

	<b>Pensions Fund Sub-Committee</b> 6 October 2020
	<b>Report from the Director of Finance</b>
<b>CMA Objectives</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	1. Strategic objectives for Investment Consultants
<b>Background Papers:</b>	▪ N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance Sawan Shah, Senior Finance Analyst

## 1.0 Purpose of the Report

1.1 The purpose of this report is to the outline proposed approach to be taken by the Fund in relation to the assessment of Hymans Robertson against objectives set in 2019.

## 2.0 Recommendation(s)

2.1 The Committee is asked to note:

- The objectives set by the Fund and the metrics to be used by Officers in assessment of these objectives;
- The approach to be taken by Officers in respect of the CMA objectives.

## 3.0 Detail

3.1 In June 2019, the Competition and Markets Authority (“CMA”) published its final order following a review of the investment consulting and fiduciary management markets. The order included a requirement for pension scheme trustees (in the case of the LGPS, this is the Pensions Sub-committee) to set objectives for their investment consultants and made this a regulatory requirement.

- 3.2 Since 10 December 2019 pension scheme trustees must set strategic objectives for their investment consultants before they enter into a contract or continue to receive services from them.
- 3.3 Pension scheme trustees must submit 'compliance statements' stating that they have complied with the above requirement. Currently the CMA order only requires trustees to confirm that they have complied with the requirements over the period having had objectives in place.
- 3.4 The 'compliance statements' need to be submitted within 12 months and 4 weeks from the 10 December 2019 and annually thereafter. Therefore the Compliance Statement must be submitted to the CMA by **07 January 2021**.
- 3.5 It is expected that the Department for Work and Pensions (DWP) will amend current legislation so that the CMA requirements become part of pension law (and will then be overseen by The Pensions Regulator).
- 3.6 Supplementary detail is expected in due course from the Ministry for Housing, Communities and Local Government ("MHCLG") on how the CMA's requirements will be translated into LGPS regulation. Until then though the CMA rules continue to apply to the LGPS as per the original order.
- 3.7 Under the CMA requirements, the Fund is only required to complete a compliance statement, essentially acknowledging they have and will continue to have objectives in place for their investment consultants.
- 3.8 However, the Fund believe it is important to regularly monitor and assess performance against the objectives set as part of a robust governance regime.
- 3.9 This is in line with guidance<sup>1</sup> from The Pensions Regulator ("tPR") which suggests that the Fund should look to assess performance on an annual basis and complete a detailed review of the objectives to ensure these remain suitable at least every three years.
- 3.10 The objectives the Fund agreed last year and the metrics to be used by Officers in assessment of these objectives are set out in Appendix 1. Officers will work with Hymans Robertson to collate the necessary information before undertaking assessment over the next few months. The outcome of the assessment will be reported to the next meeting of the Sub-committee.
- 3.11 Separately, the compliance notice to the CMA will be submitted by January 2021 as required.

#### **4.0 Financial Implications**

- 4.1 Not applicable.

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<sup>1</sup> <https://www.thepensionsregulator.gov.uk/en/document-library/regulatory-guidance/tender-and-set-objectives-for-investment-service-providers/set-objectives-for-your-investment-consultant/#f83029c35e34463583f91097dbd681b7>

**5.0 Legal Implications**

5.1 Not applicable.

**6.0 Equality Implications**

6.1 Not applicable.

**7.0 Consultation with Ward Members and Stakeholders**

7.1 Not applicable.

**8.0 Human Resources**

8.1 Not applicable.

**Report sign off:**

***Minesh Patel***  
Director of Finance