

Pension Fund Investment Sub-Committee

11 September 2017

Agenda

The Pension Fund Investment Sub-Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **11 September 2017** at **10.00 a.m.**

1. General

(1) Apologies

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests.

Members are required to register their disclosable pecuniary interests within 28 days of their election or appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the previous meeting held on 12 June 2017

2. Investment Performance

3. MIFID II

4. Actuarial Services

5. BCPP Pooling Update (Verbal Update)

6. Any other items

Which in the view of the Chair, require urgent consideration.

7. Reports Containing Confidential or Exempt Information

To consider passing the following resolution:

'That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972'.

8. Exempt minutes of the meeting held on 12 June 2017

9. Exempt Investment Update

10. Exempt Partners Group Infrastructure Update (Presentation)

DAVID CARTER
Joint Managing Director
Shire Hall
Warwick

Membership of the Pension Fund Investment Sub-Committee

Councillor Bill Gifford (Vice-Chair)
Councillor John Horner
Councillor Bob Stevens (Chair)
Councillor Wallace Redford
Councillor Alan Webb.

For general enquiries please contact Ben Patel-Sadler:

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**Minutes of the Pension Fund Investment Sub-Committee
meeting held on 12 June 2017**

Present:

Members

Councillors Bill Gifford (Vice Chair), John Horner, Bob Stevens (Chair), Wallace Redford and Alan Webb

Officers

John Betts – Head of Finance
Mathew Dawson - Treasury and Pension Fund Manager
Chris Norton – Strategic Finance Manager
Ben Patel-Sadler - Democratic Services Officer
Jane Pollard – Legal Services Manager

Invitees

Emily Archer – Harbourvest
Kathleen Bacon - Harbourvest
Peter Jones – Independent Investment Adviser
Paul Potter – Hymans Robertson
Karen Shackleton – Independent Investment Adviser
Richard Warden – Hymans Robertson

Observers

None

No members of the public attended.

1. General

(1) Apologies for absence

None

(2) Members Disclosures of Pecuniary and Non-Pecuniary Interests

None

(3) Minutes of the previous meetings held on 13 March 2017 and 23 May 2017

The minutes of the meetings held on 13 March 2017 and 23 May 2017 were agreed as true and correct records and were signed by the Chair.

2. Investment Performance

Mathew Dawson – Treasury and Pension Fund Manager introduced the report and informed the Sub-Committee that investments had been performing well over the previous three years.

Members noted that at the quarter end March 2017, the Fund had outperformed its benchmark by 0.66%.

The Sub-Committee expressed concern that a large proportion of the Fund's total value was invested with Legal and General. Paul Potter – Hymans Robertson informed the Sub-Committee that the relevant legal agreement between the Fund and Legal and General would likely protect the Fund against significant financial losses.

Resolved:

The Sub-Committee noted the fund value and investment performance for the final quarter of 2016/17 to 31 March 2017 and requested that checks were made to ensure that the correct legal agreements were in place between the Fund and Legal and General.

3. Cash Flow Report

Mathew Dawson – Treasury and Pension Fund Manager introduced the report and informed the Sub-Committee that the Fund was currently holding an amount of cash which could be drawn down if required.

The Sub-Committee noted that only a certain proportion of the Fund's investments could be used to draw down cash – the Fund's deficit management plan sought to forecast any possible future cash flow issues.

Resolved:

The Sub-Committee noted the report.

4. The 2016 Actuarial Valuation

Richard Warden – Hymans Robertson introduced the report and informed the Sub-Committee that the 2016 actuarial valuation had been finalised – the report was issued by the 31 March 2017 statutory deadline.

Members noted that recent legislation had effectively ensured that the government would guarantee the financial stability and obligations of academies.

Resolved:

The Sub-Committee noted the report.

5. Review of Pension Fund Risk Management

Mathew Dawson – Treasury and Pension Fund Manager introduced the report and informed the Sub-Committee that risks had been added to the risk register to acknowledge the potential change to the Fund's investor status under MiFID II, poor returns as a result of new asset pooling arrangements and inadequate

governance arrangements within BCPP leading to poor investment decision making.

The Sub-Committee noted that stricter controls had been implemented to help protect the Fund from employers who may become insolvent.

Members noted that the Fund Managers themselves were primarily responsible for presenting truthful and accurate investment return figures. Further checks and balances in this area were also undertaken by the Council's external auditors, the Custodian and monitoring by the Fund's officers.

Karen Shackleton – Independent Investment Adviser expressed a view that a risk should be placed on the register to reflect the possible infiltration of fund managers' IT systems – it would be prudent to ask fund managers what procedures were in place to protect their systems.

Resolved:

The Sub-Committee approved the Register of Risks, as outlined in Appendix A of the report, and approved the process by which this had been compiled.

6. Markets in Financial Instruments Directive Presentation

Paul Potter – Hymans Robertson presented the slides to the Sub-Committee.

Resolved:

The Sub-Committee noted the contents of the presentation and requested that the County Council writes to the relevant fund managers to ask what procedures they are putting in place to address the MiFID II implementation date and of any possible implications to the Warwickshire Fund.

7. Any other items

None

8. Reports Containing Confidential or Exempt Information

To consider passing the following resolution:

'That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972'

