

Appendix 1 A – CMA Objectives for Investment Consultants

On 12 December 2018, the Competition and Markets Authority (“CMA”) published its Final Decision Report following a review of the investment consulting and fiduciary management markets. The Provisional Decision Report had been published on 18 July 2018.

The CMA has set out its final Order, including a requirement for pension scheme trustees and managers to set objectives for their investment consultants.

The CMA requirements stipulate that, from 10 December 2019, trustees (or equivalent bodies within the LGPS such as pensions committees) should set objectives for their investment consultants prior to receiving investment consultancy services from them.

The following objectives are set for each firm of investment consultants which the Panel engages to provide *ad hoc* investment consulting advice on specific matters from time to time (its “Investment Consultants”). Such matters may relate either to particular components of the Fund’s investment portfolio or the portfolio as a whole depending on the instructions given.

The Panel will assess its Investment Consultants against these objectives on an annual basis and will review the objectives themselves triennially. The period of assessment will be reviewed from time to time.

In order to support the Panel’s assessment of its Investment Consultants, the Panel will consider periodically whether it would be appropriate and proportionate to seek the input of an independent investment consultant to help the Panel evaluate matters such as the Investment Consultants’ proactivity, recommendations from the available opportunity set, quality of judgment and relative fee levels (etc).

This document has been prepared with a view to the Pensions Regulator’s guidance on setting objectives for investment consultants, which was published on 28 November 2019.

Fund Requirement	Investment Consultant Objective	Score
Managing Liabilities		
<ul style="list-style-type: none"> • Maintain as nearly constant employer contribution rates as possible. • Maintain affordability of the Fund to employers as far as this is reasonable. • The Investment Strategy objective is to meet pension liabilities as they fall due, maximising returns while keeping risk within acceptable limits and contribute towards 	Advise on a suitable investment strategy, and amendments to the strategy, either with a view to the whole portfolio or components of it as and when instructed to do so by or on behalf of the Panel from time to time, to deliver the required investment returns from the Fund’s investments to support progress towards a long term steady state of funding in accordance with the Fund’s then current investment strategy statement prepared in	X/5

<p>achieving and maintaining full funding.</p> <ul style="list-style-type: none"> • Reduce risk of deficits emerging to protect against increases in the secondary (deficit contribution) rate. • Generate sufficient returns to keep the cost of new benefits accruing reasonable through an investment strategy that supports the Actuary's funding assumptions. • Identify sources of income in order to generate cash as the Fund requires. 	<p>accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.</p>	
	<p>Deliver and assist in the implementation of a strategy (or a specific sub-strategy) that meets the risk and return requirements of the Fund and helps achieve long term sustainable and affordable contribution rates in accordance with the Fund's investment strategy statement.</p>	X/5
	<p>Advise on changes to investment strategies where relevant, with the aim of managing risk relative to long-term funding objectives or capturing opportunities.</p>	X/5
	<p>Reflect the investment beliefs of the Panel in the advice given, including considerations of the measurement of investment decisions and the timescales over which they should be assessed.</p>	X/5
	<p>Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.</p>	X/5
		XX/25
		50%
Value for Money		
<ul style="list-style-type: none"> • Ensure cost efficient implementation of the Fund's investment strategy. 	<p>Advise on the cost efficient implementation of the Fund's investment strategy (or components of the overall portfolio) as required from time to time, considering different implementation approaches across/within the strategic asset classes and the evolution of the investment options of the ACCESS pool.</p>	
	<p>Advise on setting suitable investment benchmarks to assess and monitor the effectiveness of mandate implementation (including, where instructed to do so, in relation to costs and fees, and returns measured on a net of fees basis).</p>	
		XX/10

		20%
Regulation and guidance		
<ul style="list-style-type: none"> Ensure the Fund’s approach reflects relevant regulatory and legislative requirements. Develop the Panel’s Responsible Investment policy and ensure this is reflected in ongoing governance and decision making processes. 	Ensure advice given complies with relevant pensions regulations, legislation and supporting guidance.	X/5
	Assist in (i) the development of the Panel’s policies and beliefs, including those in relation to Responsible Investment, (ii) the means by which the Fund’s asset managers are incentivised to align their investment strategy and decisions with the Panel’s policies and to make decisions based on assessments of medium- to long-term performance, and (iii) the Panel’s assessment of how its remuneration and evaluation of those managers is aligned with such policies).	X/5
	Ensure advice given reflects the Panel’s own policies and beliefs, including those in relation to Responsible Investment considerations.	X/5
	Support the Fund through research on climate risk such as scenario testing and the impact on funding and investments, where it is appropriate and feasible to do so.	X/5
		XX/20
		15%
Governance		
<ul style="list-style-type: none"> Ensure the Fund’s investment objectives are supported by an effective governance framework. 	Provide relevant and timely advice, liaising with the Panel’s other advisers as necessary and demonstrating appropriate levels of proactivity.	X/5
	Ensure Panel members understand the implications of different strategic options, including associated risks, so that they can make decisions with sufficient knowledge and confidence.	X/5
	Provide proportionate ongoing governance and be competitive in terms of costs relative to peer group.	X/5
		XX/15
		15%

Appendix 1 B – CMA Objectives for Fund Adviser

CMA

On 12 December 2018, the Competition and Markets Authority (“CMA”) published its Final Decision Report following a review of the investment consulting and fiduciary management markets. The Provisional Decision Report had been published on 18 July 2018.

