

**SURREY COUNTY COUNCIL****PENSION FUND COMMITTEE****DATE: 16 DECEMBER 2022****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCIAL & COMMERCIAL****SUBJECT: COMPETITION & MARKETS AUTHORITY (CMA): INVESTMENT CONSULTANT STRATEGIC OBJECTIVES****SUMMARY OF ISSUE:**

Local Government Pension Schemes (LGPS) are required to set strategic objectives for their Investment Consultant (IC) Provider and monitor performance against these objectives.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

1. Note the Strategic Objectives for Investment Consultants of the Fund as approved in December 2021.
2. Note compliance against these strategic objectives by the IC provider for 2022.
3. Approve for the submission of the CMA Compliance Statement and Certificate for 2022.

**REASON FOR RECOMMENDATIONS:**

Performance monitoring of the IC meets CMA requirements and is consistent with the Fund's strategic investment objectives.

**DETAILS:****Background**

1. The Pensions Act 1995 requires the trustees of a LGPS to appoint certain professional advisers to carry out specific tasks in relation to the scheme. The IC Provider should have the knowledge, experience and professional qualifications to provide investment advice to the Fund.
2. The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 applied an obligation to the LGPS to set strategic objectives for providers of IC services.
3. The Fund's current IC is Mercer. The Fund retendered for IC services in April 2021 and at its meeting of 9 July 2021, the Committee approved the appointment of Mercer as the IC on a 3-year contract with an option to extend for an additional 2 years, with effect from July 2021.

4. At its meeting of 10 December 2021, the Surrey Pension Fund Committee approved the Strategic Objectives for Investment Consultants of the Fund in line with CMA Requirements.
5. As part of the tender process, Mercer were required to satisfy service criteria, which have been incorporated into the assessment.
6. The assessment of the IC provider against the agreed objectives and service criteria was completed by the Chair, Independent Investment Adviser and officers. This is shown in Annexe 1.
7. The CMA's expectation is that investment consultancy providers' objectives will be reviewed at least every three years and after any significant change to investment strategy and objectives.
8. In addition, the CMA expects clients will ask their IC providers to report periodically on their performance in meeting the objectives, although there is no set frequency for this. The review in Annexe 1 was sent to the IC for comment and feedback incorporated.
9. The annual compliance statement must be submitted to the CMA by 7 January 2023, covering the period 10 December 2021 to 9 December 2022.
10. As per Annexe 1, the IC has satisfied the strategic objectives as required by the CMA.

#### **CONSULTATION:**

11. The Chair of the Pension Fund Committee has been consulted on this report.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

12. Risk management implications of the strategic objectives could involve how the IC Provider advises the Fund in monitoring the risk attrition of its portfolio.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

13. There could be financial and value for money implications should the IC not meet its strategic objectives.

#### **DIRECTOR CORPORATE FINANCIAL & COMMERCIAL COMMENTARY**

14. The Director Corporate Financial & Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

15. It is a legislative requirement to set and monitor performance against IC strategic objectives as part of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

**EQUALITIES AND DIVERSITY**

16. There are no equality or diversity issues.

**OTHER IMPLICATIONS**

17. There are no potential implications for council priorities and policy areas.

**WHAT HAPPENS NEXT**

18. The following next steps are planned:

- a) Submission of the CMA Compliance Statement and Certificate for 2022.
- b) An assessment of performance versus the objectives set will be carried out in respect of 2023 and presented to the Committee at its meeting of 15 December 2023.

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**Contact Officer:**

Lloyd Whitworth, Head of Investment & Stewardship

**Consulted:**

Pension Fund Committee Chair

**Annexes:**

1. Annex 1 - Strategic Objectives Review Table (Part 2)

**Sources/background papers:**

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