

WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	APPOINTMENT OF A MANAGER SELECTION FRAMEWORK
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION:	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Members of the outcome of a procurement process to appoint a framework list of consultants specialising in the selection of investment managers. Members are requested to accept the recommendation given in the Exempt Report to appoint Mercer to assist with the deferred passive investment management search.
- 1.2 An exempt report on this agenda contains information which is exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 On 31 March 2008, Pensions Committee appointed a framework list of investment manager search consultants, comprising of four firms (Aon Hewitt, bFinance, Hymans Robertson and JLT). As this framework arrangement has reached the end of its allotted duration, there has been a need to renew the framework through an open tendering process. Since its inception in 2008, there have been seven 'call-offs' from the framework and each firm has been engaged at least once. Over the next six years, it is envisaged that a number of investment mandate reviews will need to be carried out.
- 2.2 The procurement exercise invited tenders from interested parties to gain entry to a framework list of consultants to provide support services to the Merseyside Pension Fund for the selection of investment managers. Once in effect, the internal team will call-off consulting firms from the framework for each search exercise. It is envisaged that the framework will operate for three years from inception, with an option to extend this by a further three years, subject to satisfactory performance. Entry to the framework does not constitute a guarantee of work.

- 2.3 Merseyside Pension Fund observes best practice regarding the separation of roles for consultants, as outlined in the Myners Principles. Therefore, consultants appointed to the framework will not be required to provide advice and support to MPF in respect of investment strategy, asset allocation or funding position. Following the appointment to the role of investment strategy consultant in November 2011, Aon Hewitt is no longer eligible to participate in the manager selection framework.
- 2.4 The advantages of having this framework arrangement in place are twofold. Firstly, the complexity of the investment strategy and the wide range of investment management solutions available in the market, is such that MPF benefits from having access to a range of specialists in this area, who may employ a variety of techniques and approaches. In order to adequately assess the suitability of investment managers for particular mandates, MPF must gather and evaluate a considerable volume of data and employ sophisticated quantitative and qualitative screening techniques. MPF lacks the internal resource to adequately carry this out without external support.
- 2.5 The second advantage relates to the timeliness with which procurement exercises to search for investment managers can be initiated. As the procurement of the framework list has been compliant with E.U. regulation, there will not be the need to go through the full tendering process whenever MPF wishes to engage a consultant for a manager search.
- 2.6 Members will recall that, due to an administrative error, the search exercise for passive investment managers carried out earlier in 2011 had to be abandoned. Following the advice of the Procurement Team, a suitable length of time has been allowed to elapse before re-starting the process. The re-commencement of this process is the subject of a separate report to this meeting of the Committee.

3.0 RELEVANT RISKS

- 3.1 Members will be aware that, after asset allocation, the biggest risk of MPF failing to meet investment objectives comes from the consequences of poor investment manager selection.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATIONS

12.1 That Members agree to appoint Mercer, Xafinity, Deloitte, bFinance and JLT to a framework list.

12.2 That Members agree to appoint Mercer to assist in carrying out the deferred search exercise for passive investment managers.

13.0 REASON FOR RECOMMENDATIONS

13.1 The framework is considered to be integral to supporting delivery of the investment strategy.

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APPENDICES

Selection of investment manager framework list

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee : Investment Advisors	27 June 2011
Pensions Committee : Passive Management Contract	27 June 2011