

Pension Fund Committee

Meeting to be held on Friday, 7 February 2020

Electoral Division affected: None;

Transaction of Urgent Business - Strategic Objectives for the Independent Advisers to the Lancashire County Pension Fund

Contact for further information:

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Executive Summary

This report sets out the details of a decision taken by the Monitoring Officer on the 6th December 2019, under the procedure for dealing with matters of urgent business.

Recommendation

The Committee is asked to note the decision taken by the Monitoring Officer under the urgent business procedure to approve a set of strategic objectives for the Independent Advisers to the Lancashire County Pension Fund as required by The Investment Consultancy and Fiduciary Management Market Investigation Order, 2019.

Background and Advice

The Terms of Reference of the Pension Fund Committee state that the Committee has the following responsibilities in relation to investments in connection with the Lancashire County Pension Fund.

1. To determine the Strategic Asset Allocation policy, giving due recognition to the options made available by the Local Pensions Partnership Ltd.
2. To monitor the performance of the Fund's investments and ensure that best practice is being adopted and value for money is being delivered.
3. To submit an Annual Report to the Full Council on the performance and state of the Fund and on the investment activities during the year.

4. To approve and review on a regular basis an overall Investment Strategy and subsidiary Strategies for such asset classes as the Investment Panel consider appropriate.
5. To have overall responsibility for investment policy.

The Investment Panel, which comprises the Head of Fund and two Independent Advisers, provides expert professional advice to the Lancashire County Pension Fund in relation to investment strategy. The Advisers also support the Head of Fund with the specialist advice required by the Pension Fund Committee.

In 2017, following a market study into the asset management sector, the Financial Conduct Authority concluded that there were reasonable grounds to suspect that there were features of the investment consultancy and fiduciary management sector which prevented, restricted or distorted competition and consequently referred the issue to the Competition and Markets Authority.

During its investigation the Competition and Markets Authority gathered data from various sources within the investment consultancy and fiduciary management market, engaged with key participants and undertook a significant economic analysis before coming to its conclusions.

The investigation ended in June 2019 after which the Competition and Markets Authority, having considered all the circumstances, published its findings together with a number of proposals to remedy, mitigate or prevent the adverse effects of competition which had been identified, including

- a) in respect of Investment Consultancy Services:
 - Low levels of engagement by some customers;
 - Lack of clear information for customers to assess the quality of their existing Investment Consultancy Provider;
 - Lack of clear and comparable information for customers to assess the value for money of alternative Investment Consultancy Providers.
- b) in respect of Fiduciary Management Services:
 - IC-FM firms steering their advisory customers towards their own Fiduciary Management Services;
 - Low levels of customer engagement at the point of first moving into Fiduciary Management;
 - Lack of clear and comparable information for customers to assess the value for money of alternative Fiduciary Management Providers;

The Competition and Markets Authority have also made The Investment Consultancy and Fiduciary Management Market Investigation Order, 2019, which requires fiduciary managers (who make investment decisions on behalf of trustees) and investment consultants to provide clearer information about services their customers receive and incentivises pension scheme trustees to shop around to make sure they are getting the best deal to suit their needs. The Order will fully come into effect on the 10th December 2019 and a copy can be viewed at https://assets.publishing.service.gov.uk/media/5cfdfa86e5274a090f9eef8e/Order_investment_consultants.pdf

At the meeting on the 28th November, 2019, the Investment Panel discussed the Order and its implications in relation to the Independent Advisers to the Fund and agreed that in accordance with the requirement set out in the Order the Pension Fund Committee should be recommended to agree strategic objectives for the Independent Advisers.

Having consulted with the Head of Fund the following strategic objectives were proposed:

1. In conjunction with input from Local Pensions Partnership Investments and any other relevant sources, recommend a Strategic asset Allocation with tactical ranges to the Pension Fund Committee.
2. Monitor the construction and performance of the Fund, all its sub-funds and its asset manager (Local Pensions Partnership Investments) and recommend any consequent changes to the Pension Fund Committee.
3. Where relevant and appropriate recommend suitable strategies to mitigate Fund risks to the Pension Fund Committee. These could include currency and liability hedging.

On the 6th December 2019 the Monitoring Officer, under the procedure for dealing with matters of urgent business, approved the above strategic objectives for the Independent Advisers to the Lancashire County Pension Fund.

Reason for the use of the Urgent Business Procedure

The Investment Consultancy and Fiduciary Management Market Investigation Order, 2019, will fully come into effect on the 10th December 2019. Setting the objectives would be a matter for the Pension Fund Committee. However, following the announcement of the General Election on the 12th December 2019 the meeting of the Pension Fund Committee scheduled for the 29th November was postponed until the 7th February 2020.

Consultations

The Chair and Deputy Chair of the Pension Fund Committee were consulted on the proposed objectives and have raised no objections.

If approved the performance of the Independent Advisers will be assessed against the strategic objectives after a period of 12 months.

Implications:

This item has the following implications, as indicated:

Risk management

Section 167 of the Enterprise Act 2002 places a duty on any person to whom an Order made by the Competition and Markets Authority relates to comply with it and the Authority can enforce compliance with the Order by civil proceedings for an injunction or for any other appropriate relief or remedy.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
<u>The Investment Consultancy and Fiduciary Management Market Investigation Order, 2019</u>	2019	M Neville 01772 533431

Reason for inclusion in Part II, if appropriate

N/A