

	<p align="center"><b>Pensions Fund Sub-Committee</b> 21 February 2022</p> <p align="center"><b>Pension Board</b> 24 March 2022</p>
	<p align="center"><b>Report from the Director of Finance</b></p>
<p align="center"><b>Procurement of Actuarial, Custodian and Investment Management Services</b></p>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	None
<b>Background Papers:</b>	n/a
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst

## 1.0 Purpose of the Report

- 1.1 The purpose of this report is to summarise the outcome of the Actuarial Services tender and seek authority to procure a contract for Custodian Services and Investment Management Services.

## 2.0 Recommendation(s)

That the Pension Fund Sub-Committee:

- 2.1 Notes the re-appointment of Hymans Robertson LLP as actuary for the Brent Pension Fund.
- 2.2 Approves the procurement of contracts for Custodian Services to the Brent Pension Fund and for Investment Management Services to the Brent Pension Fund.

2.3 Delegates authority to the Director of Finance to approve the pre-tender considerations set out in Standing Order 89, to evaluate bids and thereafter to award contracts to the preferred bidders in respect of the two services detailed in 2.2 above.

### 3.0 Detail

3.1 All Local Government Pension Funds are required to appoint a number of service providers in order for the Fund to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS) regulations.

3.2 **Actuarial services** include the provision of a number of key technical services for the fund including: the triennial valuation of the fund; the calculation of employer contribution rates; carrying out opening valuations for new scheme employers; closing valuations for exiting scheme employers; and ad-hoc advice and guidance.

3.3 Regulation 62 of the Local Government Pension Scheme Regulations 2013 requires a triennial valuation to be carried out by an actuary as at 31<sup>st</sup> March 2016 and every third year afterwards.

3.4 The Fund's **custodian** is responsible for the safekeeping of assets in a range of global markets. This includes services such as settlement of trades, tax reclaims, investment accounting, online reporting and performance monitoring.

3.5 In relation to **Investment Management Services**, all LGPS Funds are required to procure such services in line with Regulation 7 of the Management & Investment Regulations 2016 which states:

“An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State.”

3.6 Investment Management Services include, but are not limited to, the production of quarterly monitoring performance reports, attendance at Pensions Sub-committee, performance monitoring of the Funds investment managers, selection of new managers, reviewing the Fund's investment strategy, advising on strategic asset allocation and preparation of key documents such as the Investment Strategy Statement.

3.7 Procurement exercises are the method that the Council uses to ensure that value for money is maintained when seeking supplies and services contracts from third parties. It is intended to conduct procurement exercises using one of the frameworks available for use by Local Government. For example, National LGPS Frameworks, managed by Norfolk County Council, is one such framework available for use by LGPS funds for Global Custody services and investment management services.

- 3.8 The benefits of using a Framework agreement are that the Council can reduce procurement time and costs because the framework has already been through a competitive tender and Public Contracts Regulations 2015 compliant procurement process. The Council is then able to call off the available frameworks for services without having to undertake full procurements, by either running mini-competitions for services or through direct awards of providers as appropriate. Officers therefore feel that the use of the framework presents best value for the fund.

### **Appointment of Fund Actuary**

- 3.9 Officers undertook a procurement exercise using the National LGPS Framework for Actuarial, Benefits & Governance Consultancy Services between August and October 2021. There were 4 providers of Actuarial Services on this framework: Aon, Barnett Waddingham, Hymans Robertson and Mercer.
- 3.10 The procurement exercise took the form of a mini competition. Each actuary was required to submit their responses to the questions outlined in the invitation to further competition document. Each submission was assessed against the evaluation criteria set out below:

<b>Criteria</b>	<b>Weighting</b>
Quality	55%
Price	35%
Social Value	10%
<b>Total</b>	<b>100%</b>

- 3.11 Responses were received from two providers on the framework. All elements of the responses were evaluated independently by a panel of Pension Fund Officers. The panel, with support from a Procurement officer, then proceeded to moderate their scores. Each element of the scoring was then combined to determine an overall score for each provider.
- 3.12 Following the tender process, the Fund has now appointed Hymans Robertson as their Fund Actuary for a period of 3 years with the potential to extend for a further two 1 year periods. The new contract commenced on 18<sup>th</sup> October 2021.

