

Ongoing commitment and innovation from your trusted investment advisor

Response to Invitation to Participate in a
Further Competition under the National
LGPS Framework for Investment
Consultancy Services in Support of the Local
Government Pension Scheme (NCCT40220)

November 2016

Contents

We have responded to all questions in Sections 5 of the tender documentation. As requested, we have limited each response to one side of A4. The pricing schedule from Section 6 has been included in Appendix A of this document.

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Please note this document should be treated as confidential and not disclosed to any third party. This document has been submitted for and on behalf of Hymans Robertson LLP.

5.1 Organisation and people

Outline the skills and experience of the dedicated relationship manager and team that will support the Fund.

██████████ will continue to be your Lead Investment Consultant, responsible for all aspects of our delivery to you; ensuring that it is carried out accurately, efficiently and delivered on time.

██████████ has built up considerable knowledge of the Fund through working with both Officers and Members and will continue to work with you to consider how market and legislative developments will impact the Fund. ██████████ has over 25 years' experience of advising funds on the full spectrum of investment consulting areas, including strategy, risk management, manager selection and monitoring.

Given the strength of our existing relationship we propose that your primary investment contacts remain unchanged. Having worked closely with our team over the past three and a half years you are very familiar with our approach when advising your Fund. We understand the Fund and your objectives and have proven our ability to work together to your advantage – most notably achieving the full review of your investment strategy, leading to the implementation of a more diversified portfolio which will be more resilient across different market conditions.

██████████ will continue to be supported by ██████████ and ██████████, both of whom you know well. Their technical and analytical support has been invaluable in assisting ██████████ to deliver strategic change to the Fund. ██████████ has more than 15 years' experience in investment consulting and is an expert in transition management. ██████████ joined the team more recently as an actuary and has demonstrated strong analytical support to the client team.

Please include details of your organisation's experience in the provision of investment consultancy services to the Local Government Pension Scheme (LGPS) clients.

As you've felt through working with us, and your access to the skills and experience we share across all our clients – public and private sector – Hymans Robertson is far and away the most experienced provider of investment consultancy services and other strategic support to the LGPS.

Formed almost 100 years ago specifically to support the LGPS, we are the leading firm of actuaries and consultants advising LGPS funds and are at the forefront of issues affecting the LGPS. We provide the full spectrum of investment consultancy services to a total of 230 clients, 66 of whom are LGPS clients.

We understand your need to squeeze the best returns possible out of your investments and to set a long-term plan for an affordable future for your Fund. For you, this focuses on an investment strategy that is aligned with your approach to funding and contributions, delivering the required returns with an appropriate level of risk. This approach has been at the heart of our strategic advice to the Fund for many years, and particularly over the last three and a half years when we have had the opportunity to build a strong working relationship with you.

As a firm, we have a deep understanding of the legislation surrounding the LGPS. We have strong relationships with the Treasury, Communities and Local Government and the Local Government Employers, most recently with our involvement in Project POOL. We can help design and advise on governance options at local fund and pool level to support stakeholder objectives, as we have done for Greenwich in the past three years. We can also help set-up and support new arrangements, drawing on the experience of governance and investment consultants. These consultants have significant knowledge of the issues from work on Project POOL and supporting pools developing proposals for submission to government.

5.2 Performance and Resilience

Describe how you develop and retain staff. How will you ensure continuity of service to the Fund?

Valuing our people as our greatest asset, we work hard to maintain our reputation as an employer of choice. Employing the best people, rewarding them well [REDACTED], offering them career development and keeping them engaged underpins the market-leading service that we already provide to you.

By developing and supporting our people, we create teams who all work to the same standards. We find we get the best results through building long-term relationships with our clients based on trust and mutual understanding. [REDACTED] has been your Lead Investment Consultant throughout the last three and a half years. In addition, [REDACTED] and [REDACTED] are long-standing and committed employees and we have no reason to foresee any change to your team who will remain fully committed to the Fund for the initial contractual period and beyond. Recognising the importance of succession planning to help maintain the firm's long-term client relationships, our ownership structure allows us the freedom to plan for our growth, changes in personnel, retirements and natural turnover.

How can the Fund feedback on the performance of the team assigned to it?

Throughout the last three and a half years, [REDACTED] has worked closely with Officers, ensuring the key advice presented to Members is fully consistent with your requirements. This has included pre-meetings with Officers to review our proposals on long-term strategy and more recently reviewing draft proposals on manager selection recommendations. [REDACTED] will continue to seek feedback and respond to any feedback that you provide.

As a valued long-term client, we propose to assign [REDACTED] as your Guardian Partner. This gives you access to a senior member of staff, independent of the client team, to focus on the client relationship and ensure we are delivering a high-quality service. Any feedback on the team's performance can be fed into your Guardian Partner at any time. [REDACTED] is a Partner in the firm and the lead investment consultant for five of our other LGPS clients. As part of this process we propose delivering [REDACTED] throughout the year, examples of adding value, Hymans Robertson and your team and thoughts on the year ahead. This could be presented at the Annual Strategy Day, held annually over the past three years. This innovation was recommended by us and has been an excellent forum for delivering topical training and setting the Fund's broad agenda for the year ahead.

