

1. Background

- 1.1 As per the requirements of the Competition and Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant. A set of consultant objectives were drawn up for the Pension Fund investment consultant, Isio, and approved by Committee on 23 October 2019.
- 1.2 After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing a number of recommendations to improve pension fund governance, with a number of concerns expressed around fees and conflicts of interest.
- 1.3 The Pensions Regulator (tPR) welcomed the review by the CMA and produced guidance on setting aims and objectives. The Regulator’s view is that it is good practice for Pension Funds, including the LGPS, to set aims and objectives for investment consultants and advisors in order to achieve better outcomes and manage areas of underperformance.

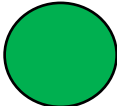
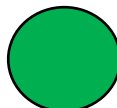
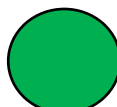
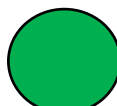
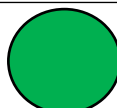
2. Performance Against Aims and Objectives

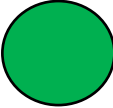
- 2.1 In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated when there has been a material change in investment approach.
- 2.2 In the tables below are the agreed objectives and aims for the investment consultant, Isio, against which the consultant performance has been reviewed. Each objective has been assessed individually and assigned a rating as follows:

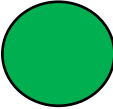
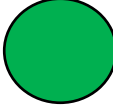
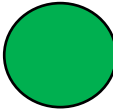
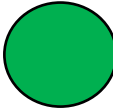
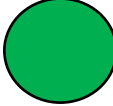
Performance Rating	Key
Excellent	
Good	
Satisfactory	
Unsatisfactory	
Not able to assess	N/A

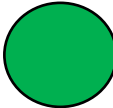
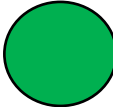
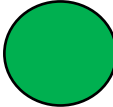
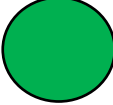
- 2.3 As shown in the performance review below, the consultant has performed well over the past year, meeting

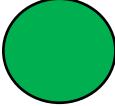
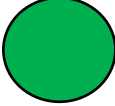
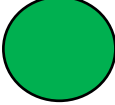
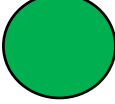
the majority of the aims and objectives to an excellent standard. The Fund remains pleased with the work produced by the consultant and aims to continue building on the good working relationship that has already been established.

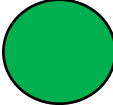
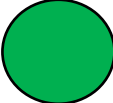
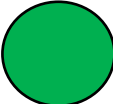
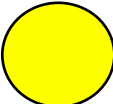
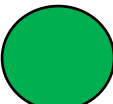
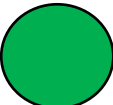
1. Assistance in achieving the Fund's objectives			
Reference	Objectives	Performance Rating	Comments
a)	Any proposed changes in investment strategy or investment managers have a clear rationale linked to the Fund's objectives with specific reference to improving the efficiency of the investment strategy in terms of risk adjusted returns.		As per agreed strategy, appointed new private debt manager in 2022, with 2.5% allocation to affordable housing still pending. Isio has suggested increasing allocation to global infrastructure mandate as the fund starts to repay, to maintain 5% allocation. Isio presented strategy review during March 2023, to reflect updated, improved funding level and opportunity for risk reduction.
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.		The actuarial valuation was taken into consideration when proposing a revised asset allocation.
c)	The investment consultant has an appropriate framework in place to recognise opportunities to reduce risk.		The investment consultant has the required due diligence processes in place to reduce risks.
d)	The investment consultant has contributed to the Fund's cashflow management process ensuring that the Fund's benefit obligations are met in a cost-efficient manner.		The Fund cashflow management is run in-house. However, the consultant may suggest appropriate income strategies to match cashflows. The consultant included recommendations for cash management and distributions in the March 2023 strategy review.
e)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability studies as commissioned.		The consultant has drawn up shortlists and arranged interviews for the manager selections during the year.

