

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	MTAA UPDATE REPORT
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR FOR DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report provides members with an update on progress to date with the Fund's Medium Term Asset Allocation Strategy (MTAA) and an explanation of the delay in retendering the contract.

2.0 BACKGROUND AND KEY ISSUES

2.1 The MTAA Strategy was initiated on 31st January 2014.

2.2 The framework for the implementation of the MTAA Strategy was presented to the Pensions Committee at its meeting on 10th September 2013.

2.3 The objectives of the framework are:

- To reduce the risk of underperformance caused by unintended asset allocation positions from the Fund's strategic benchmark.
- To implement in a timely fashion intended asset allocation positions from the Fund's strategic benchmark with a return target of 0.25% per annum on a rolling 3 year basis.

2.4 Details of the estimated costs for the MTAA strategy were reported to the Pensions Committee in September 2014.

2.5 Members approved additional expenditure to the current advisers Aon Hewitt the Fund's strategic investment consultant until such time as a formal tender exercise could be completed.

2.6 The procurement exercise was included in the MPF Business Plans for 2015/16

and 2016/17.

- 2.7 However, separate advisory services have not as yet been procured as a result of delays to the development of the “Norfolk Framework”, a national consultancy framework. It is currently anticipated that the National Framework will be established by October 2017 and the Fund will be able to re-tender for the advisory work currently carried out by Aon Hewitt under the auspices of this framework.
- 2.8 A review of the MTAA strategy since inception has been undertaken by the Fund’s Independent Adviser Rohan Worrall. The contribution of the MTAA strategy appears (at a top line level) to have been marginally negative. Since inception of the MTAA strategy to end December 2016, the MTAA portfolio has produced a return of -0.15% to December 2016 according to figures produced by Aon Hewitt. To date, the approximate 3 year total costs of the MTAA strategy are running at £1,756,000 approximating to an annual total cost since inception of £585,300.

3.0 RELEVANT RISKS

- 3.1 The primary objective of the MTAA strategy has been to reduce the risk of MPF’s portfolio underperforming due to unplanned deviations from its strategic benchmark.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options are currently under consideration.

5.0 CONSULTATION

- 5.1 The consultation process with regard to the LGPS Norfolk Framework is nearing completion and is expected to commence on October 17th 2017.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no outstanding previously approved actions.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

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

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

- 8.1 None.

9.0 LEGAL IMPLICATIONS

- 9.1 None.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

13.0 RECOMMENDATION/S

13.1 That members note this update to the Fund's MTAA strategy.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Members are aware of the delay to the retender of the contract.

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APPENDICES

None.

BACKGROUND PAPERS/REFERENCE MATERIAL

Framework for Implementation of Active Management of Medium Term Asset

Allocation Revised at 30th August 2013 Pensions Committee 16th September 2013.

Review of MTAA Programme by Rohan Worrall

BRIEFING NOTES HISTORY

Briefing Note	Date
Pensions Committee	16th September 2013
Pensions Committee	15th September 2014

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