As a firm we regularly seek broader and independent client feedback which covers a wide range of topics including the quality of our service and communication. Our current Voice of Client programme gives you the opportunity to regularly rate our services, using a Net Promoter Score to score satisfaction. Please visit this link <https://vimeo.com/188968073> for our latest results.

What action will you take if the Fund is unhappy with the service provided to it?

In the past, when you've fed back to us ways in which our service and advice could be enhanced, we've always reacted quickly. For example, we now always agree any non-standard fees in advance, including small project work. We pride ourselves on the strength and continuity of our client relationships but at the same time we are always prepared to make changes if you feel that we are not meeting the standards that you expect. We believe that the Guardian Partner and [REDACTED] process outlined above will enhance our relationship further and ensure that any dissatisfaction you experience can be dealt with quickly and efficiently.

5.3 Core and non- core services

Please describe what you will include in your core investment advice service, how the service be delivered to the Fund and how will it be charged for.

We consider that our core investment advice covers the full spectrum of investment consulting services, including:

- Long-term strategic asset allocation advice
- Risk budgeting and advice on efficient portfolio structuring
- Manager selection appointment and monitoring
- Transition implementation and management
- Responsible Investment, including Environmental, Social and Governance matters
- Market outlook and its strategic impact and response to market opportunities
- Changes in regulation and its impact on scheme management.

As we have demonstrated in the past we will continue to deliver our advice by building a strong working relationship with Officers and Members of the Pension Fund Committee, and thus fully understanding your long-term objectives. A key part of this will be the opportunity to attend regular meetings to discuss our recommendations.

We charge fees for the advice that we deliver. Our aim is to be as transparent as possible about and to agree a schedule of services and costs that would meet your requirements.

How do you communicate to clients the cost of work undertaken that falls outside of this core service, including ad hoc queries?

Appreciating the control and certainty of fixed-fee agreements, we take a no-surprises approach to fees. Where scope is clear, we offer transparent fixed fees. For you, we've agreed an annual business plan and budget, monitoring fees monthly. Where scope cannot be defined in advance, we agree a budget and provide early warnings on progress versus budget.

We treat value for money as the equation of cost vs benefit. We focus on driving down cost through efficiency (primarily through technology) and through planning and budgeting.

In exceptional cases, we will agree to work on a time-cost basis using an hourly rate. While the final fee will not be known until completion, we would make sure appropriately skilled people are engaged for maximum efficiency, accounting to you for all the work undertaken.

Do you provide itemised billing as part of your invoicing arrangements?

Our existing invoices provide a summary of key items undertaken in delivering our advice to you. If you require us to provide a more detailed itemised bill, we will be happy to provide this to you.

“ Hymans Robertson are very pragmatic when it comes to fees.”

 Company Secretary


5.4 Approach to investment advice

Please explain how you will advise the Fund in relation to its investments.

Our approach to strategic advice aims to add value at every stage of the investment process. This involves focusing on the areas that matter most to you, primarily maintaining affordable contributions and delivering long-term stable returns. This approach was at the heart of the strategic review that we undertook in 2014/15, working with you to maintain a strategy that delivers appropriate long-term returns while identifying a more stable and diversified approach which has now been largely implemented.

Our overall investment philosophy is based on a belief that economies (and markets) are cyclical and that markets will typically over-react to these cycles offering opportunities to investors. This would best be described as a value approach to investing.

Our strong position in the LGPS market means we focus a large proportion of our research team's effort on the key strategic issues for LGPS funds such as yours – growth assets offering sufficient returns, exposure to sustained periods of high inflation, increasing maturity of membership profile and implications for the Fund's future cash flow profile.

Your ultimate objective for the Fund is to pay pension benefits. In line with this, focus should be on cash flows rather than mark-to-market volatility (or Value at Risk (VaR)). Too great a focus on VaR can lead to the exclusion of assets which, while volatile in market value terms, provide an underlying income stream of value to investors such as pension funds. This is the process we followed in helping you set your new strategy and which we will continue to evolve in the future.

We have already discussed our view that you should undertake a further review of strategy once the results of the 2016 valuation are available to ensure the strategy remains on course in a much changed economic landscape. There are two additional areas we would like to explore as part of this process.

Firstly to identify a set of Investment Beliefs for the Fund. Academic studies show that over the long term the best performing pension schemes tend to have well defined investment beliefs. To date, the Committee's decisions have been based on an implicit set of beliefs. This lack of an explicit set of beliefs is an area that [REDACTED] will seek to address as a priority.

The second step in that evolution will be to focus your portfolio on our GrIP philosophy which reflects these dynamics, and in particular an increasing focus on cash flow as the Fund matures.

