancing, or divesting from particular asset classes/investment managers.
  - e. Lead on smaller projects where it is more cost or time effective to use the advice of the independent advisor rather than the fund investment consultant.
  - f. Act as an important voice in the pension fund's approach to its commitment to being a responsible investor.

- g. Support officers in other governance exercises such as global custodianship, transition management, investment fee structures, and pension fund governance in general.

### **3. Work Programme and Cost**

- 3.1. The work programme for the proposed independent advisor is anticipated to be as follows:
  - a. Attend each Pensions Sub-Committee meeting, whether in person or remotely. Occasional attendance at Local Pension Board meetings may also be required, depending on the agenda.
  - b. Participation in member/officer training events.
  - c. Capacity to advise/assist on projects/report implementations, following recommendations approved by the Pensions Sub-Committee.
  - d. Expectation that each stakeholder will be able to contact the advisor at short notice.
- 3.2. The estimated annual cost of a qualified independent advisor is expected to be around £20,000. If the Fund appointed on a five-year contract, that would result in a total value of £100,000, under the OJEU level of circa £170,000.

### **4. Conclusion**

- 4.1. Officers are of the view that the use of an experienced independent advisor could work well with the sub-committee in adding fresh thinking to governance and investment discussions, and acting as a devil's advocate against group think.
- 4.2. Of course, there is a case for keeping the arrangements as per the status quo, if it were the committee's view that having an independent advisor would not be a value add to the functions of the committee.
- 4.3. Officers can compile selection criteria and next steps if a positive decision is reached.