

## **WIRRAL COUNCIL**

### **PENSIONS COMMITTEE**

**11 JANUARY 2011**

### **REPORT OF THE DIRECTOR OF FINANCE**

#### **PASSIVE MANAGEMENT**

##### **1. EXECUTIVE SUMMARY**

- 1.1. This purpose of this report is to request that Members approve the commencement of a procurement exercise for passive management and the use of AON Hewitt as consultants for the selection exercise.

##### **2. BACKGROUND**

- 2.1 Members agreed on 23 March 2010 to defer commencement of this exercise until after the triennial valuation and review of asset allocation.
- 2.2 The asset allocation report agreed by Pensions Committee on 16 November 2010 made one small change to the strategy for passive management, a small reduction in UK equities as part of an overall reduction in allocation to UK equities.
- 2.3 The current assets managed on a passive basis by external managers are detailed below.

<b>Asset Class</b>	<b>Manager</b>	<b>Allocation</b>	<b>Value at 30 November 2010</b>
Index Linked Gilts	Legal & General	12%	£476.1m
UK Equities	Legal & General	8%	£445.9m
US Equities	UBS	8%	£379.7m

This allocation is at 1 January 2011 following the agreed changes to the asset allocation.

##### **3. USE OF CONSULTANTS**

- 3.1 Members have agreed a framework list for investment consultants. Officers took two quotes from this list Hymans Robertson and AON Hewitt to complete this exercise. AON Hewitt was the lowest bid at £20,000 and will therefore conduct this search.

##### **4. PROCUREMENT PROCESS**

- 4.1 The procurement process will start in January 2011 when tenders will be invited in the OJEU. In addition to the consultants, the Procurement Team will provide support for this exercise. It is intended to use an electronic system for receipt of tenders.

- 4.2 The process should be completed in time for a report to be made to the June meeting of the Pensions Committee.
- 4.3 The criteria to be used for the assessment of tenders will be as follows.

<b><u>Criteria</u></b>	<b><u>Percentage Allocation</u></b>
<b>Performance</b>	<b>25%</b>
Proven track record of returns within 0.15% of benchmarks on a consistent basis across all global asset classes	20%
Track record of providing positive performance (up to 0.1% above benchmark)	5%
<b>Price</b>	<b>35%</b>
Price expressed as a % of assets under management	
<b>Additional Services</b>	<b>20%</b>
Ability to provide asset transfers and temporary management of assets	10%
Ability to comply with policies on Responsible Investment	5%
Client Servicing	5%
<b>Risk Control</b>	<b>20%</b>
Scale and ongoing viability of the organisation to take on the mandate	10%
Security of Assets	10%
<b><u>TOTAL</u></b>	<b><u>100%</u></b>

## **5. FINANCIAL IMPLICATIONS**

- 5.1. There are no additional revenue issues arising directly from this report; any costs will be met from the budget for 2011/12. The investments proposed are within the parameters of the strategic asset allocation.

## **6. STAFFING IMPLICATIONS**

- 6.1. There are none arising directly from this report.

## **7. EQUAL OPPORTUNITY IMPLICATIONS**

- 7.1. There are none arising directly from this report.

## **8. HUMAN RIGHTS IMPLICATIONS**

- 8.1. There are none arising directly from this report.

**9. COMMUNITY SAFETY IMPLICATIONS**

9.1. There are none arising directly from this report.

**10. LOCAL MEMBER SUPPORT IMPLICATIONS**

10.1. There are none arising directly from this report.

**11. LOCAL AGENDA 21 IMPLICATIONS**

11.1. There are no implications in this report.

**12. PLANNING IMPLICATIONS**

12.1. There are none arising directly from this report.

**13. BACKGROUND PAPERS**

13.1 Review of Contracts and Arrangements for Procurement of Investment Managers – July 2007.

13.2. Appointment of Consultants for the Selection of Investment Managers Managers – March 2008

13.3. Asset Allocation – November 2010.

**14. RECOMMENDATIONS**

14.1 That Members approve the commencement of the procurement exercise for passive management.

14.2 That Members approve the appointment of AON Hewitt from the framework list as consultants for this exercise.

IAN COLEMAN  
DIRECTOR OF FINANCE