

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 NOVEMBER 2008

REPORT OF THE DIRECTOR OF FINANCE

APPOINTMENT OF CONSULTANTS FOR SELECTION OF INVESTMENT MANAGERS

1. EXECUTIVE SUMMARY

- 1.1. This purpose of this report is to request that Members approve a procurement exercise to maintain a framework list of transition managers for the purpose of moving assets between investment managers in a cost effective manner following changes in investment strategy.

2. BACKGROUND

- 2.1 There are a number of situations which will require Merseyside Pension Fund to move substantial assets between investment managers:
- The changing of an investment manager due to the end of a contract being reached and the contract not being renewed.
 - Investment managers being dismissed for performance reasons.
 - Changes in the overall asset allocation of the Fund.

These movements can incur significant transaction costs.

- 2.2 Specialist transition managers can ensure that the transaction costs of the movement of substantial assets of the Fund are kept to a minimum.
- 2.3 Merseyside Pension Fund has previously used Legal & General Investment Management for these services following a tendering exercise. This model has worked well for transitions involving movement of diversified portfolios of bonds and equities and in situations where assets are managed on a passive basis for a period of six months or more.
- 2.4 It is anticipated that transitions will arise where the assets will not be held on a passive basis for six months in the future (an example being any moves in fixed income due in 2009) and therefore this model may not always be appropriate.
- 2.5 It is anticipated that Legal and General would be used for the transition of the of UK and European equities following completion of the current procurement exercises as these assets are under their management at present and therefore this will be the most cost effective solution. Legal and General were approved to carry out this type of work by Pensions Committee following a previous procurement exercise on 21 September 2005.

3. RATIONALE AND OBJECTIVES FOR RETAINED FRAMEWORK LIST

- 3.1 Merseyside Pension Fund invests in a diverse range of assets and with a number of diverse investment managers and therefore different transition managers may be applicable for different situations.
- 3.2 The objective of the exercise is to create a framework list of retained transition managers suitable for all asset changes. Once the list has been formed then MPF will be able to appoint transition managers from this list without conducting a procurement exercise on each occasion.
- 3.3. The exercise should produce a framework list of up to four consultants which can remain in place for up to four years. For each transition, a transition manager will be appointed from the framework list.

4. PROCUREMENT PROCESS

- 4.1 MPF and Procurement will co-ordinate an open OJEU process inviting prospective transition managers to apply to join the framework list.
- 4.2 I recommend that the exercise should be scored as detailed in the table below.

Factor	Weighting
Quality of Process	40%
Experience and Track Record	30%
Price	30%
Total	100%

5. TIMESCALE

- 5.1 The timetable for the process will be as follows

Procurement Timetable (Above OJEU Threshold – Open Procedure)

Task	Complete by
1 Issue of OJEU Notice – Open Procedure	1 December 2008
2 Develop Tender Documentation, scoring matrix and evaluation criteria	7 December 2008
3 Issue of Tender Documents	7 December 2008
4 Last Date for requesting Tenders	15 January 2009
5 Return of Tender Documents (52 days)	29 January 2009
6 Tender Analysis	01 February 2009
7 Designated Week for Presentations/ Site Visits.	February 2009
8 Final Analysis	March 2009
9 Award of Contract	06 April 2009
10 10 day stand still period	April 2009
11 Award Notice to OJEU.	April 2009
12 CONTRACT START DATE	01 May 2009

6. FINANCIAL IMPLICATIONS

- 6.1. The financial implications will only be known once the procurement process for the transition managers is complete, and managers are appointed from the framework list. At this stage the financial implications will be reported to the Pensions Committee.

7. STAFFING IMPLICATIONS

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

8. EQUAL OPPORTUNITY IMPLICATIONS

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

9. HUMAN RIGHTS IMPLICATIONS

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

10. COMMUNITY SAFETY IMPLICATIONS

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

11. LOCAL MEMBER SUPPORT IMPLICATIONS

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

12. LOCAL AGENDA 21 IMPLICATIONS

- 12.1. There are no implications in this report.

13. PLANNING IMPLICATIONS

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

14. BACKGROUND PAPERS

- 14.1 None were used in the preparation of this report.

15. RECOMMENDATION

- 15.1. That Members approve the procurement process for the selection of a retained list of transition managers.

IAN COLEMAN
DIRECTOR OF FINANCE