

Croydon Council

REPORT TO:	Local Pension Board 20 April 2017
AGENDA ITEM:	10
SUBJECT:	Contract for the Provision of Actuarial, Benefits & Governance Consulting Services
LEAD OFFICER:	Nigel Cook, Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: The regulatory framework supporting the Local Government Pension Scheme requires access to actuarial advice by administering authorities. Procurement of Pension Fund Services through the National LGPS Framework has delivered an OJEU compliant process faster, more efficiently and cheaper than using an individual authority procurement route.	
FINANCIAL SUMMARY: The expenditure in this area is estimated to be £450,000 over the life of the contract for Actuarial Services. This will be a four year contract. This contract will deliver crucial Consultancy Services which will add value to the overall administration of the Local Government Pension Scheme in Croydon. Use of the National Framework will deliver significant procurement savings and the most competitive fee structure on offer to the LGPS.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 The Board is asked to note the award under the National Local Government Pension Scheme Framework of the following Lots by the Executive Director of Resources (Section 151 officer):

Lot 1: Actuarial Services, to Hymans Robertson;
 Lot 2: Benefits Consultancy, to Hymans Robertson; and
 Lot 3: Governance Consultancy, to AON Hewitt.

Each contract is for a period of 4 years.

2. EXECUTIVE SUMMARY

- 2.1 Croydon Council, as administering authority for the Local Government Pension Scheme, established a framework agreement for the provision of professional support services to the Scheme. Through this framework agreement the Council let a contract for an Actuarial and Benefits Consulting Service. The current contract is for a single supplier, Hymans Robertson. To secure the best value for money and make most effective use of the National Local Government Pension Scheme Framework, all future contracts for professional support services will be called off from the Framework.

DETAIL

- 3.1 National Local Government Pension Scheme (LGPS) frameworks were established by a group of administering authorities, including Croydon Council, to build on the procurement frameworks developed by this Council. The goal of the project was to enable key, universal pension fund services, to be procured faster, more efficiently and cheaper and to ensure that costs were bench-marked across the LGPS. This would lead to both savings in procurement costs and savings against fees for professional services.
- 3.2 In summary, the benefits of using the National Framework to administering authorities include:
- Access to a fast, efficient, easy to use OJEU compliant procurement frameworks that removes the need to undertake costly and time-consuming full OJEU procurement processes;
 - A significant reduction in procurement timescales;
 - Reduced procurement costs;
 - Flexibility in the planning and running of tender processes via mini-competition;
 - Robust frameworks resulting from thorough professional due diligence;
 - Benefits to the LGPS community at large - the more money that is spent through the framework, the better prices are available for Funds using it;
 - Pre-agreed terms and conditions, which means less expenditure on legal costs and a better understanding of the nature of the contract;
 - Ceiling prices that have been further reduced by competition;
 - Detailed and easy to use guides, support and templates; and
 - Additional benefits, for example allowing user groups to optimise the LGPS buying power.
- 3.3 The benefits of procuring services through Framework purchasing agreements are well-understood. They include savings on procurement costs; competitive fees and charges; shorter project timelines; reliance on thorough due diligence and legal reviews; and bulk discounts. Ceiling costs have been negotiated for all services provided through the Framework but individual authorities can negotiate these costs down and bulk rebates are built into the contracts. Croydon has invested time and effort in the establishment of the National LGPS Framework, has confidence in the team, and can place reliance on their documentation, much of which originates from work on the Croydon Frameworks.
- 3.4 The procurement process, managed by, Norfolk County Council's pensions

service, has applied the Public Service (Social Value) Act 2012 when establishing the Framework and have determined that it meets the requirements of Economy.

3.5 The National LGPS Framework for Actuarial Services consists of 4 Lots with 7 service providers across the four Lots:

Lot 1: Under this contract the Actuarial Services Provider will deliver the tri-annual valuation of the Pension Fund, new employer contributions rates and deal with employer rate enquiries.

Lot 2: This encompasses Benefits Consultancy, including managing the Internal Dispute Resolution Procedure (IDRP), on behalf of the Council, dealing with Pensions Ombudsman's complaints, and responding to member related benefit enquiries.

Lot 3: Governance Consultancy provides support on policies, local discretions under the Scheme Regulations and advises on the good governance of the Fund.

Lot 4: The final lot under the Framework is concerned with consultancy to support special projects that will arise as and when in response to events such as changes in the legislative context of the Scheme.

3.6 The contract term for Lots 1, 2, and 3 will be fixed for four years. The Fund will call off from Lot 4 as on an ad hoc basis.

3.7 Norfolk County Council conducted a full Open OJEU process (for which the official reference is OJEU2016/S 131-236723) on behalf of the Council for these services. As per the National LGPS Framework instructions, the Council (on behalf of The Fund), have run a further mini competition via its e-tendering portal in order to access Lots 1, 2, and 3.

3.8 Four bidders expressed interest in providing these services and were invited to tender. These companies were:

- Aon Hewitt
- Barnett Waddingham
- Hymans Robertson
- Mercers

3.9 The evaluation criteria used to assess each bid were quality, service fit, and price. It should be noted though that the process by which these bidders have been included in the National Framework is a far more detailed and exhaustive ensuring that the pool of potential bidders each exceed a high hurdle for quality, service delivery and fees.

4. RECOMMENDATIONS

4.1 The recommendation is for the Pension Board is to note the appointment of Hymans Robertson for Lots 1 & 2 to provider the Actuarial and Benefits Consulting Services and Aon Hewitt for Governance Consulting Services to Croydon Council for the next 4 years.

5 FINANCIAL CONSIDERATIONS

- 5.1 All expenditure on this contract will be met by the Pension Fund. As the costs will be fixed for the period of the contract, in comparison with the fees relating to the current contract the cost of individual projects will be lower. However, with a growth in the level of complexity associated with managing the Scheme and a sharp increase in the number of Scheme employers the overall costs relating to professional services may increase.

6. OTHER CONSIDERATIONS

- 6.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

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BACKGROUND DOCUMENTS: None