The meeting rose at 12.45 pm

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Chair

Pension Fund Investment Sub-Committee

11th September 2017

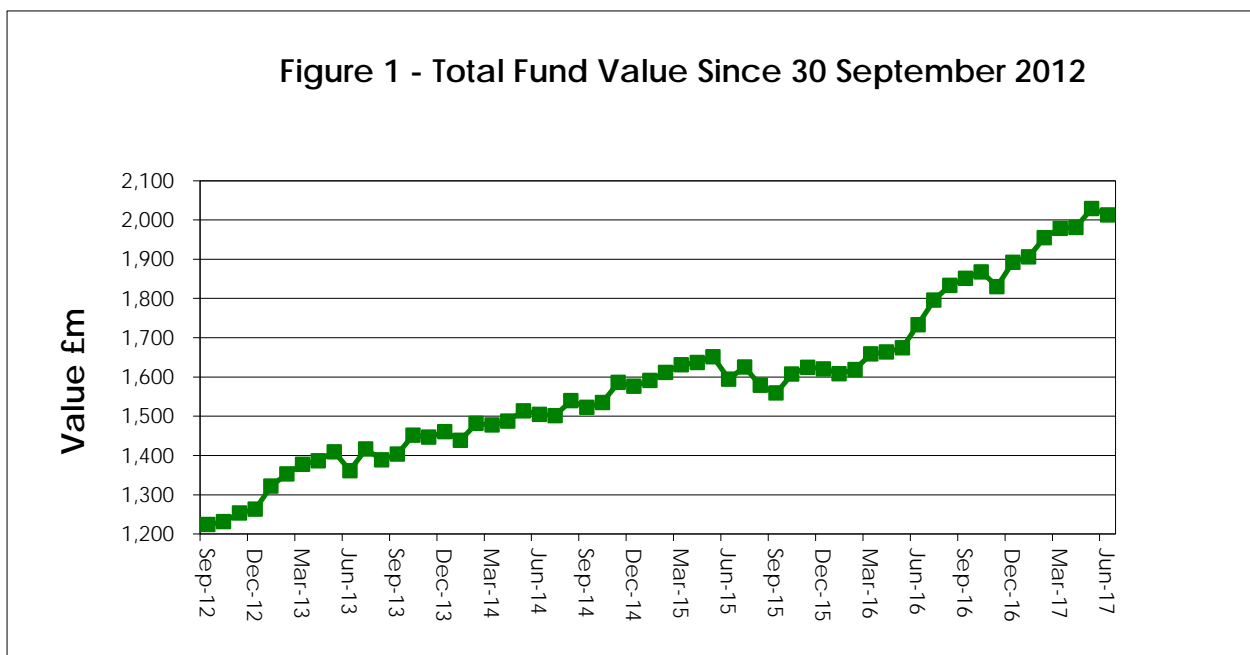
Investment Performance

Recommendation

- (1) That the Sub Committee note the fund value and investment performance for the first quarter of 2017/18 to 30 Jun 2017.

1. Fund Value at 30 Jun 2017

- 1.1 The fund value was £2,012.9 at 30 Jun 2017 an increase of 1.74% on the previous quarter as shown in Figure 1.



2. Fund Asset Allocation

2.1 The performance of the Fund against its asset class benchmarks for the quarter ending 30 Jun 2017 is shown in Table 1.

Table 1: Fund Asset Allocation

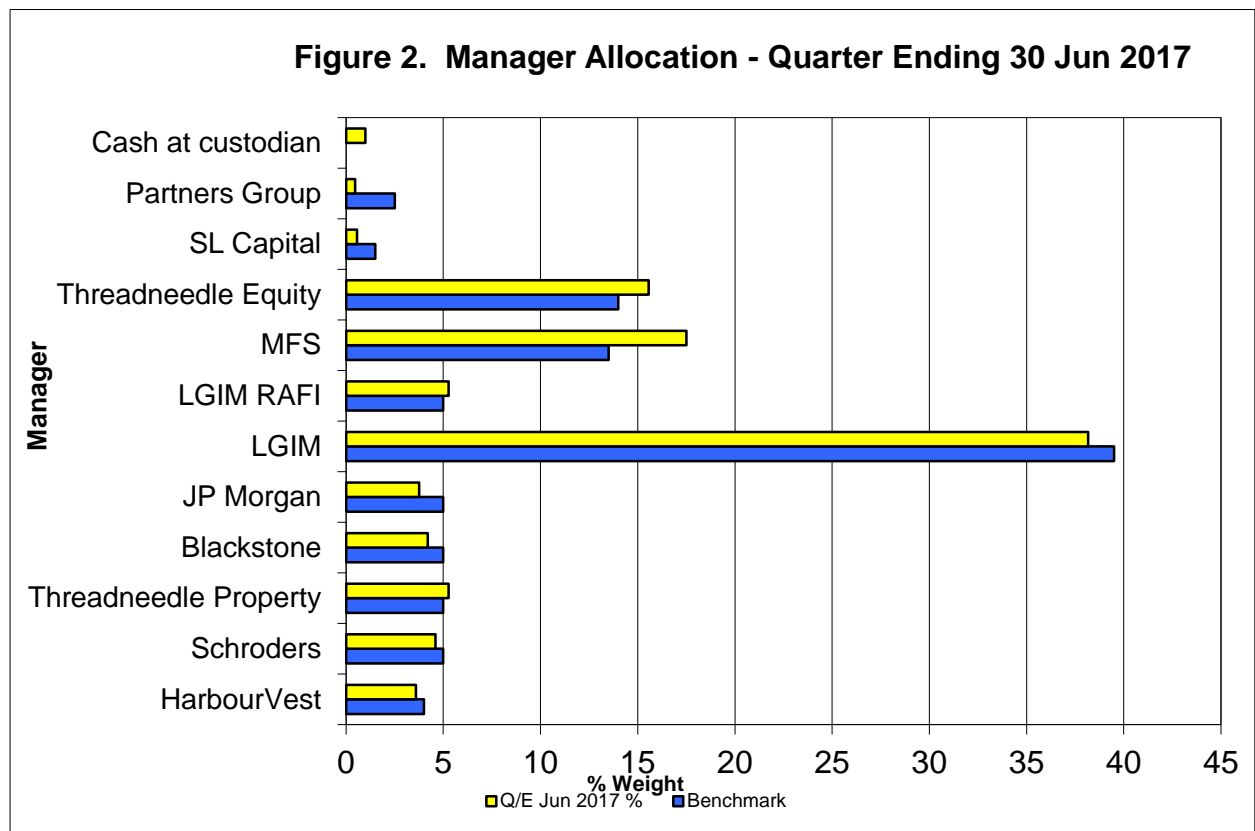
Asset Class	Q/E Jun 2017	Fund policy	Over/under weight
	%	%	%
Equity	57.8	54.5	3.3
UK	25.0	23.0	2.0
Overseas	27.5	26.5	1.0
Fundamental Global Equity	5.3	5.0	0.3
Fixed Income	18.2	17.5	0.7
UK corporate bonds	10.5	10.0	0.5
UK government bonds	2.5	2.5	0.0
UK index linked bonds	5.3	5.0	0.3
Hedge Funds	4.2	5.0	-0.8
Private Equity	3.6	4.0	-0.4
Property	9.8	10.0	-0.2
Absolute Return Bonds	3.8	5.0	-1.2
Infrastructure	1.0	4.0	-3.0
Cash	1.6	0.0	1.6

2.2 The fund managers' asset allocation against the benchmark for the quarter ending 30 Jun 2017 is shown in Table 2.

Table 2: Fund Asset Allocation by Manager

Manager	Q/E Jun 2017 %	Benchmark	Variance
HarbourVest	3.6	4.0	-0.4
Schroders	4.6	5.0	-0.4
Threadneedle Property	5.3	5.0	0.3
Blackstone	4.2	5.0	-0.8
JP Morgan	3.8	5.0	-1.2
LGIM	38.2	39.5	-1.3
LGIM RAFI	5.3	5.0	0.3
MFS	17.5	13.5	4.0
Threadneedle Equity	15.6	14.0	1.6
SL Capital	0.6	1.5	-0.9
Partners Group	0.5	2.5	-2.0
Cash at custodian	1.0	0.0	1.0
Total	100.0	100.0	0.0

