

# Croydon Council

<b>REPORT TO:</b>	<b>PENSION COMMITTEE 6 December 2022</b>
<b>SUBJECT:</b>	<b>Contracts for the Provision of Actuarial and Global Custody Services</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett Head of Pensions and Treasury</b>

## 1 RECOMMENDATIONS

1.1 The Committee are asked to consider and note the contents of this report.

## 2 EXECUTIVE SUMMARY

2.1 This report explains to the Committee some of the procedures in respect of the procurement of professional services for the Fund and discusses the current position as regards the letting of contracts for:

- Actuarial Services
- Global Custody Services

## 3 DETAIL

### Introduction

3.1 In order that the Fund can be properly managed it enters into contracts with specialist professional suppliers for various of its functions. They provide services ranging from high profile statutory activities such as Actuarial Services to relatively low-profile matters such as legacy payroll.

3.2 Many of these contracts have expiry dates and Finance Officers are currently working with Procurement Officers to re-tender several of them. Details of those currently being progressed are given in paragraphs 3.10-3.15 below.

### Background

3.3 Traditionally, when pension funds or other local authority services required support from specialist outside suppliers, they would publicly invite tenders from any qualified supplier in accordance with UK and EU procurement rules.

3.4 More recently, contracts have been let by "framework agreement," whereby a number of contracting bodies work together with a limited number of suppliers, to

establish the terms governing contracts to be awarded during a given period, in particular with regard to price, quality and, where appropriate, the quantity envisaged.

3.5 The benefits of using frameworks include:

- Access to fast, efficient, easy to use and regulation compliant procurement frameworks that remove the need to undertake costly and time-consuming full 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 purchasing community at large - the more money that is spent through the framework, the better prices are available for those 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 buying power.

3.6 For some years the Council and the Pension Fund had been aware of the benefits of establishing framework agreements for the provision of professional support services. The Fund set up several of its own which were used to procure various services.

3.7 Subsequently, National Local Government Pension Scheme (LGPS) frameworks were established by a group of administering authorities, including Croydon to build on the procurement framework developed by the Croydon Fund. This process, managed by Norfolk County Council's pensions service, has developed the framework concept to cover many pensions activities. The frameworks are compliant with the Public Contract Regulations and are open to all LGPS fund authorities in the UK.

3.8 The Croydon Fund remains committed to the framework concept and, so far as possible continues to use it. When seeking to let any contract, the Fund must also comply with the Council's in-house procurement procedures.

3.9 Detailed below are the two contracts currently being reviewed.

### **Actuarial Services**

3.10 The current contract with Hymans Robertson LLP was originally approved under delegated powers by Head of Pensions and Treasury for four years from 1 April 2017 to 31 March 2021. It has subsequently been extended to 31 July 2023 to cover the period of the current valuation.

3.11 The outline of the framework arrangements as stated on the website is:

*The Actuarial, Benefits and Governance Consultancy Services Framework went live in July 2021 and will be available for Further Competition and Direct Award until 30th June 2025. Contracts awarded under the Framework may be let up for a maximum contract length of ten years and up to 30th June 2035 at the latest.*

*The Framework is split across four Lots including:*

*Lot 1 - Actuarial Services including but not limited to: 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; and cashflow modelling.*

*Providers on the Framework are:*

- Aon Solutions UK Limited*
- Barnett Waddingham LLP*
- Hymans Robertson LLP*
- Mercer Limited*

3.12 It is currently planned that arrangements will be made for a contract of six years to cover two valuation periods from 1 August 2023.

## **Global Custody Services**

3.13 A contract with BNY Mellon has been in place for over twenty years and has been re-negotiated by officers on several occasions.

3.14 The outline of the framework arrangements as stated on the website is:

*The Global Custody Services Framework has now been launched and will be available until February 2025. Contracts awarded under the Framework can be let for a maximum total duration of ten years.*

*Global custody services including but not limited to: safekeeping of assets in a range of global markets; trade settlement; tax reclaims; corporate actions instruction and collection; proxy voting facilitation; foreign exchange services; cash management; investment accounting; online reporting; performance measurement; compliance monitoring; passive currency hedging; and other asset administration services which may arise from time to time.*

*Providers on the Framework are:*

- *BNY Mellon*
- *Caceis*
- *HSBC*
- *Northern Trust*
- *State Street*

3.15 It is currently planned that arrangements will be made for a contract of six years from 1 April 2023.

## **4 CONSULTATION**

4.1 Officers are in constant contact with Procurement Officers to progress the contracts considered in this report.

## **5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

5.1 There are no financial or risk assessment considerations arising from this report.

**Approved by:** Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer).

## **6 LEGAL CONSIDERATIONS**

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments there are no direct legal implications arising from this report although it will be important for the Fund to ensure there is appropriate procurement support in place to ensure that the procurement processes are robust and compliant.

## **7 HUMAN RESOURCES IMPACT**

- 7.1 There are no direct workforce implications arising from the recommendations within this report. If any should arise these will be managed under the Council's policies and procedures.

**Approved** Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of the Chief People Officer

## **8 EQUALITIES IMPACT**

- 8.1 When a service is contracted out both the contractor and the public authority that commissioned the service have to give due regard to the three principles of the General Duty as set out above. Any supplier that is exercising public functions also has an obligation to fulfil the general duty.
- 8.2 The Contract Management Framework is required to work within the framework of the Equality Strategy 2020- 2024. The deliverables in the Equalities Strategy should be incorporated into the Contract Management Framework and policy documents as detailed below:  
"Outline how the proposed contract(s) will comply with the Public Sector Equality Duty outlined in Section 4 of the EQIA; and meet the outcomes of the Council's equality strategy, particularly:
- i. All Council contracts contribute towards delivering our equality objectives
  - ii. Council contractors are inclusive and supportive of vulnerable groups
  - iii. Ensure that every strategy, delivery plan, council contract and staff appraisal has an equality objective linked to it.
  - iv. That contractors be requested to adopt Croydon's Equality and George Floyd Race Matters Pledges"

**Approved by:** Denise McCausland – Equality Programme Manager

## **9 ENVIRONMENTAL IMPACT**

- 9.1 There are no environmental impacts arising from this report.

## **10 CRIME AND DISORDER REDUCTION IMPACT**

- 10.1 There are no crime and disorder impacts arising from this report.

## **11 DATA PROTECTION IMPLICATIONS**

- 11.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources  
(Section 151 Officer)

**CONTACT OFFICER:**

Matthew Hallett – Head of Pensions and Treasury  
Finance, Investment and Risk  
Corporate Resources Department

**BACKGROUND DOCUMENTS:**

None