This philosophy categorises assets as:

- **Growth** – generating return by having the right investments in the right proportions with genuine diversification
- **Income** – generating return but also providing income to help meet annual cash flow
- **Protection** – managing risk; primarily interest rate, inflation and longevity risk.

This approach can provide a strong foundation for all future investment decisions. As you'll know, our well-established approach to helping you manage strategy in this way will ensure that you are well-equipped to manage future risk and meet your long-term objectives.

5.5 Asset liability study

Please outline your approach to an asset liability study and how you will relate the investment strategy to liabilities and the work of the Fund Actuary.

Framing appropriate objectives and agreeing the optimal output from the modelling are an essential first stage in the process. As we did in 2014, we will establish with you the objectives and risk parameters that best define success and failure and the time horizon over which the objectives should be assessed.

- **Objectives** – the likelihood of achieving and maintaining a fully funded position
- **Constraints** – the amount employers can afford to pay in contributions now and in future
- **Time horizon** – the time period over which the objectives should be achieved.

It is important that we understand the likely evolution of the membership of the Fund and as before we will liaise closely with the Officers and the Fund Actuary on this.

As well as setting objectives and relevant constraints, it is helpful to consider the risk metrics that are most appropriate. By risk metric we mean the tests or measures that are of most relevance to the objectives and constraints. Typically this would include the following:

- A **success criteria** defining the likelihood of achieving a particular position, such as being fully funded, by a particular year for example, likely to be consistent with the Fund's recovery plan
- A **downside constraint** defining the level or likelihood of an adverse outcome. This could be framed as an unaffordable contribution level or an unsustainable funding position.

These risk metrics would typically take the form of a certain degree of likelihood or confidence level, such as a two-thirds chance of achieving or avoiding a certain outcome. These metrics will be tested against:

- **Projected benefit cash flows** – we will use detailed information on the liabilities that the Fund is seeking to meet which will be drawn directly from the Fund Actuary.
- **Simulated Economic Scenarios** – economic scenario data is drawn from our proprietary economic scenario generator, which is calibrated to current market conditions. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].
- **Management Rules** – the final source of inputs is subjective in nature and will arise from our discussions with the Officers. These will include the strategies to be tested and the potential for changes in contributions, together with any trigger points for change.

This stage of the process offers the opportunity for discussion and interpretation of the output with the Officers and Members. By answering questions on the possibility of success and ensuring that strategy and contributions remain consistent with the objectives being pursued (i.e. the Fund remains sustainable over the longer term), we can consider further strategy refinement.

When and how frequently would you recommend undertaking an asset liability modelling exercise?

We believe that this exercise should be undertaken every [REDACTED] years either in conjunction with the triennial actuarial valuation exercise, or immediately after this has been completed.

5.6 Changes in asset allocation.

The Fund has recently changed its target asset allocation and has appointed managers for four new investment mandates. How will you support the Fund during this process? What are the key risks for the Fund at this time?

We have worked closely with the Fund over the past two years in developing a more diversified investment strategy. This has included identifying four new mandates in your portfolio that in combination with your existing assets provide a better balance of risk and return in delivering your long-term objectives. The four new mandates comprise:

- Passively managed global equities, including an allocation to an alternative index approach i.e. RAFI (Blackrock)
- Actively managed global emerging market equities (Fidelity)
- Diversified Alternatives (Partners Group)
- Multi-asset (Invesco).

Below we identify the two key risks in this phase and how we have and will continue to support the Fund throughout this process.

Risk – Transition phase

Officers have been managing the transition process to these four new mandates. However we have provided regular input and support throughout the transition phase in order to help you implement this efficiently, while minimising risk. This support has included:

- Providing a transition overview, identifying key areas of transition risk
- Regularly reviewing and commenting on Officer proposals for the timing and asset class rebalancing during the transition process.

- At the core of the transition is a reduction in the Fund's exposure to equities. [REDACTED]

Risk – Knowledge and Familiarity of new mandates

Officers and Members were involved throughout the strategic review process and the appointment and selection of new managers. The process of developing a broader knowledge and understanding of these mandates will continue in the months ahead. We will support the Fund in developing that knowledge further as the new strategy beds in. This will be done through our regular quarterly investment reports and through short training sessions delivered by [REDACTED] on each of the new mandates as part of our regular reporting cycle. This will enhance regular updates with the new managers, which we are pleased to arrange and support on your behalf.

5.7 Knowledge and Skills

Please describe how you keep clients up to date with topical LGPS investment issues. Please describe what services you offer to support the knowledge and skills of Fund officers, Pension Committee members and Pension Board members in respect of LGPS matters.

As the pre-eminent advisor to funds within the LGPS we have an unrivalled knowledge bank of information and support to offer you. These will support the delivery of topical information to you that are relevant to both LGPS investment issues and broader LGPS matters. This can be delivered in a number of ways.

Publications and meetings

You'll continue to receive regular publications, including Capital Markets Service (CMS). This will provide regular updates on market developments, asset class pricing, and potential investment opportunities to access undervalued assets, increase asset returns or better manage risks.

