



# Investment Consultant Objectives

## Aon's comments

This paper provides the agreed objectives and some commentary, where appropriate, on the actions completed by Aon to meet these objectives over 2022.

### Background

On 10 June 2019, the Competition & Markets Authority ("CMA") introduced new duties for 'Pension Scheme Trustees' (whose definition now includes Local Government Pension Scheme (LGPS) Committees) via an Order which took effect from 10 December 2019. One of the newly introduced duties was for Committees to set objectives for their Investment Consultant ("IC").

In November 2019 the Committee agreed a set of objectives against which they would assess Aon for the year to 10 December 2020.

The regulatory requirement was to have these IC Objectives in place, which has been met. However, we also believe it is best practice to periodically review the objectives themselves to ensure they reflect the Committee's beliefs, and also assess Aon's performance against them.

This document provides a reminder of the agreed objectives in place, in addition to commentary, where appropriate, on actions completed by Aon to meet these objectives for the one-year period to 10 December 2022.

The Committee should also consider whether the objectives remain appropriate for Aon for the 2022/23 annual period or whether changes are needed to better assess Aon's performance.

### Why bring you this note?

To aid Committee's assessment of Aon's performance against the agreed Investment Consultant objectives and to determine whether the objectives remain appropriate for the next period.

### Next steps

- Review Aon's commentary
- Determine whether any changes are required for the objectives

Prepared for: The Pension Policy & Investment Committee ("the Committee")

Prepared by: Aon

Date: 23 February 2023

## 1. Strategy

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A	The IC, Aon, will help the Committee formulate and understand their collective investment beliefs.
B	The IC will support the Committee in determining the composition of the strategic asset allocation and will help the Committee build a suitably diversified portfolio to meet its investment objectives.
C	The IC will support the Committee with respect Responsible Investment (RI) and Stewardship matters.

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### Aon actions and comments

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- Discussed the Committee's Responsible Investment beliefs and engagement framework for implementing a Net Zero target at the October 2022 Responsible Investment workshop.
  - Proposed a Net Zero engagement framework which included sending a Responsible Investment questionnaire to the Fund's managers and collating responses to enable the Committee to set achievable short-term and specific targets.
  - Drafted a Responsible Investment beliefs document to formally document the Committee's beliefs.
  - The Committee and Officers are provided with a quarterly Investment Dashboard which outlines the performance of the Fund on a quarterly and annual basis, with long-term performance periods included in the more detailed quarterly Investment Report provided to the Officers.
  - Strategy review scheduled in early 2023 to review the Fund's investment portfolio.
  - Presented ESG dashboard to the Committee, which provided detailed ESG information on holdings (including comparison on carbon emissions and Aon's ESG ratings). Access to the Committee provided to the data through portal login.
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## 2. Implementation and LGPS Pooling

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A	The IC will work alongside Members, Officers and the London CIV to develop / provide suitable investment solutions for the Fund.
b	The IC will assist the Members and Officers with understanding the offerings provided by the London CIV.
c	Where required, the IC will support the Officers with any asset transitions and help to effectively plan for, and mitigate, the key risks associated with transitioning assets (e.g. out of market risk).

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### Aon actions and comments

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- Worked closely with Officers to ensure the Committee are regularly informed of key developments and updated offerings on the London CIV platform.
  - Provided detailed performance analysis and recommendations in relation to Longview, the equity manager invested through the London CIV's Equity Focus Fund, after a protracted period of poor performance.
  - Provided advice and next steps on redemption of LaSalle property fund.
  - Provided advice on rebalancing of the Fund's portfolio to strategic allocation, considering Aon's views and timing of transitions.
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### 3. Monitoring

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- a The IC will keep the Members and Officers updated, on a timely basis, of any material developments with any of the Fund's investment managers held outside the London CIV.
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- b The IC will provide sufficient, clear and accurate monitoring of the Fund's asset allocation vs. strategic target and provide advice on rebalancing where appropriate.
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#### Aon actions and comments

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- The Committee and Officers are provided with a Quarterly Investment Dashboard which outlines the performance of the Fund on a quarterly and annual basis, alongside key market metrics such as yields. The Officers also receive a longer report on a quarterly basis with manager performance commentary.
  - The Fund's relative asset allocation (vs strategic benchmarks) is provided and discussed on a quarterly basis.
  - Produced Economic and Market Updates at Committee meetings that provide an overview of key market developments and Aon's latest investment outlook views.
  - Updates and advice on developments to any of the Fund's investment managers are communicated to the Officers and Committee through quarterly monitoring reports and 'Flash' reports. This includes updates on any managers also held through the London CIV.
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### 4. Compliance

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- a The IC will provide advice on the appropriate changes to the Fund's Investment Strategy Statement following any changes to Investment Strategy (or at least once every three years).
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- b The IC will keep the Members and Officers informed of any changes to relevant legislation and meet the Committee's investment training requirements. This should include any best practice initiatives.
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#### Aon actions and comments

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- Relevant regulatory updates provided at Committee meetings.
  - Discussed relevant regulation at the Responsible Investment workshop in October 2022 and how it can help the Fund in its net zero ambition.
  - Advice to be provided on update to Investment Strategy Statement following 2023 Investment strategy review.
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## 5. Client servicing and relationship management

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- a The IC will produce investment reports, briefing papers and investment advice in good time ahead of Committee meetings.
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- b The IC will respond to email requests and voicemails on a timely basis.
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- c The IC will provide advice in a clear and concise manner, limiting the use of jargon and ensuring that the Members and Officers understand the key messages.
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### Aon actions and comments

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- Market updates are provided at quarterly meetings along with relevant thought pieces from Aon's asset allocation team on market developments.
  - Regular communications with Officers both ahead of and post every Committee meeting to ensure alignment on agenda items, papers and meeting feedback.
  - Clearly communicated changes to Aon's client service team in advance of any departure date and implemented an overlapping working period between those departing (Joseph Peach) and those incoming (Max Meikle), to ensure no lapses in client knowledge and quality of delivery of client work.
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Colin Cartwright

Partner

0207 086 9044

Colin.cartwright@aon.com

Max Meikle

Investment Consultant

0207 086 1042

Max.meikle.2@aon.com

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