

Procurement of Professional Services

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Purpose of the Report

- 1 To provide Members with an update on the progress made to date regarding the procurement of professional services required for the Pension Fund.

Background

- 2 A report detailing a plan for the procurement of professional services was presented to Members at the Pension Fund Committee meeting on 10 September 2015. At that meeting Members:
 - i. agreed the use of a LGPS framework for the appointment of the:
 - Fund Actuary
 - Pension Fund Adviser
 - Global Custodian
 - ii. agreed to retain the services of Philip Williams until 31 March 2016 to advise and assist in the procurement and appointment of the actuary and new advisers;
 - iii. agreed to retain the services of P-Solve until 31 March 2016, at which time it was anticipated the new advisers would have been appointed;
 - iv. agreed to appoint one investment adviser initially then review the need for an additional independent adviser at a later stage;
 - v. noted the review of the viability to use a LGPS framework or establish a bespoke framework for a Transition Manager;
 - vi. agreed the extension of the contract with Euraplan, to 30 November 2019, for the Investment Monitoring Service;
 - vii. agreed the direct award of a contract to KPMG as tax consultant to the Pension Fund through the Council's neutral vendor framework;
 - viii. noted the management of the Dynamic Asset Allocation mandate of the Fund will continue to be managed by BlackRock until new advisers have been appointed and the strategic asset allocation is reviewed; and
 - ix. agreed any procurement of specialist legal services be directly awarded via the LGPS Legal Services Framework.

Actuarial Services

- 3 This contract was awarded on 1 February 2016 to Aon Hewitt, the Fund's former actuary.

- 4 Four tenders (out of a possible five) were submitted via the LGPS Framework to provide actuarial services and have been evaluated internally by the administering authority's officers.
- 5 The contract end date is 31 December 2020; contracts awarded under the framework for actuarial services are not allowed to extend beyond this date.

Pension Fund Advisers

- 6 The LGPS framework has been used as a basis for the procurement of the prospective investment adviser.
- 7 Out of a possible six suppliers, five tenders were submitted and recently evaluated. A decision has been made, but the name of the successful bidder cannot be announced until the standstill period has ended on 7 March 2016.
- 8 The contract is expected to commence on 1 April 2016, as planned, for a period of 4 years.

Global Custodian

- 9 The process for the procurement of a global custodian is underway, facilitated by the use of the LGPS framework. The invitation to tender was issued on 26 February 2016 and it is anticipated that the contract will commence on 1 May 2016.
- 10 JPMorgan is the existing custodian and as they are included in the list of suppliers on the LGPS framework they will have the option to tender for this service provision.
- 11 In view of the requirement for all Pension Fund's to pool their assets and the Government's expectation that the Fund's investments will start transferring into the agreed Pool as early as April 2018, a shorter contract term of 2 years is expected to be awarded to the custodian (with a further option to extend the contract period if required). Once all of the Fund's investments are under the management of the Pool, it is anticipated that there will no longer be a need for the Fund to appoint its own custodian.

Transition Manager

- 12 The Pension Fund will look to appoint a transition manager in advance of any change to the Fund's investments. As previously agreed, the viability of using a LGPS framework or establishing a bespoke framework for the Pension Fund will be considered.

Tax Consultants

- 13 The current tax consultant is KPMG and as they are involved in on-going work on behalf of the Fund, it was agreed to directly award the new contract to KPMG through the Council's neutral vendor framework, NEPRO.

- 14 Although there was an original target date for completion of this procurement of September 2015, it is now expected to be completed in June 2016. KPMG are continuously providing tax advice and guidance to the Fund.

Dynamic Asset Allocation Mandate

- 15 BlackRock have been managing this mandate since January 2015. The terms of the agreement were that BlackRock would manage this part of the Fund's portfolio for a minimum of one year. The Fund's investment strategy and asset allocations are likely to be reviewed and revised on the advice of the soon to be appointed Fund adviser. It is therefore proposed that BlackRock retain the management of this part of the Fund's assets until the review of the Pension Fund's investment strategy is undertaken.

Specialist Legal Services

- 16 As previously agreed, future procurement of specialist legal services will be by direct award via the LGPS Legal Services Framework. There are currently no plans to procure legal services, however the Fund will be able to make same day appointments by using the framework, should the need arise.

Recommendations

- 17 Members are asked to note the progress made to date regarding the procurement of professional services required for the Pension Fund.

Background Papers

- (a) Pension Fund Committee - 10 September 2015 - Procurement of Professional Services