

Agenda Item No. 4 (f)

DERBYSHIRE COUNTY COUNCIL

PENSIONS and INVESTMENTS COMMITTEE

22 January 2020

Report of the Director of Finance & ICT

INDEPENDENT INVESTMENT ADVISER OBJECTIVES

1 Purpose of the Report

To agree the strategic objectives for Derbyshire Pension Fund's (the Pension Fund) Independent Investment Adviser.

2 Information and Analysis

On 10 June 2019, the Competition and Markets Authority published the Investment Consultancy and Fiduciary Management Market Investigation Order (the Order). The Order sets out mandatory guidelines for Pension Scheme Trustees in respect of the procurement and monitoring of Fiduciary Management Services.

The Order potentially had consequences for the LGPS Pools, but on 29 July 2019 the Department for Work and Pensions published a consultation entitled Trustee Oversight of Investment Consultants and Fiduciary Managers which seeks to clarify that the Order does not apply to the LGPS with the exception of Remedy 7: Requirement to set strategic objectives for providers of investment consultancy.

As a result of the Order, the Pension Fund is now required to set strategic objectives for its Independent Investment Adviser, Mr Fletcher of MJ Hudson Allenbridge, which in turn should be linked to the objectives of the Pension Fund. The proposed strategic objectives for the Pension Fund's Independent Investment Adviser are set out in Appendix 1.

The proposed strategic objectives have been agreed with Mr Fletcher and are in line with the agreed Consultancy Agreement between the Pension Fund and the Independent Investment Adviser.

3 Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal and human rights, equality and diversity, health, environmental, transport, property and prevention of crime and disorder considerations.

4 Officer's Recommendation

That the proposed strategic objectives set out in this report for the Pension Fund's Independent Investment Adviser be approved.

PETER HANDFORD

Director of Finance & ICT

Appendix 1: Proposed Independent Investment Adviser Strategic Objectives

Derbyshire Pension Fund Requirement	Independent Investment Adviser Objective	Desired outcomes / Measurement
Ensure members benefits are met as they fall due.	Advise 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.	Returns from the investment strategy over time are in line with or exceed the assumptions within the Fund's Funding Strategy Statement subject to market conditions and strategy implementation.
Support a long term funding approach that is consistent with a stable and affordable contribution approach from the employers.	Advise on the delivery of an investment approach that reflects the Fund's cash flow position, and likely evolution, and minimises the risk of forced divestment.	<p>The Fund has sufficient cash flow to allow members benefits to be paid when due.</p> <p><i>For the measurement of both of these objectives it should be recognised that the Independent Investment Adviser acts in an advisory capacity.</i></p>
Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance.	Support the Fund with achieving timely and cost-effective implementation of the Fund's investment decisions where appropriate, taking into account the evolution of the LGPS Central pool.	<p>Ensure a focus on key risk / return priorities.</p> <p>Any areas of misalignment with the Fund's objectives and/or poor performance highlighted, challenged and solutions identified.</p>

<p>Meet the reporting requirements set out in the Independent Investment Adviser Job Description.</p>	<p>Prepare quarterly reports for submission to the Pensions & Investments Committee, including liaison with the In-House Investment Management Team to discuss key findings, and presentation to the Pensions & Investments Committee.</p> <p>Assist with measuring the success of the Fund against the overall investment objectives.</p> <p>Provide other ad-hoc support and advice, as required, by either the Pensions & Investments Committee or the In-House Investment Management Team.</p>	<p>All reports and advice delivered in line with reporting requirements and within required timescales.</p> <p>Full attendance at Pensions & Investments Committee meetings unless for unforeseen unavoidable circumstances.</p> <p>Any areas of poor performance highlighted, challenged and solutions identified.</p> <p>Any ad-hoc support and advice provided in line with agreed service specifications and on a timely basis. Pensions & Investments Committee satisfied with the value for money represented by the services.</p>
<p>Help the Fund to ensure that its approach reflects relevant regulatory and legislative requirements, and internal policies.</p>	<p>Ensure that the Fund complies with relevant investments pensions regulations, legislation and supporting guidance, and reflects the policies approved by the Pensions & Investments Committee.</p> <p>Provide guidance on any matters in respect of which the Fund is required by law to seek advice in relation to the preparation or revision of the Fund's Investment Strategy Statement.</p> <p>Support the Fund in training, through general communications and presentations to the Pensions & Investments Committee where required.</p>	<p>No instances of non-compliance with relevant investments regulations or internal policies.</p> <p>Pensions & Investments Committee satisfied with the quality and content of any training requested.</p>