
INVESTMENT MANAGERS PROCUREMENT UPDATE

Report by Chief Financial Officer

PENSION FUND COMMITTEE

04 December 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.**
- 1.2 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 2012 to commence a procurement process for new managers for these mandates. These were delayed due to resource constraints but now programmed.
- 1.3 Based on previous procurement exercise and the resources available the procurement process it was agreed in September to break the procurement into two individual projects with a two month time gap between them.
- 1.4 The Global Equity procurement has received 39 Pre Qualification Questionnaires (PQQ) and these are currently being short listed to 6 bidders who will be invited for tender. The Fixed Income Bonds procurement PQQ has been published with a closing date of 24 January 2014. A Member panel has been appointed to oversee the procurement process and interviews.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee:-**
 - (a) Notes the progress to date on the individual procurements.**
 - (b) Notes further updates will be provided to Committee throughout the procurement process.**

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BACKGROUND

- 3.1 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.
- 3.2 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.
- 3.4 It was agreed at the September Pension Fund Committee to break the procurements into two individual projects, with a 2 month time gap between them. The agreed timetable is shown below

	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 6 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

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PROCUREMENT UPDATE

4.1 Global Procurement

(a) PQQ

The OJEU advert was published on the 10th October and PQQ's closed on 15 November. 52 expressions of interest have been logged and 39 PQQ received. These are currently being evaluated to produce a short list of 6 bidders.

(b) Tender Process

The Tender documents are currently being finalised and will be issued to the Short listed companies on 18th December, for completion and return on 30 January. Additional time has been given to accommodate the festive season.

(c) Clarification Interviews and Contract Award

Clarification interviews for all submitted Tenders will be held week commencing 17 February leading to contract award on 31 March. The December 2012 meeting appointed Councillor White and Councillor Mitchell to sub group which will under take the Clarification interviews.

4.2 **Fixed Income Bonds**

(a) **PQQ**

The PQQ documentation is complete and was published on the portal on 29 November 2013, with a closing date of 24 January 2014. These will then be evaluated to produce a short list of 6 bidders.

(b) **Tender Process**

The Tender documents will be finalised ready for issuing to the Short listed companies on 3rd February, for completion and return on 14 March. Additional time has been given to accommodate the festive season.

(c) **Clarification Interviews and Contract Award**

Clarification interviews for all submitted Tenders will be held week commencing 23 March leading to contract award on 19 June. The December 2012 meeting appointed Councillor White and Councillor Logan to the sub group which will under take the Clarification interviews.

5 IMPLICATIONS

5.1 **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 PQQ's and ITT's this is likely to be in the range of £20k - £30k per mandate.

(b) It should however be understood that if 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.

5.2 **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.

5.3 **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.

5.4 **Acting Sustainably**

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

5.5 **Carbon Management**

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

5.6 **Rural Proofing**

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

5.7 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

6.1 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)

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Background Papers:

Previous Minute Reference: Pension Fund Committee 12 September 2013

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