

<b>Title of Report</b>	Competition and Markets Authority's (CMA) Objectives
<b>For Consideration By</b>	Pensions Committee
<b>Meeting Date</b>	7 February 2024
<b>Classification</b>	Public
<b><u>Ward(s) Affected</u></b>	All
<b><u>Group Director</u></b>	Jackie Moylan, Interim Group Director of Finance

## 1. **Introduction**

- 1.1. The Fund is required by the Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order 2019 to set strategic objectives for its investment consultancy provider. The Order also requires regular performance reporting that measures performance against these strategic objectives.
- 1.2. The report presents an assessment of Redington's performance against the Fund's aims and objectives for 2023 and sets out updated objectives for 2024.

## 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 2024**
  - **Note the assessment of the performance against objectives for 2023 as set out in Appendix 2.**

## 3. **Related Decisions**

- 3.1. Pensions Committee 19 January 2023 - CMA Order - Competition and Markets Authority's (CMA) Objectives

## 4. **Comments of the Interim Group Director of Finance**

- 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 Acting 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. There is an expectation that performance against these objectives will be regularly reported. This report helps to demonstrate that the Fund has complied with its obligations in respect of the CMA Order.
- 5.2. 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. The only requirement in the Order which requires implementation in the LGPS is the requirement to set strategic objectives for investment

consultancy they receive outside the LGPS pool companies. The Order prohibits funds from receiving any investment consultancy services unless they have set strategic objectives for their investment consultancy provider. These strategic objectives should closely relate to the fund's investment strategy and be reviewed at least every 3 years or whenever the investment strategy changes significantly. Further, there is an expectation of regular performance reporting by the investment consultancy provider that measures performance against these strategic objectives.

6.4. As part of the response to its 2023 consultation exercise, "Local Government Pension Scheme (England and Wales): Next steps on investments", the Department for Levelling Up Housing and Communities (DLUHC) confirmed that it would amend The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and statutory guidance to implement the Order's requirements for the provision of investment consultancy services for the LGPS.

6.5. It is expected that updated guidance will include the following requirements:

- Where the administering authority uses investment consultancy services in relation to its Investment Strategy Statement or for other matters, it must set strategic objectives for the investment consultancy provider, unless the provider is exempt (such as the LGPS pools);
- Administering authorities must not enter investment consultancy services contracts or continue to receive such services from any provider unless the authority has set strategic objectives for that provider
- Administering authorities must review strategic objectives at least every 3 years or every time the ISS changes substantially
- Strategic objectives must have regard to guidance on setting objectives for providers of investment consultancy services issued by the Pension Regulator in November 2019.

6.6. This report helps to demonstrate that the Fund is complying with the requirements of the CMA Order as they apply to LGPS funds and is prepared for the LGPS (Management and Investment of Funds) Regulations 2016 to be amended to reflect these requirements.

6.7. To ensure compliance, the Fund has since worked with Redington to review performance against the strategic objectives set for 2023 and update these objectives for 2024. The objected objectives are presented at Appendix 1, with the review of performance against the 2023 objectives at Appendix 2.

## **Appendices**

Appendix 1 - CMA Investment Consultant Aims and Objectives 2024.

Appendix 2 - Review of performance against objectives 2023.

## **Background documents**

None

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