

**Report for: Pension Fund
Committee**

Date of Meeting:	29 March 2023
Subject:	Arrangements for Pension Fund Procurements in 2023
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	None

Section 1 – Summary and Recommendations

This report summarises the arrangements for the procurements of the contracts for Actuarial Services and Investment Consultancy Advice as the current contracts will expire during the 2023-24 financial year.

Recommendations:

The Committee is requested to:

1. Note the report.
2. Approve the proposed arrangements for procurement of new contracts for Actuarial Services and for Investment Consultancy Advice using the National LGPS Frameworks as set out in paragraphs 13 and 18 below.

Section 2 – Report

1. To carry out its statutory role effectively, the LBH Pension Fund needs to have in place a number of contracts for the provision of specialist services. Two of the most important of these are Actuarial Services and Investment Consultancy Services. The existing contracts for these

services will both expire during the 2023-24 financial year. The following paragraphs summarise the planned approach to ensuring that new contracts are put in place.

2. In each case, it is appropriate to have a contract which runs for a significant period to provide value for money, continuity of service and importantly to ensure that re-procurement is not a distraction for either the Fund's officers or for the service provider at critical points – see paragraphs 8 to 10 below.
3. As a result, in each case the estimated total value of the contracts (taking account of any flexibility to extend the contracts) is such that, to comply with the Council's procurement requirements, the process will require authority from Cabinet. It is intended that this will be sought from the Cabinet's May meeting.
4. The national LGPS Frameworks (led by Norfolk CC) have developed a range of framework contracts to aid procurement of services common to all LGPS administering authorities. The nature of the LGPS means that these services are of a specialist nature with a limited number of experienced providers. This simplifies the process as the framework colleagues have done a significant amount of work in evaluating and ensuring that only providers who can deliver the range of services required by an LGPS Fund are included on each framework.
5. The last time these services were procured the Fund made use of the frameworks, and as there are updated frameworks in place for both services, it is intended that we do so again. The costs of accessing the frameworks are:
 - Actuarial services £3,000
 - Investment Consultancy Services £5,000

This fee provides access to the procurement documentation. Subject to the numbers / value of contracts awarded to the chosen provider by participating LGPS funds, there are likely to be annual fee discounts rebated to the Fund through the contract periods.

6. The following paragraphs set out more specific information about each of the two contracts.

Actuarial Services

7. The LGPS Regulations 2013 require the Fund to carry out a triennial revaluation of the whole Fund's assets and liabilities, and to do this the services of an appropriately qualified actuary are required.
8. The current contract for Actuarial and Benefits Consulting with Hymans Robertson LLP expires in September 2023. There are some practical considerations in determining the length / timing of this contract as set out in the following paragraphs.

9. The largest task in this contract is the triennial valuation – which takes up more than a year in practice – taking the most recent (31 March 2022) valuation as an example, preparatory work began in the last quarter of 2021, the bulk of the detailed work was done between June and December of 2022 and the final report will be issued in March 2023. (There is a statutory deadline of 31 March). The valuation is a major task both for the Fund’s officers (in providing the necessary data and communicating the valuation outcome to the various scheme employers) and for the actuary in carrying out the detailed valuation work. Therefore, in awarding a contract, it is necessary to ensure that the subsequent procurement will not need to be done whilst a future triennial valuation is in progress.
10. A second significant task is the provision of accounting information (FRS 102 / IAS 19) to scheme employers each year. This work is done shortly after the various employers’ year ends, and there are 3 key dates on which most employers’ year ends occur – 31 March for the Council, 31 July for colleges and 31 August for Academy Schools.
11. There are other tasks required on a more ad hoc basis – these include calculation of contribution rates for new employers (such as a school converting to an academy) and cessation calculations when an employer has no further active members (such as a TUPE contractor at the end of a contract).
12. The framework provides for contracts of up to 10 years, with a latest expiry date of June 2035.
13. Therefore, taking account of the above, it is proposed that the new contract be awarded for a period of 6 years and 3 months to expire in December 2029, with an option to extend by up to 4 years (subject to satisfactory performance). This will provide flexibility to avoid the Fund being required to re-procure at the “wrong” time should the Government change the revaluation cycle from 3 to 4 years (a possibility which has been mentioned in some quarters).

Investment Consultancy Services

14. The LGPS (Management and Investment of Funds) Regulations 2016 require each LGPS fund to “take proper advice from suitably qualified persons” in setting its investment strategy and making investment decisions. To meet this requirement, the Fund therefore has in place a contract for Investment Consultancy Services.
15. The current contract, with Aon, expires in January 2024. The contract covers matters relating to the Fund’s Investment strategy, including advising on asset allocation, investment risks, manager monitoring and selection, and provision of information for investment reporting for quarterly Committee meetings and the Fund’s annual report.
16. The constraints on timing which relate to regard to the actuarial contract are less onerous in respect of this one. However, given the small team

of officers working on this, it would be preferable if this contract did not expire at a similar time to the actuarial contract in future.

17. The framework provides for contracts for up to 7 years, with a latest contract expiry date of 31 October 2033.
18. Therefore, taking account of the above, it is proposed that the new contract be awarded for a period of 4 years, with an option to extend for up to 3 years, subject to satisfactory performance).

Legal Implications

19. There are no direct legal implications arising from this report.
20. The Pension Fund Committee has the following powers and duties:
 - i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
 - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
 - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
 - iv. to establish a strategy for the disposition of the pension investment portfolio; and
 - v. to appoint and determine the investment managers' delegation of powers of management of the fund;
 - vi. to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulations 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
 - vii. to apply the arrangements set out in (vi) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups.

Financial Implications

21. There are no immediate financial implications arising from the report. However, once the reporting requirements are defined and incorporated into Regulations, there will be a cost in compiling the relevant information. These costs will be met from the Pension Fund.

Risk Management Implications

22. The Pension Fund's Risk Register is reviewed regularly by the Committee. The most recent review was considered at the 23 November 2022 meeting of the Committee.
23. There are no specific risk management implications arising from this report.

Equalities implications / Public Sector Equality Duty

24. Was an Equality Impact Assessment carried out? No
25. There are no direct equalities implications arising from this report.

Council Priorities

26. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer
Date: 14/03/2023

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 14/03/2023

Chief Officer: Dawn Calvert
Signed on behalf of the Chief Executive
Date: 14/03/2023

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager
Email: Jeremy.randall@harrow.gov.uk
Telephone 020 8736 6552

Background Papers: None