

ITEM No ...9.....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD – 9 DECEMBER 2019

REPORT ON: ANNUAL ASSESSMENT OF INVESTMENT ADVISORY SERVICES

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 416-2019

1 PURPOSE OF REPORT

To provide information on the future requirement issue by the Competition and Markets Authority to set objectives for investment advisors.

2 RECOMMENDATION

The Committee is asked to note the contents of this report.

3 FINANCIAL IMPLICATIONS

None.

4 BACKGROUND

With effect from 10th December 2019, Tayside Pension Fund will be required to set strategic objectives for providers of investment consultancy services, as defined in part 2 of “The Investment Consultancy and Fiduciary Management Market Investigation Order 2019”, issued by the Competition and Markets Authority (“CMA”).

5 PURPOSE

Critical to effective governance, issuing clear objectives to investment consultants enables clear assessment of their performance in relation to value for money and the quality of service provided.

6 ASSESSMENT

The CMA and Pensions Regulator have set out recommendations and guidance. These are incorporated into the template provided for assessment by KPMG (Tayside Pension Fund’s incumbent investment advisors) which is attached at appendix A. The fund’s officer’s will undertake the review of their annual performance to 31 December 2019, and present outcome to the Sub-Committee meeting in March 2020.

8 POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

9 CONSULTATION

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

10 BACKGROUND PAPERS

None

Tayside Pension Fund
Scoresheet

Item	Description	Last 12 months			Since inception (9 November 2018)		
		Score (max 5)	Weight		Score (max 5)	Weight	
Value add	Helped set a strategy based on your goals/objectives		15.0%	45.0%		15.0%	60.0%
	Performance and risk versus strategic objective		10.0%			15.0%	
	Ideas implemented have track record of adding value		10.0%			15.0%	
	Fund manager performance		5.0%			10.0%	
	Fund manager fees		2.5%			2.5%	
	Transactions well managed		2.5%			2.5%	
Proactivity	Relevant ideas proactively identified		15.0%	15.0%		15.0%	15.0%
Service Levels / Relationship	Deadlines met		5.0%	30.0%		2.5%	20.0%
	Reporting / communication clear and understandable		5.0%			5.0%	
	Strong positive working relationship		15.0%			10.0%	
	Fees in line with budgets		5.0%			2.5%	
Compliance	Compliance requirements met		10.0%	10.0%		5.0%	5.0%
WEIGHTED SCORE (/5)							

DB Section – Approach to Measurement

Item	Description	Example Analysis / Source Data
Value add	Helped set a strategy based on your goals and objectives	<ul style="list-style-type: none"> Is an effective long-term Journey Plan in place? Qualitatively assess how well KPMG understand your objectives
	Performance and risk versus strategic objective	<ul style="list-style-type: none"> Return achieved vs. required return (1 year / 3 year / Inception) Volatility of funding level vs. quoted Value at Risk
	Ideas implemented have track record of adding value	<ul style="list-style-type: none"> Performance of idea vs. if no change had been made
	Fund manager performance	<ul style="list-style-type: none"> Performance of managers vs. expected return and their stated objective
	Fund manager fees	<ul style="list-style-type: none"> Assess client fees vs. industry fees
	Transactions well managed	<ul style="list-style-type: none"> Log of post transition reports/emails (actual cost vs. expected cost)
Proactivity	Relevant ideas proactively identified	<ul style="list-style-type: none"> Date of raising Implemented (note of why not) Feedback from DB Governance Chair / Council
Service Levels / Relationship	Deadlines met	<ul style="list-style-type: none"> Papers issued in advance of the meeting date Timely response to queries raised
	Reporting / communication clear and understandable	<ul style="list-style-type: none"> Feedback from the Council (written material / performance at meetings)
	Strong positive working relationship	<ul style="list-style-type: none"> Feedback from the Chair / Council Feedback from Pensions Manager Feedback from other advisors
	Fees in line with budgets	<ul style="list-style-type: none"> Confirmation of agreed budget(s) Fees charged vs. budgets agreed
Compliance	Compliance requirements met	<ul style="list-style-type: none"> Log of SIP / S36 Advice / Conflict Management / Statutory Deadlines