2.3 Fund asset allocation against each manager is shown in Figure 2.



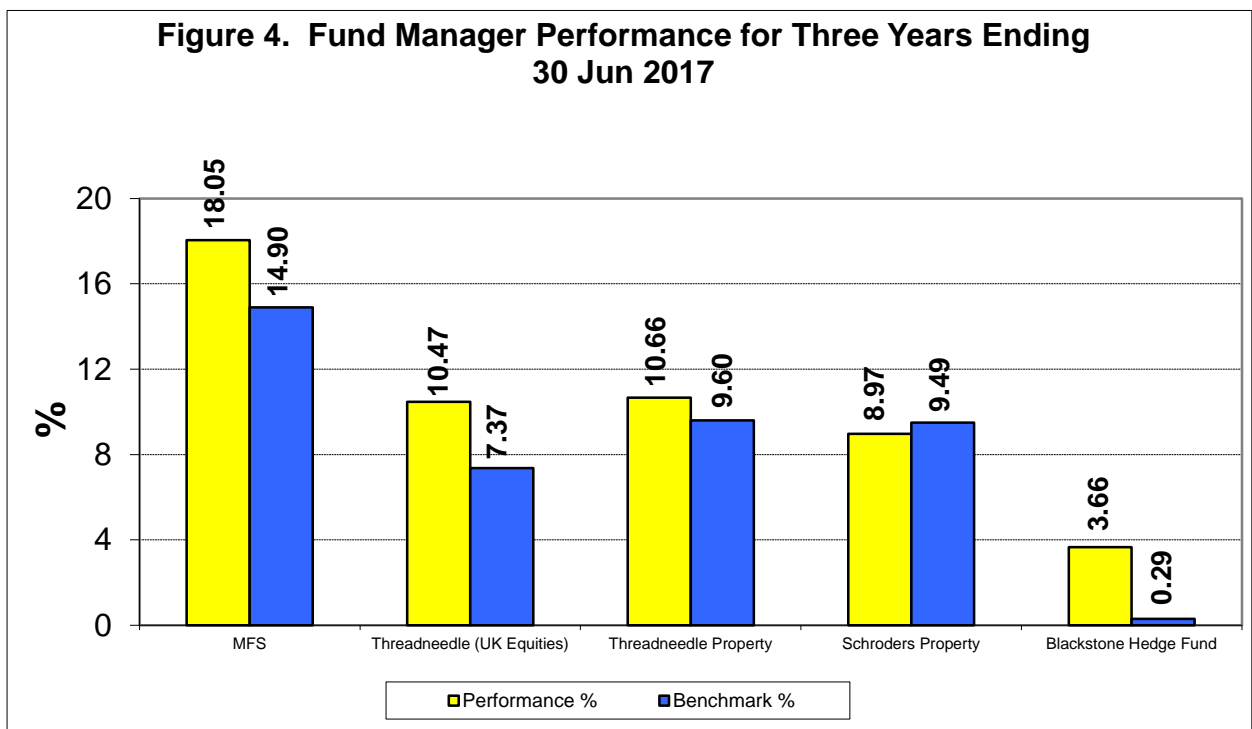
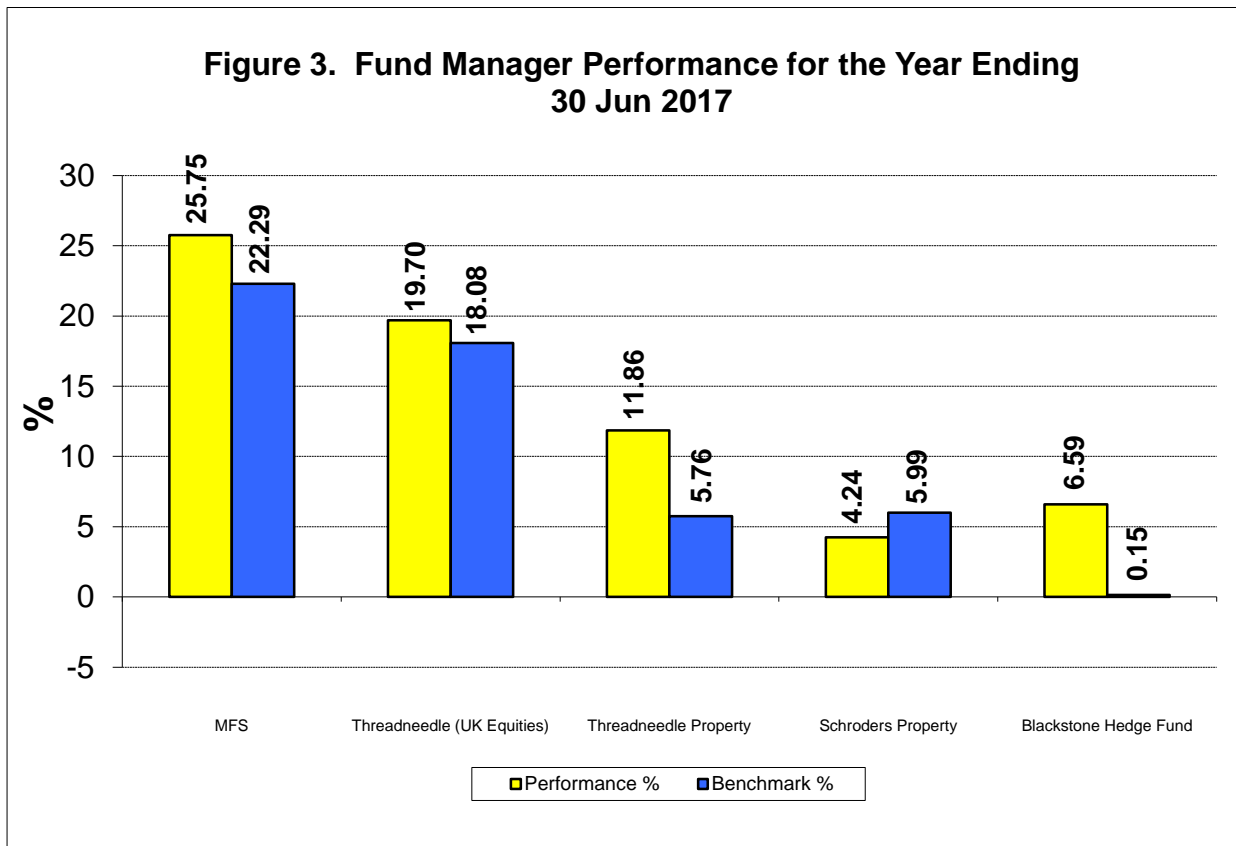
3. Fund Performance

3.1 Overall the fund over-performed its overall benchmark by 0.77%. The performances of managers against their benchmarks for the quarter ending 30 Jun 2017 were:

