

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 20 February 2024

Subject: Pension Fund Consultant Review

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Responsible Director: Phil Triggs, Tri-Borough Director of Treasury and Pensions

SUMMARY

The Competition and Markets Authority (CMA) requires that the Pension Fund establish aims and objectives for its investment consultant.

This paper provides the Pension Fund Committee with an update of the Investment Management Consultant (IMC) aims and objectives for the Fund's consultant, Isio, as per the requirements of the Competition and Markets Authority (CMA).

RECOMMENDATIONS

The Committee is requested to note and comment on the attached IMC aims and objectives with a view to approving for the Pension Fund's investment consultant, Isio.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
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

DETAILED ANALYSIS

Background

1. In December 2019, the Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Investigation Order 2019 came into effect, following an extensive review into the industry. This required all pension funds to set formal aims and objectives for their investment consultants.
2. A set of consultant objectives were originally drawn up for the Pension Fund investment advisor and approved by Committee on 26 November 2019. In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years or when there has been a material change in investment approach.
3. A set of updated investment consultant aims objectives and a detailed assessment of the consultant's performance for review, comment and approval by the Pension Fund Committee is included in Appendix 1 to this paper.

Performance Against Aims and Objectives

1. The consultant's objectives have been broken down into the following sub-categories:

Assistance in Achieving the Fund's Objectives

2. The consultant scored an Excellent performance rating against all the objectives in this category by advising the Pension Fund on its investment strategy reviews throughout the year.
3. There has been a new objective added since the previous review regarding the integration of environmental, social and governance (ESG) factors, stewardship and wider sustainability considerations.

Governance and Costs

4. The consultant scored an Excellent performance rating against the all the objectives in this category including carrying out due diligence on behalf of the Pension Fund on existing and prospective investments.

Proactivity/Keeping Informed

5. The consultant scored an Excellent performance rating against the all the objectives in this category by providing training on new asset classes and suggesting potential investment options for the Committee to explore.

Monitoring

6. The consultant scored an Excellent performance rating against the all the objectives in this category, providing the Committee with a quarterly monitoring report on investment manager performance.

Delivery

7. The consultant had an Excellent performance rating against the majority of the objectives, although a couple areas of improvement were identified regarding the delivery of reports to officers and training needs. There has been an improvement between the reviews regarding the invoicing process relating to work carried out on behalf of the pension fund since the last review.
8. As shown in Appendix 1, the consultant's performance over the past year has been to a generally 'Excellent' standard and the Pension Fund remains pleased with the work that the consultant continues to carry out in advising the fund on its investment strategy.

LIST OF APPENDICES

Appendix 1: Investment Consultant Review