

WIRRAL COUNCIL

PENSION BOARD

5 FEBRUARY 2020

SUBJECT:	UPDATE ON DEVELOPMENT OF INTERNAL INVESTMENT MANAGEMENT ARRANGEMENTS
REPORT OF:	DIRECTOR OF PENSIONS

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Board members of a report to Pensions Committee providing an update on the progress made in the development of the internal investment management team, the implementation of internally managed investments and delivery of cost savings. Approval was also sought to implement an internally managed equity portfolio in respect of the Asia Pacific markets.

- 1.2 This report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of 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 In the Pooling guidance issued by MHCLG in 2015, internal management was identified as an effective way of reducing investment management costs:

In-house management
Some authorities manage all or the majority of their assets internally and so can already show very low management costs. In these cases, a move to a collective investment vehicle with external fund managers is unlikely to deliver cost savings from investment fees alone. However, there are wider benefits of collaboration which authorities with in-house teams should consider when developing their proposals for pooling. A pool of internally managed assets could lead to further reductions in costs, for example by sharing staff, research and due diligence checks; it may improve access to staff with stronger expertise in particular asset classes; and could introduce greater resilience in staff recruitment, retention and succession planning. Alternatively, newly created pools might wish to work with existing in-house teams to build up expertise and take advantage of their lower running costs.

Any reduction of costs should be assessed in the context of 'net of performance returns' i.e. a more expensive but higher performing manager is better value than a less expensive manager with mediocre performance.

2.2 The attached report provides further context to the considerations behind the recommendation.

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

3.1 There are none arising from this report.

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

5.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

REPORT AUTHOR	Peter Wallach	Director of Pensions
Email	Telephone (0151) 242 1309	
	peterwallach@wirral.gov.uk	

SUBJECT HISTORY

Reports/notes	Date
This is a standing item on the agenda	

APPENDICES

Exempt appendix: Internal Investment report