CMS fills the gap between strategy and outright tactics to facilitate dynamic asset allocation. It provides information on what's happening in markets, insight on the main drivers of performance and a clear view of where we believe opportunities lie, to help you maximise returns earned on your portfolio.

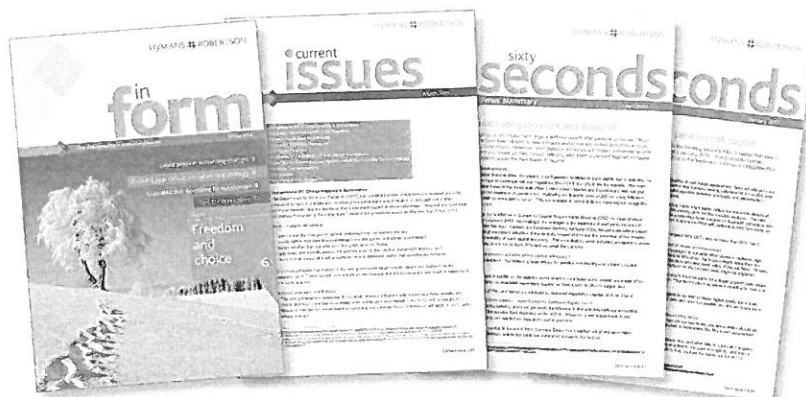
In addition to the internal network for disseminating our research to consultants, quarterly Investment Perspectives gives an insight into our latest and most innovative thinking.

You will also receive briefing notes and 60 Second News Summaries which are specific to the LGPS, many of which have an investment focus. One of the most recent of these provided background on the new Investment Strategy Statement that the Fund is required to establish by 1 April 2017

The best forum for delivering much of this support is the regular meetings of the Pension Fund Investment and Administration Panel. We will continue to attend these meetings and keep you up-to-date on the changing investment and LGPS landscape.

Knowledge and skill training

Our regular LGPS-specific publications provide news and guidance on the ever changing LGPS landscape. In addition over the past three years we have delivered a regular programme of Knowledge and skills training to Officers, Pension Fund Committee Members and Pensions Board Members based on the CIPFA recommended programme. We will continue to refresh and enhance this training programme to ensure that you can keep up to date with future changes to the LGPS.













5.8 On-going monitoring

Please describe how you will undertake the on-going monitoring of investment managers, both those used by the Fund and the wider universe.

We carry out regular research meetings with managers and continually monitor all managers where we have client exposure. In addition, each year we formally refresh our manager research by requesting each manager to complete a detailed quantitative questionnaire. We also assess annual audit and controls reports as part of our detailed due diligence on managers.

Setting manager ratings

We combine our quantitative and qualitative research results in a manager rating, expressed to clients through a RAG system:

Rating	Recommendation	Comment
5	 Preferred strategy	 High conviction strategy expected to meet/exceed objectives. Preferred for new business situations.
4	 Retain	 Expected to meet objectives. May put forward for new business if circumstances warrant.
3	 On Watch	 Retain but concerns are serious; meaningful risk of further downgrade to sell (dependent on further information).
2	 Sell – review options	 No immediate operational issues but we have lost long-term confidence; options to exit should be assessed (time frame assessed case by case).
1	 Sell – immediate	 Deterioration sufficiently serious for immediate, high priority exit from the strategy.

While we are open in our dealings with managers and provide them with comprehensive feedback we do not publish our ratings externally. Buy lists can lead to complacency and a lack of focus on client specific recommendations.

Monitoring

Our ongoing monitoring of managers combines quarterly calls, face-to-face meetings and desk-based analysis. We distinguish between performance and risk monitoring, which is focused on monitoring the managers' performance against a benchmark or target, and qualitative monitoring.

It is important to monitor the qualitative aspects of each manager, particularly against triggers for review which should be agreed at the time of each manager's appointment. As factors change over time, it's important that triggers themselves are subject to ongoing review.

How will you adapt your approach as the Fund transitions its assets to its chosen asset pool?

Looking forward, it is expected that a significant proportion of the Fund's assets will be invested through the London CIV. As part of its own service and governance on behalf of the Fund, the CIV will be monitoring and appointing a range of managers to support the long-term needs of the Fund. We will continue to undertake our own research as described above and believe that this will provide a complementary service to the Fund – providing additional support and challenge on manager and asset class suitability. We have already developed a close working relationship with the London CIV, sharing views and ideas around asset classes and manager strategies that will be appropriate for the long-term needs of our mutual clients.

5.9 Manager termination

Under what circumstances would you recommend the removal of a manager by a client and how would you involve the client in this process?

Manager appointments should be for the long-term and funds should be willing to accept a degree of volatility. A good example of this would be how we guided you through a period of underperformance from your property manager CBRE, stressing patience and working with you and the manager to change the portfolio structure, leading to much improved outcomes. Nevertheless, there will be times when it is appropriate to replace a manager.

