

Pension Fund Investment Sub-Committee

14 September 2015

Additional Independent Adviser

Recommendations

- (1) That the Pension Fund Investment Sub-Committee approve the appointment of a second independent adviser to work alongside the existing adviser, consultants, and officers.**
- (2) If recommendation (1) is approved that the sub-committee decide whether to appoint the adviser at a special sub-committee meeting, or delegate the selection process to officers.**

1 Introduction

- 1.1 The Fund currently has one independent adviser and an investment consultant that work alongside officers and the sub-committee to deliver the Fund's investment strategy. This report asks sub-committee members to consider the appointment of an additional adviser to add to the existing structure.

2. Independent Adviser

- 2.1 The existing independent adviser role is primarily the attendance at quarterly sub-committee meetings with minimal contact between. Whilst this process is valued and will continue, officers now believe that the support to members would be improved by a second advisor to offer continuous "hands on" support to both officers and members.
- 2.2 In recent years the fund has diversified its asset allocation. This has led to a greater number of fund managers and a more complex asset attribution. Officers believe that an additional independent advisor has the potential to be beneficial to the fund as the increased capacity would lead to a more thorough relationship with fund managers.
- 2.3 There are growing complexities with performance reporting particularly around benchmarks. An experienced investment professional will be able to advise officers on adapt and customise where necessary.
- 2.4 The fund must demonstrate independence in its dealings and decision making. Whilst the fund investment consultant provides an invaluable

service, the governance arrangements of the fund would be improved if more strategic level work was initiated independently.

- 2.5 There is increasing pressure for LGPS funds to justify their use of active investments. A second independent adviser attending quarterly sub-committee meetings will ensure a high degree of scrutiny both in terms of the interpretation of performance reports and questions asked at manager presentations.

3. The Role

- 3.1 We would expect, as a minimum, the following tasks to be assigned to this role:

- Advise officers and sub-committee on Statement of Investment Principles/asset allocation.
- Work with officers to identify future opportunities.
- Assess manager performance and advise officers around the appropriate use of benchmarks.
- Provision of commentary on manager performance to officers.
- Completion of a quarterly investment report to officers for use in the compiling of the quarterly performance report to the sub-committee
- Work with fund officers to compile all other investment reports for quarterly meetings.
- Attendance at quarterly investment sub-committee meetings.
- Provision of a separate article for the fund annual report and full review of whole report.

- 3.2 As the fund evolves there would be potential for the adviser to take on additional work:

- Co-author Funding Strategy Statement alongside investment consultant and fund actuary.
- Provision of training and materials for members/officers.
- Manager selection exercises, scoring/interviews etc.
- High level one off projects.

4. Next Steps

- 4.1 Officers expect to pay around £20,000 per annum for an experienced adviser, subject to Sub-Committee approval the role would be advertised on the funds website with shortlisting and interviews to follow.

Background Papers

None

	Name	Contact Information
Report Author	Mathew Dawson, Treasury and Pension Fund Manager	01926 412227 mathewdawson@warwickshire.gov.uk
Head of Service	John Betts, Head of Finance	01926 412441 johnbetts@warwickshire.gov.uk
Strategic Director	David Carter, Strategic Director, Resources Group	01926 412564 davidcarter@warwickshire.gov.uk