Croydon Council

REPORT TO:	**PENSION COMMITTEE** **5 June 2018**
SUBJECT:	**Progress Report for Quarter Ended 31 March 2018**
LEAD OFFICER:	**Richard Simpson** **Executive Director of Resources**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT:

Sound Financial Management: Reviewing and ensuring that the performance of the Council's Pension Fund investments are in line with their benchmark and in line with the assumptions made by the Actuary.

FINANCIAL SUMMARY:

This report shows that the market value of the Pension Fund (the Fund) investments as at 31 March 2018 was £1122.3m compared to £1150.4m at 31 December 2017, a decrease of £28.1m and a return of -2.44% over the quarter. The performance figures in this report have been compiled from data provided by each fund manager and are quoted net of fees. Independent information and analysis on the fund managers and markets have been provided by the Fund's independent investment advisor AON Hewitt.

FORWARD PLAN KEY DECISION REFERENCE NO.: N/A

1 RECOMMENDATIONS

1.1 The Committee is asked to note the performance of the fund for the quarter.

2 EXECUTIVE SUMMARY

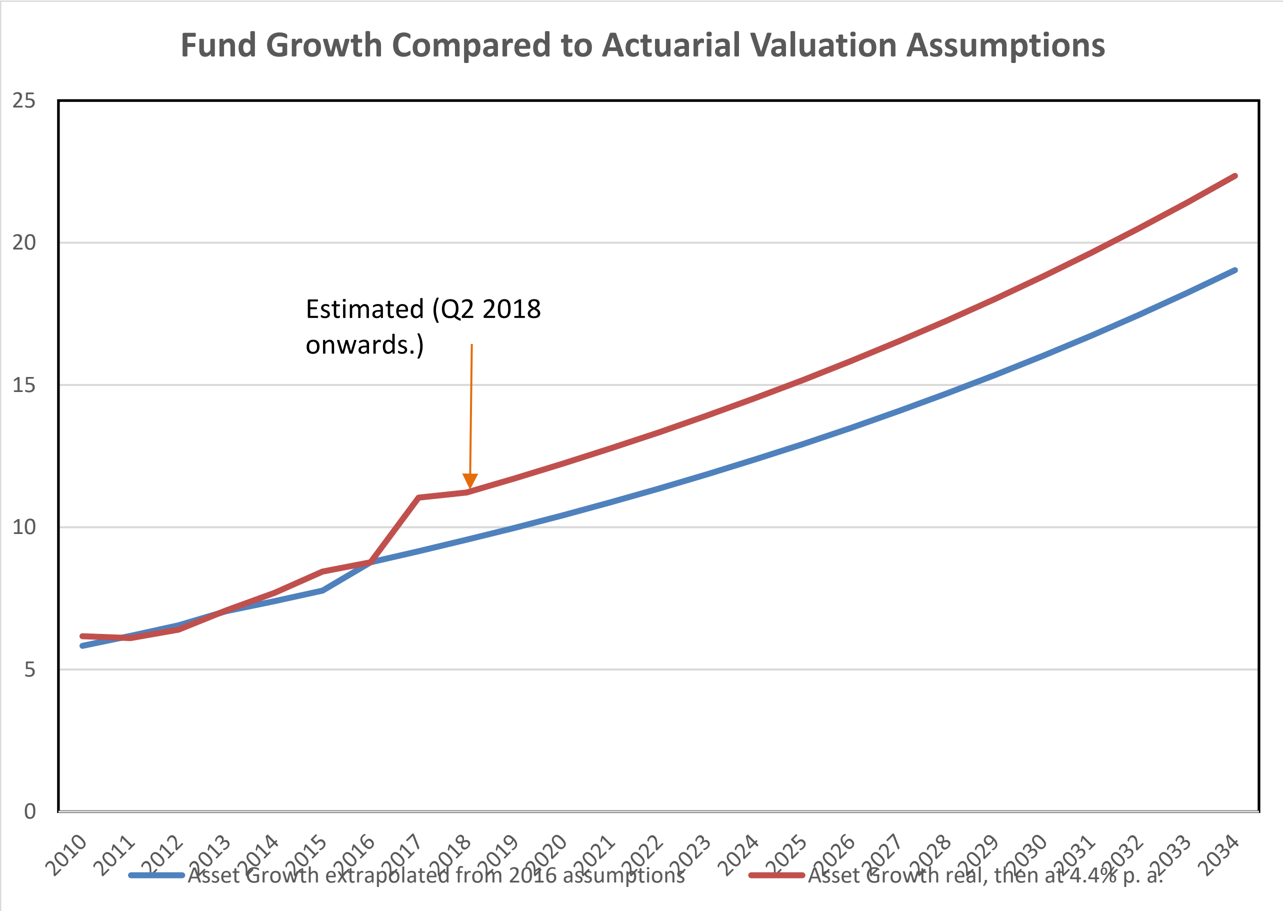
2.1 This report provides an update on the London Borough of Croydon Pension Fund's (the Fund's) performance for the quarter to 31 March 2018. The report falls into four parts. Section 1 addresses performance against strategic goals. The second section considers the asset allocation strategy and how that is being applied, specifically current and planned investments. The third section deals with risk management and the fourth and final section summarises the recent investment manager site visit. Detailed numeric data and commentary from the Fund's advisors is included as appendices to this report.

