

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 25 November 2021

Subject: Pension Fund Procurement Plans 2021/22

Cabinet Member: Cllr Maguire

Executive Director: Fay Hammond

Key Decision: []

Purpose of Report

1. This report sets out the procurement plans covering the fund's global custodian, actuarial services and independent adviser.
2. The contracts in place for all the above mentioned service providers have been in place for over ten years or do not in fact exist formally and they are therefore long due for formal review. Hence there is a need to re-tender for these services.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to:
 - a) note the contents of this report and
 - b) nominate, where it considers necessary, Committee representative(s) to participate in the various procurement processes.

Reason for Proposal(s)

4. The Committee acts as quasi-trustee to the Pension Fund and as such acts in the capacity of the Administering Authority of the Pension Fund.
5. The Council has an overarching responsibility to maintain the Pension Fund. It is essential that the Council has a Global Custodian, Investment Consultant, Independent adviser and a Scheme Actuary to assist in the proper management of the Fund. The responsibility for the strategic oversight of all aspects of the Pension Fund has been given to the Pension Policy and Investments Committee (PPIC).
6. Within the PPIC's Terms of Reference, is the requirement: 'to make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, advisers, investment managers and custodians and

periodically to review those arrangements.’ The existing contracts for these functions have not been reviewed recently and, in order to demonstrate Best Value, it is now necessary to carry out relevant procurement exercises to achieve that aim.

Relevance to the Council’s Corporate Plan

7. Good homes in well-connected neighbourhoods.
8. Build our Economy to create a thriving place.
9. Sustain Strong and healthy Communities.

Background

10. For the scheme actuary and global custodian, these procurements would be a ‘call-off’ from the National LGPS Frameworks, resulting in considerable procurement costs savings. For the independent adviser this will be undertaken through human resource recruitment and selection process, advertising the position/role in specific dedicated LGA/LGPS websites and national newspapers and on the Council website.
11. The Committee are reminded of the functions undertaken by the various professionals:
12. **Independent Adviser to give advice** on:
 - a. asset allocation strategies
 - b. the selection of new managers and custodians
 - c. the preparation of the various strategy documents required under LGPS regulations
 - d. to assist in reviewing and monitoring managers’ performance
13. **The Global Custodian** - is responsible for the safekeeping of the fund’s securities. This function may be carried out by a custodian appointed directly by the fund, or via appointed fund managers. Current best practice is for funds to appoint their own custodian. Responsibilities may include:
 - a. settlement of purchases and sales
 - b. advising managers of cash available for investment
 - c. safe custody of securities and cash
 - d. acting as banker to the fund
 - e. cash reconciliations
 - f. collection of dividends, income and overseas tax reclaims

- g. ensuring correct actions including rights issues, bonus issues and acquisitions are correctly dealt with
 - h. ensuring the necessary approvals are in place to invest in certain overseas markets
 - i. providing (monthly) valuations of scheme assets, details of all transactions and accounting reports
14. **The scheme actuary** is an independent and appropriately qualified adviser who carries out statutorily required fund valuations and other valuations as required and who will also provide general actuarial advice. The actuary will:
- a. prepare fund valuations, including setting employer's contribution rates, after agreeing valuation assumptions with the administering authority
 - b. agree a timetable for the valuation with the administering authority
 - c. prepare timely advise and calculations in connection with transfers to other funds and schemes and advise on benefit matters
 - d. undertake new employer contribution calculations and cessation valuations for employers leaving the scheme
15. Officers will be undertaking a procurement exercise using the National LGPS Framework for Global Custodian and Actuarial and Benefits Services. All the major suppliers of investment consultancy services, custody services and actuarial and benefit services to LGPS are included in the Framework following a rigorous evaluation of their submissions including an evaluation of their costs.
16. The tender document for the Scheme Actuarial and Global Custody is currently being prepared by officers and this will later be made available to the in-house procurement team and legal team for their review as we envisage seeking tenders for these two services by 31st January 2022. Further procurement exercises for the Independent Adviser is anticipated to take place by 31st March 2022.
17. Once the council's legal team approved the relevant procurement documentation, an invitation to tender (ITT) pack will be released and we will give the service providers three weeks to respond to the tender. Officers should be able to evaluate responses/submissions within one week and there will be a presentation from successful service providers.

3.6 Following that process, a short list of 2 providers for the scheme actuary service could be invited to a separate meeting of the PPIC for clarification interviews. A final evaluation will then be completed, considering all elements of the process, to determine contract award. Contract award is scheduled for 30th April 2022 with an estimated contract start date 1st July 2022. An indicative timetable for the scheme actuary procurement exercise is set out below, however at this stage, it should be stressed that this is

indicative as there may be a need for some additional detailed legal work on the contract clauses and the appropriate approach to the termination of the existing advisers position in the event that they are not the successful tenderer from this exercise.

TENDER TIMETABLE

The indicative tender timetable is as follows:

Event	Date	Comments
Tender documents issued	31 January 2022	
Deadline for receipt of Clarification questions	14 February 2022	12:00 noon
Date of customer response to supplier questions	21 February 2022	17:00
Tender return deadline	28 February 2022	12:00
Tender evaluations	01-05 March 2022	
Post tender clarifications	14-18 March 2022	
Pension Committee meeting		
Telephone references	March 2022	
Preferred supplier notification and award	March 2022	Proposals for contract award to be finalised, signed off internally and communicated to Tenderers.
Contract signatory	April - June 2022	
Implementation commencement	01 July 2022	

Safeguarding Implications

18. The report provides clear evidence of sound financial management, efficient use of resources and adherence to Best Value and good performance management.

