

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	10 DECEMBER 2010	AGENDA ITEM NUMBER
TITLE:	GLOBAL EQUITY MANAGER APPOINTMENT	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report:  Exempt Appendix 1 – Summary of Appointment Decision		

### 1 THE ISSUE

- 1.1 On 26 March 2010 the Avon Pension Fund Committee resolved to appoint an unconstrained Global Equity Manager to manage 6% of the Fund's assets (equivalent to 10% of the equity assets).
- 1.2 The appointment was delegated to the Investment Panel. The Panel met on the 24 November 2010 to make the selection.
- 1.3 This report updates Members on the completion of the selection process and the decision to appoint Schroder Investment Management (Schroder).

### 2 RECOMMENDATION

- 2.1 **That the Committee notes the appointment of Schroder as unconstrained global equity manager.**

### 3 FINANCIAL IMPLICATIONS

- 3.1 The monies allocated to the appointed manager are to be raised by realising assets within the Fund's passively managed equity portfolio.
- 3.2 The Fund's 2010/11 budget incorporated a provision for the associated management and consultancy fees.

### 4 THE SELECTION PROCESS

- 4.1 On 25 June 2010 the Committee resolved to agree the tender process for the global equity manager and to delegate the appointment of the global equity manager to the Investment Panel.
- 4.2 Due to the size of the mandate (c. £136m) the fees exceed the Official Journal of the European Union (OJEU) limit and therefore a full OJEU procurement exercise was followed. An Open procurement process was followed using the Council's online procurement portal. The online system generates an audit log of the whole process.
- 4.3 The Fund commissioned its investment consultant, JLT, to manage the tender process. The open tender was conducted and all investment managers that expressed an interest were invited to submit a bid.
- 4.4 The selection process was as follows:

(1) Officers agreed tender specification and evaluation criteria with JLT (see below)

(2) JLT developed the tender questionnaire based on the evaluation criteria. It was designed to help identify investment managers with a greater likelihood of being able to consistently deliver the requirements of the mandate over the medium term.

(3) The Fund received 64 tenders. The tenders were evaluated based on the pre-determined criteria. These were then discussed with the officers and the Fund's independent advisor.

(4) Having completed further due diligence, the Officers along with the Independent Advisor and Investment Consultant shortlisted 3 products. These 3 managers were invited to a selection panel meeting at which the selection panel (made up of Investment Panel members, advised by officers, investment consultant and independent advisor) clarified the information provided in the submissions and selected the manager to appoint.

- 4.5 The **specification** as set out in the tender documentation was as follows:

- Management of long only global equities of approximately £136 million at current levels

- Performance target is to outperform the MSCI All Country World Index (or FTSE All World Index) by +2 to 4% per annum, net of fees, over rolling three year periods
- The Pension Fund is working towards achieving the UN PRI standard and therefore will take this into consideration when evaluating the tender

4.6 The **evaluation criteria** used to assess submissions is set out below. The percentages show the weighting given to each element.

<b>Criteria</b>	<b>Weight</b>
Investment Process	30%
Corporate Governance and Responsible Investment	5%
Risk Management and Portfolio Construction	20%
Resources	10%
Corporate Structure	10%
Performance	5%
Fees	10%
Client service	10%

## **5 DECISION TO APPOINT**

5.1 After assessing the submissions, the Selection Panel agreed to appoint Schroder. Reasons for this include:

- Clear philosophy and approach
- Approach well aligned with Fund's goals
- Strong evidence of ability to achieve the Fund's performance target

Further details on the reasons for this and on the management approach and process Schroder will take are in the exempt appendix 1.

5.2 This appointment is subject to completion of a legal agreement between the Fund and Schroder and the mandatory 10 day 'standstill period' following OJEU procurement exercises.

5.3 The portfolio will be managed on a segregated basis meaning that the Fund's custodian (BNY Mellon) will be responsible for the safekeeping of the Fund's assets.

**6 RISK MANAGEMENT**

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

**7 EQUALITIES**

7.1 An equalities impact assessment is not necessary.

**8 CONSULTATION**

8.1 This is reporting the outcome of a consultation process.

**9 ISSUES TO CONSIDER IN REACHING THE DECISION**

9.1 Are contained in the report.

**10 ADVICE SOUGHT**

10.1 The Council's Monitoring Officer and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	