



Report of: Corporate Director of Finance and Resources

Meeting of	Date	Agenda Item	Ward(s)
Pensions Sub- Committee	21 September 2016		n/a

Delete as appropriate	Exempt	Non-exempt

Appendix 1 attached is exempt and not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

SUBJECT: CONTRACT AWARD FOR EMERGING/FRONTIER EQUITY MANAGER

1. Synopsis

1.1. This report sets out the procurement process undertaken to award a contract to an emerging and frontier market equities manager. Members agreed to make changes to the fund's existing passive allocation to emerging markets and move to an active emerging market mandate with a meaningful exposure to frontier markets.

2. Recommendations

2.1. To note the outcome of the tender process to procure an Emerging and Frontier market manager(s)

2.2. To agree the appointment of Fund Manager A as the Islington Pension Fund Emerging and Frontier market equities manager as recommended in Appendix 1 (private and confidential)

2.3. To agree the appointment of Fund Manager B as the Islington Pension Fund Emerging and

	Frontier market equities reserve manager as recommended in Appendix 1 (private and confidential)										
2.4	To delegate to the Corporate Director of Finance & Resources, in consultation with the Assistant Chief Executive, Governance and HR, authority to negotiate and agree the fund management agreement with Fund Manager A.										
3.	Background										
3.1.	<p>Emerging/Frontier Market Manager Tender and Appointment</p> <p>Members agreed in November 2014, a new asset allocation and an implementation plan over the short to medium term period, in particular</p> <ul style="list-style-type: none"> • To allocate part of its assets to new areas of investment, namely frontier emerging markets, infrastructure and social housing, coupled with the DGF allocation. • Identify implementation considerations of the proposed investment strategy; and • Identify the governance requirements of the proposed investment strategy 										
3.2.	The DGF manager was appointed in April 2015, resourced from 10% of our equities allocation. In December 2015 our Global Equity Allianz portfolio was transitioned to the CIV platform and thereafter the process to procure an active emerging and frontier market manager commenced in 2016.										
3.3.	Mercer our investment advisors assisted officers to draw up a request for proposal (RFP) tendering document to be published in the Official Journal of the European Union ('OJEU'). A contract for the provision of financial investment services in connection with the investment of pension fund monies is subject to the requirement to advertise advertisement in OJEU where the value of the contract is estimated at or above 207,000 Euro. .										
3.4	<p>The tender documents were released on the London Tenders Portal and published in OJEU on 17 May 2016. The projected timetable was as follows:</p> <table border="1"> <thead> <tr> <th>Activity</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Closing date for submissions ITT</td> <td>20 June 2016</td> </tr> <tr> <td>Short listing- Mercer and officers</td> <td>2nd week in July</td> </tr> <tr> <td>Site visit/video conferencing clarification meetings - Mercer and officers</td> <td>3rd week in July</td> </tr> <tr> <td>Presentation to an evaluation panel- members/officers and advisors</td> <td>To be confirmed</td> </tr> </tbody> </table> <p>The tender process was conducted in three stages:.</p> <ol style="list-style-type: none"> Mercer and Officers met to discuss the best fit managers and agree a long and short list on 11 July 2016. The head of treasury and pensions and Mercer then conducted due diligence meetings with eight prospective managers at their offices. The manager scope covered both debt and equity strategies. Four managers covered debt, three covered equities, and one covered multi assets. Following the due diligence evaluation of the initial 8 shortlisted managers, 4 managers were invited to present on: idea generation, portfolio construction and implementation ,terms and fees and market environments to a joint officer/member 	Activity	Date	Closing date for submissions ITT	20 June 2016	Short listing- Mercer and officers	2 nd week in July	Site visit/video conferencing clarification meetings - Mercer and officers	3 rd week in July	Presentation to an evaluation panel- members/officers and advisors	To be confirmed
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evaluation group on 25 July. Membership of the evaluation group is shown in table 1

3.5

Table 1

Councillor Richard Greening	Chair
Councillor Paul Smith	Pension Sub committee member
Nick Sykes	Mercer
Nikeeta Kumar	Mercer
Karen Shackleton	AllenbridgeEpic
Mike Curtis	Corporate Director of Finance & Resources
Alan Layton	Service Director Financial and Asset Management
Joana Marfoh	Head of Treasury and Pension Fund Management

3.6

The outcome of the evaluation is set out in exempt Appendix 1 to this report

4.

Implications

4.1.

Financial implications

4.1.1

Fund management and administration fees are charged directly to the pension fund

4.2.

Legal Implications

4.2.1

The Council, as the administering authority for the pension fund may an appoint investment managers to manage and invest pension fund monies in emerging and frontier market equities on its behalf (Regulation 8(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

4.2.2

The procurement has been undertaken in accordance with the Council's Procurement Rules and the Public Contracts Regulations 2015. The tenders received have been evaluated by a joint officer/ member evaluation group in accordance with the tender evaluation model following presentations by four of the shortlisted tenderers.

4.2.3

In deciding which manager to appoint, the Pensions Sub-committee will need to consider fully and carefully the outcome of the tender evaluation and determine whether or not to accept the recommendation of the tender evaluation group.

<p>4.2.4</p> <p>4.2.5</p>	<p>.The sub committee must</p> <ul style="list-style-type: none"> (i) reasonably believe that the recommended investment manager’s ability in and practical experience of financial matters makes them suitably qualified to make investment decisions for the Council (ii) be satisfied that the fund (or relevant part of it) is managed by an adequate number of investment managers and that where there is more than one investment manager, the value of fund money to be managed by any one of them will not be disproportionate (in their view) in comparison with the value of fund money managed by other investment managers (iii) have proper regard to the advice of the Corporate Director of Finance and Resources and its external adviser, Mercers in relation to the proposed appointment <p>In considering the recommendations in this report, members must take into account the information contained in the exempt Appendix 1 to this report.</p>
<p>4.3.</p>	<p>Environmental Implications</p> <p>The environmental impacts were considered as part of the tender submissions where managers were asked to demonstrate how they took environmental and social governance issues in their portfolio construction. it was identified that the proposals in this report would have no adverse impacts.</p>
<p>4.4.</p>	<p>Resident Impact Assessment:</p>
	<p>The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.</p> <p>A Resident Impact Assessment has not been completed because the contents of this report relate to the statutory Local Government Pension Scheme Regulations. The LGPS Regulations are made under the Superannuation Act 1972.</p>
<p>5.</p>	<p>Conclusion and reasons for recommendations</p>
<p>5.1</p>	<p>The evaluation group consider that the recommended Manager A will be able to add value to</p>

the fund through their investment strategy and skill. Members are asked to agree to award the contract to Manager A subject to agreeing terms and conditions and to keep Manager B as a reserve manager.

Background papers

Tender documentation

Final report clearance:

Signed by:		
	Corporate Director of Finance & Resources	Date
Received by:		
	Head of Democratic Services	Date

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