

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
PROCUREMENT & CONTRACTS UPDATE Pensions Committee 10th March 2022	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO. 6

1. INTRODUCTION

- 1.1. Several of the contracts for services within the Pension Fund are due for renewal, including those for actuarial services, investment consultancy (both currently provided by Hymans Robertson), benefits and governance services (currently provided by Aon) and global custody services (currently provided by HSBC).
- 1.2. This report sets out the current position on each of the contacts and, where relevant, details the requirement for further extensions to complete each tender process within a suitable timeframe which minimises risks to the Fund. The report also details the proposed procurement process for each contract and, where required, requests approval from the Committee to proceed.

2. RECOMMENDATIONS

- 2.1. The Committee is recommended to:
 - Approve the re-procurement of the Actuarial Services Contract (with Hymans Robertson) and Benefits & Governance Consultancy Contract (with Aon) via direct call off under Lot 5 of the National LGPS Framework for Actuarial, Benefits & Governance Consultancy Services.
 - Note the intention to put the above contracts out for competitive tender via the Framework in Spring 2023.
 - Approve the extension of the Investment Consultancy Contract with Hymans Robertson for an additional 5 months to 30th September 2022.
 - Note the current position regarding the Custodian Services Contract.

3. RELATED DECISIONS

- 3.1. Pensions Committee 23rd November 2021 - Contract Tenders Update
- 3.2. Pensions Committee 24th June 2020 – Extension of Actuarial Services and Benefits & Governance Consultancy Contracts
- 3.3. Pensions Committee 15th March 2021 - Extension of Custodian Services Contract

3.4. Pensions Committee 14th January 2021 - Investment Strategy Review

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 4.1. This paper requests that the Committee approve extensions to the Fund's Investment Consultancy Services and Global Custody Services contracts. The impact of these extensions will be to delay the competitive tendering process for the contracts by a period of up to 6 months.
- 4.2. In the case of the Actuarial Services and Benefits & Governance Consultancy Services contracts, it is necessary to re-let the contracts as soon as possible; however, competitive tender is not in the Fund's interests at this time given the risks associated with a potential change of actuary during a valuation year.
- 4.3. It is hoped that competitive tender via the well established National LGPS frameworks will deliver competitive fee arrangements from suppliers for each of the contracts; delaying these procurements may therefore result in some delay to fee savings. However, the extensions requested are generally short and unlikely to result in a significant financial impact.
- 4.4. Where a longer delay to competitive tender (15 months) is requested, the impact will be proportionally greater; however, the risks associated with proceeding immediately to a competitive process in this particular case (re-let of the actuarial services contract during a valuation) are sufficient to justify the delay.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1. The Council's Constitution sets out the terms of reference for the Pensions Committee which includes delegated powers to make arrangements for the appointment of and to appoint suitably qualified Pension Fund administrators, investment managers and custodians and to periodically review those arrangements..
- 5.2. This paper requests that the Committee approve extensions to 2 of the Fund's contracts that are outside of the extensions permitted in the contracts. These extensions are being requested in line with Regulation 72(1) of the Public Contracts Regulations 2015, which states that:
'Contracts ... may be modified without a new procurement procedure ... in any of the following cases:
(c) where all of the following conditions are fulfilled:
(i) the need for modification has been brought about by circumstances which a diligent contracting authority could not have foreseen;
(ii) the modification does not alter the overall nature of the contract;
(iii) any increase in price does not exceed 50% of the value of the original contract or framework agreement.
- 5.3. The extensions requested would appear to meet the 3 requirements. Firstly, the extensions are being requested primarily due to delays to the Fund's normal procurement procedures as a result of the Coronavirus pandemic, which could not

have been foreseen. Secondly, the proposals are to extend rather than fundamentally modify the contracts. Thirdly, in each case the requested extension represents less than 1/6th of the overall contract length. Spend across the contracts is generally fairly evenly distributed over each contract's lifespan. The requested increases in contract length are therefore extremely unlikely to breach the 50% threshold.

