

Non-Executive Report of the: Pensions Committee 22 September 2016	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director of Resources	Classification: Unrestricted
Pension Fund Procurement Plans 2016/17	

Originating Officer(s)	Bola Tobun, Investment and Treasury Manager
Wards affected	All wards

Summary

This report sets out the procurement plans covering the fund's independent adviser, investment consultant, global custodian and actuarial services.

The contracts in place for all the above mentioned service providers have been in place for over ten years or do not in fact exist formally and they are therefore long due for formal review. Hence there is a need to re-tender for these services.

Recommendations:

The Pensions Committee is recommended to:

- Note the contents of this report; and
- Nominate, where it considers necessary, Committee representative(s) to participate in the various procurement processes.
- Note the intention for an additional meeting of the Committee around mid to late October, to consider presentations from shortlisted suppliers for the role of Investment Consultant.

1. REASONS FOR THE DECISIONS

- 1.1 The Council has an overarching responsibility to maintain the Pension Fund. It is essential that the Council has a Global Custodian, Investment Consultant, Independent adviser and a Scheme Actuary to assist in the proper management of the Fund. The responsibility for the strategic oversight of all aspects of the Pension Fund has been given to the Pensions Committee.
- 1.2 Within the Pension's Committee Terms of Reference, is the requirement: 'to make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, advisers, investment managers and custodians and periodically to review those arrangements.' The existing contracts for these functions have not been reviewed recently and, in order to demonstrate Best Value, it is now necessary to carry out relevant procurement exercises to achieve that aim.

2. ALTERNATIVE OPTIONS

- 2.1 No alternatives have been considered at this point since the lack of formal market testing for a number of years cannot continue.

3. DETAILS OF REPORT

- 3.1 For the scheme actuary, global custodian and investment consultant, the procurements would be a 'call-off' from the National LGPS Frameworks, resulting in considerable procurement costs savings. For the independent adviser this will be undertaken through human resource recruitment and selection process, advertising the position/role in specific dedicated LGA/LGPS websites and national newspapers and also on the Council website.
- 3.2 The Committee are reminded of the functions undertaken by the various professionals:
- 3.3 **Independent Adviser and Investment Consultant to give advice on:**
- a) asset allocation strategies
 - b) the selection of new managers and custodians
 - c) the preparation of the various strategy documents required under LGPS regulations
 - d) to assist in reviewing and monitoring managers' performance
- 3.4 **The Global Custodian** - is responsible for the safekeeping of the fund's securities. This function may be carried out by a custodian appointed directly by the fund, or via appointed fund managers. Current best practice is for funds to appoint their own custodian. Responsibilities may include:
- a) settlement of purchases and sales
 - b) advising managers of cash available for investment
 - c) safe custody of securities and cash
 - d) acting as banker to the fund

- e) cash reconciliations
- f) collection of dividends, income and overseas tax reclaims
- g) ensuring correct actions including rights issues, bonus issues and acquisitions are correctly dealt with
- h) ensuring the necessary approvals are in place to invest in certain overseas markets
- i) providing (monthly) valuations of scheme assets, details of all transactions and accounting reports

- 3.5 **The scheme actuary** is an independent and appropriately qualified adviser who carries out statutorily required fund valuations and other valuations as required and who will also provide general actuarial advice. The actuary will:
- a) prepare fund valuations, including setting employers contribution rates, after agreeing valuation assumptions with the administering authority
 - b) agree a timetable for the valuation with the administering authority
 - c) prepare timely advice and calculations in connection with transfers to other funds and schemes and advise on benefit matters
 - d) undertake new employer contribution calculations and cessation valuations for employers leaving the scheme
- 3.6 Officers will be undertaking a procurement exercise using the National LGPS Framework for an Investment Consultant, Global Custodian and, Actuarial and Benefits Services. Officers of the Council have been working with the Lead Authority, Norfolk County Council on the National LGPS Procurement Frameworks for a range of services. All the major suppliers of investment consultancy services, custody services and actuarial and benefit services to LGPS are included in the Framework following a rigorous evaluation of their submissions including an evaluation of their costs.
- 3.7 The tender document for the Investment Consultant is currently being reviewed by the in-house legal team and we envisage seeking tenders for this service by 30th September. Further procurement exercises for the Independent Adviser and Global Custodian are anticipated to take place by 31st October. The procurement for the Scheme Actuary is anticipated to take place by February 2017.

