

## LBHF Pension Fund Investment Consultant Review 2022/23

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### Background

As per the requirements of the Competition and Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant. A set of consultant objectives were drawn up for the Pension Fund investment consultant, Deloitte (now known as Isio), and approved by Committee on 26 November 2019.

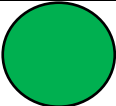
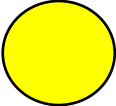
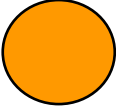
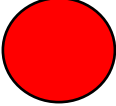
After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing several recommendations to improve pension fund governance, with a number of concerns expressed around fees and conflicts of interest.

The Pensions Regulator (tPR) welcomed the review by the CMA and produced guidance on setting aims and objectives. The regulator's view is that it is good practice for pension funds, including the LGPS, to be setting aims and objectives for investment consultants and advisors in order to achieve better outcomes and manage areas of underperformance.

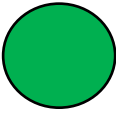
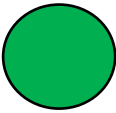
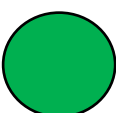
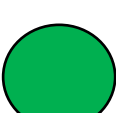
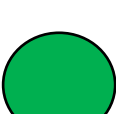
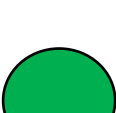
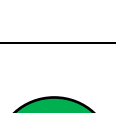
### Performance Against Aims and Objectives

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.

In the tables below are the agreed objectives and aims for the investment consultant, Isio, against which the consultant performance has been reviewed. Each objective has been assessed individually and assigned a rating as follows:

Performance Rating	Key
Excellent	
Good	
Satisfactory	
Unsatisfactory	
Not able to assess	N/A

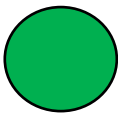
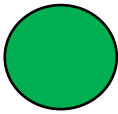
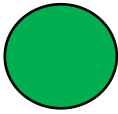
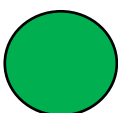
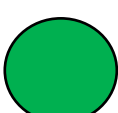
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<b>1. Assistance in Achieving the Fund's Objectives</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Any proposed change in investment strategy or investment managers has a clear rationale linked to the Fund's objectives with specific reference to improving the efficiency of the investment strategy in terms of risk adjusted returns.		Review of investment strategy during 2022/23 FY, and manager selections which reflect the new asset allocation.
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.		The results of the actuarial valuation taken into consideration when agreeing the revised asset allocation. This will be revisited in 2025.
c)	The investment consultant has an appropriate framework in place to recognise opportunities to reduce risk.		The investment consultant has the required due diligence processes in place to reduce risks.
d)	The investment consultant has contributed to the Fund's cashflow management process ensuring that the Fund's benefit obligations are met in a cost-efficient manner.		The Fund cashflow management is run in-house. However, the consultant may suggest appropriate income strategies to match the shortfall in cash.
e)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability studies as commissioned.		The consultant has drawn up shortlists and arranged interviews for the manager selections during the year.
f)	The investment consultant has complied with prevailing legislation, the constraints imposed by the Investment Strategy Statement, the detailed Investment Management Agreements and the policy agreed with the Committee when considering the investment of the Fund's assets.		The investment consultant and the Pension Fund have a contract in place.
g)	The investment consultant has assisted the Committee in implementing an investment strategy which adds value through the integration of environmental, social and governance (ESG) factors, stewardship and wider sustainability considerations, into their investment		These factors above those required by regulation were taken into account for the asset manager selections during the year and reporting quarterly.

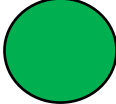
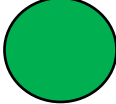
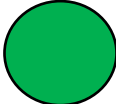
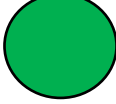
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	and risk management arrangements.		
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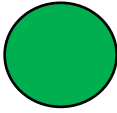
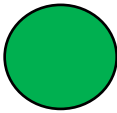
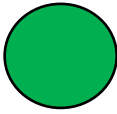
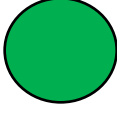
## 2. Governance and Costs

