

Report for: Pensions Committee and Board 20 July 2017

Item number:

Title: Pensions Administration System Contract

Report

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Ward(s) affected: N/A

Report for Key/

Non Key Decision: 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 appoint a fund actuary for the pension fund. The fund's actuary provides a number of key technical services for the fund, including the valuation of the fund's liabilities and calculation of employer contribution rates.
- 1.2. The current contract for actuarial services with Hymans Robertson LLP will expire on 31 July 2017, this contract originally ran from 1 March 2013 to 28 February 2017, and was extended from 1 March 2017 to 31 July 2017. This extension was granted by the Committee and Board on the understanding that a procurement exercise would be carried out using the National Framework for LGPS actuarial benefits and governance consultancy services, and that the results of this procurement exercise would be presented to the Committee and Board at the July meeting in order to enter into a new contract for actuarial services.
- 1.3. This report requests approval to award a new three year contract for the actuarial services to Hymans Robertson LLP, 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.

2. Cabinet Member Introduction

- 2.1. Pensions Committee

3. Recommendations

- 3.1. That the Pensions Committee and Board grant approval, in accordance with Contract Standing Orders (CSO) 3.03 and 9.07.1(d) for the Council to enter into a contract with Hymans Robertson LLP for the provision of actuarial services for an initial 3 year term at an estimated value of £225k with an option for a further extension of three years for a further estimated value of £225k (subject to indexation).

4. Reason for Decision

- 4.1. The existing contract for actuarial services expires on 31 July 2017. Having a fund actuary appointed at all times is a requirement of the LGPS regulations.
- 4.2. The incumbent provider of actuarial services is Hymans Robertson LLP. Officers have felt that the relationship between the Council and Hymans Robertson has been successful over the course of the contract, and that their performance has delivered value for the Council and the pension fund. However, as this contract ends on 31 July 2017, the Council must now test the market by carrying out a procurement exercise in order to appoint a new provider of actuarial services from 1 August 2017.
- 4.3. There are four actuarial firms who provide actuarial services to LGPS funds, these are: Aon Hewitt Ltd, Barnett Waddingham LLP, Hymans Robertson LLP, and Mercer Limited. All four of these firms are signed up to the National Framework hosted by Norfolk County Council.

5. Other options considered

- 5.1. The fund must appoint an actuary as this is a regulatory requirement. Therefore not appointing a fund actuary would be an inappropriate course of action.
- 5.2. There are only four firms who provide actuarial services to LGPS funds, and these are all signed up to the framework hosted by Norfolk County Council: therefore it was thought best to utilise this framework agreement to conduct the procurement exercise in order for the Council to benefit from the efficiencies involved with a framework call off.

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 actuarial services. This is a standard practice for LGPS funds.

- 6.2. The contract is being procured by was of a call off from a Framework Agreement set up by Norfolk County Council for actuarial benefits and governance consultancy services as permitted by CSO 7.01.b). There are four lots on this particular framework agreement, Haringey is calling off from Lot 1 on the framework which is for actuarial services.
- 6.3. There is a one-off cost to access the Norfolk County Council framework for pensions administration systems of £5,000.00. This fee is indicative of the costs they incurred in setting up the framework which other public bodies can benefit from.
- 6.4. Officers invited the four firms signed up to the framework to participate in a mini competition to tender for the contract with Haringey, and received responses from three of the firms (listed in the Exempt Information). The firm who did not bid did not give a reason for this.
- 6.5. The mini competition tender submissions were assessed against three criteria as allowed by the framework agreement: Quality, Service Fit and Price. The weightings for these criteria were 40%, 40% and 20% respectively. The tender submissions were scored by a panel made up of officers and the independent advisor to the fund. The highest scoring submission came from Hymans Robertson LLP: it is therefore recommended that their appointment be approved by the Pensions Committee and Board.

The results of the procurement exercise detailing the scores that each bidder received against each of the criteria assessed are as follows:

Tenderer	Quality Scores (max 40%)	Service Fit scores (max 40%)	Price Score (max 20%)	Total Score (max 100%)
Hymans	36.0%	34.8%	9.2%	80.0%
Bidder B	28.0%	30.9%	13.4%	72.3%
Bidder C	28.1%	30.4%	7.6%	66.1%

- 6.6. The contract is 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 three year contract will be in the region of £225k, with an additional £225k likely to

be incurred if the option for a three year extension is taken up (subject to indexation).

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. It is a regulatory requirement that all LGPS funds have a fund actuary appointed at all times.

Procurement

8.3 A compliant procurement process (call off from the National LGPS Framework) has been satisfactorily carried out. As a result Strategic Procurement endorses the appointment of the winning supplier (Hymans Robertson LLP).

Legal

8.4 This report is recommending the award of a contract for actuarial services. As the value of the contract is above the EU threshold for goods and services (£164,176), it would normally be subject to EU tendering.

8.5 The report is recommending that the contract should be procured by way of a call off from a National LGPS Framework Agreement set up by Norfolk County Council (NCC). Under the Public Contract Regulations 2006 ("PCRs") as well the Council's Contract Standing Orders (see CSO 7.01a)) the Council may avoid an EU tender and instead procure goods or services by way of a call off from a framework agreement set up by another contracting authority in compliance with EU procedures. NCC has indicated that the National LGPS Framework Agreement was set up in a compliant manner.

8.6 Under CSOs 9.07.1d) & e), a decision to award a contract valued at £500,000 or more is a key decision which must be published in the

Forward Plan and taken at Cabinet level. As the total maximum value given for this contract in paragraph 3 is an estimated value, that value is just under £500K and it is subject to go up through indexation, it is advisable that the decision to award the contract should be treated as a key decision. It has therefore been published in the Forward Plan and it should be approved at Cabinet level. For these purposes, under CSO 3.03 the Pensions Committee has the same powers as the Cabinet.

8.7 There are no legal reasons preventing the Pensions Committee from approving the recommendation in paragraph 3 of this report.

Equalities

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 This report contains exempt and non exempt information. Exempt information is contained in the exempt report and is not for publication. The exempt information is under the following categories: (identified in the amended schedule 12 A of the Local Government Act 1972 (3)):
(3) Information in relation to financial or the business affairs of any particular person (including the authority holding that information).