The Fund had experience of this, with the termination of Alliance Bernstein. Our recommendation to terminate this manager was not taken lightly, but reflected our willingness to give independent, off-the-fence advice. Following termination, we assisted you with the transition process to Blackrock and State Street, ensuring explicit transition costs were reduced and out of market risk effectively managed.

██████ keeps you informed of our latest views on your managers, notifying you immediately of any serious concerns. This is managed through our quarterly reporting and ██████'s regular attendance at Panel meetings.

Indicators and reasons leading to recommendation to remove a manager

We assess managers qualitatively against triggers, including (but not limited to) the following:

- **Confidence in the manager's ability to achieve its objectives** – relevant to the above case of Alliance Bernstein
- **Strategy divergence** – ensuring the Manager's approach to managing the portfolio does not deviate from its original mandate
- **Capacity management** – exponential growth in assets for the strategy would trigger a review of the Manager's ability to service its pension fund client base
- **Key man risk** – identifying individuals critical to the success of the Fund or strategy and we will seek to formally review our rating if any of these individuals depart

Breaching these triggers helps drive us towards recommending a manager is removed.

Change management

Changing managers can be costly and risky if not managed carefully. Fortunately the work we have done in this area with you in recent years has led to successful outcomes for the Fund. For the Alliance Bernstein change, we worked closely with Officers and your transition manager State Street, to mitigate direct costs, and manage the out-of-market risk. Switching at inappropriate times is another indirect risk and in this example we worked with all parties to agree a phased switch to minimise this impact.

How would you approach this process for assets invested via the Fund's chosen asset pool?

We would follow the exact same process as outlined above, although it is likely that the bulk of the transition process would be managed by the London CIV on behalf of the Fund. Despite this we would work with Officers and the CIV to ensure that the process is managed as efficiently as possible.

5.10 Quarterly investment monitoring report

Please provide an example of your standard quarterly investment monitoring report, for fund with a structure commensurate to that of the Royal Borough of Greenwich Pension Fund.

Please refer to **Appendix B** for a copy of our most recent quarterly investment monitoring report.

“ I am very pleased with the overall level of service, in particular, the uniformity of service... it does not matter which of the Hymans Robertson staff I contact.”


, Pensions Manager


“ The service we have received from our Hymans Robertson team has been excellent throughout our entire pension project.”

Client Perception Survey



5.11 Research activity

What are your research capabilities and how will you resource it?

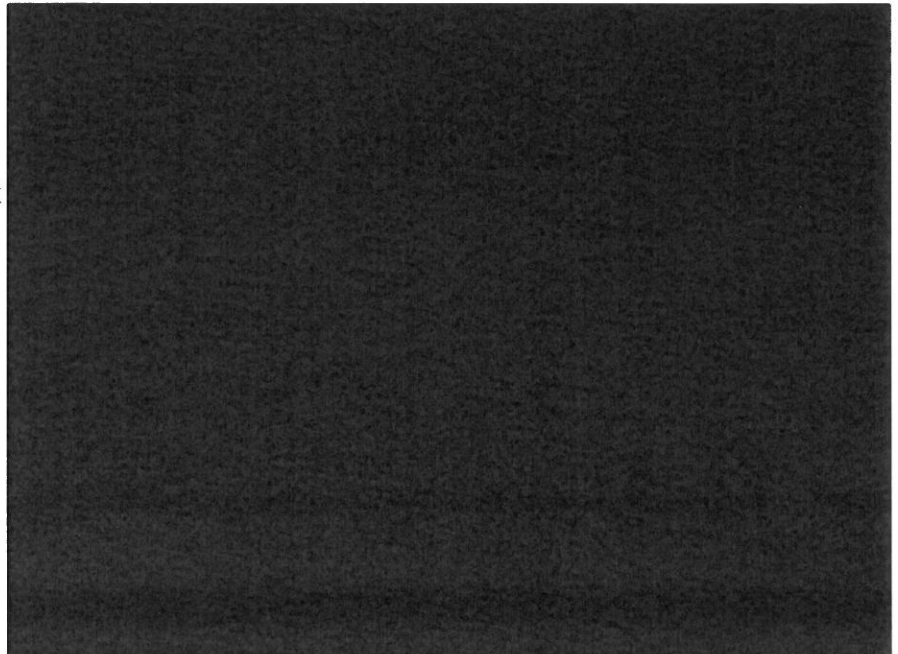
The structure of our Investment Research reflects the importance we place in aligning it with the aims and objectives of our clients. 




Researching new assets and strategies


 and client sector leaders work with the research team to prioritise the assessment of new or emerging asset classes and manager strategies. 


(described in the graphic to the right), understanding the individual and combined contribution of each helps us to form our view. They also create the structure from which we produce research papers and share them with clients.



Our 12-strong Research Team has considerable knowledge and experience of the strategies available in the asset classes for which they are responsible and they will use this knowledge to assemble a list of the managers they view as most able and appropriate to meet an individual client's objectives. However, particularly for the traditional bond and equity asset classes, we also have access to a third party database, eVestment, which covers 23,000 products/strategies and around 5,000 investment management firms.

