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Purpose: For Noting

Committee report

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| Committee | PENSION FUND COMMITTEE |
| Date | 18 MAY 2018 |
| Title | PROCUREMENT UPDATE |
| Report of | TECHNICAL FINANCE MANAGER |

1. This report presents a summary of procurement activity currently being undertaken by the fund, and future activities which are under consideration. Members are asked to note this update.

ACTUARIAL CONTRACT

2. Following a failed procurement exercise undertaken in November 2017, the fund re-tendered this contract in February, using the National Local Government Pension Scheme (LGPS) framework for Actuarial, Benefits and Governance Consultancy Services.
3. Three submissions were received for this re-tender. Following evaluation by fund officers, Hymans Robertson LLP were awarded the contract for actuarial services for a period of six years from 1 May 2018 until 30 April 2024, with an option to extend for a further one year at that date.
4. The previous contract for actuarial services, with Hymans Robertson LLP, expired on 31 March 2018. An extension of one month (to 30 April 2018) to that contract was agreed between the parties, and signed on 2 May 2018.

INVESTMENT CONSULTANCY SERVICES

5. The current contract for investment consultancy services, with Mercer Limited, expired on 31 March 2018. As a procurement exercise had been agreed, an extension to that contract for a maximum period of six months (to 30 September 2018) has been agreed by the parties.
6. Using the National LGPS framework for investment Management Consultancy Services, an invitation for further competition was issued via the South East

Business Portal. Responses will be received on 29 May 2018, and will be evaluated by fund officers during June.

7. It is expected that this contract will be awarded with effect from 3 July 2018, for a period of five years (to June 2023) with an option to extend for up to two additional years at that date.
8. A further report on this procurement will be provided at the July committee meeting.

DATA IMPROVEMENT

9. As part of the data improvement plan agreed with the pension board and the Pensions Regulator, the fund is seeking to procure support with rectifying data issues identified between the last valuation at 31 March 2016 and the current year end, 31 March 2018.
10. Using the National LGPS framework for Third Party Administration Services, the fund has drafted an invitation for further competition for this project. Due to workloads within the council's procurement team, this has not yet been issued. It is expected that it will be issued in early June.

The work on this project is expected to be completed by 31 December 2018, in time for the next triennial valuation at 31 March 2019. This timetable is not expected to be impacted by the delay in undertaking this procurement exercise.

11. A further report on this procurement will be provided at the July committee meeting.

INVESTMENT MANAGEMENT COST BENCHMARKING

12. As part of the ACCESS pooling project, the fund undertook a cost benchmarking exercise for its investment management fees for the period between 2013 and 2015, to establish a baseline for both the fund and the pool, in identifying the savings which could be achieved by the pooling agenda. This work was carried out using CEM Benchmarking.
13. In order that the future actual savings from the pooling can be measured, and to establish savings which have already been achieved by the fund in preparation for formal pooling of investments, funds within the ACCESS pool are discussing the requirement for benchmarking activities to be undertaken.
14. A National LGPS framework exists for Investment Management Performance and Cost Monitoring and Reporting Services. Under Lot 3 of that framework, CEM Benchmarking has been appointed as sole provider for investment management cost monitoring and reporting services.
15. The cost of participating in this benchmarking exercise is £6,000 per annum. It is expected that the fund will sign up for this service during the summer of 2018.

16. The results of the benchmarking will be reported to future meetings of the committee.

INVESTMENT PERFORMANCE COMPARISON

17. Until March 2016, the fund participated in the State Street performance service, which showed the fund's investment performance in a league table with all other UK LGPS funds. State Street stopped providing this service at that time. The fund has not measured its relative performance against other LGPS funds since that date.
18. Under Lot 2 of the National LGPS framework for Investment Management Performance and Cost Monitoring and Reporting Services, Pensions & Investment Research Consultants Ltd (PIRC) have been appointed as sole provider to provide this service to funds should they decide to participate.
19. The cost of obtaining this league table reporting is £4,600 per annum.
20. The fund is not actively considering participating in this service at the current time, however should members see a benefit from this, it will be reconsidered.

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