3 DETAIL

Section 1: Performance

3.1 The 2016 Triennial Actuarial Valuation used an asset outperformance assumption of 2.2% over gilt yields, meaning an asset return assumption, otherwise described as the discount rate, of 4.4%. The valuation also assumes that the funding gap will be closed over a 22 year period. However, as a risk based model has been adopted, the recovery period is less critical. In setting the Pension Fund's investment strategy, performance is measured against a benchmark return of CPI + 4% for the whole fund. Achieving this benchmark return will ensure the investments achieve a higher return than as calculated in the valuation and assuming other assumptions remain constant, the funding gap will reduce.

3.2 The following graph has been compiled from this information. The blue line shows the expected track of the value of assets growing in line with the 2016 valuation assumptions. This will be adjusted after subsequent valuations. The orange line shows the actual value of the Fund to date and plots the course of growth over subsequent years using the same assumptions. This measure does not take account of other variables, such as changes in demographic factors, wage inflation forecasts and other assumptions and that does not reflect changes in cash contributions nor movements in the gilt yield curve. It is valuable as a tool to help track whether the direction of travel is in the right direction.



3.3 Details of the performance of individual components of the portfolio are summarised in Appendix A. The returns for L&G, Standard Life, Wellington and Schroders are calculated on a time series basis. This basis negates the effect of any cash flows made to and from a manager's portfolio (the reason being that the timing of investments and disinvestments is not the manager's decision) and so allows the performance of those managers to be compared fairly with their benchmarks and peers. The returns for the other managers are calculated using the Internal Rate of Return (IRR). Using the IRR considers the effect of cash flows and this is deemed appropriate for these managers as the timing of investments is determined by the manager. Due to the nature of these investments, less emphasis should be put on the performance for immature investments; Temporis, GIB, Access, Markham Rae, North Sea Capital and M&G, and more attention should be made to the performance since inception for the more mature investments: Equitix, Knightsbridge and Pantheon. The whole of fund return uses the IRR as this is in line with the Actuary when calculating the valuation. It should be noted that the portfolio has been built on the premise that diversification mitigates the impact of return volatility, the performance of individual investments is less important than the return of the Fund in aggregate and certainly cannot be assessed over less than a full cycle, and the duration of the cycle will vary from asset to asset.

Section 2: Asset Allocation Strategy

3.4 A new asset allocation strategy was approved at the Committee meeting held on 8 September 2015 (Minute .A29/15 refers). Recognising that there are a number of factors dictating the delivery timeframe for the asset allocation, namely: the selection process and time taken to undertake due diligence; the revision of the LGPS investment regulations; and the role of the London CIV; delivering the revised asset allocation remains a work in progress.