Public Health Implications

19. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

20. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling

inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

21. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

22. The report is for noting.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

23. The monitoring arrangement for the Pension Fund and the work of the Pensions Committee should ensure that the Fund optimises the use of its resources in achieving the best returns for the Council and members of the Fund.
24. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities. The use of professional advisers is a key element in maximising investment returns and it is important that appointments are regularly reviewed to ensure that best value is being obtained from advisers.
25. A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

Financial Implications

26. The use of the National Frameworks for the procurement of global custodian and scheme actuary would result in a significant savings in comparison to a full OJEU process. The Fund could also achieve a significant savings from the current ongoing cost of these services.

Legal Implications

27. The Council has the power under s.1(1) Localism Act (2011) to do anything individuals generally may do providing it is not prohibited by legislation and subject to Public Law principles. There is no express prohibition, restriction or limitation contained in a statute against use of the power as proposed in this report. Under s.111 Local Government Act (1972) local authorities may do anything, including incurring expenditure or borrowing which is calculated to facilitate or is conducive or incidental to the discharge of their functions. The proposals outlined in this report are incidental to the functions of the Council.

Workforce Implications

28. The employer's contribution is a significant element of the Council's budget and consequently any robust monitoring and reviewing system will bring about an improvement in the Fund's performance and will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

29. None

Procurement Implications

30. All procurement should be carried out in line with the Councils Contract Procedure Rules, EU & UK regulations. All procurement over £25,000 must take place via the London Tenders Portal and once awarded promoted to the contract register and contracts finder. It is expected that services will carry out effective contract management once awarded.

Options Considered

31. To procure the service by following a full OJEU process.

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Date of report 15th November 2021

Appendices

Appendix 1 – Roles and Duties of Service Providers

Background Papers

None

Appendix 1 - Roles and Duties of Service Providers

The Global Custodian - is responsible for the safekeeping of the Fund's securities. This function may be carried out by a custodian appointed directly by the fund, or via appointed fund managers. Current best practice is for funds to appoint their own custodian. Responsibilities may include:

- a) settlement of purchases and sales;
- b) advising managers of cash available for investment;
- c) safe custody of securities and cash;
- d) acting as banker to the fund;
- e) cash reconciliations; collection of dividends, income and tax reclaims;
- f) ensuring correct actions including rights issues, bonus issues and acquisitions are correctly dealt with;
- g) ensuring the necessary approvals are in place to invest in certain overseas markets; and
- h) providing (monthly) valuations of scheme assets, details of all transactions and accounting reports

The Scheme Actuary is an independent and appropriately qualified adviser who carries out statutorily required fund valuations and other valuations as required and who will also provide general actuarial advice. The actuary will:

- a) Fund Triennial Valuation and Rates and Adjustment Certificate
- b) Draft Funding Strategy Statement (FSS)
- c) Actuarial advice about outsourcing or new employers' bodies including initial funding position, employer contribution rate and bond value for new employers
- d) Cessation valuations and post cessation funding agreements
- e) Bond value assessments and advice relating to other forms of security
- f) FRS102, FRS17 and IAS19 accounting reports
- g) Employer covenant assessments
- h) Cashflow projections and related advice
- i) Data quality reports, advice and support on data cleansing (as required)
- j) Commenting on consistency of FSS with Investment Strategy Statement and proposed changes to investment strategy
- k) Reviewing administration strategy statement, admission and other policies (as required)
- l) Advice concerning administration service structure, processes and targets (as required)
- m) Attendance at meetings (as required)
- n) Providing training to Members and officers (as required)
- o) IDRPs support (as required)
- p) Advice and support on GMP reconciliations (as required)

Independent Advisor: general role and duty is to advise and support members of the committee and officers by the following activities:

- a) To participate in any discussions relating to investment issues arising out of actuarial studies affecting the Fund;
- b) To contribute towards determining the asset allocation policy of the Fund and the development of customised benchmarks;
- c) To monitor and comment upon the ongoing relevance of the benchmark;
- d) To advise on the appropriateness of the management arrangements, targets and mandates adopted by the Fund;
- e) To monitor the performance of the investment managers against the mandates and ensure that they are carrying out their duties;
- f) To advise as required on the selection of managers;
- g) To monitor and identify appropriate investment issues as necessary;
- h) To advise on the most appropriate asset allocation and provide market intelligence and comment;
- i) To produce a formal report on the Fund's performance annually;
- j) To provide advice on other related issues as requested or as the Panel considers appropriate.
- k) To assess the main picks taken against the benchmark, the changes over the quarter and analyse, understand and comment on what has worked well and what hasn't;
- l) To review the Fund's progression relative to the asset and liability assumptions adopted when setting the benchmark;
- m) To comment upon interest rate risk, inflationary expectations, active versus passive management, long term investment returns, etc.;
- n) To assess the external influences affecting investment returns and comment upon industry developments, etc.;
- o) To monitor the economic and investment climate and report accordingly.