

WIRRAL COUNCIL

PENSIONS COMMITTEE

27 JUNE 2011

SUBJECT:	PASSIVE MANAGEMENT
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 inform Members that the tender exercise for passive management has been deferred following an administrative error. As a result of this, the contracts for the existing providers of passive management services need to be extended and a new procurement process initiated.

2.0 RECOMMENDATIONS

2.1 That Members note the deferral of the procurement exercise for passive management.

2.2 That Members agree to the extension of the contracts for Legal and General (L&G) and UBS for their current respective passive mandates to 31 March 2012.

3.0 REASON FOR RECOMMENDATIONS

3.1 The course of action taken so far by the Pension Fund and that recommended to Members has been on the basis of advice given by the Procurement Unit and Director of Law and is viewed as necessary to ensure that the Council complies with legislation relating to public procurement within the EU.

4.0 BACKGROUND AND KEY ISSUES

4.1 On 11 January 2011 Pensions Committee agreed a recommendation to commence a procurement exercise for the provision of passive management services to the Fund.

4.2 This process was due to be completed before this meeting of the Pensions Committee and a recommendation would have been brought to this meeting.

4.3 In advance of the scheduled interviews of the short-listed managers there was an administrative error which resulted in confidential information being inadvertently disclosed to one of the candidates.

4.4 Following advice from Procurement the interviews were cancelled and the process terminated on the basis that the process was compromised.

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- 4.5 The advice from Procurement is that there should be a gap before recommencement of the process. Also due to potential changes in the investment strategy and information that came to light during the process, there will be a review of the requirements of the procurement process.
- 4.6 L&G and UBS are the current incumbent managers for the passive mandates of the Fund. Their assets under management are detailed in table below.

Asset Class	Manager	Allocation	Value at 31 March 2011
Index Linked Gilts	Legal & General	12%	£487.8m
UK Equities	Legal & General	8%	£371.4m
US Equities	UBS	8%	£417.3m

This allocation is as at 1 January 2011 following changes to asset allocation.

- 4.7 These two managers have performed in line with benchmarks since their inception, as expected from passive managers and there are no issues with them continuing to provide these services.

5.0 RELEVANT RISKS

- 5.1 There is no increase in risk to the Fund from the recommendations within this report.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 Not relevant for this report.

7.0 CONSULTATION

- 7.1 Not relevant for this report.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are no implications arising directly from this report

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

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

10.0 LEGAL IMPLICATIONS

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

11.0 EQUALITIES IMPLICATIONS

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

12.0 CARBON REDUCTION IMPLICATIONS

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

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are no implications arising directly from this report.

FNCE/140/11

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APPENDICES

There are no appendices

REFERENCE MATERIAL

None used in the preparation of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee Appointment of Consultants for the Selection of Investment Managers	31 March 2008
Pensions Committee : Passive Management	23 March 2010
Pensions Committee Asset Allocation	16 November 2010
Pensions Committee Passive Management	11 January 2011