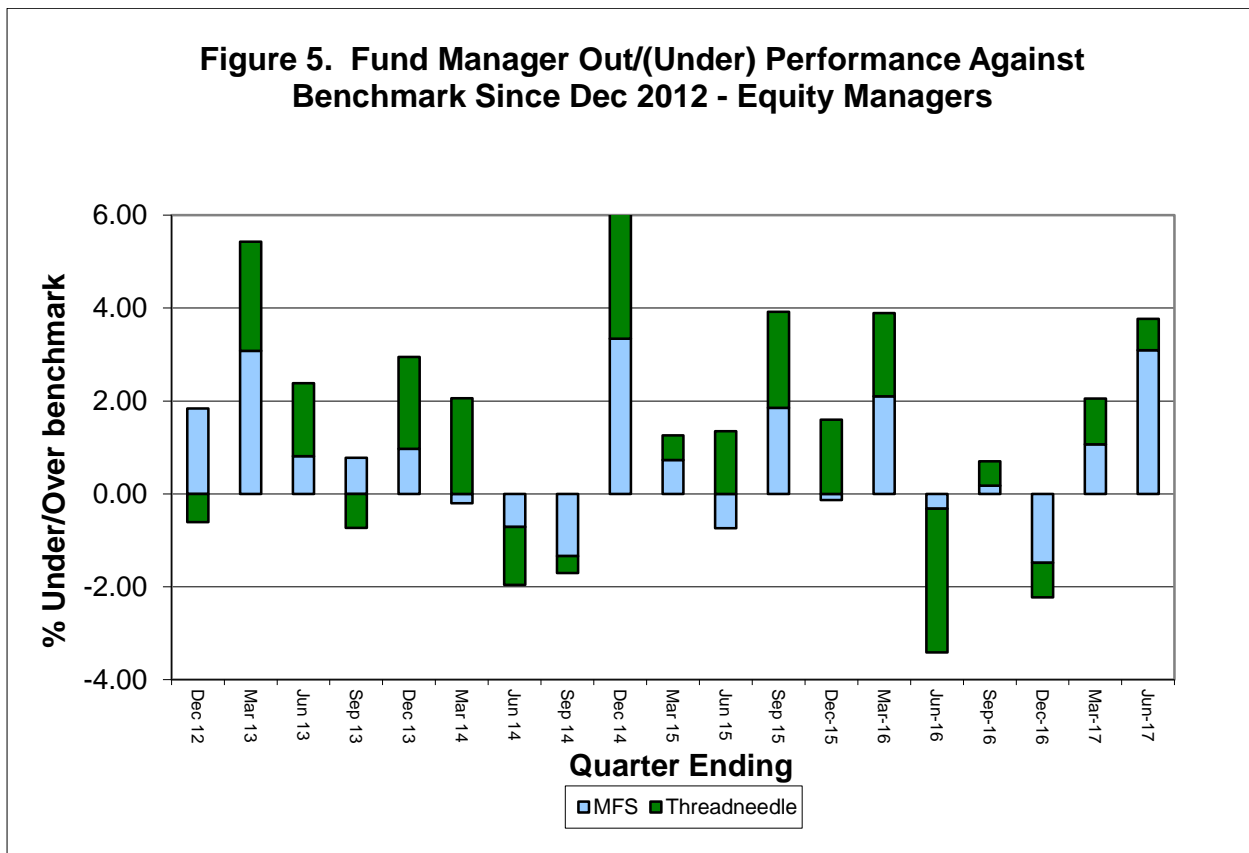
Table 3: Performance by Fund Manager

Manager	Benchmark Measure	Q/E Jun 2017	Benchmark	Variance
		%	%	%
MFS	Global Equity Benchmark	3.46	0.37	3.09
Threadneedle	FTSE All-Share	2.10	1.42	0.68
Legal and General (Global Equities)	LGIM Benchmark	1.73	2.38	-0.65
Legal and General (Fixed Interest)	LGIM Benchmark	-0.44	0.09	-0.53
Threadneedle Property	Customised Benchmark	1.88	2.35	-0.47
Schroders Property	Customised Benchmark	2.06	2.29	-0.23
Blackstone Hedge	Customised Benchmark	0.62	0.03	0.59
JP Morgan Strategic Bond	Customised Benchmark	0.48	0.06	0.42
Total	WCC Total Fund Benchmark	1.74	0.97	0.77

3.2 Annualised return for the fund managers to 30 Jun 2017 is summarised in Figure 3. The three year annualised return is summarised in Figure 4.



3.3 Equity Managers performance against their benchmarks are summarised in Figures 5.



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Report Author	Sukhdev Singh, Principal Accountant	01926 412861 sukhdevsingh@warwickshire.gov.uk
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Strategic Director	David Carter, Strategic Director, Resources Group	01926 412564 davidcarter@warwickshire.gov.uk

Pension Fund Investment Sub-Committee

11th September 2017

MIFID II

Recommendation

The Sub-Committee delegates to the Head of Finance the MIFID II “opt up” process with each fund manager as appropriate, to ensure that professional status is achieved by 3 January 2018.

1. Background

- 1.1 The Markets in Financial Instruments Directive (MiFID) is the framework of European Union (EU) legislation for:
 - Investment intermediaries that provide services to clients around shares, bonds, units in collective investment schemes and derivatives (collectively known as ‘financial instruments’)
 - The organised trading of financial instruments
- 1.2 MiFID was applied in the UK from November 2007, but is now being revised to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection.
- 1.3 The changes are currently set to take effect from 3 January 2018, with the new legislation being known as MiFID II - this includes a revised MiFID and a new Market in Financial Instruments Regulation (MiFIR).
- 1.4 At the Sub-Committee meeting of 12 June Hymans Robertson presented slides on the upcoming MIFID II legislation and what it means for the fund.
- 1.5 Under MIFID II investors will be automatically classified as retail investors by asset managers. Whilst retail investors are afforded an extra degree of protection there are certain types of more sophisticated investment that asset managers are unable to offer to the retail market. The fund will therefore be required to “opt up” as a professional investor with each asset manager that the fund currently has a relationship with. It is also expected that the fund will have to opt up with Border to Coast Pensions Partnership and the fund’s investment consultant.

