

# Croydon Council

<b>REPORT TO:</b>	<b>Pension Committee</b> <b>5 June 2018</b>
<b>SUBJECT:</b>	<b>Renewal of Investment Advisor Contract</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Resources</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> <b>Sound Financial Management:</b> The Pension Committee is responsible for the investment strategy for the Pension Fund. This report deals with the investment advice supporting those investment decisions.	
<b>FINANCIAL SUMMARY:</b> This proposal has significant implications for the Council and the Pension Fund as investment decisions influence the Council's finances. The costs of investment advice and consultancy is charged to the Pension Fund.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b> N/A	

## 1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the outcome of this process.

## 2. EXECUTIVE SUMMARY

- 2.1 This report outlines the process by which the investment advice contract has been awarded.

## 3. DETAIL

- 3.1 This note provides an update on the result of the exercise to award of the Pensions Investment Consultancy contract to Mercer Ltd for a term of 7 years for a total contract value in the sum of approximately £430,000. This contract has been awarded through the National Local Government Pension Scheme Framework and the process has been endorsed by the Contracts and Commissioning Board.

## **Background**

- 3.2 The National LGPS Frameworks were set up in 2011 for Pension Funds to collaborate in delivering benefits both locally and nationally across the LGPS. This initiative is directly in line with the Government's agenda for delivering greater value for money, alongside the reformed LGPS. Croydon Council's Pension Fund ("The Fund") helped found the National LGPS Frameworks, recognising that using a framework could save significant time and money, whilst still delivering a service tailored to local requirements and supporting local decision-making and accountability.
- 3.3 The National LGPS Frameworks are OJEU compliant enabling a faster, more efficient and less costly process of procuring contracts. The Fund has already committed a significant amount of resources into the creation of the Frameworks so it is pertinent that this investment, offering as it does a number of benefits, is leveraged in awarding these contracts.

## **The current service provision**

- 3.4 Investment consultancy is a regulatory requirement that all decisions relating to the management of the Pension Fund are supported by 'proper advice', defined as follows:

*"proper advice", in relation to an administering authority, means the advice of a person whom the authority reasonably believes to be qualified by their ability in and practical experience of financial matters.*

- 3.5 There are a limited number of firms in the market that provide this service and over the recent period the Fund has used Mercers and lately Aon Hewitt. Aon Hewitt support the Pensions Committee by commenting on reports, assessing the performance and suitability of investments, commenting on markets, advising on various pertinent matters and attending committee meetings. They additionally contribute to a great of policy work relating to asset allocation and governance arrangements.

## **The future service provision**

- 3.6 As a collaboration with a number of other administering authorities Croydon was involved in setting up the National LGPS Framework. This Investment Consultancy Services Framework meets the Fund's service requirements which the author confirms is open to all Fund members to access and which this report seeks approval to use. The framework comprises several lots with multiple providers.

## **Investment Consultancy Services framework**

- 3.7 Norfolk County Council, the Contracting Authority, conducted an OJEU Open Procurement process in July 2017 (OJEU ref 2017/S 136-279225). The framework has been launched and consists of 3 lots, namely:

### ***Lot 1 – Investment Consultancy Services***

Provides a wide range of advisory services in relation to investment management support services. There are 8 providers appointed on this lot. Call-off contracts can only be awarded via further competition.

***Lot 2 – Manager Search/Selection/Monitoring and Review***

Provides a wide range of advisory services in relation to the appointment of investment management support services. There are 10 providers appointed on this lot. Call-off contracts can be awarded either via further competition or direct award.

***Lot 3 – Investment Management Consultancy-Related Specialist Project Services***

Enables a wide range of discrete pieces of specialist, investment-related work. There are 20 providers appointed on this lot. Call-off contracts can only be awarded via further competition.

- 3.8 The Fund is seeking to appoint a provider under Lot 1 (Investment Consultancy Services) to provide support and advice to the Pensions Committee. To deliver the Manager Monitoring and Review services the call-off contract will be via direct award under Lot 2. This is because the services directly complement the advice provided under Lot 1. To meet the Manager Searches requirement The Fund is seeking to appoint a provider via further competition under Lot 2.

**Contract term**

- 3.9 For the Pensions Investment Consultancy Services component the term for the call-off contract under Lot 1 will be for a fixed period of 7 years. The contract will commence on 1st June 2018. The call-off contract for Manager Monitoring and Review services will be for a fixed period of 7 years. The contract will also commence on 1st June 2018. The Fund will call off from Lot 2 for Manager Searches as and when required.

**Preferred procurement process**

- 3.10 As per the National LGPS Framework instructions, the Council, (on behalf of The Fund), ran a further competition, via its e-tendering portal in order to access Lots 1 and 2 of the Pension Investment Consultancy Framework. The Council will follow The National LGPS Frameworks direct award process to access Pension Investment Consultancy Lot 2 when required.
- 3.11 Following a mini competition each of the six suppliers on the Framework: Aon Hewitt Ltd.; Hymans Robertson LLP; JLT Benefit Solutions Ltd.; KPMG LLP; Mercer Ltd.; and Redington Ltd. responded. These firms represent the totality of businesses currently able to deliver these services and hence local authority contracts competition was not restricted by using the framework. The bids were evaluated in accordance with the Council's published evaluation methodology on the basis of the Most Economically Advantageous Tender (MEAT); a combination of quality 40% and cost 60% as agreed in the strategy report. The scoring panel's results are summarised in the table below:

	<b>Aon Hewitt Ltd.</b>	<b>Hymans Robertson LLP</b>	<b>JLT Benefit Solutions Ltd.</b>	<b>KPMG LLP</b>	<b>Mercer Ltd.</b>	<b>Redington Ltd.</b>
<b>Quality</b>	44	45	41	45	53	39
<b>Price</b>	26	36	39	35	29	16
<b>Total</b>	<b>70</b>	<b>81</b>	<b>80</b>	<b>80</b>	<b>82</b>	<b>55</b>

3.12 According to this methodology Mercer Ltd has been awarded the contract. The award decision is delegated to the Cabinet Member for Finance and Resources.

#### **4 FINANCIAL CONSIDERATIONS**

4.1 There are no further financial considerations flowing from this report.

#### **5. OTHER CONSIDERATIONS**

5.1 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

#### **6. COMMENTS OF THE SOLICITOR TO THE COUNCIL**

6.1 . The Solicitor to the Council comments that there are no additional legal implications arising from the recommendations in this report.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer

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**CONTACT OFFICER:** Nigel Cook, Head of Pensions Investment and Treasury, Resources department, ext. 62552.

**APPENDICES:** None

**BACKGROUND DOCUMENTS:** None