

# Pensions Committee

10am, Wednesday, 13 March 2013

## Appointment of Providers

Item number	5.5
Report number	
Wards	All

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Single Outcome Agreement

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# Executive summary

## Appointment of Providers

### Summary

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#### Emerging Markets Manager

A competitive EU procurement exercise for the provision of investment management services for Lothian Pension Fund's actively managed emerging market equities has been completed.

Four investment managers were appointed to a framework, which lasts for 10 years: Lazard Asset Management, Martin Currie Investment Management, Mondrian Investment Partners and UBS Global Asset Management. Initial funding has been split equally between Mondrian and UBS, who are investing a total of approximately £200m (or 6% of Lothian Pension Fund). Aberdeen Asset Management no longer manage investments for the Fund.

Managers were assessed on a range of criteria: investment philosophy and process, people, business strength, performance and fees.

#### Independent Professional Observer

A search for an independent professional observer to participate in the governance arrangements of the Lothian Pension Fund has concluded. Members of the Pensions Committee received presentations from candidates on 19 February and Sarah Smart of SmartCats Consulting was selected to work with the Committee to enhance the governance of the Fund.

### Recommendations

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That the Pensions Committee notes the appointments of the managers for the Lothian Pension Fund's emerging markets equity portfolio and Sarah Smart as independent professional observer.

### Measures of success

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Investment managers are tasked with investing a proportion of the Funds' assets in accordance with an investment management agreement, which stipulates the investment objectives and details the constraints of the mandate. The performance target for the mandate is 3.0% per annum above the MSCI Emerging Markets Index over rolling 5 year periods.

A process to assess the success of the appointment of the independent professional observer will be put in place including the collation of feedback from members of the Committee.

## Financial impact

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Appropriate provision for costs has been provided within the approved budget 2012/13 and indicative budgets for future years.

## Equalities impact

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There is no relationship between the matters described in this report and the public sector general equality duty.

## Sustainability impact

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Sustainability issues affect the financial performance of the companies in which the appointed managers invest on the Funds' behalf. The managers' approaches to environmental, social and governance (ESG) issues were assessed during the tender process. Voting and engagement is undertaken by investment managers or the Funds' voting and engagement provider, Hermes EOS, and these include consideration of sustainability issues, including ESG matters.

## Consultation and engagement

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Lothian Pension Fund monitors investment managers and portfolios formally on a quarterly basis. Analysis of the investments' risk and return is provided by an independent performance measurement specialist.

## Background reading / external references

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None

## Links

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### Coalition pledges

**Council outcomes** CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.

### Single Outcome Agreement

**Appendices** None