

WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	PASSIVE MANAGEMENT CONTRACT
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 update Members on progress made so far on the procurement exercise for passive management mandates and in the light of this to recommend that Members agree to the extension of the existing contract with Legal and General (L&G) and UBS to 31 December 2012.

2.0 BACKGROUND AND KEY ISSUES

2.1 MPF has passive mandates with L&G and UBS. A procurement exercise for these combined mandates commenced in February 2011 following Pensions Committee approval on 11 January 2011.

Asset Class	Manager	Allocation	Value at 31 December 2011
UK Equities	L&G	12%	£433.4m
UK Index Linked Gilts	L&G	8%	£584.8m
US Equities	UBS	8%	£367.3m

2.2 On 27 June 2011 Pensions Committee agreed to an extension of these contracts to 31 March 2012 due to this procurement exercise being aborted because of administrative error.

2.3 It was intended to conduct this exercise during the first quarter of 2012 but due to the procurement exercise for the Manager Selection Framework reported elsewhere on this agenda, this has not been possible and there is now a need to extend the contracts and commence the exercise.

- 2.4 The table below sets out the planned timetable for the exercise subject to approval of this report. The timetable is due to be completed by October 2012 but a request is made in this report to extend the contracts with L&G and UBS to 31 December 2012 to allow for any unforeseen slippage.

Date	Action	Comments
20 March 2011	Pensions Committee	Provisional approval of consultant framework and the standstill period begins
April	Commencement of Procurement Exercise	Commence Exercise with Mercer (subject to approval by Pensions Committee)
July	Completion of Procurement Exercise	Procurement Exercise will consist of assessment of tender documents, interviews in Liverpool, and site visits.
September	Recommendation to Pensions Committee	Date of Pensions Committee Meeting not confirmed
October	Transition	Agreement of contacts and Transition of Assets

- 2.5 The criteria used for the assessment of tenders will be as follows and is unchanged from that originally envisaged.

<u>Criteria</u>	<u>Percentage Allocation</u>
Performance	25%
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%
Price	35%
Price expressed as a % of assets under management	
Additional Services	20%
Ability to provide asset transfers and temporary management of assets (will require a pooled vehicle solution.)	10%
Ability to comply with MPF policies on Responsible Investment	5%
Client Servicing	5%
Risk Control	20%
Scale and ongoing viability of the organisation to take on mandate	10%
Security of Assets	10%
<u>TOTAL</u>	<u>100%</u>

3.0 RELEVANT RISKS

- 3.1 The present managers have controlled tracking error against benchmark accurately and there are no operational issues that have arisen during their tenure. There is no significant additional risk in extending their contracts.
- 3.2 The timetable for the exercise has been set with the aim of controlling the operational risks of a procurement exercise and potential transition by ensuring adequate time and resources to complete tasks.

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 RECOMMENDATION

- 12.1 That Members agree the extension of the contract with L&G and UBS until 31 December 2012.

13.0 REASON FOR RECOMMENDATION

- 13.1 The reason for the recommendation is to ensure that the day to day operation of MPF can continue during the procurement exercise and to control risk.

FNCE/67/12

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APPENDICES

REFERENCE MATERIAL

None used in the preparation of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee : Passive Management	27 June 2011
Pensions Committee : Passive Management	11 January 2011
Pensions Committee Passive Management	23 March 2010