3.5 This asset allocation will give rise to a portfolio which can be broken down as follows:

Equities including allocation to emerging markets.		42%	+/- 5%
Fixed interest		23%	+/- 5%
Alternates		34%	+/- 5%
Comprised of:			
Private Equity	8%		
Infrastructure	10%		
Traditional (Commercial) Property	10%		
Private Rental Sector (Residential) Property	6%		
Cash		1%	
		100%	

3.6 **Progress towards revised asset allocation**

To recap, since the revised asset allocation was agreed £69.2m has been disinvested from global equities and £32.2m from hedge funds. This, along with new cash to the fund has been invested; £19.9m in private equity, £71m in infrastructure, £25m in Private Rental Sector property and £16.4m in traditional property.

3.6.1 **Private Equity –** During the quarter net distributions of £0.7m were paid from our existing private equity managers. The current allocation to this asset class is 7.9% of the Fund. Markham Rae have reassessed the opportunity set for their offering and have agreed with officers that they will not be taking this forwards. The allocation is considered on target.

Allocation: On target.

3.6.2 **Infrastructure –** During the quarter a net distribution of £2.3m was paid out by existing managers. Positive returns of £3.9m were generated in the quarter meaning the allocation percentage increased to 10%, which is the target allocation for this asset class. It should be noted though that this class generates cash yield so it is necessary to periodically top up commitments to maintain this level of investments.

Allocation: On target which is ahead of the original planned date of 31 December 2019.

3.6.3 **Traditional Property –** During the quarter positive returns of £2.5m meant the allocation remained on target; the ½ % over-weight is within acceptable tolerances.

Allocation: On target.

3.6.4 **Private Rental Sector -** The Fund signed a commitment of £25m to the M&G UK Residential Fund in January 2016 and during the quarter ending 31 December 2016 signed a commitment for a further £35m with M&G. The first tranche of £25m has now been fully drawn and the fund is generating positive returns. The allocation remained at 2.2% over the quarter. Officers anticipate the second tranche to be drawn over the second half of 2018.

Allocation: On target to meet allocation by 31 December 2018 as planned.

3.6.5 **Global Equities –** The Fund's allocation to equities remained overweight at 51.6% which is fractionally lower than reported for the previous quarter but still outside of the agreed tolerances. Despite falling in value by £27.6m this part of the portfolio is still significantly overweight representing a risk. Markets on both side of the Atlantic fell in February ending a pro-longed period of steady growth but not the end of the current bull market. Because the portfolio's equity exposure is passively managed the Fund will see more volatility and this will be inevitably amplified by this overweight position.

3.6.6 As noted by the Committee in the last quarter's Progress Report, £50m is to be transitioned from the LGIM fund into a Janus Henderson Emerging Markets fund managed by the London CIV.

3.6.7 **Fixed Interest –** The Fund remains below the lower end of the target range in its fixed income allocation and this is largely due to outperformance of other assets. As outlined in the previous quarter's progress report officers have explored the use of private debt as an option to close this gap. Officers will continue to explore options on private debt subject to the committee's views focusing first on any offering from the London CIV.

3.7 The table below illustrates the movement in the Fund's valuation during the quarter and the current asset allocation against the target.

London Borough of Croydon Pension Fund
Fund valuation and asset allocation for the quarter ending 31 March 2018

	Valuation at 31/12/2017 £'000	Net Cashflow £'000	Gain/loss £'000	Valuation at 31/03/2018 £'000	Asset Allocation Fund Percentage	Asset Allocation Target Percentage
Equities					51.6%	42%
Legal & General FTSE4Good	1,562	-1,377	-94	92		
Lega & General FTSE World (Ex Tobacco)	604,904	1,377	-27,470	578,812		
Fixed Interest					17.1%	23%
Standard Life	129,367	-	-651	128,716		
Wellington	63,816	-	-125	63,692		
Infrastructure					10.0%	10%
Access	12,910	-2,352	-156	10,403		
Temporis	17,248	1,886	1,452	20,586		
Equitix	55,115	-890	2,617	56,842		
Green Investment bank	25,618	-1,019	-	24,599		
Private Equity					7.9%	8%
Knightsbridge	19,633	418	-160	19,892		
Pantheon	59,629	-1,210	-1,856	56,563		
Access	11,141	62	344	11,547		
North Sea	796	-	-10	786		
Markham Rae	-1	-6	7	-		
Property					10.5%	10%
Schroders	114,842	-	2,492	117,334		
Property PRS					2.2%	6%
M&G	24,896	-	333	25,229		
Cash					0.6%	1%
Cash	8,919	-1,577	-129	7,213		
Fund Total	**1,150,397**	**-4,688**	**-23,404**	**1,122,304**	**100%**	**100%**

