

Report for: Pensions Committee and Board 20 March 2018

Item number: 14

Title: Investment Consultancy Services Contract

Report authorised by: Jon Warlow, Chief Finance Officer (CFO and S151 Officer)

Lead Officer: Thomas Skeen, Head of Pensions
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision (Pensions Committee)

1. Describe the issue under consideration

- 1.1. In order for Haringey (the Council) to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS), the Council must take proper advice in relation to investment of the fund's assets: this is done via procuring the services of an external specialist firm: the fund's investment consultant. The incumbent provider is Mercer Ltd. who has advised the fund for four years.
- 1.2. The current contract for investment consultancy services with Mercer will expire on 31 March 2018. This contract was extended at the Pensions Committee and Board meeting of 18 January 2018, in order to bridge the period to the end of the financial year. At this committee meeting, delegated authority was granted to the CFO to enter into a new two year contract for investment consultancy services (with possible extension for one further year), following a procurement exercise carried out by officers with the involvement of the Independent Advisor to the Fund. The contract will run from 1 April 2018 to 31 March 2020, and will provide for an option to extend the contract for a further year to 31 March 2021.
- 1.3. This report is for noting, to provide members of the Pensions Committee and Board with details of the procurement exercise undertaken.

2. Cabinet Member Introduction

- 2.1. N/A

3. Recommendations

3.1. That the Pensions Committee and Board note the contents of this report, and note that Mercer Ltd will be re-appointed as the fund's Investment Consultant from 1 April 2018, following the competitive procurement exercise carried out by officers.

4. Reason for Decision

4.1. N/A this is a noting item.

5. Other options considered

5.1. The fund must appoint an investment consultant to ensure it is able to access proper investment advice in order to fulfil its duty as Administering Authority for Haringey LGPS Fund. Therefore, not appointing an investment consultant would be an inappropriate course of action.

6. Background information

6.1. This contract award was made following a procurement exercise carried out by officers, using the National LGPS Framework which is hosted by Norfolk County Council. The Framework Agreement is fully compliant with EU procurement processes. The framework hosted by Norfolk is used extensively by LGPS funds. The framework increases transparency when it comes to fees, and comparability between firms.

6.2. All costs of the contract will be met fully by the pension fund, i.e. there will be no direct cost implications for the Council. The pension fund maintains a separate bank account for the payment of pension fund related costs, such as those for investment consultancy services. This is a required practice for LGPS funds under Regulation 6 of the LGPS (Management and Investment of Funds Regulations) 2016.

6.3. Officers invited the eight firms signed up to the framework to participate in a mini competition to tender for the contract with Haringey. Five of the firms bid for the contract:

- Hymans Robertson LLP
- JLT
- KPMG
- Mercer Ltd
- PricewaterhouseCoopers LLP

6.4. Three firms did not bid for the contract: Aon Hewitt, Deloitte, and Redington. They did not give reasons for not bidding for the contract.

- 6.5. The procurement exercise consisted of two stages. The first stage assessed written submissions from all firms to assess 'price', and 'quality'. The three firms who had the highest scores at this stage were then invited to take part in the second stage of the procurement.
- 6.6. This second stage consisted of a presentation and interview where 'service fit' was be assessed. Three members of the Pensions Committee and Board attended this session to have oversight of the procurement exercise.
- 6.7. Officers scored the bids with the involvement of the Independent Advisor who has previous experience of participating in procurement processes to appoint Investment Consultants to LGPS Funds, and as is the usual practice for procurements for Haringey Pension Fund.
- 6.8. The results of the procurement exercise are presented in the attached confidential appendix to this report.

7. Contribution to Strategic Outcomes

- 7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

- 8.1. The chief finance officer has been consulted over the contents of the report and confirms that the annual costs can be legitimately charged to the pension fund.
- 8.2. The Fund must take proper investment advice in relation to the fund's assets, therefore appointing an investment consultant is necessary.

Legal

- 8.3 The Assistant Director of Corporate Governance notes the contents of the report. There are no specific legal implications arising from this report.

Equalities

- 8.4. There are no equalities issues arising from this report.

9. Use of Appendices

9.1. N/A

10. Local Government (Access to Information) Act 1985

10.1. N/A