

SURREY COUNTY COUNCIL**PENSION FUND COMMITTEE****DATE: 10 DECEMBER 2021****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCIAL & COMMERCIAL****SUBJECT: COMPETITION & MARKETS AUTHORITY (CMA): INVESTMENT CONSULTANT STRATEGIC OBJECTIVES****SUMMARY OF ISSUE:**

Strategic objectives
Investment

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

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Note the Strategic Objectives for Investment Consultants of the Fund in line with Competition and Markets Authority Requirements.
2. Note compliance against these strategic objectives by the Investment Consultant provider for 2021.
3. Approve for the submission of the Competition and Markets Authority Compliance Statement and Certificate for 2021.

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 advisers, more specifically, the IC Provider, should have the knowledge, experience and professional qualification 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. At its meeting of 20 December 2019 the Surrey Pension Fund Committee

approved the Strategic Objectives for Investment Consultants of the Fund in line with CMA Requirements (these are shown as Annex 1).

4. 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.
5. In addition, the CMA expects clients will ask their investment consultancy providers to report periodically on their performance in meeting the objectives, although there is no set frequency for this.
6. The annual compliance statement must be submitted to the CMA by 7 January 2022, covering the period 10 December 2020 to 9 December 2021.
7. The Surrey Fund's current IC is Mercer.

Performance against the strategic objectives by the IC provider for 2021

8. 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 2 year, with effect from July 2021.
9. As part of the tender process Mercer were required to satisfy the following service criteria:
 - a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services.
 - b) Investment beliefs.
 - c) The use of overlays.
 - d) Risk management and reporting.
 - e) Setting appropriate performance targets and benchmarks.
 - f) Working with the Fund Actuary to undertake asset liability modelling as required.
 - g) Working with the Fund Actuary on an on-going basis in respect of the integrated management of fund assets and liabilities.
 - h) Advising on the Investment Strategy Statement and other statutory policy or reporting requirements including monitoring, reporting and assessment of investment management service providers.
 - i) Advising on Responsible Investment and Stewardship policies which set how Social, Environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments on the exercise of the rights (including voting rights attached to investments).
 - j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes).
 - k) Attend meetings and provide training to members of the pensions committee, local pension boards, officers etc.in support of maintaining high standards of investment governance.
 - l) Review and selection of Additional Voluntary Contributions providers.
 - m) Climate risk reporting and scenario analysis in line with the Taskforce for Climate Related Financial Disclosures (TCFD).
 - n) Advising on Pooled Fund design when transitioning assets to Border to Coast Pensions Partnership.

- o) Advising on compliance with the Stewardship Code.
- p) Advising on the Fund's compliance in aligning its investment approach against the United Nations Sustainable Development Goals.

10. Mercer's successful satisfaction of this criteria as part of the tender process demonstrates compliance against the IC strategic objectives for 2021.

CONSULTATION:

11. The Chairman 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 2021.
- b) An assessment of performance versus the objectives set, will be carried out in respect of 2022 and presented to the Committee at its meeting of 16 December 2022.

Contact Officer:

Ayaz Malik, ayaz.malik@surreycc.gov.uk

Consulted:

Pension Fund Committee Chairman

Annexes:

1. Strategic Objectives of the Surrey Pension Fund IC.

Sources/background papers:
