

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	6 December 2019	AGENDA ITEM NUMBER
TITLE:	CMA Order – Setting Strategic Objectives for Advisors	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Exempt Appendix 1 – Setting Strategic Objectives for Mercer		

1 THE ISSUE

- 1.1 An outcome of the CMA's (Competition and Market's Authority) investigation into the fiduciary management and consultancy market is that pension funds, including the LGPS, need to set their investment advisors 'strategic objectives' against which the advisor's performance can be measured. The motivation is to help clients assess their advisors as the investigation concluded that, despite clients generally being well served, they found it difficult to assess their advisors.
- 1.2 The CMA has set a deadline of **10 December 2019** for pension funds to set their investment advisors these strategic objectives and if they are not in place by that date, pension funds could be open to being fined if they accept investment advice.

2 RECOMMENDATION

- 2.1 **The Committee approves the Letter to Mercer setting out the Strategic Objectives**

3 FINANCIAL IMPLICATIONS

- 3.1 Failure to comply with the Order may result in a fine from the CMA.

4 THE INVESTMENT CONSULTANCY AND FIDUCIARY MANAGEMENT MARKET INVESTIGATION ORDER 2019 ('the Order')

- 4.1 The CMA has published the Order which places new obligations on pension schemes in relation to Fiduciary Management (not relevant to the LGPS) and Investment Consultancy (IC) services (within scope for LGPS).
- 4.2 The Order defines IC services as advice that an LGPS scheme manager is required by law to take (i.e. proper advice under regulation 7(1) of the Investment regulations 2016), advice on which investments are to be made, advice on investment strategy and advice on manager selection.
- 4.3 Advice from the administering authority or commentary from the scheme actuary in the valuation report with regard to the link between the investment and funding objectives is not included in IC services.

4.4 The Fund will have to consider how they will monitor Mercer against the objectives in the future, but before the compliance deadline (see 4.5(b)).

4.5 LGPS scheme managers are required to

- a) Set out their strategic objectives for their Investment Advisors by 10 December 2019
- b) Submit a statement of compliance with their obligations under the Order by end of December annually (starting from December 2020).

4.6 The CMA Strategic Objectives for Mercer is set out in Exempt Appendix 1. The Committee are asked to approve this letter. The letter can be revised as required. The compliance statement will be considered by the Committee annually before submitting to the CMA.

5 RISK MANAGEMENT

5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

6 CLIMATE CHANGE

6.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 CONSULTATION

8.1 The Council's Monitoring Officer and Section 151 Officer has had the opportunity to input to this report and have cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	