3.8 The Fund remains over-weight to equities and under-weight to fixed interest to the extent that the proportion in these asset classes are outside the allowable variance. Officers believe that this over-weight position has had advantages in the short-term. However this position is not consistent with the Fund investment strategy. Efforts are being made to rebalance further the portfolio and, in particular as referenced earlier, the London CIV is being considered in order to correct the under-weight position in fixed interest products, based on it meeting the funds objectives.

Section 3: Risk Management

3.9 The principle risk addressed by the Funding Strategy is that returns on investment will fall below the target asset outperformance assumption to ensure that the Pension Fund matches the value of liabilities in the future. Dependent upon that are of course a number of issues.

3.10 The global economy will always represent a specific risk and opportunity for the Fund and will effectively be impossible to quantify or evaluate. As each asset class, investment strategy and characteristic will be impacted differently by any number of macroeconomic scenarios it is critical to ensure that the portfolio is sufficiently diversified. This will ensure that opportunities can be exploited and downside volatility reduced as far as possible.

3.11 In terms of the Pension Fund investment strategy in relation to the global picture, officers believe:

- The domestic US economy will continue to grow at a healthy rate.

- China will also continue to demonstrate strong growth and this will be critical in stoking the continued expansion of emerging markets. By and large emerging market revenue account issues have been resolved.

- The European economy is showing positive signs of growth, especially when compared to the UK.

- While the Brexit negotiations are ongoing sterling will remain at depressed levels. Officers are continually considering the merits of currency hedging. Of greater concern is the fact that little progress has been made by either party towards a negotiated position.

3.12 The role of Central Banks in guiding local economies and that specific impact on the global economy remains an area for concern. Interest rates and inflation both represent significant headwinds impacting on the valuation of liabilities and the investments designed to match them. Specifically Officers are concerned by the increasing threat of inflation and all infrastructure investments the Fund has committed to have an inflation linkage built into the return profile.

3.13 The portfolio term Brexit encompasses a number of risks. Immediate concerns that the UK economy would register a shock have not materialised. However, the outcome of the snap election has done little to quieten concerns. The fall in the relative value of sterling has masked a long term issue around productivity and actually benefitted the portfolio. Other concerns may manifest themselves in the future. One issue that seems certain to impact the fund is that of passporting and the cost of accessing investment opportunities.

3.14 AON Hewitt, the Fund’s investment advisor, have drafted a Manager Monitoring Report, a Market Review for the 3 months to 31 March 2018 and a Quarterly

Investment Outlook which provides context for this risk analysis. These reports are included in the closed part of this Committee agenda.

Section 4: Investment Manager Visit

3.15 Members of the Pensions Committee visited Pantheon in January and Janus Henderson, to discuss their Emerging Markets offering, in February. Knightsbridge met with members in March; the meeting covered the evolution of different vintage funds, prospects for the market and performance.

4 CONSULTATION

4.1 Officers have fully consulted with the Pension Fund's advisers in preparing this report.

5 FINANCIAL CONSIDERATIONS

5.1 This report deals exclusively with the investment of the Council's Pension Fund and compares the return on investment of the Fund against the benchmark return.

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Council Solicitor comments that there are no additional legal implications arising from the recommendations in this report, which is for information purposes only.

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

7. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

7.1 This report contains only information that can be publicly disclosed. The confidential information is reported in the closed part of the agenda.