2. Report from Fund Independent Advisor

2.1 A comprehensive report covering the opt-up process, timescales and requirements can be found at **Appendix A**.

Background Papers

	Name	Contact Information
Report Author	Mathew Dawson, Treasury and Pension Fund Manager	01926 412227 mathewdawson@warwickshire.gov.uk
Head of Service	John Betts, Head of Finance	01926 412441 johnbetts@warwickshire.gov.uk
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The report was circulated to the following members prior to publication:

Local Member(s):

Other members:



REPORT PREPARED FOR

**Warwickshire County Council
Pension Fund**

August 2017

Karen Shackleton

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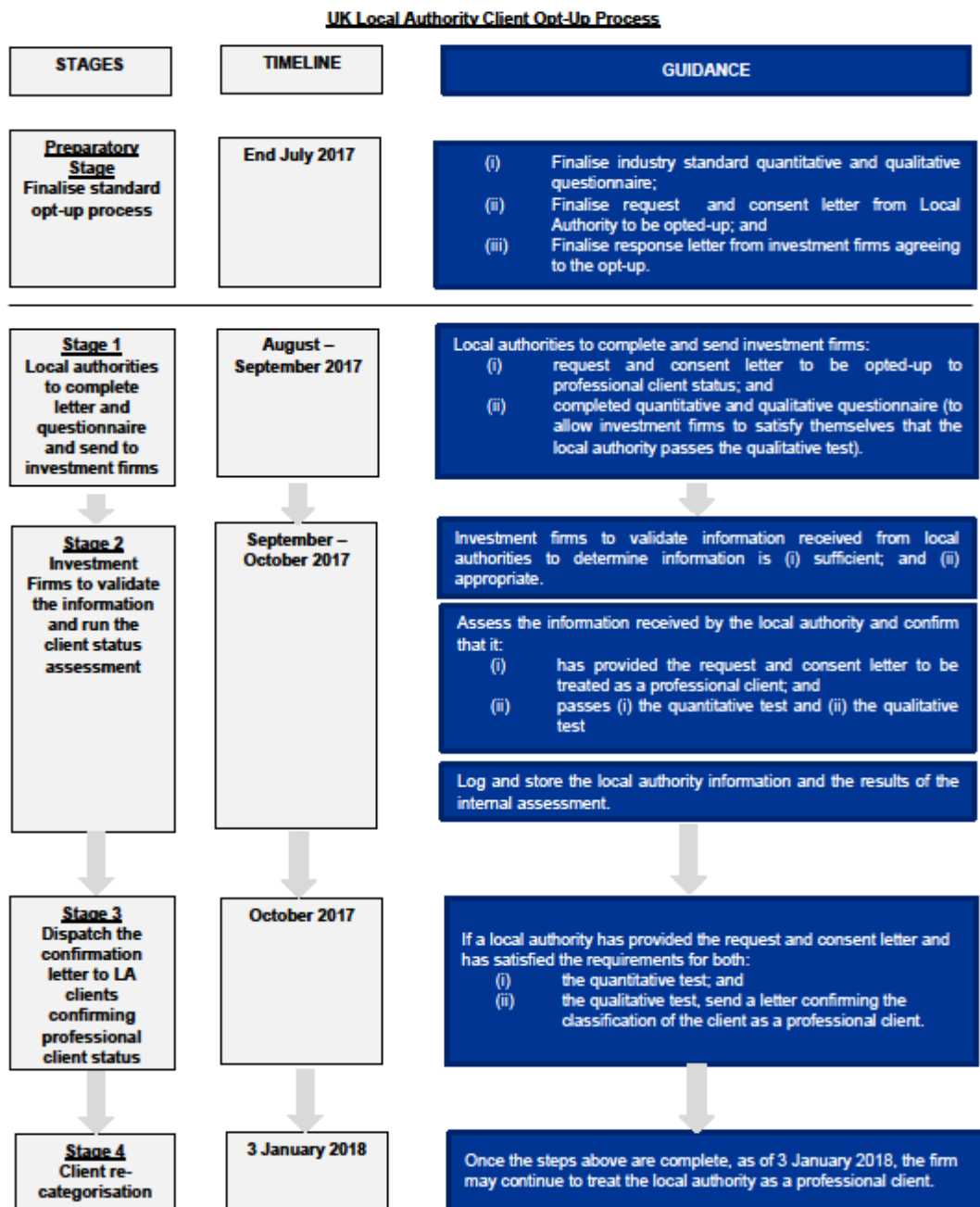
This report, by your independent investment adviser Karen Shackleton, considers the implications of MiFID II regulations which take effect from 3rd January 2018.

1. Introduction

- 1.1. Following the 2008 financial crisis, the European Commission commissioned a review of the Markets in Financial Instruments Directive (MiFID). MiFID is the legislative framework for all investment firms that provide services to clients in shares, bonds, collective investment schemes and derivatives. It originally took effect in the UK in November 2007. The commissioning of the review reflected a concern that financial products were becoming increasingly complex, as well as a desire to strengthen investor protection.
- 1.2. The new regulatory framework, known as MiFID II, is to come into effect on 3rd January 2018. The new framework is designed for the entire European Union across all investor types. The important point to note for the Pension Fund Investment Sub-Committee is that **the directive will by default categorise LGPS funds as “retail investors”**.
- 1.3. A “retail” classification could have a significant impact on the pension fund, for example:
 - Restricting the ability to use advanced portfolio management tools such as liability hedging and currency hedging;
 - Access to a more restricted range of investment products;
 - An increase in costs, as a result of the above and/or the need for your managers/advisers to take more care to ensure you understand the products and services they are providing;
 - A more restricted ability to invest in illiquid assets such as infrastructure.
- 1.4. A “retail” classification will also result in a more restricted range of institutions who can deal with the LGPS. Many firms, including Allenbridge, do not have FCA authorisation to deal with retail clients, and some of these may not wish to allocate the necessary resources to apply to the FCA for a wider level of authorisation.
- 1.5. One option for the pension fund is to “**opt up**” to “**elected professional status**”. There are criteria for opting up which are outlined later in this report. However, it is worth noting that even opting up will have an impact on the pension fund, compared with the automatic professional status previously given. Going forward, investment firms will no longer be able to presume that clients have the necessary knowledge and experience of a professional investor. Nor can it be assumed that their client has the ability to bear investment risks consistent with the pension fund’s investment objectives, where the service being provided is investment advice.
- 1.6. This means that the pension fund’s investment managers, consultants and advisers will need to review the fund’s status at the outset, and on an ongoing basis. Even after the initial assessment, the pension scheme will still have an ongoing duty to notify financial service providers if there are changes to personnel involved in the scheme, as well as providing the accompanying evidence that they are appropriately qualified and experienced.

