

WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	POLICY FOR THE MONITORING OF INVESTMENT MANDATES
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 request that Members approve a revised policy for the monitoring of investment mandates for MPF. This policy sets out a schedule for procurement exercises and a framework for monitoring mandates.
- 1.2 The Policy for Monitoring of Investment Mandates, contains exempt information. This is 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 The purpose of this policy is to provide a framework for the monitoring of internal and external investment mandates for Merseyside Pension Fund. The original version of this policy was approved by Pensions Committee on 31 March 2008.
- 2.2 The aim of this policy is to provide a structured approach to the response of the investment team to the performance of all aspects of the Fund, that whilst ensuring that there is an auditable trail of consequences. It allows for full consideration of all relevant facts in decision making.
- 2.3 The policy provides for a full reporting structure and documentation of discussions and decisions.
- 2.4 The exempt report covers the following
 - The Mandates
 - Arrangements for Appointment and Strategic Review of Mandates
 - Monitoring Arrangements and Reporting Structure
 - Status Levels and Consequences

- 2.5 The key changes made to the policy are to reflect the new mandates that MPF has set up since 2008. The policy on trigger points and consequences remains unaltered.
- 2.6 The intention for external mandates is to review the contract after three years with an option for a further three years extension following a review. However, contracts are drawn up on a rolling 28 days basis in accordance with LGPS regulations. This gives MPF flexibility in the management of these contracts. There is a need to change the timing of the planned procurement exercises to reflect availability of management resources and to control operational risk.
- 2.7 The key consequences arising from the changes in this policy which have procurement implications are:
- Combining the two European Equity exercises and commencing an exercise in 2014 which results in a shorter period for Unigestion and a contract extension for JP Morgan. (Subject to performance not triggering an earlier review in the interim).
 - Delaying the procurement exercises for Japanese equities and Pacific Rim Equities by one year to 2017. (Subject to performance not triggering an earlier review in the interim).
 - The overall timetable is subject to review and will be reported annually.

3.0 RELEVANT RISKS

- 3.1 The policy is designed as a key tool to mitigate the risk that investments under perform their benchmark.
- 3.2 The changes to the timing of procurement exercises is designed to mitigate the risk of a procurement exercise not being executed adequately due to competing demands on staff. There is a finite resource both within MPF and the Procurement Unit available to conduct these exercises which are time consuming and can have significant impact on Fund performance if not executed correctly.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report.

5.0 CONSULTATION

- 5.1 Not relevant for this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

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

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no implications arising directly from this report.

12.0 RECOMMENDATIONS

12.1 That Members agree the updated policy for the monitoring of investment mandates.

12.2 That the European Equity procurement exercises be combined and commence in 2014.

12.3 That the contract held by J.P. Morgan to manage European equities be extended to coincide with the above recommendation.

12.4 That the Japanese and Pacific Rim procurement exercises commence in 2017 subject to review.

13.0 REASON FOR RECOMMENDATIONS

13.1 Pensions Committee is required to set the overall investment strategy for the Pension Fund. Active investment managers are a key component of the investment strategy. This policy sets a clear framework to control risk in the selection and monitoring of investment managers.

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APPENDICES

The revised policy for the monitoring of investment mandates is an exempt report on this agenda.

REFERENCE MATERIAL

None used in the preparation of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date