6. ACTUARIAL SERVICES AND BENEFITS & GOVERNANCE SERVICES

- 6.1. This report makes a number of recommendations with regards to the Fund's contracts for third party services, including Actuarial Services, Benefits & Governance Consultancy, Investment Consultancy and Global Custody Services. The Fund's usual procurement timetable has been significantly disrupted by the Covid-19 pandemic and it is necessary to further extend the contracts to minimise risks to the Fund and allow sufficient time to proceed with the necessary procurement exercises.
- 6.2. Firstly, the Pensions Committee is recommended to approve the re-procurement of the Actuarial Services Contract (with Hymans Robertson) and Benefits & Governance Consultancy Contract (with Aon) via direct call off under Lot 5 of the National LGPS Framework for Actuarial, Benefits & Governance Consultancy Services.
- 6.3. The contracts were originally let under the National LGPS Framework for Actuarial, Benefits and Governance Services for an initial period of four years, with the option to extend by a further 2 years. This option was exercised and the contracts were extended to 31st October 2020. They were then further extended to 30th April 2022, under Regulation 72(1) of the Public Contracts Regulations 2015, due to the impact of the Coronavirus pandemic and the impending renewal of the related National LGPS Framework.
- 6.4. The new National LGPS Framework is now live; however, competitive tender is not recommended at this time given that the Fund's statutory triennial valuation is due as at 31st March 2022. Delivery of the triennial valuation is one of the key work items for the Fund actuary, requiring actuarial input until the valuation is signed off in March 2023. Competitive tender of the Actuarial Services contract during the valuation process exposes the Fund to the risk of changing actuary mid-valuation, which could affect the Fund's ability to sign off the valuation by the statutory deadline.
- 6.5. It is therefore recommended that officers should directly call off Lot 5 (Consultancy Services to Support Specialist Projects) of the new National LGPS Framework to re-procure the Fund's actuarial services from the current supplier, Hymans Robertson. A similar process is recommended for the Benefits & Governance Consultancy contract. The contract is let through the same framework as the Actuarial Services contract; keeping the 2 contract dates aligned reduces the workload for officers and Committee members and makes the most efficient use of the framework.
- 6.6. It is anticipated that a competitive tendering process will commence directly after

sign off of the Fund's actuarial valuation, which will take place no later than 31st March 2023. The competitive tender process via the new framework will include a scored interview with the Pensions Committee. It is anticipated that this will take place at an additional meeting of the Committee during Spring/Summer 2023, with contract award taking place at the Committee's June 2023 meeting.

- 6.7. Delaying the competitive tendering process by 15 months is not expected to have a material financial impact. It is hoped that competitive tender via the new National LGPS framework for Actuarial, Benefits & Governance Consultancy services will deliver competitive fee arrangements from suppliers, but the expected savings over a 14 month period would not be sufficient to balance out the risks of proceeding with a competitive tender mid-valuation.

7. INVESTMENT CONSULTANCY SERVICES

- 7.1. The Committee is recommended to approve an extension of the Investment Consultancy services contract to 30th September 2022. The contract has previously been extended to 30th April 2022; a short further extension will provide sufficient time to tender the contract via the National LGPS framework for Investment Management Consultancy Services Lot 1 (Investment Consultancy Services).
- 7.2. As set out in Section 5, the request to extend the contract is compliant with Regulation 72(1) of the Public Contracts Regulations 2015. Agreement to extend the contract under the current terms and conditions has been granted by the council's procurement team and Hymans Robertson.
- 7.3. A 5 month extension to the existing contract is not expected to have a material financial impact. It is hoped that competitive tender via the National LGPS framework for investment consultancy services will deliver competitive fee arrangements from suppliers, but any expected savings are unlikely to have a significant impact over a 5 month period.
- 7.4. The tender process will include a scored interview with the Pensions Committee. It is anticipated that this will take place at an additional meeting of the Committee during Spring/Summer 2022, with contract award taking place at the Committee's September 2022 meeting.

8. GLOBAL CUSTODY SERVICES

- 8.1. The Committee is recommended to approve an extension of the Global Custody services contract to 30th September 2022. The contract was originally let under the National LGPS Framework for Global Custody Services and was previously extended to 31st March 2022.
- 8.2. As set out in Section 5, the request to extend this contract is outside the original contract terms but compliant with Regulation 72(1) of the Public Contracts Regulations 2015.
- 8.3. A 6 month extension to the existing contract is not expected to have a material financial impact. It is hoped that competitive tender via the National LGPS framework for investment consultancy services will deliver competitive fee

arrangements from suppliers, but any expected savings are unlikely to have a significant impact over a 6 month period.

- 8.4. The tender process will be completed by officers during Spring/Summer 2022, with a recommendation for contract award to be taken to the September 2022 Pensions Committee meeting.

Ian Williams

Group Director, Finance and Corporate Resources

Report Originating Officers: Rachel Cowburn 020-8356 2630

Financial considerations: Jackie Moylan 020-8356 3332

Legal comments: Angelie Walker 020-8356 6994

Appendices

None