CONTACT OFFICER: Nigel Cook – Head of Pensions and Treasury
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS: Quarterly reports from each fund manager (circulated under separate cover)

Appendices: **Part A Appendices**: Appendix A: Fund Returns

Part B appendices:
Pursuant to Schedule 12A paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information), the following appendices are considered to be precluded from publication:

Appendix B: AON Hewitt Manager Monitoring Report
Appendix C: AON Hewitt Market Review: 3 months to 31 March 2018
Appendix D: AON Hewitt Quarterly Investment Outlook

Appendix A

London Borough of Croydon fund returns for the period ending 31 March 2018

EQUITIES						
L&G Ex tobacco	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	-4.5%				-2.9%	
Benchmark	-4.6%				-2.9%	
L&G Ex FTSE4Good	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	0.0%	11.1%			10.4%	
Benchmark	0.0%	11.2%			10.5%	
FIXED INTEREST						
Standard Life	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	-0.5%	0.5%	2.2%	3.0%	4.5%	
Benchmark	-0.2%	1.1%	2.6%	3.5%	4.6%	
Wellington	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	-0.2%	1.0%	3.2%	4.3%	6.4%	
Benchmark	-0.2%	2.6%	4.5%	4.8%	6.3%	
INFRASTRUCTURE						
Equitix	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	5.2%	11.4%	6.8%	19.8%	14.9%	
Benchmark	1.3%	7.4%	6.7%	6.4%	7.3%	
Temporis	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	9.2%	10.24%			6.4%	
Benchmark	1.3%	7.44%			7.6%	
GIB	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	0.0%	11.1%			7.2%	
Benchmark	1.3%	7.4%			8.0%	
PRIVATE EQUTIY						
Knightsbridge	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	-0.8%	-1.1%	8.8%	16.1%	11.8%	
Benchmark	1.3%	7.4%	6.7%	6.4%	7.1%	
Pantheon	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	-3.9%	7.9%	14.9%	13.2%	12.5%	
Benchmark	1.3%	7.4%	6.7%	6.4%	7.2%	
Access	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	3.3%	12.9%			10.3%	
Benchmark	1.3%	7.4%			7.6%	
North Sea Capital	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	0.0%	0.0%	0.0%	0.0%	0.0%	too early
Benchmark	1.3%				8.0%	too early
PROPERTY						
Schroders	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	2.2%	10.3%	7.5%	11.0%	10.2%	
Benchmark	1.9%	12.3%	9.1%	10.7%	9.5%	
PROPERTY PRS						
M&G	**Quarter**	**1 year**	**3 year**	**5 year**	**inception**	
Fund	1.34%	1.85%	0.00%	0.00%	0.48%	
Benchmark	1.90%	9.98%	0.00%	0.00%	7.75%	
Total Fund						
	Quarter	**1 year**	**3 year**	**5yr**	**inception**	
Fund	-2.04%	3.85%	8.75%	9.20%	8.07%	
CPI + 4%	1.01%	6.44%	5.74%	5.36%	6.26%	

Returns are net of fees and annualised apart from for the last quarter

Returns for Equity, Fixed Interest and Property Funds are calculated on a time weighted basis.

Returns for Infrastructure, Private Equity ,Property PRS funds and the Total return are calculated on an Internal rate of return basis.

Croydon Council

REPORT TO:	**Pension Committee** **5 June 2018**
SUBJECT:	**Forward Plan**
LEAD OFFICER:	**Nigel Cook Head of Pensions and Treasury**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Ensuring that the pension fund is being given appropriate guidance and direction through the governance of the Pension Committee.	
FINANCIAL SUMMARY: There are no direct financial consequences to this report. However the implications of decisions taken by this Committee can be significant for the Revenue Account of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

1.1 That the Committee note the business plan for the coming year.

2. EXECUTIVE SUMMARY

2.1 It is recommended best practice for the Pension Committee (the Committee) to regularly review the forward plan. This report proposes a revised 2018/2019 forward plan which forms a business plan for the Committee.

