

**20 January 2020****Agenda Item: 5****REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &  
IMPROVEMENT****INDEPENDENT ADVISER OBJECTIVES****Purpose of the Report**

1. To agree objectives for Nottinghamshire Pension Fund's Independent Adviser.

**Information**

2. The Competition & Markets Authority (CMA) has undertaken a market investigation of Investment Consultants. As a result of this investigation the CMA has made an Order called the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.
3. The Department of Work and Pensions subsequently issued a consultation called Trustee Oversight of Investment Consultants and Fiduciary Managers to implement this order, which appears to clarify that this is not intended to apply to the LGPS with the exception for Remedy 7: Requirement to set strategic objectives for providers of investment consultancy.
4. The legal arguments are not entirely clear, as regulations for the LGPS normally come under the MJCLG, but it is likely that Remedy 7 will be incorporated into the latter's next review of ISS guidance. In the meantime it is considered that the CMA order, and the guidance provided by DWP, in this respect alone does apply to the LGPS.
5. As a result of this order Nottinghamshire Pension Fund is required to set strategic objectives for our Independent Adviser. These strategic objectives should relate to the objectives of the Pension Fund.
6. The following table sets out the relevant objectives of the Pension Fund together with the objectives for the Independent Adviser to support the Pension Fund in delivering those objectives.

<b>Nottinghamshire Pension Fund requirements</b>	<b>Independent Adviser objectives</b>	<b>Desired Outcomes/Measurement</b>
Ensure that sufficient resources are available to meet all liabilities as they fall due <i>FSS</i>	Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund's investments to ensure the pension liabilities of the Fund are met and support progress towards a long term steady state of funding. Whilst insuring the appropriate level of risk is utilised to achieve these outcomes.	
Achieve and maintain Fund solvency at reasonable cost to taxpayers, scheduled, resolution and admitted bodies, and enable contribution rates to be kept as nearly constant as possible where practical <i>FSS</i>	Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.	Returns from the investment strategy over time are in line with or exceed the assumptions within the Funding Strategy Statement, and the funding level remains within the expected range of outcomes.  The Fund has sufficient cash flow to allow members benefits to be paid when due.
Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance as referred to in the Approach to pooling investments section in the ISS	Advise on the cost efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the LGPS Central pool.	Ensure a focus on key risk / return priorities  Any areas of poor performance highlighted, challenged and solutions identified
Achieve and maintain long-term cost efficiency <i>FSS</i>		
Ensure the Fund's approach reflects relevant regulatory and legislative requirements <i>General</i>	Ensure advice given complies with relevant pensions regulations, legislation and supporting guidance.	No instances of non-compliance with relevant regulations
The Fund will aim to conduct its business and to use its influence in a long term responsible way. <i>ISS</i>	Advise and support the Committee and Officers in developing the Committee's policies and beliefs, including those in relation to Responsible Investment.	Committee are satisfied with the value of money represented by the services provided
Ensure the Fund's investment objectives are supported by an effective governance framework and comply with guidance issued by the Secretary of State <i>GCS</i>	Provide relevant and timely advice.  Assist with identifying topics where further training may be beneficial to the Committee	All reports and advice delivered within prescribed timescales

*FSS Funding Strategy Statement*  
*ISS Investment Strategy Statement*  
*GCS Governance Compliance Statement*

## **Other Options Considered**

6. None.

## **Reason/s for Recommendation/s**

7. The Pension Fund is required to set objectives for our Independent Adviser. These objectives are consistent with the objectives of the Pension Fund.

## **Statutory and Policy Implications**

8. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Financial Implications**

9. No additional financial implications.

## **RECOMMENDATION/S**

That Pension Fund Committee approve the objectives for the Independent Adviser, as set out in the report.

**Nigel Stevenson**

**Service Director for Finance, Infrastructure & Improvement and Section 151 Officer**

**For any enquiries about this report please contact: Tamsin Rabbitts**

## **Constitutional Comments (KK 19/11/19)]**

10. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

## **Financial Comments (TMR 18/11/2019)**

11. The financial implications are set out in paragraph 9.

## **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

## **Electoral Division(s) and Member(s) Affected**

- All