1.7. In terms of timelines, administering authorities are being advised by the Local Government Association (LGA) to act as soon as possible. The flow chart in Table A indicates the LGA's recommended process. An important consideration for the Pension Fund Investment Sub-Committee is the need to move quickly on the paperwork. In order to achieve this, **delegated authority to officers to sign opt-up forms is being recommended.**

1.8. **Table A – LGA's flow chart for a UK Local Authority Client Opt-Up Process**



2. Opt Up Criteria

- 2.1. There are a number of tests that an LGPS must pass if financial service providers wish to opt it up to elected professional client status. It is the product/service provider (manager, adviser etc) that must conduct these tests to determine whether they consider the LGPS in question is eligible to be opted up either generally or in respect of a specific product/service. This means that two investment firms may classify the same client differently or indeed an investment firm might classify the applicant as professional in respect of for example an equity portfolio but retail in respect of a corporate bond portfolio.
- 2.2. If the LGPS agrees to be treated as a professional client, the opt up process focuses on a qualitative assessment of the investor as well as some quantitative criteria. On 3rd July 2017, the FCA published their final policy statement and amendments around the implementation of MiFID II. These amendments were important because they made it easier for an LGPS fund to opt up. The criteria shown below take into account these amendments, which were agreed after successful lobbying by the LGA. The FCA's detailed commentary can also be viewed here: <http://www.lgpsboard.org/images/PDF/MiFIDII/Chapter8.pdf>.
- 2.3. **Quantitative test:** in order to pass the quantitative test, the pension fund must meet a minimum portfolio size requirement of £10 million. **The Warwickshire County Pension Fund meets the requirements of this test.**
- 2.4. The assessment also requires the pension fund to pass one of three tests:
- The client has carried out transactions, in significant size, on the relevant market at an average frequency of ten per quarter over the previous four quarters;
 - The person authorised to carry out transactions on behalf of the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the provision of services envisaged
 - The client is an 'administering authority' of the Local Government Pension Scheme within the meaning of the version of Schedule 3 of The Local Government Pension Scheme Regulations 2013 and is acting in that capacity.
- The Warwickshire County Pension Fund meets the requirements of the third of these tests.**
- 2.5. **Qualitative assessment:** the pension scheme must be able to demonstrate expertise, experience and knowledge around the transactions or services being provided as well as demonstrating a capability in making investment decisions and understanding the risks involved. Importantly, the FCA now acknowledges the role of the elected committee members and states that: "Firms may take a collective view of the expertise, experience and knowledge of committee members, taking into account any assistance from authority officers and external advisers where it contributes to the expertise, experience and knowledge of those making the decision." **It is the expectation that the Warwickshire County Pension Fund will meet these requirements but there are some points to note in section 4 of this report.**
- 2.6. **It is the responsibility of the administering authority to apply to the investment firm in writing to opt up to elected professional status either generally or in respect of a specific service.** However, it is then the decision

of the investment firm as to whether or not to approve that application. Note that “investment firm” includes investment managers, investment advisers and investment consultants (to the extent they provide investment services). Warwickshire County Pension Fund is not a client for the purposes of MiFID II in respect on any pooled fund but to the extent such pooled funds are Alternative Investment Funds, it may need to opt up in order to be classed as a professional investor.

- 2.7. For information, full notes on the opt up process can be found here: http://lgpsboard.org/images/PDF/MiFIDII/MiFIDII_LGPS_opt_up_notes_curren20170811.pdf.
- 2.8. In order to simplify the application process, the LGA has worked with the investment community, LGPS funds and the FCA to draw up a standard template questionnaire. This has reduced the anticipated workload on officers by a significant amount. The new template can be viewed here: http://lgpsboard.org/images/PDF/MiFIDII/Stand_alone_questionnaire_for_completion_by_local_authorities_FINAL_37165946_3.pdf.
- 2.9. However, the decision on whether to approve an opt up application is likely rest with the service provider’s Compliance Officer who has the responsibility to make the decision. They have the right to ask for further information as they see fit. This could mean multiple requests for further information as the application process gets underway.
- 2.10. Under the qualitative assessment, the questionnaire has five sections:
 - Questions about the decision-making body for pension investing;
 - Expertise, experience and knowledge of committee members;
 - Investment history and strategy (asset classes and types of investments);
 - Questions about the committee’s ability to understand risks;
 - Support for investment decisions from officers, advisers and consultants.
- 2.11. It is particularly worth noting that the last section requires information on the level of knowledge and experience of **officers, consultants and advisers** who support the committee in its decision-making. In that respect, Warwickshire is well placed because the committee has an experienced team of officers, a consultant and two independent advisers attending meetings and providing advice.

3. Protections that are lost by opting up

- 3.1. The process for opt-up will consist of the following:
 - First, the client asks the service provider to be opted up and provides the necessary evidence;
 - The service provider reviews the evidence, accepts the client’s eligibility for opt up and **sends the client a list of the protections lost**;
 - The client then acknowledges that they understand this and confirms they want to opt up;
 - Only then will the service provider implement the opt up.
- 3.2. The type of lost protections, appearing in the service provider’s letter when they opt up an LGPS client from retail to elected professional status, are likely to include:
 - Communications from the supplier may be more complex in nature;

- Granularity over services and remuneration may be less specific, with less comprehensive information over costs and charges;
- It is assumed that a professional client has the necessary level of experience to understand the risks of a product being sold;
- It is assumed that a professional client can articulate their investment objectives without needing to go through a fact finding exercise;
- For execution-only transactions, the required timeframe for confirming the trade is less onerous;
- Reporting on changes in value for leveraged trades are not required;
- The services of the Financial Ombudsman Service may not be available;
- Firms can sell market alternative investment funds and unregulated collective investment schemes to professional investors;
- More relaxed rules on communicating promotions.

3.3. The draft letter prepared by the LGA for service providers to send to clients as part of the opt up process can be found here: http://www.lgpsboard.org/images/PDF/MiFIDII/LA_Request_letter_for_client_status_recategorisation_FINAL_37129756_2.pdf

4. Implications for members

4.1. Members of the Pension Investment Sub Committee are particularly advised to note the requirements of the opt-up criteria as it applies to them, as individuals. Questions that the officers will be responding on include:

- Are members provided with a written brief on joining the committee?
- Are members provided with training on investment matters?
- Please indicate the total number of hours of training offered and delivered to the committee over the last 12 months.
- Is the attendance of members at training monitored and recorded?
- Please state the average number of hours of training committee members have attended over the last 12 months.
- Please state the average number of hours at investment conferences that committee members have attended over the last 12 months.
- Are members required to complete a self-assessment with regard to their knowledge of investments?
- Please state the number of years served on the committee (or other such investment committees) on average for each member years.
- Please provide any other information which may assist with the assessment of the knowledge, experience and expertise of the committee or subcommittee (such as the average number of years of independent investment experience by members).

4.2. **The requirement for recorded investment training and attendance at investment conferences is being formalised** as part of the assessment process and there is an expectation that all committee members will undertake suitable training. Members will need to maintain a register when they undertake training or attend conferences, which can be passed across to officers. The guidance notes do not go so far as to dictate a minimum number of hours, however.