3 DETAIL

3.1 The forward plan below sets out an agenda for each quarterly meeting to be held in the remainder of 2018/2019; however, further items may be added as required by senior officers in consultation with the Chair. There may be a need to add items in response to changing circumstances, such as any issues thrown up by the government's decision to require funds to pool assets, changes to the investment regulations or if there are further global market events requiring actions from the Committee.

3.2 As a separate matter, the Committee has decided to visit each of the portfolio's fund managers over a twelve to fifteen month cycle. During the period 2017/2018 members of the Committee visited: Legal & General; Standard Life (now Aberdeen Standard Life), Wellington, Schroders, Pantheon, and Knightsbridge. In June 2017 the Committee set aside a say to meet the roster of new managers, including Temporis, Access, Green Investment Bank, North Sea Capital, M&G and Markham Rae. A potential list of managers to visit during 2018 and into 2019 might include: Access Capital Partners; Temporis; Macquarie (for the Green Investment Bank); I-Squared; North Sea Capital; and M&G. Progress moving assets into the London CIV pooling arrangements will impact upon this schedule.

3.3 The Committee has committed to a programme of training and in part, this can be delivered by sessions following on from or preceding the business part of the meeting. The content of training will be informed by the direction of future legislation; and the choice of investment vehicles. A review against the CIPFA Knowledge and Skills Framework would be invaluable in informing this programme.

3.4 With the introduction of the Local Pensions Board, some issues that previously were considered by the Committee are also being addressed by that body. This includes:

- Review of strategy and policy documents such as the Funding Strategy Statement and Investment Strategy Statement;
- Key Performance Indicators;
- Engagement with stakeholders;
- ESG (Ethical, Social and Governance) and voting matters;
- Assessment of the performance of professional advisors;
- Consideration of Myners principles;
- Matters relating to fees; and
- Other matters of topical interest.

3.5 Matters relating to admission agreements, schools converting to academies and other scheme employers will be reported to the Committee on an ad hoc basis.

3.7 **The Pension Committee 2018 – 2019 Business Plan**

3.7.1 **18 September 2018**

- Progress report quarter ending June 2018 performance
- KPIs
- Draft Annual Report
- External Auditors Report
- Local Pension Board Annual Report
- Report back from Pensions Board
- Investment Strategy Statement, consider revisions, including
    - Review London CIV against Investment Strategy Statement (ISS) guidance (regulation (7) (2) d)
    - Review of ESG investment principles for inclusion in ISS
- GAD review of funding levels
- Review and adopt:

- Discretion's policy for the Council;
- Training policy for the Committee, Board and officers;
- Cessation Policy;
- Communications Policy; and
- Terms of Reference for the Committee.

3.7.2 **4 December 2018**

- Progress report quarter ending September 2018 performance
- Risk Register review
- Forward Plan review
- Options for asset transfer into the Fund.
- Adopt revised Investment Strategy Statement
- Review and adopt:
    - Policy for Employers leaving the Fund;
    - Internal Disputes Resolution Policy;
    - Breaches of the Law policy;
    - Administration Strategy;
    - Conflicts of Interest Policy (for the Pensions Board); and
    - Local Pension Board Annual Review.

3.7.3 **12 March 2019**

- Progress report quarter ending December 2018 performance
- Report back from Pensions Board
- KPIs

3.7.4 **May /June 2019**

- Progress report quarter ending March 2019 performance
- Governance annual review
- Report back from Pensions Board
- Risk Register review
- Forward Plan review

3.8 This forward plan forms the business plan for the Committee. The Committee are asked to consider any changes necessary to the forward plan and subject to these, agree its adoption.

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 legal implications arising from the recommendations to the 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

Croydon Council

REPORT TO:	**Pension Committee** **5 June 2018**
SUBJECT:	**Renewal of Investment Advisor Contract**
LEAD OFFICER:	**Nigel Cook Head of Pensions and Treasury**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: **Sound Financial Management**: The Pension Committee is responsible for the investment strategy for the Pension Fund. This report deals with the investment advice supporting those investment decisions.	
FINANCIAL SUMMARY: 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.	
FORWARD PLAN KEY DECISION REFERENCE NO.: 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:

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

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