Investment Consultant

- 3.8 The council's legal team are currently reviewing the relevant procurement documentation; once this is approved an invitation to tender (ITT) pack will be released and we will give the service providers three weeks to respond to the tender. We are hoping officers will be in a position to evaluate responses/submissions within three days and there will be a separate presentation from the service providers.
- 3.9 Following that process, a short list of 2 providers will be invited to a separate meeting of the Pensions Committee for clarification interviews. A final evaluation will then be completed, taking into account all elements of the process, to determine contract award. Contract award is scheduled for 24th October with an estimated contract start date 1st November 2016. An indicative timetable for the investment consultant procurement exercise is set

out below, however at this stage it should be stressed that this is indicative as there may be a need for some additional detailed work legal on contract clauses and the appropriate approach to the termination of the existing advisers position in the event that they are not the successful tenderer from this exercise.

TENDER TIMETABLE

The indicative tender timetable is as follows:

Event	Date	Comments
Tender documents issued	19 September 2016	
Deadline for receipt of Clarification questions	26 September 2016	12:00 noon
Date of customer response to supplier questions	04 October 2016	17:00
Tender return deadline	07 October 2016	12:00
Tender evaluations	10-13 October 2016	
Post tender clarifications	17-18 October 2016	
Pension Committee meeting		
Telephone references	October 2016	
Preferred supplier notification and award	October 2016	Proposals for contract award to be finalised, signed off internally and communicated to Tenderers.
Contract signatory	October 2016	
Implementation commencement	01 November 2016	

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 The comments of the Corporate Director of Resources have been incorporated into the report.

5. LEGAL COMMENTS

5.1 The Council has an obligation as a best value authority under section 3 of the Local Government Act 1999 to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. This obligation extends to the purchase of all goods works and services. The Council meets this obligation by subjecting the purchase to the appropriate level of competition.

5.2 The Council is obligated by the Public Contracts Regulations 2015 to submit certain procurements to advertising and methods of procurement in accordance with these regulations. However, in as far as the services referred to in this report relate to investment and potentially this appears to be

the entirety, these services are exempted from the application of the Public Contracts Regulations 2015.

- 5.3 In any event, where the 2015 Regulations do not apply the Council has a duty under the Treaty For The Operation Of The European Union to subject purchases to a reasonable level of advertising using a process which is fair open and transparent. Also, the exemption from the application of the Regulations does not affect the Council's statutory duty to obtain best value. The effect of this is that the Council must tender these services but not advertise these opportunities in Europe.
- 5.4 It is unlikely that the services represented in this report will have an impact on the Council's Equality Duty as stated under the Equality Act 2010. However, appropriate consideration and desktop exercise should be undertaken to support this view or otherwise, prior to the implementation of any of the recommendations.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities. The use of professional advisers is a key element in maximising investment returns and it is important that such appointments are regularly reviewed to ensure that Best value is being obtained from the advisers.
- 6.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 The use of the National Frameworks for the procurement of investment consultant, global custodian and scheme actuary would result in a significant savings in comparison to a full OJEU process. And also we could also achieve a significant savings from the current ongoing cost of these services.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 The rigorous management of LBTH Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund. The monitoring arrangement for the Pension Fund and the work of the Pensions Committee should ensure that the Fund optimises the use of its resources in achieving the best returns for the Council and members of the Fund.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

- NONE

Officer contact details for documents:

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