

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 23 November 2021

Subject: Independent Investment Advisor Appointment

Report of: Phil Triggs, Director of Treasury and Pensions

Executive Summary

- 1.1 The Pension Fund Committee agreed at the meeting of 21 March 2021 that it would be beneficial to appoint an independent investment consultant to support the Committee's decision-making process. Officers were tasked with procuring a suitable shortlist of candidates for members to interview.
- 1.2 Officers have completed the process and provide members with a shortlist of candidates that were interviewed on 22 November 2021.

Recommendations

1. The Pension Fund Committee is recommended approve the appointment of a new independent consultant following the outcome of the recruitment process conducted on 22 November 2021.
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Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none">• Being ruthlessly financially efficient	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

DETAILED ANALYSIS

1. Background

- 1.1. The Pension Fund Committee has a longstanding relationship with Deloitte as its fund investment consultant. This relationship is a crucial one that enables strategic level planning and support to the Pensions Fund 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 layer of best ideas, investment strategy direction and governance that would further improve the Pension Fund 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 and the role of a devil's advocate to the fund's investment consultant, fund officers, current and future investment managers and the London CIV (LCIV) asset pool.

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 LCIV and other appropriate external asset manager appointments.
 - d. Provide support to the Pension Fund 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 Pension Fund 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 Pension Fund Committee.
 - d. Expectation that each stakeholder will be able to contact the advisor at short notice.

4. Recruitment Process

- 4.1. Officers created a role profile for candidates and this was advertised through several investment networks that would be seen by many prominent independent advisors in the LGPS.
- 4.2. The role was advertised for a duration of three years with an annual fee of £15,000, for a total value of £45,000. The contract was granted a waiver by the Head of Procurement to allow members to formally interview short listed candidates.
- 4.3. Officers received several applications and shortlisted down to three candidates for members to interview on 22 November 2021.