

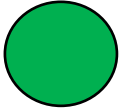
## **Investment Consultant Aims and Objectives 2023 – Annual Evaluation:**

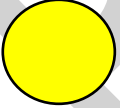
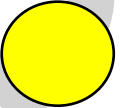
### **1. Background**

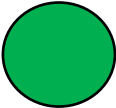
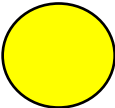
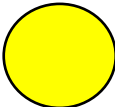
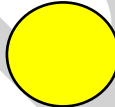

- 1.1 As per the requirements of the Competition and Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant.
- 1.2 After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing a number of recommendations to improve pension fund governance.
- 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.
- 1.4 The Fund had a set of aims and objectives for its previous investment consultant, however, following the retendering of the investment consultant contract, it was proposed that a new set of objectives be set for the new investment consultants, Redington.
- 1.5 The proposed aims and objectives as set out below cover the calendar year 2023 and had been agreed by the London Borough of Hackney Pensions Committee at its meeting on 19<sup>th</sup> January 2023.

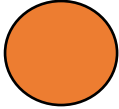
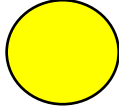
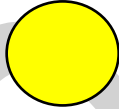
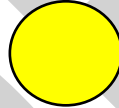
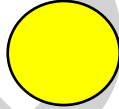
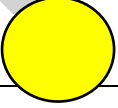
### **2. Performance Against Aims and Objectives**

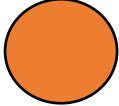
- 2.1 In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years or when there has been a material change in investment approach.
- 2.2 In the tables below are the agreed objectives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

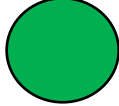
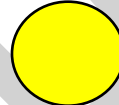
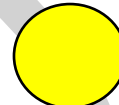
Performance Rating	Key
Excellent	
Good	
Satisfactory	
Unsatisfactory	
Not able to assess	N/A

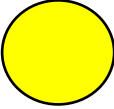
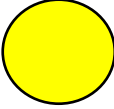
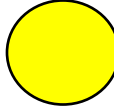
1. Assistance in achieving the Fund's objectives				
Reference	Objectives	Performance Rating	Expectations	Comments
a)	Any proposed change in investment strategy or investment managers has a clear rationale linked to the Fund's objectives with specific reference to improving the efficiency of the investment strategy.		Investment strategy to be reviewed following the 2022 actuarial valuation.	Investment strategy reviewed incorporating: <ul style="list-style-type: none"> <li>• Training for Committee</li> <li>• Objectives &amp; beliefs survey</li> <li>• Aligning strategy with objectives &amp; beliefs</li> <li>• Implementation considerations for improved portfolio</li> </ul> Rationale for proposed changes clearly captured and articulated throughout
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.		The actuarial valuation taken into consideration when agreeing the revised asset allocation. 2022 valuation currently underway to be finalised by March 2023.	Key metric for consideration in any strategy review is the funding, cashflow and long-term objectives – these were included and specifically addressed in the Pension Risk Management Framework


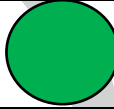

c)	The investment consultant has an appropriate framework in place to ensure the Fund is on track to achieve its objectives and highlight areas of focus if not.		The investment consultant provides the Fund with clear timelines, milestones and framing of objectives and provides the Fund accessible focused monitoring	As above, the Pension Risk Management Framework was discussed in detail with the Pensions Committee and provides a robust framework for decision making on strategic matters factoring in the beliefs and objectives of the Fund.
d)	The investment consultant remains cognisant of and has contributed to the Fund's cashflow management process ensuring that the Fund's benefit obligations are met in an efficient manner.		The Fund's cashflow management is run in-house, however the consultant may suggest appropriate income strategies or disinvestments to match any shortfall in cash.	Cashflow considerations and the need for increasing levels of income to be delivered by the investments have been taken into account in setting the Fund's investment strategy. Namely the consideration of Multi-Asset Credit to produce distributable income.
e)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability analysis, when required		Investment strategy to be reviewed following the outcome of 2022 actuarial valuation.	A full strategic asset allocation review has been undertaken and agreed by the Pensions Committee. This included detailed quantitative analysis and the evaluation of new investment solutions (e.g. LCIV MAC product).
f)	The investment consultant has complied with prevailing legislation, as well as the constraints imposed by the relevant Fund documentation (e.g. Investment Strategy Statement and responsible investment policy).		The investment consultant and the Pension Fund have a contract in place.	The Contract is in place following a call off from the Investment Consultancy LGPS Framework with an order form having been agreed and signed.
g)	Environmental, Social and Governance (ESG) Objectives – The investment consultant has provided advice and guidance in relation to the integration of ESG objectives		Interim climate targets to be agreed along with updated climate strategy. Broader review of ESG policy and stewardship.	Climate training alongside the setting of interim net zero targets have been agreed and the investment strategy reflects the Fund's ambitions to be at the forefront of this area. Broader responsible investment and stewardship considerations have been taken into account with a workplan for future stewardship work currently under discussion.