How will you communicate the results of your research to the Fund?

The output from the research is shared with  and the wider consulting team through ongoing dialogue and sharing of ideas. Perhaps the most powerful means of communicating our research effort is the informal dialogue that the research team has on a daily basis with its consulting colleagues. We believe one of our key differentiators is the way in which our teams work closely together, with research working hand-in-hand with clients and consultants, rather than working in a central ivory tower. We have fortnightly consultant briefings which are held across the Investment Practice, and involve the research team updating colleagues on key findings and topical issues.

's role is to bring that information to you through his regular dialogue with Officers and attendance at Panel meetings. Much of this has also formed the basis of the agenda at the Annual Strategy meetings that we have organised in conjunction with the Officers. In addition, we publish regular asset class briefing papers such as our LGPS research digest and Capital Markets Service. These papers are the main way in which research informs clients and consultants of our overall views on asset classes and strategies.

5.12 Legislative changes and Investment Pooling

Please advise how you ensure that your clients are positioned to respond to legislative changes relating to the LPS investments.

You benefit from our market leadership in the LPS arena, rich experience and research capabilities, and from our influence with key stakeholders in relation to changes to the LPS. We are at the heart of developments within public sector pensions, dealing with both central government departments such as Communities and Local Government and local authority bodies such as Local Government Employers and the Society of County Treasurers. Our large client base keeps us aware of new issues and a good understanding of our clients' perceptions.

We are represented on a number of national groups including: Chartered Institute of Public Finance and Accountancy – we are the only actuary on the Panel – the Association of Consulting Actuaries, Local Government Employers Technical Group and the Pensions Board of the Institute of Payroll Professionals.

██████ will continue to ensure you're informed. Where an issue is relevant to you, we will also contact you as soon as possible by telephone to alert you and provide any additional Fund specific advice or support required. In addition, you will continue to receive:

- Briefing Notes, 60 Second News Summaries and longer discussion papers
- More specific, researched, fund-specific advice
- Administration support
- Officers and employers training.

Please indicate your approach in advising the Fund as to how it will meet the Government's expectations in respect of asset pooling.

In terms of the wider debate, we have done more than any other firm in facilitating collaboration between funds, enabling them to present a strong case to the government on the most effective ways of structuring LPS investments. This has placed us at the heart of the current debate and shows our willingness to ███████ funds to collaborate effectively and the extent of the trust we have earned as a firm. As ███████ has already indicated to you, we will be supportive of encouraging you to invest as much of your portfolio as possible through the London CIV, as long as you are able to demonstrate a financial advantage, or at least a neutral position, in doing so.

Given the research and investment we have made to understand the issues arising from pooling and in finding workable solutions for funds with a wide range of structures and requirements, we are well positioned to advise you and our other clients.

A lot of hard work remains to be done and the challenges that will be encountered in the implementation of the proposed arrangements should not be under-estimated. Significant costs will be incurred at the outset and there will be a heavy call on Officer time over the next couple of years. It will take some time for any cost savings to outweigh the set-up and transition costs.

We will also continue to develop our working relationship with the London CIV in order for our voice to be heard. This will ensure it provides the investment platform that participating funds will need in order to achieve their long-term objectives. With genuine industry-leading expertise in this area from our work with Government and the funds we support, we are perfectly placed to help guide you through the changes that you face moving forwards.

5.13 Governance arrangements

Please describe what services you offer to help LGPS clients respond to changes in governance arrangements e.g. introduction of Pension Boards.

We have significant experience in supporting clients in implementing the new LGPS governance structures and the formation of local pension boards. Our expertise encompasses advising clients on the most appropriate governance model to adopt, delivery of training and assessing compliance against the Pension Regulator's Code of Practice 14.

Supporting the Fund

We provided the Local Pension Board's initial training, as well as follow up induction training to new Members. In July this year we delivered a training session on the Legislative and Governance Context of the LGPS to Pension Committee and Local Pension Board Members. Most recently we have worked with Fund Officers to provide the Fund with a policy on the Reporting or Breaches of the Law, ensuring compliance with one of the key tenets of the Pension Regulator's Code of Practice 14.

Other specific examples of our success in this area include:

- **Essex Pension Fund** – [REDACTED] is the Independent Governance and Administration Advisor to the Essex Pension Fund, supported by colleagues within the governance team. We helped the Fund assess different structures and agree the most appropriate model for them, and supported them in setting up reciprocal arrangements with a neighbouring fund to fill the position of an independent Chair.
- **Lancashire County Council** – we were appointed by the Fund to support establishing its pension board. This involved:
 - The establishment of the Board including tailoring the terms of reference, amendments to the relevant schemes of delegation and defining appropriate reporting requirements
 - Assessing the case for an independent Chair, setting out specifications for the Chair and other members and managing the selection process for both
 - A review of governance arrangements to ensure the Board and the Committee performed complementary rather than duplicate functions
 - Objective setting
 - The initial training and induction of the newly formed Board.
- **Environment Agency, West Sussex CC, East Sussex CC, Wiltshire CC, Staffordshire CC, Isle of Wight Council and Brent LB** are examples of other Funds where we have provided advice, guidance and training specifically around the new LGPS governance arrangements and possible structures. This included the provision of template terms of reference, support for board member election and provision of governance compliance statements.

