



Haringey Council

[No.]

Agenda item:

**Pensions Committee**

**On 9th June 2008**

Report Title: **Provision of Investment and Actuarial Advice to the Pension Fund – Award of Contracts**

Report of: **Chief Financial Officer**

Wards(s) affected: **All**

Report for: **Key Decision**

**1. Purpose**

1.1 To inform members of the procurement process undertaken to appoint providers for Investment advice and Actuarial advice to the Pension Fund from 1<sup>st</sup> August 2008, and to obtain approval from Members to award the contracts.

**2. Recommendations**

2.1 That members award the Investment Advice contract for a period of three years with effect from 1<sup>st</sup> August 2008, with an option to extend by one year, to the provider detailed at para. 6.1 of Appendix A of this report.

2.2 That the Actuarial Advice contract be awarded for a period of three years with effect from 1<sup>st</sup> August 2008 to the provider detailed at para 6.2 of Appendix A of this report.

**Report Authorised by: Gerald Almeroth, Chief Financial Officer**

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### **3. Head of Legal Services comments**

- 3.1 This report is recommending the award of two contracts, one for the provision of investment advice and one for actuarial advice.
- 3.2 The estimated value of each contract was in excess of the threshold (£139,893) specified in the Public Contracts Regulations 2006 ("the PCR 2006"). The contracts were therefore advertised in the Official Journal of the European Union. The open procedure was used.
- 3.3 The recommendations made at paragraphs 2.1 and 2.2 of this report are made on the basis that the provider recommended for award of each contract submitted the most economically advantageous tender in relation to that contract in accordance with Reg. 30(1)(a) of the PCR 2006 and Contract Standing Order 11(1)(b).
- 3.4 The Pension Committee has the power to award these contracts. This power is derived from the Pension Committee's Terms of Reference set out in the Council's Constitution at Part Three, Section C, para. 9. Under this provision, the Committee performs the functions of the Administering Authority of the Pension Fund under Pensions legislation. Sub-paragraph 9(b)(i) expressly confers on the Committee responsibility for management and monitoring of the Pension Fund including, amongst other things, the selection and appointment of specialist external advisors to the Fund, as necessary.
- 3.5 The Head of Legal Services confirms that there are no legal reasons preventing members from approving the recommendations in paragraph 2 of this report.

### **4. Head of Procurement comments**

- 4.1 The recommendations are in accordance with the Procurement Code of Practice.
- 4.2 Contract management arrangements have been put in place to ensure contract compliance.
- 4.3 A fully competitive process has been undertaken to ensure that the market is tested and value for money is achieved for the Council.

### **5. Local Government (Access to Information) Act 1985**

- 5.1 List of background documents:
- Invitation to tender for the provision of Actuarial and Investment Advice Services to the Pension Fund;
  - Questionnaire for the provision of Actuarial and Investment Advice Services to the Pension Fund;
  - Tender returns.
- 5.2 This report contains exempt and non-exempt information. Exempt information is under the following category (identified in amended Schedule 12A of the Local

Government Act 1972. s.(3) Information relating to financial or business affairs of any particular person (including the authority holding that information).

## **6. Strategic Implications**

- 6.1 The provision of Investment and Actuarial Advice to the Pension Fund is a key function that underpins the efficient and effective operations of the Fund. By achieving a good level of Investment performance the impact of employers contributions will be reduced which has a direct impact on the level of Council Tax.
- 6.2 The new contract for Investment Advice will be for a period of three years, with an option to extend by one year. The contract for Actuarial Advice will be for three years. Both contracts will commence on 1<sup>st</sup> August 2008.

## **7. Financial Implications**

- 7.1 This detailed information in the tender submissions is exempt and is therefore contained within Appendix A. The price is part of the evaluation criteria.
- 7.2 Value for money is secured through the competitive bidding process.

## **8. Equalities Implications**

- 8.1 In regard to procurement, the Council is committed to opening up its supply chain so that all who may wish to tender for contracts have the opportunity to do so. It is also a policy commitment to ensure that organisations contracted to provide services, works or goods have due regards to diversity issues in their policies and practices (Equality Public Duties Scheme: Corporate Action Plan, Ref 8).
- 8.2 To enable these commitments to be carried out, the Council has systems and procedures that officers use to ensure that equalities considerations are taken into account at every stage in contracting, from tendering to award and evaluation of contracts.
- 8.3 Regarding opportunity to tender, the contracts were advertised in the Official Journal of the European Union, providing opportunity for all service providers who wished to tender to do so.
- 8.4 The questionnaire, which has detailed equalities sections, was used to assess tenders in accordance with Council procedures on procurement. This included detailed input from the Corporate Equalities team.
- 8.5 The equalities policy stance of the Council in regard to procurement was fulfilled in full.
- 8.6 As the services to be provided under this contract are internal to the Council, there are no specific direct equalities implications for users of council services.

