

**Report for:** Pensions Committee and Board – 23 November 2020

**Title:** Performance Review of the Pension Fund’s Investment Management Consultants

**Report authorised by:** Thomas Skeen, Assistant Director of Finance (Deputy Section S151 Officer)

**Lead Officer:** Oladapo Shonola, Head of Pensions,  
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**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Non Key Decision

## **1. Describe the issue under consideration**

- 1.1. The Pensions Committee and Board agreed strategy objectives for the Fund’s appointed investment management consultants, Mercer Limited, at its meeting of 19 November 2019 in line with an Order of the Competition & Markets Authority (CMA). The Order also required the Fund to review the performance of its investment management consultants against the agreed objectives and report back to the CMA.
- 1.2. This report presents a review of Mercer’s performance over the past twelve months since the strategic objectives were agreed and will form the basis of the Fund’s reporting requirement back to the CMA under the Order.

## **2. Cabinet Member Introduction**

- 2.1. Not applicable.

## **3. Recommendations**

The Pensions Committee and Board is asked:

- 3.1. To note the performance review of the Fund’s appointed investment management consultants against agreed strategic objectives; the review is attached as a confidential appendix to the report.
- 3.2. To delegate authority to the Head of Pensions to communicate the outcome of this review to the Competition & Markets Authority in order to fulfil reporting requirements.

#### **4. Reason for Decision**

- 4.1. The Fund must remain compliant with all relevant legislation and regulation, this is a new requirement, which the fund must take action to comply with and report back to the CMA by 7 January 2021.
- 4.2. The Fund must ensure it takes proper advice on investment matters in order to carry out its role as the Administering Authority for Haringey Local Government Pension Scheme (LGPS) Fund, it does this by having an appointed Investment Consultant.

#### **5. Other options considered**

- 5.1. Not applicable.

#### **6. Background information**

- 6.1. Following an investigation into fiduciary management and investment consultancy services, the Competition and Markets Authority issued an Order: 'The Investment Consultancy and Fiduciary Management Market Investigation Order 2019' which came into effect from 10 December 2019.
- 6.2. The Fund already undertakes some of the actions set out in the Order, so no further action was required by the Fund in respect to these. The 'remedy 7' of the Order stipulates that Investment Consultants should be set strategic objectives. This requirement applies to Haringey and the Fund had not previously done this until the Pensions Committee and Board approved strategic objectives for the investment consultants on 19 November 2019.
- 6.3. The Pensions Regulator issued final guidance to defined benefit schemes in November 2019. The guidance includes advice on how to set strategic objectives for investment consultants and monitor performance against set objectives. This report sets out the outcome of a review of Mercer's performance against agreed strategic objectives in line with requirement of the CMA Order.
- 6.4. The outcome of the annual review of Mercer's performance against set strategic objectives is attached at Confidential Appendix 1 to this report.

#### **7. Contribution to Strategic Outcomes**

- 7.1. Not applicable.

#### **8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

## Finance and Procurement

- 8.1. This report details a new regulatory requirement for the fund, with which the fund must comply. There is no direct financial implication from the report, however as the provider of strategic investment advice to the fund a successful investment consultant appointment clearly will have significant financial benefits for the fund.

## Legal

- 8.2. The Assistant Director for Corporate Governance has been consulted on the content of this report.
- 8.3. Part 7 of the Order requires the administering authority to set Strategic Objectives for the Investment Consultancy Provider. The Order sets out what the Strategic Objectives means. These are the objectives for the Investment Consultancy Provider's advice as applicable by reference to (a) to (d) of the definition of Investment Consultancy Services, in accordance with the administering authority's investment strategy. This would be applicable where the provider advises the administering authority in relation to one or more of the following:
- (a) investments that may be made or retained by or on behalf of the administering authority;
  - (b) any matters in respect of which the administering authority are required by law to seek advice in relation to the preparation or revision of the statement of investment principles;
  - (c) strategic asset allocation;
  - (d) manager selection.
- 8.4. This report deals with the performance of Mercer against these objectives and will be provided to the CMA as part of the reporting requirement under the Order.

## Equalities

- 8.4. There are no equalities issues arising from this report.

## **9. Use of Appendices**

- 9.1. Confidential Appendix 1 – Review of Mercer Limited against the investment management consultant's strategic objectives

## **10. Local Government (Access to Information) Act 1985**

- 10.1. Not applicable.