### **Custodian services and Investment Management Services**

- 3.13 The contract for the Pension Fund Custodian (currently with Northern Trust) expires on 14 June 2022.
- 3.14 The contract for the Pension Fund Investment Management Service (with Hymans Robertson) expires on the 21 October 2022.
- 3.15 A new procurement exercise now needs to be carried out to appoint a provider for both of the above services. As mentioned above, officers have the option to use a framework for the process or to conduct a full tender exercise. This

decision has not been finalised. Officers will consult with procurement officers on the best route however it is anticipated that use of a framework will be most advantageous for the Council.

3.16 Norfolk County Council has set up a National Framework for Global Custodian Services for the use of LGPS Funds. There are five firms signed up to this framework:

- Bank of New York Mellon
- Caceis Investor Services
- HSBC Bank plc
- Northern Trust
- State Street

3.17 National LGPS frameworks for Investment Management Services includes the following service providers:

- Aon Hewitt
- Deloitte
- Hymans Robertson LLP
- Isio
- Mercer Ltd
- Pricewaterhouse Coopers LLP
- Redington Ltd

3.18 After selecting the appropriate procurement route, officers will issue an Invitation to Tender (ITT) inviting service providers to bid for the contract. Additionally, Officers will consider the suitability of including members of the Committee in the process after consulting with the Council's procurement team.

3.19 All costs of these contracts will be met fully by the pension fund and there will be no direct cost implications for the Council. The pension fund maintains a separate bank account for the payment of pension fund related costs, such as actuarial fees. Where bespoke advice is requested by fund employers, the relevant costs are charged back to the employer by the Fund.

#### **4.0 Financial Implications**

4.1 The estimated cost of the actuarial service contract will be approximately £115k per annum. This estimate is based current costs. The exact cost will depend on the level and volume of work likely to be requested by the Fund. The cost will be funded by the pension fund.

4.2 The estimated cost of the custodian contract will vary depending on the number of holdings and transactions undertaken over the course of the year and is estimated to be £60k per annum. The cost will be funded by the pension fund.

4.3 The estimated cost of the investment management services contract will be approximately £125k per annum. This estimate is based current costs. The

exact cost will depend on the level and volume of work likely to be requested by the Fund. The cost will be funded by the pension fund.

## **5.0 Legal Implications**

- 5.1 The Pensions Fund Sub-Committee are responsible for the appointment of external service providers for the Brent Pension Fund in accordance with its Terms of Reference in Part 4 of the Constitution. The Pensions Fund Sub-Committee may delegate the procurement and award of contracts to the Director of Finance.
- 5.2 Depending on the duration of the custodian contract and the investment management services contract (together the “Contracts”), they may be subject in full or in part to the procurement requirements of the Public Procurement Regulations 2015 (the “PCR 2015”).
- 5.3 The value of the Contracts will determine which rules apply to the procurement under the Council’s Contract Standing Orders. The use of framework agreements is detailed in Section 3 as a likely option for the procurement of the Contracts. The PCR 2015 allow the use of framework agreements and prescribe rules and controls for their procurement. Contracts may then be called off under such framework agreements without the need for them to be separately advertised and procured through a full procurement process. Call offs under the framework need to be carried out in accordance with the framework rules, to include using evaluation criteria specified in the framework and utilising the terms and conditions set out in the framework.
- 5.4 Contract Standing Order 86(e)(ii) states that no formal tendering procedures apply where contracts are called off under a framework agreement established by another contracting authority, where call off under the framework agreement is approved by the relevant Chief Officer to include confirmation there is adequate budgetary provision and provided that the Director of Legal, HR, Audit and Investigations has advised that participation in the framework is legally permissible.

## **6.0 Equality Implications**

- 6.1 The proposals in this report have been subject to screening and Officers believe that there are no adverse equality implications.

## **7.0 Consultation with Ward Members and Stakeholders**

- 7.1 Not applicable.

## **8.0 Human Resources**

- 8.1 This service is currently provided by an external contractor and there are no implications for Council staff arising from retendering the contract.

**Report sign off:**

***Minesh Patel***  
Director of Finance