

Report for: Pensions Committee and Board – 23 November 2020

Title: Investment Management Consultancy Services Contract

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)

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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 Limited who has advised the fund for approximately seven years, under two separate contracts, the most recent of which was let in 2018.
- 1.2 The current contract for investment management consultancy services with Mercer will expire on 31 March 2021.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

The Pensions Committee and Board is asked:

- 3.1. To note the proposals for the Fund to tender for a new two year contract for investment management consultancy services, with possible extension for one further year; this would be similar to the contract that is about to lapse.
- 3.2. To note that this contract award will be made following a procurement exercise carried out by officers, using the National LGPS Framework; and

- 3.3. To note that the Pensions Committee and Board will be asked to approve the appointment of the successful bidder once the selection process is complete.

4. Reason for Decision

- 4.1. The existing contract for investment management consultancy services expires on 31 March 2021. The Fund must take proper advice on investment matters as Administering Authority for Haringey LGPS Fund.
- 4.2. Procurement exercises are the method that the Council uses to ensure that value for money is maintained when seeking supplies and services contracts from third parties. The LGPS investment environment continues to evolve with the introduction of pooling, therefore, officers feel that the best value can be delivered by testing the market at fairly regular intervals. Hence, it is recommended that this contract would be awarded for a period of 2 years only, with an end date of 31 March 2023 and the possibility of extending for a further year.
- 4.3. Norfolk County Council has set up a National Framework for Investment Consultancy Services for the use of LGPS Funds. There are seven firms signed up to this framework:
- Aon Hewitt
 - Deloitte
 - Hymans Robertson LLP
 - Isio
 - Mercer Ltd
 - PricewaterhouseCoopers LLP
 - Redington Ltd
- 4.4. Officers are proposing to carry out a mini competition in order to appoint one of the firms above, and Invitation To Tender (ITT) will be sent to all seven firms inviting them to tender for the contract with Haringey.
- 4.5. The procurement exercise will consist of two stages. The first stage will assess written submissions from all firms to assess 'price', and 'quality'. The three firms who score most highly at this stage will then be called to the second stage of the procurement. This second stage will consist of a presentation and interview where 'service fit' will be assessed. It is proposed that Officers undertake the scoring process 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. Members of the Committee and Board could nominate representatives to attend the interview stage meeting if they are minded to. Notification of a date for this meeting will be circulated once the process is advanced well enough to have a firm date.

5. Other options considered

- 5.1. The fund must appoint an investment management 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.
- 5.2. The framework hosted by Norfolk County Council is used extensively by LGPS funds. The framework increases transparency when it comes to fees, and comparability between firms. Officers therefore feel that the use of the framework presents best value for the fund. It was therefore thought best to use the framework agreement to conduct the procurement exercise.

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 management 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 will be 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). There are three lots on this particular framework agreement, Haringey is calling off from Lot 1 on the framework which is for Investment Consultancy services.
- 6.3. The Fund's subscription to the Norfolk Framework Agreement is still valid, so there is no need for the Fund to renew its license or incur additional subscription fees for this tender.
- 6.4. Officers will invite the seven firms signed up to Lot 1 of the framework to participate in a mini competition to tender for the contract with Haringey.
- 6.5. By inviting members of the Committee and Board to attend the presentation and interview stage of the mini competition, members of the Committee and Board would be able to have oversight of the process, and meet the firms tendering for the contract.
- 6.6. The contract will be priced by activity, and the pricing structure for each provider on the framework is fixed so that the prices for all LGPS funds calling off the framework for this specific provider are the same. Officers estimate that the likely spend over the course of the 2 year period will be in the region of £200k, with an additional £100k likely to be incurred if the option for a 1 year extension is taken up (prices are subject to indexation).

7. Contribution to Strategic Outcomes

7.1. Not applicable.

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.

Procurement

8.3. Strategic Procurement notes that the recommendation of the report is to undertake a procurement process to award a contract for investment consultancy services. The proposed procurement route is a further competition under the National LGPS Framework and can confirm that the framework is compliant with CSO 7.01 b).

Legal

8.4. The Assistant Director of Corporate Governance has been consulted in the preparation of the report.

8.5. There are no legal implications at this stage. Legal advice should be sought at an appropriate stage, in particular when awarding the contract following the tender exercise.

Equalities

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

9. Use of Appendices

9.1. Not applicable.

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.