

Committee: Pension Fund Advisory Committee

Date: 3 December 2015

Agenda item: 6

Wards: All

Subject: UPDATE ON INVESTMENT ADVISER PROCUREMENT

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact officer: Paul Dale

This document is a public document

Recommendations:

- a) Note the content of this report.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update the Committee on the procurement process for the appointment of an investment adviser to assist with the proposed review of the pension fund investment strategy and selection of fund managers through a competitive OJEU process.
- 1.2 Final interviews with bidders were held on 21 October 2015, following the evaluation of the bidders' final submissions by officers.
- 1.3 Bidders have been informed about the outcome of the tender and at the end of a 10-day standstill period the Council will enter a contract with the successful bidder.

2. NEXT STEPS

- 2.1 Officers have commenced a review of the pension fund custody arrangement prior to initiating a search for a global custodian via a competitive framework process.
- 2.2 It would be prudent to appoint a global custodian before the selection of fund managers. The global custodian will play a key role in the event of any portfolio transitions between fund managers.

- 2.3 Review of the investment strategy. It is important to confirm potential changes to the pension fund investment strategy with the appointed Investment Adviser to determine the appropriate asset allocation, benchmarks and performance targets to inform the Committee's decision on the nature of the mandates to be awarded. This would ensure that fund managers' approach and style are consistent with the investment objectives and the Committee's risk appetite and that there is complementarity of fund managers.
- 2.4 Review the option to access fund managers through London Collective Investment Vehicle (CIV) and terms.
- 2.5 Draft fund manager tender documents for the OJEU process.

3. ADVICE OF THE HEAD OF COMMERCIAL SERVICES

- 3.1 Discussion is on-going about which of the procurements detailed above would require compliance with EU procurement regulations. However, in any event, a rigorous procurement exercise will be undertaken for this scale and profile of contract.
- 3.2 Internal procurement resources can manage the procurement process for the appointment of fund managers, but investment consultants will be required to assist with the development of specifications and the evaluation of technical aspects of the bids received.

4. LONDON COLLECTIVE INVESTMENT VEHICLE (CIV)

- 4.1 An alternative to pursuing OJEU procurement would be to use the London CIV which is now actively taking investments.
- 4.2 An update on the CIV is the subject of a separate report to this meeting

5. CONSULTATION UNDERTAKEN OR PROPOSED

- 5.1 N/A

6. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 The investment strategy chosen will affect the return on the fund, its actuarial valuation and the cost to the Council.
- 6.2 There will be a one off cost in procuring investment adviser to support the procurement process. This will be charged to the pension fund.

7. REGULATORY AND SPECIFIC LEGAL MATTERS

7.1 Procurement has been carried out through competitive OJEU process.

8. COMPLIANCE WITH COUNCIL POLICIES EXTRANEIOUS TO PENSION PROVISION

8.1 Please see 7 above.

9. CRIME AND DISORDER IMPLICATIONS

9.1 N/A

10. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1 The use of the CIV would enable a quicker, simpler process, but any delays in their ability to take investments could impinge on our ability to have the new allocations and fund managers in place by the end of the financial year.

11. APPENDICES

None

12. BACKGROUND PAPERS

1. Award of Contract for the Provision of Pension Investment Services

This page is intentionally left blank