5.14 Environmental, Social and Governance (ESG) Issues

Please outline your approach to advising LGPS client on ESG matters as they relate to their investments.

There is growing pressure on institutional investors, to demonstrate their understanding of ESG issues, and the associated financial risks. We believe ESG matters fall within the wider topic of Responsible Investment (RI) which we separate into two key dimensions:

- **Sustainable Investment** – investors should recognise the potential financial impact of ESG factors in investment decision-making
- **Stewardship and Governance** – investors should act as responsible and active owners, through considered voting of shares, and engagement with company management when required.

The benefit of our approach is to help you understand how integrating RI matters into decision-making can help deliver sustainable long-term returns.

We take RI seriously. We are signed up to the United Nations Principles of Responsible Investment and the Financial Reporting Council's UK Stewardship Code. Our dedicated specialist Responsible Investment Team (RIT) brings together a diverse mix of skills. This ensures we tackle issues from a variety of angles.

We support our clients in their integration of RI issues through a combination of:

- Training and advice, highlighting asset owner's responsibilities, the investment rationale for the key dimensions of RI and the actions that can be undertaken to improve awareness
- Advising specifically on ESG issues. Examples include investing in tobacco stocks, low carbon investing and the review of fiduciary duty as applied within the LGPS
- Recommending that investment managers regularly report on ESG issues and voting.

We recently brought together all these ideas into one full day ESG seminar for an LGPS client.

What are the key topical issues that your clients need to be aware of?

While the media has focused on issues such as investment in tobacco and fossil fuel stocks or executive remuneration, RI is a far broader topic. The key topical issues our clients face include:

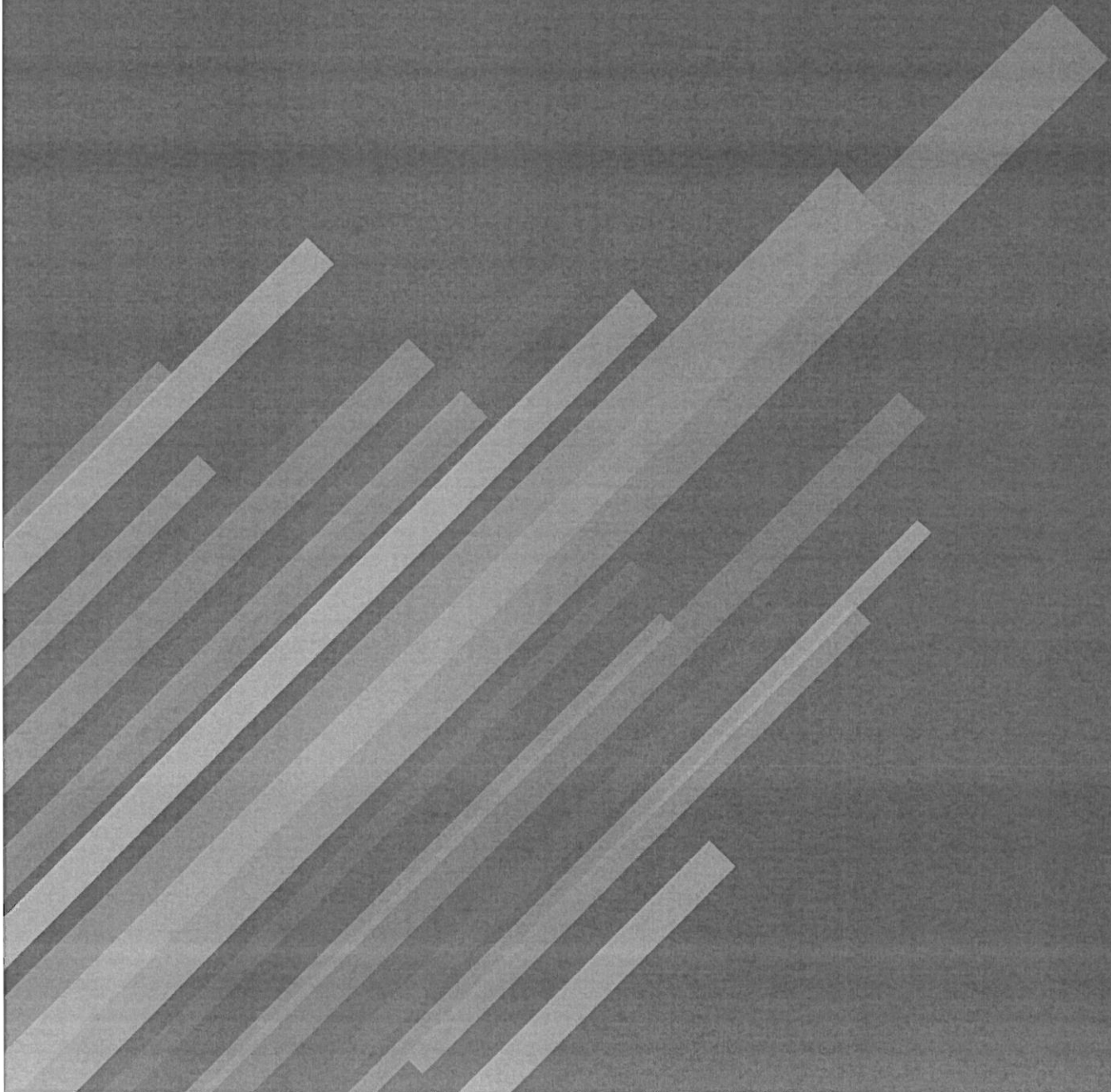
- Increasing regulation and reporting requirements on RI matters
- Carbon risk, including the benefits and considerations of carbon footprinting
- The importance of investment beliefs and an understanding of what type of responsible investor they wish to be
- Understanding of how RI is more than a matter for equities
- The influence of voting rights and active engagement in investee companies.