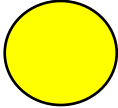
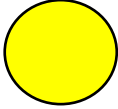
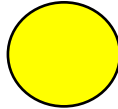
2. Governance and Costs				
Reference	Objectives	Performance Rating	Expectations	Comments
a)	Assist the Committee in ensuring the Fund benefits from competitive investment manager fees, through negotiation and periodic benchmarking of fees.		Investment consultant to benchmark manager fees against market standard as part of manager selection and ongoing manager monitoring.	Not a specific focus this year. Albeit, as below, consideration of fees was incorporated within the evaluation of new investment managers.
b)	Cost implications, both in terms of investment management expenses and implementation costs, are considered as part of investment strategy advice.		Investment strategy to be reviewed following the 2022 actuarial valuation.	Cost considerations are taken into account when considering existing mandates and within the evaluation of new investment managers.
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.		Investment consultant to assist with implementation as appropriate and provide information on benchmarking of costs and assistance with fee negotiations	Redington have provided advice on the optimum implementation options for strategy changes.
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 and overall complexity to be taken into consideration during any manager shortlisting and selection process.	Redington have demonstrated an understanding of the governance arrangements at the Fund. Manager fee considerations have been taken into account in discussion 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 is expected to have the required due diligence processes in place to ensure regulatory and compliance requirements are met.	Regulatory requirements have been taken into account on all advice provided and due diligence incorporated into discussions.
f)	The investment consultant has taken into account the products available on the		The consultant is expected to include the asset pool products within any manager shortlisting and selection process.	Consideration on every investment takes into account the opportunity set provided by the pool at that point in time and any forthcoming

	pool, reflecting the expected economies of scale.			options, in order to identify the optimum solution for the Fund.
g)	The investment consultant has reviewed and made recommendations on investment governance which support broader governance requirements of the Fund.		The consultant is expected to consider the most appropriate investment governance arrangements for the Fund	Consideration has been given within advice to the investment governance arrangements for the fund but has not yet undertaken an investment governance review

<b>3. Proactivity/Keeping informed</b>				
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Expectations</b>	<b>Comments</b>
a)	Advise the Committee on appropriate new investment opportunities.		The consultant to provide training to the Committee on any relevant new asset classes.	Training sessions have been provided on broad asset classes as well as investment strategy, climate change and nature-based solutions. Redington recommended rebalancing the portfolio and transferring assets from equity to short duration bonds in order to benefit from the attractive current yields available.
b)	The investment consultant has kept the Committee up to date with relevant investment regulatory developments and additional compliance requirements.		Investment consultant will keep the Committee updated on all investment-related regulatory changes or any changes to the broader regulatory framework that could impact on future investment related regulations.	Quarterly report with market update is delivered alongside the performance report at every meeting. Redington have also provided support on the recent LGPS consultation which encapsulated a wide range of potential regulatory changes including pooling, levelling up and private equity.
c)	The investment consultant should be generally available for consultation on fund investment matters.		The consultant is expected to advise on all investment matters as required by the Pension Fund Officers and Committee.	Redington have physically attended all Committee meetings and been on hand to advise on all investment related matters. Redington also work closely with the in-house team, to support them where required.

4. Monitoring				
Reference	Objectives	Performance Rating	Expectations	Comments
a)	The investment consultant provides insightful monitoring focused on the reasoning behind performance.		The investment consultant is expected to produce a quarterly report, providing narrative on market and fund manager performance.	Quarterly reports on performance have been provided with a focus in the meeting on areas of importance and tied in with the broader market commentary to aid the Committee's understanding of how external factors might also influence performance.
b)	The Committee has been kept abreast of investment market developments and their implications for the Fund's investment strategy.		The consultant is expected to meet with Committee members quarterly and advise of market developments.	A quarterly update is provided alongside the performance report with relevant market commentary, which generally receives positive feedback from Councillors.
c)	Monitoring is integrated with funding and risk.		Overall risk and evolution of the funding level are expected to be monitored on an ongoing basis and feed into strategic decision making.	Risk management was one of the key metrics to be incorporated within the SAA review and is being monitored on an ongoing basis.

5. Delivery				
Reference	Objectives	Performance Rating	Expectations	Comments
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		As the contract had just been awarded, the working relationship between the investment consultant and Officers/Committee members is being developed.	Redington have been working with the Committee for nearly 18 months and have developed good working relationships with both Officers and Committee Members.
b)	Reports and educational material are pitched at the right level, given the Committee's understanding.		Reports and training matters are expected to be clear, easily understandable, and concise to meet the needs of the Committee.	We have provided a number of training sessions to the Committee on a wide variety of topics and get good levels of engagements and positive feedback
c)	Meeting papers are provided in a timely fashion, with all required detail and accuracy.		Papers are expected to be received by the Pension Fund Officers 10 or more days in advance of the Committee meetings to allow scrutiny and any revisions to be made.	The performance reporting has at times been impacted by delays to receiving external data, but wider deadlines have all been met.

d)	The investment consultant works within agreed budgets and is transparent with regard to advisory costs.		The consultant is expected to send regular invoices with an itemised breakdown. Costs of specific work should be agreed in advance.	Quarterly invoicing is provided to Officers with a transparent breakdown of what is covered. Any actions outside of the standard scope are explicitly discussed and agreed in advance.
e)	The investment consultant works collaboratively with the Fund actuary and other advisors or third parties.		The consultant is expected to work with the custodian/fund managers to calculate the quarterly fund performance and liaise with the actuary on the funding level.	Redington has worked with other third-party providers to ensure there is a co-ordinated approach for the Fund
f)	The investment consultant provides appropriate assistance with Fund documents such as the Investment Strategy Statement and annual report and accounts where required.		The consultant is expected to provide information and data as required for regular Fund documents.	Information has been made available as required, to support the Fund's Annual Report & Accounts, performance information to the third-party provider and custodian and support on the Investment Strategy Statement

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