

Report for: Pensions Committee and Board 19 November 2019

Title: Investment Consultancy Services Contract

Report authorised by: Jon Warlow, Director of Finance (S151 Officer)

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant
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Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

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 six years.
- 1.2. The current contract for investment consultancy services with Mercer will expire on 31 March 2020. This 2 year contract (with the option for a 1 year extension) commenced on 1 April 2018 following a competitive tender process under the National LGPS Framework which is hosted by Norfolk County Council. The Framework is fully compliant with EU procurement processes.
- 1.3. This report requests:
 - 1.3.1. That the Committee and Board approves a contract extension pursuant to Contract Standing Order (CSO) 10.02.1 to the current contract with Mercer for the period 1 April 2020 – 31 March 2021.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Pensions Committee and Board approve an extension of the current contract with Mercer Ltd. for investment consultancy services as allowed under the contract for the period 1 April 2020 – 31 March

2021 in accordance with CSOs 3.03 and 10.02.1 at an estimated value of £95k.

4. Reason for Decision

- 4.1. The Fund must take proper advice on investment matters as Administering Authority for Haringey LGPS Fund.
- 4.2. At the time the contract was originally let, it was felt that a relatively short contract period would be most appropriate, and deliver the best value for the fund, due to the pace of change in the LGPS investment environment with the government's pooling agenda. The contract was therefore let for 2 years with an option for a 1 year extension. At the time of letting the contract, it was not anticipated that this option to extend the contract would necessarily be utilised.
- 4.3. The existing contract for investment consultancy services expires on 31 March 2020. The fund's investment strategy review, which will follow the completion of the triennial valuation, falls around this time period, and may not be completed by 31 March, retendering the contract at the current time is therefore impractical. Officers feel the best course of action is to utilise the 1 year extension allowed by the contract, and conduct a fresh procurement exercise over the course of the autumn and winter of 2020 with the aim of letting a new contract from 1 April 2021.

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, allowing the contract to lapse would be an inappropriate course of action. As highlighted the work on reviewing the fund's investment strategy which is a critical activity for the fund, and relies heavily on the appointed Investment Consultant may not be completed by the end of the current contract period.

6. Background information

- 6.1. 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.

- 6.2. The contract was originally procured by a call off from a Framework Agreement set up by Norfolk County Council for Investment Management Consultancy Services as permitted by CSO 7.01.b.
- 6.3. At the time the contract was originally let, officers invited the eight firms signed up to the framework agreement to participate in a mini competition to tender for the contract with Haringey. Five of the firms bid for the contract. 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. This second stage consisted of a presentation and interview where 'service fit' was assessed. Three members of the Pensions Committee and Board attended this session to have oversight of the procurement exercise. 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.

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 extension of the contract at an estimated cost of £95k will be met by the pension fund, and is in line with the original procurement exercise carried out by officers.

Legal

- 8.2. The Assistant Director of Corporate Governance notes the contents of the report.
- 8.3. The proposed extension is provided for in the contract for investment consultancy services with Mercer Ltd. The National LGPS Framework for Investment Consultancy Service permits contracts awarded under the Framework to extend up to 31 March 2021.
- 8.4. The Assistant Director of Corporate Governance sees no legal reasons preventing the Pensions Committee and Board from approving the recommendation in the report.

Procurement Comment (AR):

8.5. This is a call off agreement from the National LGPS Framework for Investment Consultancy Services, hosted by Norfolk County Council which is fully compliant with EU procurement processes. This agreement provides for an extension of 1 year for an estimated value of £95k. Procurement endorses this request for extension.

Equalities

8.3. There are no equalities issues arising from this report.

9. Use of Appendices

9.1. None

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.