

WIRRAL COUNCIL

PENSIONS COMMITTEE

16 SEPTEMBER 2013

SUBJECT:	MEDIUM TERM ASSET ALLOCATION IMPLEMENTATION OF FRAMEWORK
WARD/S AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update Members on progress on the implementation of a framework for active management of medium term asset allocation.
- 1.2 Appendices 1 and 2 to the report contain 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 Members will be aware that on 24th June 2013, Pensions Committee approved a framework for active management of medium term asset allocation including the following key aspects:
- The setting up of a MTTA panel as outlined in the appendix
 - The appointment of an overlay manager subject to completion of due diligence work by Aon Hewitt (This will be delegated to officers and reported to Committee in September).
 - The provision of additional services from Aon Hewitt as MTAA advisors under their existing contract.
- 2.2 Since the Pensions Committee and following advice from Aon Hewitt, BlackRock have been appointed as the Overlay Manager.
- 2.3 Officers have met with BlackRock to discuss in more detail how the overlay manager role will fit into the framework and how the mandate will be managed on a day to day basis.
- 2.4 Officers have set a target timetable for implementation of the framework as detailed in the appendix to this report.

3.0 RELEVANT RISKS

- 3.1 The appendices include consideration of risks related to implementation of active management of medium term asset allocation. The control of risks is a key part of the due diligence.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The appendices include consideration of options for implementation of active management of medium term asset allocation.

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 The aim of this exercise is to improve the overall returns and risk adjusted returns of Merseyside Pension Fund and therefore will have beneficial financial implications. The targeted return from medium term asset allocation is 0.25% of the Fund which at present would potentially improve returns by approximately £15m per annum.
- 7.2 The costs of the overlay manager are set out in the exempt appendix and will be withdrawn from the pooled vehicle directly on a quarterly basis.
- 7.2 There are no Staffing or IT implications of this report.
- 7.3 To date consultancy fees of £25,000 have been incurred in the due diligence on this project and the exempt appendix provides an estimate of on-going costs per annum for the MTAA consultant as a variance to the Aon Hewitt contract under agreed draw down rates.

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 carbon usage implications, nor any other relevant environmental issues arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no planning or community safety implications arising from this report.

12.0 RECOMMENDATION/S

12.1 That Pensions Committee notes the report on progress to date on the implementation of the framework for active management of medium term asset allocation

12.2 Subject to approval, the Compliance Manual will be amended to reflect the MTAA framework.

12.3 That Pensions Committee notes the additional consultancy fees paid to Aon Hewitt for conducting due diligence on the recommended arrangements.

13.0 REASON/S FOR RECOMMENDATION

13.1 The approval of investment strategy by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

13.2 Officers believe that the medium term asset allocation framework will enhance the returns of the fund primarily through management of risk.

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APPENDICES

Appendix 1 Internal Report setting out governance framework and implementation of active management of medium term asset allocation. (Revised as at 30th August 2013)

Appendix 2 Report "Overlay manager review" by Aon

REFERENCE MATERIAL

No reference material used in the production of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee : Medium Term Asset Allocation	24 June 2013
Pensions Committee : IMWP minutes	25 March 2013

