

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 31 March 2022

Subject: Review of CMA Strategic Objectives for Investment Consultant – Aon

Cabinet Member: Cllr Maguire

Executive Director: Fay Hammond

Key Decision: []

Purpose of Report

1. The report sets out the requirements of the order, an analysis of actions over the last year in respect of the objectives 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.

Proposal(s)

2. Pension Policy and Investments Committee are recommended to
 - a) To note the submission of the statement at Appendix 1 to the CMA in line with requirements;
 - b) Note and comments on the strategic objectives approved March 2021, attached as Appendix 2; and
 - c) Note and comments on Aon's Investment Consultant response in assessing their performance against the objectives set and approved March 2021 as set out in Appendix 3.

Reason for Proposal(s)

3. For effective and efficient management of the Fund.
4. There is a requirement for the Committee to be kept up to date with current issues and legislative developments to support and effect the effective discharging of their role.
5. **Relevance to the Council's Corporate Plan**
6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.
8. Sustain Strong and healthy Communities.

Background

9. 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. The CMA published its report (Investment Consultants Market Investigation Final Report) on the matter in December 2018.
10. 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.
11. 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, amendments to MHCLG's Investment Strategy Statement statutory guidance would eventually implement remedy 7 (obligation to set strategic objectives for Investment Consultants).
12. 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."
13. LGPS authorities will be obliged to implement strategic objectives once the revised statutory guidance is in force. This is still awaited but the Scheme Advisory Board recommends that funds should be aware that they may be subject to challenge under Part 7 of the Order from 10th December 2019.
14. The Committee approved Strategic Objectives for the Fund Investment Consultant at its March 2021 meeting. The fund is required to certify that it has complied with the order on an annual basis by submitting a compliance statement to the CMA. Such statement submitted by officers in January 2022 is attached as Appendix 1 for the noting of this Committee.
15. The report also includes an assessment of the performance of the investment consultants, Aon, against the objectives set. Officers have reviewed this evidence and are content that it properly reflects the work undertaken. This assessment is included at Appendix 3 for the Committee's consideration and comment.

Safeguarding Implications

16. None.

Public Health Implications

17. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

18. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

19. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

20. It is important to keep abreast on current issues to facilitate the rigorous and robust management of the Pension Fund for a better, quicker and more effective decision-making process which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

21. Not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

22. 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.
23. 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.
24. This report sets out an analysis of the work undertaken by the Investment Consultants over the last year in relation to the objectives set for them in November 2019.

25. There are no immediate financial implications arising from this report

Legal Implications

26. LGPS administering authorities must set strategic objectives for investment consultants according to the CMA Order published in June 2019. The Committee agreed an interim set of objectives in November 2019 and approved a final set of objectives in March 2021. There is a requirement 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.
27. The Pension Policy and Investment 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 Pension Policy and Investment Committee's remit.

Workforce Implications

28. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Options Considered

29. No alternative options considered.

Conclusion

30. The Pension Policy and investments Committee is recommended to approve the strategic objectives set for Aon as investment consultants for the Fund and note the updates provided in the report.

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Date of report 14th March 2022

Appendices

Appendix 1 - Strategic Objectives Investment Consultant
Appendix 2 - Compliance Statement Submission
Appendix 3 – Assessment of Performance against objectives

Background Papers

None