## 9. Background

- 9.1 The current contract for the provision of Investment and Actuarial services has been undertaken for the Council by Hymans Robertson since 1<sup>st</sup> June 2002. There have been a number of subsequent extensions and variations of the contract agreed.
- 9.2 Pensions Panel on 26<sup>th</sup> March 2007 agreed that the provision of the Investment and Actuarial services contract be tendered from 1st June 2008 as two separate contracts to provide market testing, greater transparency, and value for money. Both contracts are for the same contract period of three years, in line with our triennial actuarial valuations, although we have the option to extend the investment advice contract by one year. This flexibility to extend one contract would make it easier when we come to tender again. At Pensions Committee on 29<sup>th</sup> January 2008 it was agreed to extend the existing contract to allow start up of the new contracts on 1<sup>st</sup> August 2008 since it would take longer than anticipated to tender the contracts. The contracts will be awarded via an open tender process.
- 9.3 The re-tendering process for both contracts was carried out in accordance with the EU procurement process as it was anticipated that over a three year period costs would exceed the OJEU limit of £139,893. The closing date for the submission of tenders was 1<sup>st</sup> April 2008.
- 9.4 As part of the Invitation to Tender, prospective tenderers were informed of the evaluation criteria that were being applied. Tenderers were also required to address a detailed questionnaire. Both documents were designed to obtain comprehensive information, and enable an informed decision to be taken when awarding the contracts.
- 9.5 With regard to the Investment Advice contract, the Investment Advisor will be required to carry out the following main activities.
- Attendance at Pensions Committee meetings as required;
  - Review Investment Strategy as appropriate;
  - Implement any revised Investment Management structure as appropriate;
  - Advise on the appointment of investment Managers where necessary;
  - There will be other ad hoc duties which may include, for example, advising on the Statement of Investment Principles (SIP) and Myners Principles, advising on alternative investments, other investment vehicles, derivatives, futures, and options.
- 9.6 For the Actuarial Advice contract, the Actuarial Advisor will be required to carry out the following major tasks.
- Triennial Actuarial Valuation as at 31<sup>st</sup> March 2010, including scrutinising data supplied by ourselves;
  - Valuation timetable;
  - Asset liability study;
  - Financial Reporting Standard (FRS)17 calculations;
  - Interim actuarial valuations as required;
  - Assess Additional Voluntary Contributions providers;
  - Appointment of a new Additional Voluntary Contribution provider if required;
  - There will be other ad hoc duties which may include, for example, calculation of new employing body employer's contribution rates and Bond values, early retirement

information relating to a bulk exercise, review of Bond values when required, advice on impact of changes in regulations and associated costs where appropriate.

## 10 Procurement process

10.1 Full evaluation exercises have been undertaken for both the contract for the Provision of Investment Advice and for the contract for the Provision of Actuarial Advice to the Pension Fund.

10.2. The evaluation exercises were undertaken using the criteria used in the contract documents. The details of weightings, as set out in the Invitation to Tender document and the questionnaire, are detailed below. Therefore 20% of the evaluations are on price and the remaining 80% on the factors below that includes quality of proposals submitted, quality of staff and added value.

<b>Tender Criteria</b>	<b>% weighting</b>
Ability to meet service requirements including cover for civil emergencies	20
Quality of proposal submitted	20
Quality of staff	10
Added Value	10
Price	40

<b>Questionnaire Criteria</b>	<b>% weighting</b>
Your organisation	4
Capability (ability to deliver)	60
Quality	12
Environment and Sustainability	12
Diversity	12

10.3 The evaluation process involved the evaluation of all the submissions and a clarification meeting if required with each tenderer to allow the Council to ask any clarification questions.

10.4 As part of the questionnaire exercise the financial status, operational capability, health and safety and equal opportunities of the tenderers were also examined, and evaluated on a pass/fail basis.

10.5. For the contract for the provision of Investment Advice to the Pension Fund there were three tender submissions.

10.6 For the contract for the provision of Actuarial Advice to the Pension Fund there were two tender submissions.

10.7 Details of the submissions and how the evaluation based on the evaluation criteria were completed, are set out in Appendix A of this report (Exempt information).

## **11. Contract Management**

11.1 Once awarded there will be ongoing monitoring with the successful contractors on all aspects of the contracts.

## **12. Contract termination/extension**

12.1 As stated in paragraph 6.2 above the Investment Advice contract is for three years with an option to extend for one year. The Actuarial Advice contract is for three years. Both contracts will commence on 1<sup>st</sup> August 2008.

12.2 Any party may terminate the contracts by giving the other party three months notice in writing.

12.3 In the case of the Investment Advice contract only, the Council may by giving three months notice, extend the Contract for a further period of one year. Any extension will be agreed, within the framework of contract standing orders (section 13.01, (a) (i)), by the Director of Corporate Resources/Chief Financial Officer under delegated powers.

## **13. Recommendations**

13.1 It is recommended that the Investment Advice contract be awarded for a period of three years with effect from 1st August 2008 with an option to extend by one year to the provider detailed in para. 5.1 of Appendix A of this report.

13.2 It is recommended that the Actuarial Advice contract be awarded for a period of three years with effect from 1st August 2008 to the provider detailed in para. 5.2 of Appendix A of this report.

## **14. Use of Appendices**

14.1 Appendix A (Parts A and B) of this report contain Exempt information