

REPORT FOR: Pension Fund Committee

Date of Meeting:	23 September 2014
Subject:	Appointment of Independent Advisers: Professional Indemnity Insurance
Responsible Officer:	Simon George, Director of Finance and Assurance
Exempt:	No
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

Summary

The Committee is requested to consider the issues surrounding their previous decision to require their independent advisers to obtain Professional Indemnity Insurance and to agree that this should no longer be a requirement.

Recommendation

The Committee is recommended to agree that it should not be a requirement of their appointment that the two newly appointed independent advisers take out Professional Indemnity Insurance.

Section 2 – Report

1. At their meeting on 29 July 2014 the Committee agreed to the appointment of Mr Colin Robertson and Mr Richard Romain as independent advisers to the Committee.

2. At their meeting on 25 November 2013 the Committee were advised as follows:

“For roles of this kind pension funds often request that applicants are in possession of Professional Indemnity Insurance (PII) cover. However, it may be that potentially suitable candidates do not currently maintain such cover and may be discouraged from applying for the position. It is therefore recommended that, on appointment, the successful candidate be asked to obtain PII at an appropriate level for which the Fund will reimburse the costs.”

3. Since their appointment, the two advisers have both attempted to obtain this insurance as have officers on their behalf.

4. Officers have approached several firms known to be active in the market at least one of which describes itself primarily as “Specialists in Professional Indemnity Insurance.”

5. No credible offers of cover have been received and the conclusion has been reached that it is not obtainable in the commercial market. Circumstantial confirmation of this has been received from the Director of one major participant in the market as follows:

“I have spoken to two IFA professional indemnity insurance providers, [company A and company B]. These are the only two insurers available to us in what is a very limited market space for independent advisors. Due to the fact that the pension fund is likely to be of considerable size, combined with the nature of your proposed duties, both these insurers feel unable to offer terms”.

6. As included in the role description agreed by the Committee the responsibilities of the adviser are:

- To analyse and comment on developments in the UK and World economies and financial markets and their implications for the Fund
- To provide the Committee with an unbiased and independent perspective on investment issues across the Fund’s broad range of asset classes and other asset classes in which the Fund is not invested.
- To provide a perspective on the Fund’s strategic asset allocation and the performance of its assets and liabilities
- To review and comment on the quarterly performance reports of the Fund’s investment managers and to support the Committee in understanding related issues.

- To provide support in the selection / appointment of investment mandates
 - To provide and present written reports on the above and related issues as required.
 - To support training initiatives as required.
 - To attend all meetings of the Committee which will be expected to meet for about three hours in the evenings on approximately five occasions each year
 - To attend up to ten ad hoc meetings per year which occasionally cover a whole day but, more usually, last for a few hours.
7. Aon Hewitt are contracted to the Council to provide investment advisory services and the role of the independent advisers, as described above, is to provide an independent perspective and to use their expert knowledge to inform the debate on the issues in front of the Committee. The independent advisers are not appointed to provide investment advice. All investment decisions are taken by the Committee on the advice of officers and Aon Hewitt. Clearly, no independent adviser can be held responsible for this advice and the subsequent decisions taken. Therefore there is no need for the independent advisers to have PII cover.
8. Officers have taken informal soundings from other administering authorities and people knowledgeable in the field and are aware that, for the types of reasons given above, a significant number of independent advisers to Local Government Pension Scheme funds are not required to take out Professional Indemnity Insurance.
9. In conclusion the Committee is recommended to agree that it should not be a requirement of their appointment that the two newly appointed independent advisers take out Professional Indemnity Insurance.

Financial Implications

10. There are no financial implications arising from this report.

Risk Management Implications

11. Risk included on Directorate risk register? No
12. Separate risk register in place? No but risks are considered in all investment decisions.

Equalities implications

13. Was an Equality Impact Assessment carried out? No
14. There are no proposals in this report which directly affect Council service users or staff. .

Council Priorities

- Investment performance directly affects the financial health of the Pension Fund which, through the level of employer contribution affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name Simon George	<input checked="" type="checkbox"/>	Director of Finance and Assurance
Date: 19 September 2014		
Name: Caroline Eccles	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 22 September 2014		

Ward Councillors notified: NO

Section 4 - Contact Details and Background Papers

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450