How would you help the Fund factor these considerations into its investment decisions?

We'll continue to keep ESG on your agenda and make it work effectively for you through training and policy development. We will provide industry updates, offer access to our RIT's research and thinking on the key topics listed above, engage at the right level with your investment managers and report on any significant RI matters at scheduled meetings. This will include incorporating RI factors into the proposed Investment Beliefs.

Appendix A

Section 6 – Pricing schedule



SECTION 6 – PRICING SCHEDULE

Price – 20%

Price inflation	
Hourly rates per 15.1.3.1 of the Framework	
Attendance at Pensions Committee and Board meetings	5%
Provision of a knowledge and skills training programme	5%
Fixed fee for core investment advice service	4%
Strategic Asset Allocation review	2%
Quarterly investment performance report	2%
Production of an example research paper	2%
Total	20%

Scoring of Price

Each pricing element will be evaluated separately with the lowest bid being allocated the maximum available points. Each of the other tenders will be awarded marks in proportion to this price, so that, for example, a price that is 10% more expensive will receive 10% fewer marks, one that is 20% more expensive will receive 20% fewer marks, etc.

Pricing Schedule – Investment Consultancy Services

Please provide your schedule of best prices for the Royal Borough of Greenwich Pension Fund. Please complete all sections of the pricing schedule. Services outlined at 6.3 reflect expected volumes/ instances required over the total three years duration of the contract. Please note that the Fund’s Pensions Committee meets approximately 6 times a year and its Pension Board meets at least twice a year. Pension Board meetings, when they are held, take place directly after Pension Committee meetings.

6.1 Price inflation

Prices are assumed to be fixed for the duration of the contract. Providers must confirm if charges would be subject to any variation based on movements in RPI, CPI or an equivalent index during the period of the contract and if so, exactly how this variation will be calculated and applied with effect from 1 January for each year of the contract.

Prices quoted in this tender will be held for the duration of the contract.

6.2 Hourly rates (inclusive of any expenses)

	Maximum Rate £/ hour	Maximum Rate £/ day
Director/ Partner (or equivalent)	█	█
Managing consultant	█	█
Principal Consultant	█	█
Senior Consultant	█	█
Consultant	█	█
Junior Consultant	█	█

Illustrative role definitions can be found at 15.1 of the original framework service specification.

6.3 Services

Service	% weighting	Indicative Price £
6.3.1 One Strategic Asset Allocation Review (please see the Fund's report and accounts and target asset allocation for 2016/17 as stated in section 1)	2%	£ █
6.3.2 Twelve half day attendances at a Pensions Committee meeting by a Managing Consultant or equivalent. Six half day attendances at a Pensions Committee meeting and consecutive Pension Board meeting.	5%	£ █
6.3.3 Fixed fee for core investment advice service over the three years of the contract, based on the Fund's asset allocation as detailed in section 1 of this invitation.	4%	£ █
6.3.4 Production of a twelve quarterly reports on Fund investments for presentation to a Pensions Committee, of the type provided in response to 5.10 of this invitation.	2%	£ █
6.3.5 Provision of a training programme for Fund Officers, Pension Committee Members and Pension Board Members based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Finance Knowledge and Skills framework. To comprise eighteen sessions of one hour's duration each, delivered by a Managing Consultant or equivalent.	5%	£ █
6.3.6 Preparation and presentation to a Pensions Committee of three research papers relating to issues affecting the Fund. Please use issues raised by LPGS investments in fossil fuels as an example in calculating your price.	2%	£ █

Please indicate how long all of the above prices will be held firm for.

Appendix B

Q5.10 Review of Investment Managers' Performance for the Second Quarter of 2016