f)	The investment consultant has complied with prevailing legislation, the constraints imposed by the Investment Strategy Statement, the detailed Investment Management Agreements and the policy agreed with the Committee when considering the investment of the Fund's assets.		The investment consultant and the Pension Fund have a contract in place.
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2. Governance and Costs			
Reference	Objectives	Performance Rating	Comments
a)	Assist the Committee to implement the Fund's investments on a more competitive fee basis, through negotiation and periodic benchmarking of fees.		As part of the quarterly performance reporting, the investment consultant incorporates fee benchmarking and expected annual fee savings.
b)	Cost implications, both in terms of investment management expenses and implementation costs, are considered as part of investment strategy advice.		These factors were taken into consideration during the manager selection processes and 2023 strategy review.
c)	Where the investment consultant has provided support on implementation activity, including activity required to meet Fund benefits, these transactions have been carried out in a cost-effective manner.	N/A	The fund transitions are undertaken by the in-house investment team.
d)	The investment consultant has demonstrated an understanding and appreciation of governance requirements, in particular, the investment consultant has avoided complexity where simpler, more cost-effective solutions may be available.		Manager fees taken into consideration during the manager shortlisting and selection process and these fees are clearly highlighted in the manager selection papers.
e)	The investment consultant has ensured that investments are in accordance with the current regulatory and compliance requirements relevant for the LGPS.		The investment consultant has the required due diligence processes in place to ensure regulatory and compliance requirements are met.
f)	The investment consultant has taken into account the necessity for all investment funds within the portfolio, with few exceptions, to utilise one of the pools.		The consultant includes the LCIV asset pool products within the manager shortlisting and selection process.

3. Proactivity/Keeping informed			
Reference	Objectives	Performance Rating	Comments
a)	Advise the Committee on appropriate new investment opportunities.		The consultant provides training to the Committee on new asset classes.
b)	Recognition of the dynamism of investment markets, recognising opportunities to crystallise gains or emerging risks which require immediate attention.		The investment consultant produces a quarterly report, rating the managers and advising if they believe the mandate is no longer rated favourably.
c)	The investment consultant has kept the Committee up to date with regulatory developments and additional compliance requirements.	N/A	The Committee is updated by the in-house investment team on regulatory matters.
d)	The investment consultant has highlighted areas that the Committee may wish to focus on in the future.		The investment consultant suggests asset classes which the Committee may wish to explore further.
e)	The investment consultant should be generally available for consultation on fund investment matters.		The consultant advises on all investment matters as required by the Pension Fund Officers and Committee.

4. Monitoring			
Reference	Objectives	Performance Rating	Comments
a)	The investment consultant provides insightful monitoring focused on the reasoning behind performance.		The investment consultant produces a quarterly report, providing narrative on fund manager performance.
b)	The Committee has been kept abreast of investment market developments and their implications for the Fund's investment strategy.		The consultant meets with Committee members quarterly and advises of market developments.
c)	Monitoring is integrated with funding and risk.		The risks within each mandate are monitored on an ongoing basis and the funding level is taken into consideration.
d)	Particular focus on the continued merits of active management. The investment consultant considers the value added by active management on a net of fees basis.		The consultant provides a quarterly report which details asset manager performance net of fees.

5. Delivery			
Reference	Objectives	Performance Rating	Comments
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		There is a good working relationship between the investment consultant and Officers/Committee members.
b)	Reports and educational material are pitched at the right level, given the Committee's understanding.		The reports and training matters are clear, easily understandable and concise to meet the needs of the Committee.
c)	Provides training/explanation which aids understanding and improves the Committee's governance.		Training provided by the consultant to meet any needs of the Committee.
d)	Meeting papers are provided in a timely fashion, with all required detail and accuracy.		Papers are usually received by the Pension Fund Officers sufficiently in advance of the Committee meetings. On occasion some reports may require slight revisions to include more detail or revise the layout to make the report clearer to follow, but these are very rare occasions.
e)	The investment consultant works within agreed budgets and is transparent with regard to advisory costs, itemising additional work with fees in advance.		The consultant sends regular invoices with an itemised breakdown.
f)	The investment consultant works collaboratively with the scheme's actuary and other advisors or third parties including the global custodian.		The consultant works with the custodian to calculate the quarterly fund performance and liaises with the actuary on the funding level.