

Report for: **Cabinet**

Date of Meeting:	25 May 2023
Subject:	Pension Fund Procurements for Actuarial Services and for Investment Consultancy Services
Key Decision:	Yes - the total value of each of the two contracts is likely to exceed £500,000, all of which will be revenue expenditure
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Portfolio Holder:	Cllr David Ashton - Portfolio Holder for Finance and Human Resources
Exempt:	No, except for Appendix 2, which is exempt under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial and business affairs of the current contractors and the council and a procurement exercise is pending.
Decision subject to Call-in:	Yes
Wards affected:	None
Enclosures:	Appendix 1 – Report to Pension Fund Committee 29 March 2023. Appendix 2 (Exempt) – Current and Estimated Costs of the new contracts

Section 1 – Summary and Recommendations

This report sets out the process to ensure that the Council has new contracts for Pension Fund Actuarial Advice and Investment Consultancy Services as the existing ones expire.

Recommendations:

Cabinet is requested to

1. Approve the proposed arrangements for procuring two contracts, firstly for Pension Fund Actuarial Advice Services and secondly for Pension Fund Investment Consultancy Services, and
2. Approve the commencement of the re-procurement of the two contracts via the National Local Government Pension Scheme (LGPS) Frameworks
3. Delegate authority to the Director of Finance and Assurance (S151 Officer), following consultation with the Chair of Harrow's Pension Fund Committee and the Portfolio Holder for Finance & Human Resources (if this is different to the chair) to
 - approve the tender documents
 - award the contracts once tenders have been received and evaluated.

Reason (for the recommendations): To facilitate a compliant procurement and hence to ensure that the Council continues to have contracts in place to enable it to obtain the appropriate expertise and advice so as to meet its statutory obligations as the administering authority for the London Borough of Harrow Pension Fund.

Section 2 – Report

Introductory paragraph

The Council is the Administering Authority for the Local Government Pension Scheme (LGPS) in Harrow. This means it is responsible for managing all aspects of the Harrow Pension Fund in accordance with the LGPS Regulations 2013 and the LGPS (Management and Investment of Funds) Regulations 2016. To comply with those Regulations, the Council is required to obtain specialist advice in respect of both actuarial services and investment of funds. The existing contracts for these services expire in the next year, hence the requirement to procure new contracts.

Options considered

1. In its capacity as Administering Authority for the LBH pension fund, the Council is required by the various LGPS Regulations to have contracts in place for these services.

2. The following options were rejected - the reasons for rejection are shown in each case
 - Open tender – as suitable LGPS frameworks exist, open tender would be a much less efficient route.
 - Direct award - the frameworks do not permit this approach and therefore doing so would be in breach of public procurement rules.
 - Extend existing contracts – this approach would be in breach of public procurement rules.

Preferred Option

3. To carry out procurements for the two contracts using the National LGPS frameworks, which have been developed using a process which is fully compliant with the Public Contracts Regulations 2015.

Background

4. The Council is the LGPS Administering Authority for the Harrow Pension Fund. In this capacity, to meet the requirements of the LGPS Regulations 2013 and the LGPS (Management and Investment of Funds) Regulations 2016, it must have in place contracts for the provision of Actuarial Services and for Investment Consultancy Advice.
5. The current contract for Actuarial Services expires in September 2023, and the contract for Investment Consultancy Advice expires in January 2024, hence it is necessary to procure new contracts to ensure continuity of service.
6. A report to the Pension Fund Committee on 29 March 2023 sets out the background in more detail – this is attached at Appendix 1.

Current Situation

7. The administering authorities for the 89 LGPS Funds in England all require a range of specialist services to carry out their statutory functions and meet their responsibilities as set out in the LGPS Regulations 2013 and the LGPS (Management and Investment of Funds) Regulations 2016.
8. To simplify the procurement process for individual administering authorities, a group of LGPS administering authorities led by Norfolk County Council have developed procurement frameworks covering the various services which all LGPS Funds require to fulfil their statutory responsibilities as administering authorities for the LGPS.
9. The frameworks are fully compliant with the Public Contracts Regulations 2015. In setting up the frameworks, a standard specification was developed and all interested providers were invited to tender and meet rigorous quality thresholds – hence only those providers who are capable of meeting these minimum quality standards

are listed on the framework. This means that for Harrow the procurement process is simplified and more efficient, enabling the tender process to focus on identifying the provider which is most suitable to meet Harrow's requirements.

10. Harrow has previously used the LGPS frameworks to award various Pension Fund contracts, including the current contracts for Actuarial Advice and Investment Consultancy Services. Both frameworks have been updated since Harrow last tendered, which means that they remain up to date in regard to current best practice in the LGPS.
11. In each case, direct award is not possible, hence Harrow will need to conduct a "mini tender" seeking bids from the firms listed on the relevant framework.

Contract One: Actuarial Advice Services

12. The Pension Fund is required to have a full valuation of its assets and liabilities every three years. This work is carried out by the actuary, and the process, which includes setting employer contribution rates for all of the London Borough of Harrow Pension Fund's employers (there are more than 40 of these) and takes a year from the nominal valuation date to complete (e.g., the most recent of these, as at 31 March 2022, was completed in March 2023). Therefore, actuarial contracts would normally be awarded for a multiple of three years – to ensure that tendering processes are not being carried out alongside the triennial valuations (as this would create capacity issues for both LBH officers and the actuarial firms).
13. In the professional journals and in LGPS professional networks in the UK it has been suggested that Government may consider changing this actuarial cycle from 3 years to 4 years at some point. The framework for actuarial services provides for contracts of up to 10 years, with a latest expiry date of June 2035.
14. Taking these factors into account, it is proposed that the contract for actuarial services be awarded for 6 years, with an option to extend by up to 4 years (subject to satisfactory performance). This will provide flexibility in ensuring that the next re-procurement can be carried out at the correct point in the valuation cycle, even if that is changed from 3 to 4 years.

