



# Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>24 NOVEMBER 2021</b>
Title	<b>CONTRACT MANAGEMENT</b>
Report of	<b>TECHNICAL FINANCE MANAGER</b>

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## EXECUTIVE SUMMARY

1. The pension fund has a number of significant contracts for advisory services, benchmarking and software.
2. This report summarises the main contracts and sets out the actions required before March 2023 to review each contract and determine whether to renew, extend or replace the providers.
3. The committee is asked to note the contracts in force, and to consider the workplan for the next 18 months' activity in contract management.

## CONFIDENTIAL / EXEMPT ITEMS

4. This report is not considered confidential or exempt from publication. There are no financial values within this report, simply the names of the providers and the dates within which the contracts are active. This information is a matter of public record, as the majority of contracts have been awarded through the National LGPS Frameworks.
5. Should the committee wish further information about the values of these contracts, and the terms and conditions of appointment, a further report will be prepared which will by nature need to be confidential, due to commercial sensitivity.

## BACKGROUND

6. Appendix 1 summarises the main contracts that are currently in force between the pension fund and its service providers. The key contracts where activity has either already taken place in the financial year to date, or where action is required in the period before the end of March 2023 are summarised below.

## **Investment Management Performance**

7. This contract was awarded in May 2018 to PIRC Limited as the sole provider under Lot 2 of the Investment Management Performance and Cost Monitoring and Reporting Services Framework.

8. The service provided compares the Isle of Wight Council Pension Fund's investment performance against other 64 LGPS funds (out of 88) who subscribe to this service, in "league tables" on an annual basis.
9. The Investment Management Performance and Cost Monitoring and Reporting Services Framework was due to expire in March 2021, at which point all contracts awarded under it were to expire. Due to the Covid-19 pandemic, the Framework was extended for a further year, to 31 March 2022. It is anticipated that a new framework will be launched before the end of this financial year.
10. The fund has written to PIRC, formally extending the contract to 31 March 2022. This has been acknowledged by the incumbent provider.
11. When the new framework is launched, the fund will need to consider whether it wishes to continue with the service.

### **Cost monitoring and reporting**

12. This contract was awarded in June 2018 to CEM Limited as the sole provider under Lot 3 of the Investment Management Performance and Cost Monitoring and Reporting Services Framework.
13. The service provided compares the investment management fees paid by the fund in any one year against those paid in previous years. The results are used as part of the evidence to demonstrate that value for money is being achieved through the pooling of investments, and also to highlight whether additional negotiations are required with fund managers to obtain better value.
14. As this appointment was through the same framework as the investment management performance contract, it is subject to the same arrangements detailed in paragraphs 9 to 11 above, with the existing contract with CEM being extended to 31 March 2022.

### **Governance consultancy services**

15. This contract was awarded in January 2018 to Hymans Robertson LLP under Lot 3 of the Actuarial, Benefits and Governance Consultancy Services Framework. The contract was awarded for an initial period of four years to January 2022, with the option to extend for further periods of up to three years to a final termination date of January 2025.
16. The fund has written to Hymans Robertson LLP formally extending the contract for a twelve-month period from January 2022.
17. A new Actuarial, Benefits and Governance Consultancy Services Framework was launched in July 2021, and the fund has joined that framework.
18. During 2022-23, the fund will need to consider whether it wishes to exercise its option to further extend the current contract with Hymans, or whether it wishes to undertake a mini-competition under the new framework.

## **Actuarial services**

19. This contract was awarded in May 2018 to Hymans Robertson LLP under Lot 1 of the Actuarial, Benefits and Governance Consultancy Services Framework. The contract was awarded for an initial period of six years to May 2024, with the option to extend for a further period of one year to a final termination date of May 2025.
20. There are no actions required for this contract during the period to 31 March 2023.

## **Investment consultancy services**

21. This contract was awarded in July 2018 to Hymans Robertson LLP under the Investment Management Consultancy Services Framework. The contract was awarded for an initial period of five years to July 2023, with the option to extend for further periods of up to two years to a final termination date of July 2025.
22. Due to the Covid-19 pandemic, the expiry date for the Investment Management Consultancy Services Framework has been extended to October 2022, but there is no change to the maximum end date of contracts awarded thereunder. It is expected that a new framework will be launched in November 2022.
23. Following the launch of the new framework, the fund will need to consider whether it wishes to exercise its option to further extend the current contract with Hymans, or whether it wishes to undertake a mini-competition under the new framework

## **Global custodian services**

24. This contract was awarded in July 2019 to Northern Trust Limited, following a joint procurement exercise with West Sussex County Council Pension Fund under the Global Custody Services Framework. The contract was awarded for a period of three years, the maximum allowed under that framework, with a final termination date of July 2022.
25. A new Global Custody Services Framework was launched in February 2021, which is available to for award until February 2025.
26. In the early part of calendar year 2022, the fund will need to join the new framework and determine the process by which a new custodian contract will be awarded.

## **Pension Administration software**

27. This contract was awarded in 2014 to Aquilla Heywood Limited for a period of five years with the option to extend for further periods of up to two years to a final termination date of December 2021. Following consultation with the council's procurement team, the current contract has been further extended for another 12 months to December 2022, beyond which no further extensions can be permitted.
28. The fund has joined the Pensions Administration Software Framework, and is working with the Procurement Team to determine the best process by which to undertake this procurement.
29. A new contract must be awarded during calendar year 2022, with sufficient time to allow for the potential of a new supplier to be appointed, with associated transition costs.

30. Regular reports on this procurement activity will be brought to the committee at future meetings.

### STRATEGIC CONTEXT

31. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
32. In addition, the fund has set additional investment and governance objectives, to which robust contract management contributes:
1. Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
  2. Ensure Fund is managed, and its services provided, by people with the appropriate knowledge and understanding.
  3. Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and evidence based.
  4. Continually measure and monitor success against objectives.

### FINANCIAL / BUDGET IMPLICATIONS

33. The costs of the services provided under these contracts, and the joining fees for the National LGPS Frameworks, are borne by the pension fund's budget. There is no direct implication for the council's revenue or capital budget.
34. Using the National LGPS Frameworks for procurement activities ensures that the fund can efficiently procure high-quality, value for money, Pension Fund services.
35. The frameworks team have undertaken the background checks on suppliers, ensuring that only those who are able to deliver high quality services are included on the framework. They also negotiate the contractual terms and conditions, including ceiling prices for each service, which enables local funds to significantly reduce the amount of time spent on procurement activities.
36. Lastly, participating funds are able to agree contract prices which have already been negotiated, ensuring that value for money is achieved. In addition, most frameworks operate a rebate scheme whereby participating funds receive a share of discounted fees offered by the supplier, dependent on the value of services provided across the whole LGPS universe.

RECOMMENDATION

37. That the contract management report be noted.

APPENDICES ATTACHED

38. Appendix 1: summary of current contracts.

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