

<b>Title of Report</b>	Competition and Markets Authority's (CMA) Objectives
<b>For Consideration By</b>	Pensions Committee
<b>Meeting Date</b>	19 January 2023
<b>Classification</b>	Public
<b><u>Ward(s) Affected</u></b>	All
<b><u>Group Director</u></b>	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

- 1.1. This report presents the Fund's third formal assessment against the objectives it set for its investment consultant under Remedy 7 of the Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order 2019.
- 1.2. The report sets out the requirements of the order, an analysis of actions over the last year in respect of the objectives set and recommends that the Committee approves submission of the required statement to the CMA confirming it has complied with the requirements of the Order.

2. **Recommendations**

2.1. **The Pensions Committee is recommended to:**

- Agree the objectives, as set out in Appendix 1, for the Fund's investment consultant during 2023
- Note the assessment of the performance against the objectives set as set out in the supplementary appendix
- Approve the submission of a compliance statement to the CMA

3. **Related Decisions**

- 3.1. Pensions Committee 20th January 2022 - CMA Order - Assessing Performance Against CMA Objectives for Investment Consultants

4. **Comments of the Group Director of Finance and Corporate Resources.**

- 4.1. The CMA Order is intended to help address competition issues within the

investment consultancy and fiduciary management markets. Although the Fund does not currently make use of a fiduciary manager, it does use an investment consultant to fulfil its obligation under the LGPS (Management and Investment of Funds) Regulations 2016 to obtain proper advice.

- 4.2. The Fund should benefit from the CMA Order either directly, through clarifying and strengthening the requirements for its investment consultant, and indirectly via improved competition within the investment consultancy market and lower possibly lower fees.
- 4.3. There are no immediate financial implications arising from this report

## 5. **Comments of the Director of Legal, Democratic and Electoral Services**

- 5.1. LGPS administering authorities must set strategic objectives for investment consultants according to the CMA Order published in June 2019. The Fund is required to confirm on an annual basis that it has complied with the requirements of the Order. The statutory deadline for the submission of the annual statement is 7th January, however, the Fund has sought an extension to this date to allow the Committee to consider the matter at its January meeting.
- 5.2. This report helps to demonstrate that the Fund has complied with its obligations.
- 5.3. The Pensions Committee's Terms of Reference state that one of the Committee's functions is 'To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and custodians and periodically to review those arrangements'. Given this role in appointing and reviewing the Fund's investment consultant, the setting of objectives for the consultant and subsequent monitoring against them would appear to properly fall within the Pensions Committee's remit.

## 6. **Background to the report**

- 6.1. In September 2017, the Financial Conduct Authority (FCA) requested that the Competition and Markets Authority (CMA) carry out a market investigation of the supply and acquisition of investment consultancy services and fiduciary management services to and by institutional investors and employers in the UK. 2. The CMA published its report (Investment Consultants Market Investigation Final Report) on the matter in December 2018.
- 6.2. In the report, the CMA found that both the investment consultancy and fiduciary markets had features that restricted or distorted competition and that the CMA ought to take action to remedy, mitigate or prevent these issues. A draft order was issued in early 2019 with the final order being

issued in June 2019. The Order placed new obligations on service providers and pension schemes with regard to fiduciary management and investment consultancy Services.

- 6.3. On 15th October 2019, the LGPS Scheme Advisory Board published an update on the CMA order stating that, following clarification from the DWP and MHCLG (now DLUHC), amendments to MHCLG's Investment Strategy Statement statutory guidance would eventually implement remedy 7 (obligation to set strategic objectives for Investment Consultants).
- 6.4. The requirements of remedy 7 are set out in Part 7 of the Order which came into force from 10th December 2019. These stated that unless LGPS authorities set strategic objectives for their investment consultants they must not *“enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider.”*
- 6.5. The Fund changed investment consultant from Hymans Robertson to Redington late in 2022. Officers of the Fund had worked with Hymans Robertson to update its objectives in late 2021; Hymans Robertson were assessed against these objectives during the year; the performance assessment will be provided as a supplementary appendix.
- 6.6. To ensure compliance with the CMA order, the Fund has since worked with Redington to review and update its strategic objectives. These are set out at Appendix 1 to this report for the Committee's review.
- 6.7. Members should note that officers have sought an extension from the CMA for the submission of the compliance statement. This allows for the consideration of new objectives and assessment of performance at the January Committee, which falls after the submission deadline of 7th January 2023.

## **Appendices**

Appendix 1 - CMA Investment Consultant Targets 2023.

## **Background documents**

None

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