The CMA has set out its final Order, including a requirement for pension scheme trustees and managers to set objectives for their investment consultants.

The CMA requirements stipulate that, from 10 December 2019, trustees (or equivalent bodies within the LGPS such as pensions committees) should set objectives for their investment consultants prior to receiving investment consultancy services.

The following objectives are set for any individual consultant who the Panel engages to provide *ad hoc* investment consulting advice on specific matters from time to time (the “Investment Consultant”). Such matters may relate either to particular components of the Fund’s investment portfolio or the portfolio as a whole depending on the instructions given.

The Panel will assess the Investment Consultant against these objectives on an annual basis and will review the objectives themselves triennially. The period of assessment will be reviewed from time to time.

In order to support the Panel’s assessment of its Investment Consultants, the Panel will consider periodically whether it would be appropriate and proportionate to seek the input of an independent investment consultant to help the Panel evaluate matters such as the Investment Consultant’s proactivity, recommendations from the available opportunity set, quality of judgment and relative fee levels (etc).

This document has been prepared with a view to the Pensions Regulator’s guidance on setting objectives for investment consultants, which was published on 28 November 2019.

Fund Requirement	Investment Consultant Objective	Score
Managing Liabilities		
<ul style="list-style-type: none"> • Maintain as nearly constant employer contribution rates as possible. • Maintain affordability of the Fund to employers as far as this is reasonable. • The Investment Strategy objective is to meet pension liabilities as they fall due, maximising returns while keeping risk within acceptable limits and contribute towards 	Provide guidance and challenge on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund’s investments to support progress towards a long term steady state of funding in accordance with the Fund’s then current investment strategy statement prepared in accordance with the Local Government Pension Scheme	X/5

<p>achieving and maintaining full funding.</p> <ul style="list-style-type: none"> Reduce risk of deficits emerging to protect against increases in the secondary (deficit contribution) rate. Generate sufficient returns to keep the cost of new benefits accruing reasonable through an investment strategy that supports the Actuary's funding assumptions. Identify sources of income in order to generate cash as the Fund requires. 	(Management and Investment of Funds) Regulations 2016.	
	Assist the Panel and officers in the implementation of a strategy (or a specific sub-strategy) that meets the risk and return requirements of the Fund and helps achieve long term sustainable and affordable contribution rates in accordance with the Fund's investment strategy statement.	X/5
	Provide guidance on changes to investment strategies where relevant, with the aim of managing risk relative to long-term funding objectives or capturing opportunities.	X/5
	Reflect the investment beliefs of the Panel in the advice given, including considerations of the measurement of investment decisions and the timescales over which they should be assessed.	X/5
	Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.	X/5
		XX/25
		50%
Value for Money		
<ul style="list-style-type: none"> Ensure cost efficient implementation of the Fund's investment strategy. 	Provide guidance and challenge on the cost efficient implementation of the Fund's investment strategy as required.	X/5
	Assist the Panel and officers in consideration of suitable investment benchmarks to assess and monitor the effectiveness of mandate implementation.	X/5
		XX/10
		20%
Regulation and guidance		
<ul style="list-style-type: none"> Ensure the Fund's approach reflects relevant regulatory and legislative requirements. Develop the Panel's Responsible Investment policy and ensure this is reflected in ongoing governance and decision making processes. 	Ensure advice given complies with relevant pensions regulations, legislation and supporting guidance.	X/5
	Assist in and challenge the development of the Panel's policies and beliefs, including those in relation to Responsible Investment.	X/5

	Ensure advice given complies with relevant pensions regulations, legislation and supporting guidance.	X/5
		XX/15
		15%
Governance		
<ul style="list-style-type: none"> Ensure the Fund's investment objectives are supported by an effective governance framework. 	Provide relevant and timely advice, liaising with officers as necessary and demonstrating appropriate levels of proactivity	X/5
	Provide guidance to the Panel on the implications of different strategic options, including associated risks, so that they can make decisions with sufficient knowledge and confidence	X/5
	Provide proportionate ongoing governance and be competitive in terms of costs relative to peer group	X/5
		XX/15
		15%