5. Other considerations

- 5.1. A recommendation is for the “elected professional” status be added to the risk register. If this status were removed in the future by an investment firm (for example, following a change in personnel of officers/advisers), it could result in subsequent restrictions on investments which in turn could impact the fund’s ability to meet its investment objectives.
- 5.2. The Pension Fund Investment Sub-Committee may also wish to refer to the opt-up status in the annual accounts. An annual review of status criteria, ahead of the annual accounts preparation, would reduce the risk in 5.1 above. Whilst authorities are not required to renew the elected professional status on a regular basis, they are required to review the information provided in the opt-up process and notify all institutions of any changes in circumstances which could affect their status, for example, if the membership of the committee changed significantly resulting in a loss of experience, or if the relationship with the authority’s investment adviser was terminated.
- 5.3. The Border to Coast Pool will be a professional investor, in its own right, so it will not need to opt up with the external institutions it uses. The Warwickshire County Pension Fund will, however, need to opt up with Border to Coast in order to access the full range of services and sub-funds on offer.

6. Next steps

- 6.1. In order to continue to effectively implement the authority’s investment strategy after 3rd January 2018, applications for election to be treated as a professional client should be submitted to all financial institutions with whom Warwickshire County Council has an existing (or potential) relationship with, in relation to the investment of the pension fund.
- 6.2. This process should commence as soon as possible in order to ensure it is completed in good time and avoids the need for appropriate action to be taken by institutions in relation to the authority’s pension fund investments.
- 6.3. Members are asked to grant delegation to officers to make applications on the authority’s behalf and to determine the nature of the application on either full or single service basis.
- 6.4. Members are asked to prepare a training record and a list of conferences attended for the twelve months to September 2017.

Karen Shackleton
Senior Adviser, Allenbridge
August 2017

Pension Fund Investment Sub-Committee

11th September 2017

Actuarial Services

Recommendation

The Sub-Committee approves a tendering exercise for actuarial services through the LGPS National Framework, and considers if the appointment should be subject to interview by the Sub-Committee.

1. Background

- 1.1 The fund actuary is a key relationship for the pension fund. The statutory completion of the triennial Actuarial Valuation exercise underpins the future direction of the fund in regard to contribution rates, funding strategy and long term strategic asset allocation. The actuary also undertakes many supplementary functions such as admission agreements, advice to stakeholders, accounting reports and risk management.
- 1.2 Hymans Robertson were appointed in October 2011 following a full tender process following a long relationship with Mercer. The fund now needs to re-tender for this work for the forthcoming 2019 and 2022 actuarial valuations.
- 1.3 Since the tender exercise in 1.2 the National LGPS Framework has been introduced which provides LGPS funds with a streamlined tender process that gives each fund the access to the best providers whilst ensuring value for money. An information pack on the framework can be found as background papers for this report.
- 1.4 The framework costs £3,000 to join however it is expected that the savings from not needing to run a full OJEU tender process and preferential rates on the framework will more than offset this cost.

2. Specification of Requirements

- 2.1 A specification of the services required by the fund actuary can be found at **Appendix A**.

3. Next Steps

- 3.1 Officers have begun the process to tender through the framework. There are currently four providers on the framework who are all experienced with the LGPS and were subject to a substantial procurement process.
- 3.2 The four providers are:
- AON Hewitt
 - Barnet Waddingham
 - Hymans Robertson
 - Mercer
- 3.3 Officers will need to run a further competition to assess suitability as it is important that fund has the opportunity to customise any particular requirements.
- 3.4 Following the further competition officers will recommend the preferred choice to the sub-committee for approval and appointment. Alternatively the sub-committee may wish to hold final interviews before an appointment is made.

Background Papers

National LGPS Framework Documents

	Name	Contact Information
Report Author	Mathew Dawson, Treasury and Pension Fund Manager	01926 412227 mathewdawson@warwickshire.gov.uk
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Strategic Director	David Carter, Strategic Director, Resources Group	01926 412564 davidcarter@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s):

Other members:

Appendix A

Specification of requirements

Provision of Actuarial Services to Warwickshire County Council in its role as administering authority for the Local Government Pension Scheme funds in Warwickshire, including:

Actuarial Valuations for Local Government Pension Fund

1. To carry out the triennial actuarial valuation of the pension fund(s) as required by relevant legislation and within the prescribed timescales. The next actuarial valuation will be undertaken based on the fund's value as at 31 March 2019. The actuary would be required to undertake the following as part of this process:-
2. Specification of data requirements and liaison with the Fund administrator or other appropriate parties over the provision of data by electronic means in an agreed format.
3. Undertaking validation checks on membership data to ensure that it is adequate for the purposes of a valuation.
4. Analysis of the demographic experience of the membership of the Fund over a suitable period.
5. Advice on the choice of actuarial assumptions to be used for a valuation.
6. Completion of calculations required to assess the solvency of the Fund as a whole and to derive the primary and secondary contribution rates, using one set of actuarial assumptions.
7. Adoption of employer stabilization where deemed appropriate for the type of employer.
8. Analysis of the characteristics of individual employing authorities and, if appropriate, calculations of appropriate individual adjustments to the common contribution rate for any peculiar characteristics.
9. Preparation of a Rates and Adjustments certificate and individual employer result schedules.
10. Analysis of the changes in the surplus/deficit to identify the factors which have acted in favour of and against the solvency of the Fund during the period under review.
11. Issue of the final report on the valuation prepared in accordance with Actuarial Guidance.
12. Issue of such other statutory certificates as may be required (for example Inland Revenue maximum funding certificate).

Inter-Valuation Work

1. To track assets and liabilities for each employer of the fund based on cash flows
2. To carry out interim valuations at the discretion of the Fund.

3. The rolling forward of past valuations to illustrate the expected results of future valuations, by the adoption of appropriate demographic and financial assumptions, (e.g. the impact of changes in assumptions in longevity, or projected future investment returns).
4. To carry out regular actuarial monitoring of the fund's overall funding level as necessary.
5. To attend the Pension Fund Investment Sub-Committee as required for advice on actuarial matters.

Accounting Work

1. Provision of information in the required format and within required timescales to enable employing bodies in the Fund to meet their obligations under FRS102/IAS19; including the IAS19 requirements of the unfunded pension schemes (Firefighters) and teachers unfunded benefits.
2. Valuation of unfunded benefits, for example, Compensatory Added Years.
3. Provision of an annual statement of actuarial information to be disclosed in the annual report and accounts of the pension fund.
4. Annual presentation of most recent actuarial position to the Annual Pension Fund Employers meeting. Attendance at the meeting to make the presentation and answer questions as relevant will be required.
5. One-off presentations as required.