Contract Two: Investment Consultancy Services

15. 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. Although it is considered best practice for each LGPS fund to carry out a review of its investment strategy immediately after the triennial

valuation results have been finalised, this actuarial cycle is not a critical factor in the timing of the retendering process for this contract. However, to avoid reprocurring both contracts simultaneously, 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 of 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).

Implications of the Recommendation

Costs

19. The costs of the proposed contract are set out in Appendix 2 (exempt) They will be fully met by the Pension Fund.

Staffing/workforce

20. There are no staffing / workforce implications of the proposed decision.

Ward Councillors' comments

21. Not applicable

Performance Issues

22. The current providers for Actuarial Services (Hymans Robertson LLP) and Investment Consultancy Advice Services (Aon) are providing a good service. There have been no performance issues with the current contracts and both the Pension Fund Committee and officers have been satisfied with the level of service received.

Environmental Implications

23. There are no specific environmental implications arising from the proposed decisions. In both contracts, but in particular the contract for Investment Consultancy Services contract, the chosen provider will be required to take account of current regulatory guidance and to give appropriate consideration to Environmental, Social and Governance (ESG) Issues and to the Harrow Pension fund's Responsible Investment Policy.

Data Protection Implications

24. The work required to value Pension Fund liabilities and to assess employer contribution rates requires the provider of actuarial service to have information in respect of individual scheme members. The current contract has appropriate arrangements for data transfer using a secure

portal, and should a different provider be appointed, they will be required to have similar compliant arrangements in place (these are standard for provision of this service in the LGPS).

Risk Management Implications

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No**

The relevant risks contained in the register are summarised below. **No**

The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
If the procurement is not approved the Council will have insufficient advice and expertise in place to fully discharge its statutory responsibilities on the Pension Fund in 2024	<ul style="list-style-type: none"> The report sets out the process by which compliant procurements can be carried out and hence contracts put in place. 	Green
An open tender route is not being followed to procure the contracts leading to the market for these services not being sufficiently tested for VFM and quality considerations	<ul style="list-style-type: none"> The LGPS frameworks are fully compliant with the Public Contracts Regulations 2015. All providers listed on the frameworks have been through a rigorous process to ensure that only those which can meet the required quality threshold for the services are included on the framework. 	Green
The procurement is not undertaken in full compliance with the Council's tendering and procurement rules and regulations	<ul style="list-style-type: none"> The LGPS frameworks are fully compliant with the Public Contracts Regulations 2015, and have been used by Harrow previously. The frameworks require a "mini competition" under which bidders will be evaluated against specific quality and price metrics to provide best value in 	Green

Risk Description	Mitigations	RAG Status
	meeting Harrow's requirements.	

While the specific risks related to the decisions required in this report are highlighted above, it should be noted that the proposed contracts will ensure that Harrow has the required specialist technical expertise in place as part of its arrangements to mitigate the strategic funding and investment risks which are listed on the Pension Fund's Risk Register.

Procurement Implications

The contracts for the Pension Fund Procurements for Actuarial Services and for Investment Consultancy Services will be procured in accordance with the Councils Contract Procedure Rules and the Public Contracts Regulations 2015. These services will be procured compliantly via the National LGPS Framework.

Legal Implications

The contracts for the Pension Fund Actuarial Services and Investment Consultancy Services will be procured in accordance with the Public Contracts Regulations 2015, under the current lawfully established National LGPS Framework agreement in accordance with the Framework rules, and in accordance with the Councils Contract Procedure Rules.

The Pension Fund administering authority must comply with the LGPS Regulations 2013 and the LGPS (Management and Investment of Funds) Regulations 2016.

Financial Implications

The cost of joining the two relevant LGPS frameworks is £8,000 as follows

- Actuarial service £3,000
- Investment Consultancy services £5,000.

This fee provides access to all the relevant documentation and will be met from the Pension Fund.

The annual cost of the current contracts are shown in Appendix 2. It is envisaged that the new contracts will be similar, although they are likely to be slightly higher reflecting some impact of recent inflation pressures. These costs will be met from the Pension Fund.

Equalities implications / Public Sector Equality Duty

There are no direct equalities implications arising from this report.

Council Priorities

- 1. A council that puts residents first**
- 2. A borough that is clean and safe**
- 3. A place where those in need are supported**

These contracts support the Harrow Pension Fund in ensuring that employer contributions are kept stable and as low as possible while ensuring that the Fund is able to pay scheme members' pensions when they fall due. Having adequate pensions helps to address poverty in retirement, and in doing so assists in improving health outcomes.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 28/04/2023

Statutory Officer: Stephen Dorian

Signed on behalf of the Monitoring Officer

Date: 03/05/2023

Chief Officer: Dawn Calvert

Signed off on behalf of the Corporate Director

Date: 28/04/2023

Head of Procurement: Lisa Taylor

Signed on behalf of the Head of Procurement

Date: 28/04/2023

Head of Internal Audit: Neale Burns

Signed on behalf of the Head of Internal Audit

Date: 04.05.23

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqlA carried out: NO

The decisions required will ensure the Council has contracts in place to manage the Harrow Pension Fund in accordance with the Regulations.

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager, email: Jeremy.randall@harrow.gov.uk, Tel: 020 8736 6552,

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO