
PROCUREMENT UPDATE

Report by Chief Financial Officer

PENSION FUND COMMITTEE

12 September 2013

1 PURPOSE AND SUMMARY

- 1.1 **This report provides the Pension Fund Committee with an update on the procurement for new managers for Global Equity and Fixed Income (bond) mandates and details a proposed project timetable for these.**

2 BACKGROUND

- 2.1 Due to concerns raised on the performance of UBS Fixed Income (Bond) Mandate and Global Equity Mandate the decision was taken by the Pension Fund Committee in December 12 to commence a procurement process for new managers for these mandates.
- 2.2 Based on previous procurement exercise and the resources available the procurement process has been broken down into two individual projects with a two month time gap between them.
- 2.3 Table 1 in para 5.3 proposes project timetables for each of the procurements.

3 RECOMMENDATIONS

- 3.1 **It is recommended that the Pension Fund Committee:-**
- (a) Approve the project timetables detailed in table 1 para 5.3.**
 - (b) Notes further updates will be provided to Committee throughout the procurement process.**

4 BACKGROUND

- 4.1 Due to concerns raised on the performance of UBS Fixed Income (Bond) Mandate and Global Equity Mandate the decision was taken by the Pension Fund Committee in December 12 to commence the procurement process for new managers. UBS have been notified of this decision.
- 4.2 An Appointments Sub-Group was agreed to oversee the procurement with the support on the technical analysis of submissions to be provided by AON Hewitt.
- 4.4 The two mandates will be procured via individual projects and the PQQ's for these are currently being drafted.

5 PROCUREMENT PLAN

- 5.1 Due to the value of the contract the procurement route will be OJEU which has strict timescales which must be adhered to.
- 5.2 The out-come of a "lessons learned review" from a similar procurement process undertaken during 2011/12 was taken into account in compiling the timetable. The previous procurements saw 50-60 PQQ returns being submitted and additional time being required at contract award for discussions on Terms & Conditions. It is proposed to phase these two procurements sequentially with a two month gap, to ensure resources are available at each of the key stages for robust evaluations to undertaken.
- 5.3 The table below details the proposed time table for each of the procurements with a two month time gap between them.

Table 1

	Global Equity	Fixed Income Bonds
Finalise PQQ	29 Sept 13	22 Nov 13
Publish OJEU advert	30 Sept 13	25 Nov 13
Evaluate PQQ Submissions	25 Nov 13	31 Jan 14
Issue ITT to 5 bidders	27 Nov 13	3 Feb 14
Evaluate ITT Submissions	27 Jan 14	14 Mar 14
Fund Manager Clarification meetings	3 Feb 14	23 Mar 14
Finalise tender clarifications & Scorings	10 Feb 14	28 Apr 14
Recommendation to Pension Fund Committee	4 Mar 14	17 Jun 14
Award Contract	5 Mar 14	19 Jun 14
Commence Contract	31 Mar 14	31 July 14

6 IMPLICATIONS

6.1 Financial

(a) There are costs involved with changing managers and as reported at the last meeting the last two transitions cost 0.79% of the asset value transferred for Global Equities and 0.1% of the asset value transferred to the Alternatives Mandate. In addition there will be costs associated with engaging AON Hewitt to provide the expert analysis required to assess the PQQs and ITTs this is likely to be in the range of £20k - £30k per mandate.

(b) It should however be understood that if AON Hewitt's concerns about the ability of UBS to deliver long term, sustainable performance continue unabated the impact on the Pension Fund from not acting will be significantly higher than this over time.

6.2 Risk and Mitigations

The risk management framework for the Pension Fund and the procurement process for new mandates is designed to mitigate or tolerate these risks.

6.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

6.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

6.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

6.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

6.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

7 CONSULTATION

7.1 The Head of Corporate Governance, the Head of Strategic Policy, the Head of Audit and Risk, HR Manager and the Clerk to the Council have been consulted and any comments have been incorporated into the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Lynn Mirley	Corporate Finance Manager, 01835 825016
Kirsty Robb	Treasury & Capital Manager, 01835 825249

Background Papers:

Previous Minute Reference: Pension Fund Sub Committee 13 June 2012
Pension Fund Committee 11 December 2012

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Treasury & Capital Team can also give information on other language translations as well as providing additional copies.

Contact us at: Treasury & Capital Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 OSA Tel: 01835 825016 Fax 01835 825166. email: treasuryteam@scotborders.gov.uk