

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject: Enfield Pension Fund Procurement Update and Plans 2022/23

Cabinet Member: Cllr Leaver

Executive Director: Fay Hammond

Key Decision: []

Purpose of Report

1. This report gives the procurement update on fund's global custodian search and set out the procurement plans for actuarial services and independent adviser.

Proposal(s)

2. Pension Policy and Investments Committee are recommended to note, consider and agree the contents of this report.

Reason for Proposal(s)

3. 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.
4. 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).
5. 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

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

Background

9. Further to the report on procurement plan for 2021/22 tabled at this Committee back in November 2021, to undertake procurement of services using the National LGPS Framework for Scheme Actuary and Global Custodian Services as all the major suppliers of custody services and scheme actuary services to LGPS are appointed under the Framework Agreement following a rigorous evaluation.
10. This briefing paper provides an update to the Committee regarding the progress of the tendering processes for these services for the Pension Fund.
11. The major suppliers for custody services to LGPS included in the Framework seldom submit a bid for a single Fund procurement exercise hence officers have gone out collaborating with other nine London Local Authorities with the London Borough of Wandsworth acting as a lead authority by taking forward a collaborative procurement process on behalf of the London Boroughs of Enfield, Hackney, Sutton, Waltham Forest, Royal Borough of Kingston upon Thames, and the Royal Borough of Windsor and Maidenhead with the intention of procuring a single provider to supply Global Custody Services (under separate call-off contracts).
12. **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:
 - i) settlement of purchases and sales
 - ii) advising managers of cash available for investment
 - iii) safe custody of securities and cash
 - iv) acting as banker to the fund
 - v) cash reconciliations
 - vi) collection of dividends, income and overseas tax reclaims
 - vii) ensuring correct actions including rights issues, bonus issues and acquisitions are correctly dealt with
 - viii) ensuring the necessary approvals are in place to invest in certain overseas markets
 - ix) providing (monthly) valuations of scheme assets, details of all transactions and accounting reports
13. For ease of reference, an indicative procurement timetable is set out below.

Key Actions	Dates
Further Competition Issued (Procurement Launched)	19 July 2022

Deadline for Further Competition responses	12:00 Noon, 02 September 2022
Tender Evaluation	05 September – 8 September 2022
Interviews/Service Provider Moderation Interviews and System Demonstration	w/c 12 September 2022
Internal consultation on Imps for Delegated Authority Report (Authority to Award)	TBC [late September 2022]
Call-In Periods (Pre-publication and publication etc.)	TBC [Autumn 2022]
Wandsworth to issue intention to award letters	TBC [26 September 2022]
Standstill Period	TBC [27 September – 06 October 2022]
Contract Award	TBC [07 October 2022]
Service Commencement	TBC [01 November 2022]

14. The scheme actuary procurement has been paused due to the 31 March 2022 Formal Triennial Valuation. This process is commencing from November 2022, and it would be a 'call-off' from the National LGPS Frameworks, as this will result in considerable procurement costs savings.
15. For the independent adviser, this exercise 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.
16. The Committee are reminded of the functions undertaken by the various professionals:
17. **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
18. **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
19. Officers will be undertaking a procurement exercise using the National LGPS Framework for Actuarial and Benefits Services. All the major suppliers of actuarial and benefit services to LGPS are included in the Framework following a rigorous evaluation of their submissions including an evaluation of their costs.
 20. The tender document for the Scheme Actuarial and Global Custody will be prepared by officers and this will be made available to the in-house procurement team and legal team for their review as we envisage seeking tender for this service by 31st December 2022. The procurement exercise for the Independent Adviser is anticipated to commence from 31st March 2023.
 21. 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 2023 with an estimated contract start date 1st July 2023. 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 2023	
Deadline for receipt of Clarification questions	14 February 2023	12:00 noon
Date of customer response to supplier questions	21 February 2023	17:00
Tender return deadline	28 February 2023	12:00

Tender evaluations	01-08 March 2023	
Post tender clarifications	13-17 March 2023	
Pension Committee meeting		
Telephone references	March 2023	
Preferred supplier notification and award	March 2023	Proposals for contract award to be finalised, signed off internally and communicated to Tenderers.
Contract signatory	April - June 2023	
Implementation commencement	03 July 2023	

Safeguarding Implications

22. 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

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

Equalities Impact of the Proposal

24. 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

25. 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

26. 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

27. 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.

28. 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.
29. A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

Financial Implications

30. 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

31. 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

32. 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

33. None

Procurement Implications

34. 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

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

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Date of report 24th September 2022

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:

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- 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.