

# **WIRRAL COUNCIL**

## **PENSIONS COMMITTEE**

**14 JANUARY 2009**

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

#### **MANAGEMENT OF FIXED INCOME**

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

- 1.1. This purpose of this report is to request that Members approve the commencement of a procurement exercise to appoint investment managers for active fixed income using Hymans Robertson as consultants.

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

- 2.1 MPF has an 8% allocation to active fixed income and currently employs Schroders and Legal & General to manage these assets. There are two parallel mandates with a benchmark of 50% UK Government Bonds and 50% Corporate Bonds and an out-performance target of 1% per annum on a three year rolling basis.
- 2.2 At Pensions Committee on 2 July 2007 it was resolved that these mandates would be subject to review during 2009. Members should be aware that following the review of asset allocation following the actuarial valuation Pensions Committee retained these mandates at its meeting on 26 November 2007.
- 2.3 MPF has a framework list of consultants for the selection of investment managers, these are; Hymans Robertson, HSBC Actuaries and Consultants, Hewitt Bacon & Woodrow and B Finance.

##### **3. PROCUREMENT EXERCISE**

- 3.1 Hymans Robertson were selected from the framework list to be consultants for this exercise, as they had the better understanding of requirements and quoted the lowest fee of the two proposals requested.
- 3.2 The procurement process being followed is the open OJEU process. The process will be run with Hymans Robertson providing support in producing documentation and assessment of tenders. The recommendation to Members will be made after deliberation by a panel of officers, consultants and the independent advisers.
- 3.3 The tender documentation will focus on identifying firms that are of sufficient size, financial and regulatory standing to run this mandate and can demonstrate an ability to achieve investment targets.

- 3.4 The recommended criteria to be used to select the manager are as detailed below.

<b>Factor</b>	<b>Criteria</b>	<b>Weighting</b>
<b>Price</b>	Net Cost on an annual basis as a proportion of assets after taking into account estimate of out performance	<b>10%</b>
<b>Technical</b>	Quantitative assessment of ability to meet investment targets	<b>40%</b>
<b>Quality</b>	Qualitative assessment of ability to deliver investment targets	<b>50%</b>

#### **4. TIMESCALE**

- 4.1 The procurement exercise will take approximately six months to complete and I would expect to make recommendations to the Pensions Committee for appointment of investment managers in June 2009. An estimated timetable is outlined below.

<b>Task</b>	<b>Complete by</b>
1 Issue of OJEU Notice – Open Procedure	30 January 2009
2 Develop Tender Documentation, scoring matrix and evaluation criteria	30 January 2009
3 Issue of Tender Documents	30 January 2009
4 Last Date for requesting Tenders	17 March 2009
5 Return of Tender Documents (52 days)	23 March 2009
6 Hymans Assess tenders	6 April 2009
7 Long List Review	8 April
8 Short List Selection.	15 April 2009
9 Shortlist Interviews	May 2009
10 Due Diligence/Site Visits.	May 2009
11 Final Analysis/Post on Server	1 June 2009
12 Pensions Committee	June 2009
13 Award of Contract	July 2009
14 10 day stand still period	July 2009
15 Award Notice to OJEU	July 2009
16 CONTRACT START DATE	July 2009
17 Transition of Funds	July 2009

## **5. FINANCIAL IMPLICATIONS**

- 5.1. The fee that will be charged by Hymans Robertson for consultancy services for this exercise is £40,000.
- 5.2. There will be financial implications from the appointment of the managers and these will be reported to Committee before appointment.

## **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. Asset Allocation 26 November 2007

## **14. RECOMMENDATION**

- 14.1. That Members approve the commencement of the procurement exercise to select investment managers for active fixed income.

IAN COLEMAN  
DIRECTOR OF FINANCE