

REPORT FOR: Pension Fund Committee

Date of Meeting: 28 June 2017

Subject: Actuarial and Benefits Services
Consultancy Contract

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: Invitation to Further Competition

Section 1 – Summary and recommendation

Summary

This report advises the Committee of the current position as regards the procurement of Actuarial and Benefits Services Consultancy Services from 1 October 2017 and recommends a suitable strategy. According to Part 3A of the Council's constitution, Terms of Reference, the Pension Fund Committee has the power to exercise on behalf of the Council in relation to its functions as Administering Authority of LB Harrow Pension Fund save for those matters delegated to other Committees of the Council or to an Officer and to administer all matters concerning the Council's pension investments in accordance with the law and Council policy.

Recommendation

The Committee is recommended to agree the procurement process for Actuarial and Benefits Services Consultancy Services from 1 October 2017 as described in paragraph 7 of the report and to comment on the attached "Invitation to Further Competition."

Section 2 – Report

1. At their meeting on 7 March 2017 the Committee were advised that, taking into account a short term waiver under the Council's Procurement Regulations, the current contract for Actuarial and Benefits services, awarded in 2011 to Hymans Robertson LLP, would terminate on 18 September 2017 (subsequently amended to 30 September 2017).
2. The Committee were further advised that an effective and efficient way to let a new contract could be via "framework" arrangements currently administered by Norfolk County Council. Officers felt that it would be most appropriate to investigate the procedure further and recommend an appropriate strategy to the Committee.
3. Under the framework arrangements the services can be procured from any of the following suppliers all of whom are well know within the Local Government Pension Scheme administering authorities:

Aon Hewitt
Barnett Waddingham
Hymans Robertson
Mercer

4. The services for which the suppliers have made submissions within the framework are:
 - Actuarial advice in relation to outsourcing / reshaping service delivery (Including staff transfers and changes in workforce profile)
 - Advice on admission agreements
 - Actuarial advice to new or existing participating employers
 - Attendance at meetings as required by stakeholders
 - Support for and supply of scheme communication, advice and training for all associated stakeholders as required including but not limited to scheme members, pension boards, section 101 committees and employers.
 - Completion of the triennial Actuarial Valuation exercise in accordance with the LGPS governing regulations (to include preparation of individual valuation positions for each participating employer)
 - Funding Strategy Statement preparation and advice
 - Providing responses to auditors of administering authorities and participating employer bodies in respect of the financial reporting of Pensions and any other matters arising
 - Undertaking Asset Liability Studies (every three years or more frequently if required)

- Completion of Actuarial Valuation at the date of cessation of a scheduled body or an admission body to assess any termination liabilities arising
- Annual accounting valuations of pension liabilities (in accordance with FRS17 (FRS102) / IAS19 requirements or any such standard as is in force) – including the calculation of opening positions for new employers.
- Preparation of pensions information on behalf of participating employers for inclusion in tender documentation when letting services that includes the transfer of staff who are members of the LGPS
- Calculation of opening positions (level of assets and liabilities) for new participating employers and the calculation of the appropriate employer contribution rate at commencement
- Calculation and actuarial advice relating to the consideration of an appropriate bond or other guarantee either where an authority is entering into a transferee admission agreement with a contracting party or other circumstance
- Provision of appropriate actuarial factors as prescribed by the LGPS governing regulations e.g. strain costs on early retirement.
- Provision of modelling and projections in respect of underlying assumptions and strategy at a fund or employer level
- Provision of funding and contribution strategy advice
- Supporting unitisation and segregation (in support of employer specific funding strategy)
- To act as expert witness (in case of arbitration, regulatory or other).
- Covenant analysis and baseline risk management
- Cashflow Modelling

Whilst there is a facility for authorities using the framework to include further services there are limits as to what is allowable. Realistically it is unlikely that Harrow would require more services than those already included.

5. Following the Committee meeting officers signed the confidentiality statement with Norfolk County Council and obtained copies of the submissions from each of the four firms included within the framework and a summary statement of the tender prices. The submissions comprise statements from each firm as follows:

Supplier overview

Organisation and people

1. Structure and staffing portfolio for delivery of the services
2. Specialist operational resource and support for delivery of the services
3. Service continuity and capacity management

Knowledge and understanding

4. Transparency and sustainability of the LGPS
5. Changing face of public service delivery
6. Austerity measures
7. Changing shape of the LGPS
8. Employer strategies
9. Investment Strategy Statements

Provision of support to Awarding Authorities and stakeholders

10. Statutory services
11. Data quality
12. Additional valuations
13. Sharing knowledge and research and added value

Provision of other services

14. Cashflow modelling and funding strategy
15. Changes to LGPS Regulations.

6. The pricing schedule is provided for each firm for the following services:
 - Hourly and daily rates
 - Actuarial valuation and asset liability studies
 - Various named activities
 - Exercises for various model funds
 - Various financial reporting exercises
 - Organisational standard rates
7. Under the framework arrangements, the next stage in the process is for the Council to provide each of the suppliers with an “Invitation to Further Competition.” This is a standard document but gives the Council the opportunity:
 - to provide the suppliers with specific background information about the Fund
 - to explain the bid management process including weightings to be placed on the various bid criteria
 - to detail the procurement timetable
 - to ask the suppliers any additional questions
 - to invite the suppliers to review their pricing schedule using the framework prices as the upper limit
8. A draft of the “Invitation to Further Competition” is attached on which the Committee’s comments are invited either during the meeting or subsequently. The Committee’s attention is specifically drawn to pages 8-11.
9. Subsequent to the Committee meeting, and taking into account comments made by the Committee, Finance, Legal and Procurement officers will finalise the competition arrangements and invite submissions on 7 July 2017 with a closing date of 1 August 2017. They will also sign the Members Access Agreement and pay the joining fee of £3,000.

10. Members of the Committee, the co-optee and the independent advisers will be provided with the confidential submissions and invited to meet the suppliers who make submissions on an agreed date between 7 August and 5 September.
11. The results of the consideration of both the written and verbal submissions will be reported to the Committee on 18 September with a recommendation that the new contract be let for a period of 6 years (two valuation periods) from 1 October 2017.
12. The Committee are invited to comment on the draft "Invitation to Further Competition" and agree the proposed arrangements.

Financial Implications

13. There are clearly significant financial implications arising from the appointment of professional advisers to the Committee and the advice they give. However, the only financial implication arising directly from this report is the expenditure of £3,000 as the "joining" fee for the procurement framework process which can be met from the Pension Fund.

Legal Implications

14. The purchase of actuarial services is categorised as a public services contract under the Public Contracts Regulations 2016 (the Regulations) and where the estimated value is over the threshold of £164,047, the Council is required to undertake a regulated EU procurement. However, where the purchase of such services are procured through a Framework Agreement established in compliance with the Regulations the Council is able to purchase services from the Framework Agreement by strictly following the rules set up under the Framework and in accordance the Regulations. Officers will need to check this although it is believed that the Framework set up by Norfolk CC is an EU Compliant Framework The Director of Commercial Contracts and Procurement must approve access to the Framework and any subsequent call-off contracts from the Framework must follow the Contract Procedure Rules and be authorised in accordance with the Council's scheme of delegation contained within the Constitution.

Risk Management Implications

15. The Pension Fund has its own risk register which includes the risks identified in connection with the appointment of, and the advice provided by, the Committee's professional advisers.

Equalities implications

16. There are no direct equalities implications arising from this report.

Council Priorities

17. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date: 16 June 2017		
Name: Noopur Talwar	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 20 June 2017		

Ward Councillors notified:	NO
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Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers – None