

## WIRRAL COUNCIL

### PENSIONS COMMITTEE

29 MARCH 2011

<b>SUBJECT:</b>	<b><i>EXTENSION OF PIRC CONTRACT</i></b>
<b>WARD/S AFFECTED:</b>	<b><i>ALL</i></b>
<b>REPORT OF:</b>	<b><i>DIRECTOR OF FINANCE</i></b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>CLLR GEOFFREY WATT</b>
<b>KEY DECISION?</b>	NO

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to seek approval for a six month extension of the contract with PIRC to provide corporate governance research and comprehensive proxy voting services.
- 1.2 An exempt report elsewhere on this agenda contains commercially sensitive information. Release into the public domain would prejudice a future procurement exercise.

#### **2.0 RECOMMENDATION/S**

- 2.1 That Members approve the extension of the contract with PIRC for the provision of this service to 30 September 2011.
- 2.2 That Members authorise officers to commence a procurement exercise for the re-tendering of this contract, and to report a recommendation for appointment to the September 2011 meeting of the Pensions Committee.

#### **3.0 REASON/S FOR RECOMMENDATION/S**

- 3.1 The active exercising of the voting rights attached to shareholdings in the UK and overseas equity portfolios is a fundamental part of the policy on responsible ownership, as out-lined in the Statement of Investment Principles. MPF has engaged PIRC to be the key service provider in this area and has adopted the PIRC Global Shareholder Voting Guidelines.
- 3.2 MPF has significant investments in UK companies, due to their weighting in the strategic asset allocation. Therefore, voting at the AGMs of UK companies has the highest priority in the voting policy. The 'AGM season' in the UK is concentrated between the months of April and July. This is when the AGMs of companies that represent some of the largest shareholdings (including in the banking and oil & gas sectors) take place. Therefore, it is judged to be inadvisable to tender for a service provider during the busiest time of year for shareholder voting activity. Conducting the tender exercise after the main UK voting season has concluded will enable a better and more timely basis for comparison of different service providers.

#### **4.0 BACKGROUND AND KEY ISSUES**

- 4.1 The Pensions Committee awarded a three-year contract to PIRC, for the delivery of corporate governance research and proxy voting services, on 31 March 2008. This contract runs out on 31 March 2011. PIRC has agreed to extend the contract until 30 September 2011 with no increase in fees. This will ensure that the voting policy continues to be carried out during the busiest time of year for proxy voting; it will also allow adequate time for a procurement exercise to be conducted that will assess service providers on their most recent activity.

#### **5.0 RELEVANT RISKS**

- 5.1 To allow the PIRC contract to lapse, without alternative provision in place, would result in the failure to deliver a key part of the investment strategy. This would mean that the MPF failed to meet its commitments to the U.N. Principles for Responsible Investment and the UK Stewardship Code.

#### **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 Directing investment managers to carry out shareholder voting in respect of their particular mandates would require the re-negotiation of contracts, with likely implications for investment management fees and a loss of control over the direction of voting policy. Therefore, this option is not recommended. Likewise, to attempt to carry out this activity in-house to an acceptable standard, would require significant additional staffing resources, which is not recommended.

#### **7.0 CONSULTATION**

- 7.1 No specific consultation has been carried out on this issue.

#### **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 8.1 There are none.

#### **9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 9.1 The contract extension will be on a pro rata equivalent to the fee charged by PIRC for 2010. There is existing budget provision to meet this cost.

#### **10.0 LEGAL IMPLICATIONS**

- 10.1 There will be no changes needed to the existing contract with PIRC.

#### **11.0 EQUALITIES IMPLICATIONS**

- 11.1 There are none.

#### **11.2 Equality Impact Assessment (EIA)**

- |                                       |    |
|---------------------------------------|----|
| (a) Is an EIA required?               | No |
| (b) If 'yes', has one been completed? | No |

## **12.0 CARBON REDUCTION IMPLICATIONS**

12.1 Changes in the law concerning company narrative reporting require UK corporates to report on their carbon reduction plans and activities. This forms part of the corporate governance research carried out by PIRC.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are none.

FNCE/56/11

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## **APPENDICES**

Exempt report on this agenda.

## **REFERENCE MATERIAL**

PIRC Global Shareholder Voting Guidelines.

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Pensions Committee</b>	<b>31 March 2008</b>