

Appendix 1

CMA Order – Investment Consultant

Summary

This note sets out the internal process conducted in assessing the Wiltshire Pension Fund Investment Consultant against set objectives.

Background

1. In 2018, the Competition and Markets Authority, CMA, published its report “Investment Consultants Market Investigation Final Report” (the report).
2. In the report, the CMA decided (among other matters) that certain features of the investment consultancy market, individually and in any combination, restrict or distort competition in connection with the supply and acquisition of investment consultancy services in the UK to and by pension scheme trustees and thereby have an adverse effect on competition (AEC) in respect of investment consultancy services.
3. The CMA indicated in the report that it intended that the CMA would implement some of the remedies by an Order. This order came into force as the [“Investment Consultancy and Fiduciary Management Market Investigation Order 2019.”](#)
4. The part that impacts the LGPS is Part 7, which means that funds cannot enter into a contract to receive, or continue to receive, consultancy services unless they have set strategic objectives for their investment consultancy provider. A [Statement of compliance](#) confirming that this has been carried out was sent to the CMA by the deadline of 7 January 2022.
5. Draft DWP regulations (delayed significantly in their implementation due to Covid-19) went further by including a requirement that funds must, at least every 12 months, review the performance of their investment consultancy against these objectives.
6. However, as the final regulations have not been issued, and may not include this requirement, it should be noted that this exercise has been conducted as good practice, rather than for compliance purposes.

Introduction

7. The [Investment Consultant - Strategic Objectives](#) for Wiltshire Pension Fund were set in November 2019.
8. The objective headings were as follows:
 1. Alignment of services with Overall Objective
 2. Investment strategy objective
 3. Investment manager selection objective
 4. Implementation objective
 5. Investment Strategy Statement
 6. Monitoring objective

Process

9. The Investment Consultant's performance against these objectives was reviewed by the Accounting and Investment Officers and Head of Wiltshire Pension Fund on an individual basis, before being moderated into a scorecard summary on 24 November 2021.
10. Overall, values against each objective were high; Investment Strategy (RPI reform/gilts portfolio/new investment strategy allocations) and Investment manager selection (bank loans and infrastructure) scored very well in particular.
11. Objectives that typically form part of the triennial valuation process were difficult to score over the year without some subjectivity. Nevertheless, it was concluded that there was scope to add further value in the areas of Implementation (modelling work) and Monitoring (pools and underlying managers).

Outcome

12. The feedback above was provided informally to the Investment Consultant (Mercer) at a (MS Teams) meeting on 6 January 2022.
13. Annual reviews of Investment Consultant performance against objectives have been added to the fund governance calendar.
14. Reviews of Investment Consultant objectives will occur when there is significant change the fund Investment Strategy (typically every three years following/as part of the actuarial valuation.)
15. Annual review of the CMA requirements, and associated compliance statement, has been added to the fund governance calendar.