

Setting objectives for best practice investment governance

Background

This note is addressed to the Officers and Pension Committee (the “Committee”) of Isle of Wight Council as Administering Authority for the Isle of Wight Pension Fund (“the Fund”).

In December 2018, the Competition and Markets Authority (“CMA”) published its report following a review of the investment consulting and fiduciary management markets.

The CMA has set out their final Order, including a requirement for pension scheme trustees to set objectives for their investment consultants.

We are supportive of the new requirements, and believe that setting objectives linked to the Committee’s longer term objectives for the Fund, represents best practice in terms of overall pension scheme governance.

We are awaiting further details from the Ministry for Housing, Communities and Local Government (“MHCLG”) on how the CMA’s requirements will be translated into LGPS regulations.

The CMA requirements stipulate that trustees should set objectives for their investment consultants prior to appointment, or by 10 December 2019.

The purpose of this note is to propose some potential objectives for you to set us in our capacity as investment consultants to the Fund. We have prepared a separate guide setting out the requirements and considerations for setting objectives in more detail.

Basis of proposed wording

We have considered what your requirements are likely to be in order to deliver on the Fund’s long term objectives and we have used these as the basis for the proposed objectives against which to assess Hymans Robertson.

Next steps

- Consider the proposed objectives to set us in our capacity as investment consultants and share any comments and feedback on these;
- Establish a final set of objectives by no later than 10 December 2019.

In the following section we have considered your long term vision and strategic objectives, and set out objectives against which you may wish to assess Hymans Robertson for discussion.

In addition to the above, we have included some objectives relating to our overall service delivery.

We look forward to discussing the content of this paper with you at your forthcoming meeting.

Prepared by:-

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For and on behalf of Hymans Robertson LLP

Your requirements	Our objectives
<p>Ensure members' benefits are met as they fall due</p> <p>The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.</p>	<p>Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund's investments to support progress towards a long term steady state of funding</p> <p>Advise on changes to investment strategies where relevant, with the aim of managing risk relative to long-term funding objectives or capturing opportunities</p> <p>Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment</p>
<p>Support a long term funding approach that is consistent with a stable and affordable contribution approach from the employers</p>	<p>Advise on the cost efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the ACCESS pool.</p>
<p>Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance</p> <p>Ensure cost efficient implementation of the Fund's investment strategy</p>	<p>Ensure our advice complies with relevant pensions regulations, legislation and supporting guidance.</p> <p>Develop the Committee's policies and beliefs, including those in relation to Responsible Investment.</p> <p>Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment considerations</p>
<p>Ensure the Fund's approach reflects relevant regulatory and legislative requirements</p> <p>Develop the Committee's Responsible Investment policy and ensure this is reflected in ongoing governance and decision making processes</p>	<p>Provide relevant and timely advice</p> <p>Develop knowledge and understanding of investment matters</p> <p>Our services to support your ongoing governance shall be proportionate and competitive in terms of costs relative to our peer group</p>
<p>Ensure the Fund's investment objectives are supported by an effective governance framework</p>	