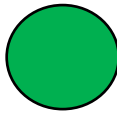
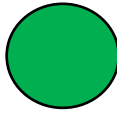
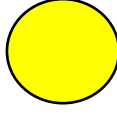
Reference	Objectives	Performance Rating	Comments
a)	Assist the Committee to implement the Fund's investments on a more competitive fee basis, through negotiation and periodic benchmarking of fees.		The investment consultant produces a quarterly investment report which includes fees benchmarking.
b)	Cost implications, both in terms of investment management expenses and implementation costs, are considered as part of investment strategy advice.		These factors were taken into account for the asset manager selections during the year and reporting quarterly.
c)	Where the investment consultant has provided support on implementation activity, including activity required to meet Fund benefits, these transactions have been carried out in a cost-effective manner.	N/A	The fund transitions are undertaken by the in-house investment team.
d)	The investment consultant has demonstrated an understanding and appreciation of governance requirements, in particular, the investment consultant has avoided complexity where simpler, more cost-effective solutions may be available.		Manager fees were taken into consideration during the manager shortlisting and selection process.
e)	The investment consultant has ensured that investments are in accordance with the current regulatory and compliance requirements relevant for the LGPS.		The investment consultant has the required due diligence processes in place to ensure regulatory and compliance requirements are met.
f)	The investment consultant has taken into account the necessity for all investment funds within the portfolio, with few exceptions, to utilise one of the pools.		The consultant includes the asset pool products within the manager shortlisting and selection process.

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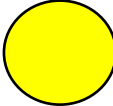
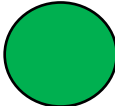
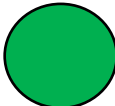
<b>3. Proactivity/Keeping informed</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Advise the Committee on appropriate new investment opportunities.		The consultant provides training to the Committee on new asset classes.
b)	Recognition of the dynamism of investment markets, recognising opportunities to crystallise gains or emerging risks which require immediate attention.		The investment consultant produces a quarterly report, rating the managers, and advising if they believe the mandate is no longer rated favourably.
c)	The investment consultant has kept the Committee up to date with regulatory developments and additional compliance requirements.	<b>N/A</b>	The Committee is updated by the in-house investment team on regulatory matters.
d)	The investment consultant has highlighted areas that the Committee may wish to focus on in the future.		The investment consultant suggests asset classes which the Committee may wish to explore further.
e)	The investment consultant should be generally available for consultation on fund investment matters.		The consultant advises on all investment matters as required by the Pension Fund Officers and Committee.

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<b>4. Monitoring</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	The investment consultant provides insightful monitoring focused on the reasoning behind performance.		The investment consultant produces a quarterly report, providing narrative on investment manager performance.
b)	The Committee has been kept abreast of investment market developments and their implications for the Fund's investment strategy.		The consultant meets with Committee members quarterly and advises of market developments.
c)	Monitoring is integrated with funding and risk.		The risks within each mandate are monitored on an ongoing basis and the funding level is taken into consideration.
d)	Particular focus on the continued merits of active management. The investment consultant considers the value added by active management on a net of fees basis.		The consultant provides a quarterly report which details asset manager performance net of fees.

<b>5. Delivery</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		There is a good working relationship between the investment consultant and Officers/Committee members.
b)	Reports and educational material are pitched at the right level, given the Committee's understanding.		The reports and training matters are clear, easily understandable and concise to meet the needs of the Committee.
c)	Provides training/explanation which aids understanding and improves the Committee's governance.		Training provided by the consultant is of an excellent standard, but there could be a greater

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			frequency reference ideas and the delivery to the Committee. Officers will liaise with the consultant reference this issue.
d)	Meeting papers are provided in a timely fashion, with all required detail and accuracy.		Papers are usually received by the Pension Fund Officers sufficiently in advance of the Committee meetings. On occasion some reports may require slight revisions to include more detail This has improved from Satisfactory to Good since the last review.
e)	The investment consultant works within agreed budgets and is transparent with regard to advisory costs, itemising additional work with fees in advance.		The consultant sends regular invoices with an itemised breakdown. This has improved from Good to Excellent since the last review.
f)	The investment consultant works collaboratively with the scheme's actuary and other advisors or third parties including the global custodian.		The consultant works with the custodian to calculate the quarterly fund performance and liaises with the actuary on the funding level.

As highlighted in the performance review above, the consultant has performed well over the past year, meeting the majority of the aims and objectives to an Excellent standard. This maintains the Excellent rating the consultant was given in the previous year. The Pension Fund remains pleased with the work produced by the consultant and aims to continue building on the good working relationship that has already been established.