Changes to Participating Employers and Best Value Outsourcing Work

1. Provision of advice and information as required on fund issues to include, but not limited to, admissions, individual and bulk transfers, mergers, closures and winding-up of admitted bodies.
2. Provision of advice and information as required to employers to include, but not limited to, contribution rates, admissions, outsourcing, individual payments.
3. Broad comparability assessments of new employers' pension arrangements where a compulsory transfer of employment of members of a public sector pension scheme may take place.
4. Advice on the terms for a new employer to participate in the local government pension scheme, including recommended employer contributions and where appropriate, a risk assessment and the amount of any bond required.
5. Advice, negotiations and calculations for the payment or receipt of bulk transfer values.
6. Advice on the financial impact of an employer in the Fund closing to new entrants or ceasing to participate.
7. Advice on the effect of an admission body terminating its admission agreement.

8. Advice on the quantification of the contingent risks on the termination of an admission agreement (often known as indemnities and bonds) in the event of the insolvency of the admission body.
9. Advice on the impact of any proposed merger of participating employing authorities.

Other Actuarial Services

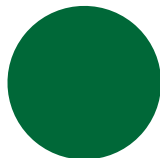
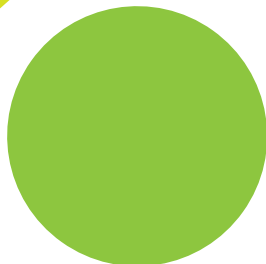
1. Preparation of or provision of advice on a Funding Strategy Statement for the Fund or other similar document required by statute.
2. Review or preparation of actuarial factors for individual benefits calculations (such as those used for early retirement reductions, commutation, and calculation of cost of benefit augmentations).
3. Advice on appropriate arrangements for monitoring and meeting the extra costs of premature retirements arising from ill health, efficiency or redundancy.
4. Advice on issues arising from an employer's discretionary power to provide or vary benefits under the Scheme.
5. Calculations required for individual scheme members for the purposes of regulations (e.g. the forfeiture of pension rights or the calculation of final lump sum payments in respect of the purchase of additional scheme membership on early retirement).
6. Advice on the impact of changes in regulations, and associated costing where appropriate.
7. Specialist training as required, eg, training for Pension Fund Investment Sub-Committee members or the Local Pension Board.
8. The Actuarial Advisor would be expected to be familiar with regulations and statutory and non-statutory guidance on best practice relating to the administration of the Local Government Pension Scheme and to ensure that this was reflected in the advice provided to the Pension Fund.
9. The Actuarial Advisor would be expected to advise statutory requirements such as tax liability/long term allowance as and when they arise.

National **LGPS Framework** for Actuarial, Benefits and Governance Consultancy Services

Introduction and joining instructions

Collaboration
Save time and money
Quick and efficient access
National LGPS Frameworks
Common terms and conditions
Procurement flexibility
Better, faster, cheaper
Local choice

**Actuarial, Benefits
and Governance
Consultancy Services**



National LGPS
Frameworks

By LGPS Funds, for LGPS Funds

Issue 1 - September 2016

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Please note these National LGPS Framework Guidance Notes do not purport to be comprehensive, have been prepared in good faith, and no representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by any of the Framework’s Founding Authorities, their officers, employees or agents in relation to their accuracy or completeness and to the maximum extent permitted by law any such liability is expressly disclaimed.

Introduction

The National LGPS Framework for Actuarial and Benefit Consulting launched in 2012 was the first national framework of its kind. Over the four years of its operation, 31 LGPS funds from across the UK have joined the original six Founder authorities in participating in the Framework, sharing in savings estimated to reach over £18 million.

This framework is the result of collaboration between Cumbria, Lincolnshire, Norfolk, the Environment Agency, West Midlands Pension Fund and the London Boroughs of Hackney and Tower Hamlets. Procurement, legal and project management support has been provided by Norfolk County Council and Norfolk Pension Fund.

A lot has happened in the last four years and the National LGPS Frameworks Team, working with a new group of Founder authorities (Cumbria, the Environment Agency, Hackney, Lincolnshire, Norfolk, Tower Hamlets and West Midlands pension funds), and supported by procurement and legal specialists from Norfolk County Council, have brought this Framework fully up-to-date to reflect both current needs, and the changing shape, of the LGPS.

Building on the success of its predecessor, the multi-user, multi-provider Actuarial, Benefits and Governance Consultancy Services framework is open to the LGPS and beyond for the procurement of actuarial, benefit consultancy, governance consultancy and specialist project support services from a wide range of qualified providers.

In addition to increasing the content of the Framework, we have also taken the opportunity to update the scope of bodies permitted to use the Framework to allow for the outcome of LGPS pooling, and whilst our guiding principle remains 'By LGPS Funds, for LGPS Funds', such has been the success of the National LGPS Frameworks project, the scope of users has been widened still further to encompass all public service organisations seeking to procure pensions-related services in response to requests for greater access.

As part of their **LGPS Opportunities for Collaboration, Cost Savings and Efficiencies** consultation, the Department of Communities and Local Government recognised that **"there are clear advantages and savings to making use of the National LGPS Frameworks"** and stated that **"Funds should give serious consideration to making greater use of these frameworks."**

Using a framework can save you significant time and money, whilst still delivering a service specified to your requirements, and supporting local decision making and accountability. We hope that you will consider using this procurement route for your actuarial, benefit consultancy, governance consultancy and specialist project support service requirement.

What is a framework agreement?

Frameworks are widely used across the public sector and increasingly in the LGPS. They are proven to be good for services that you can define and have demonstrated that considerable time and cost savings can be made.

A framework is an agreement put in place with a supplier or range of suppliers that enables purchasers to place orders with service providers without running a full tender exercise.

Frameworks are based on large volume purchasing. Aggregating different purchasers' potential needs means individual purchasers can buy goods and services at prices below those normally charged, or with special added benefits and/or more advantageous conditions.

All Local Government Pension Scheme (LGPS) Funds are required to procure professional actuarial, benefit and governance consultancy services.

This means that costly and time-consuming procurement exercises are regularly undertaken across Funds.

Because of this individual Funds may not be receiving either the best service or the best value that may be achievable by working collaboratively.

The National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services reduces the time and cost associated with procurement by offering a facility that has already been competitively tendered.

Framework benefits:

- Easy access to pre-selected, specialist Actuarial, Benefits and Governance Consultancy services
- Collaboration and partnership
- Flexibility
- Best practice procurement
- Agreed terms and conditions
- Efficiency
- Value for money
- Quality of service provision
- Value added services
- No fault break clause

'By LGPS Funds, for LGPS Funds' the National LGPS Frameworks are uniquely open to all LGPS Funds and administering authorities nationally for the procurement of Investment Consultancy, Global Custody Services and Legal Service from a wide range of qualified providers.

It removes the need to run a best practice, OJEU equivalent full tender exercise when procuring a longer term, single supplier relationship. For smaller, one-off pieces of work, the framework has already completed the 'pre-selection' work for users.

Agreed terms and conditions are provided so users can simply 'call-off' the framework to meet their requirements, therefore removing costly and time-consuming legal work from the procurement process.

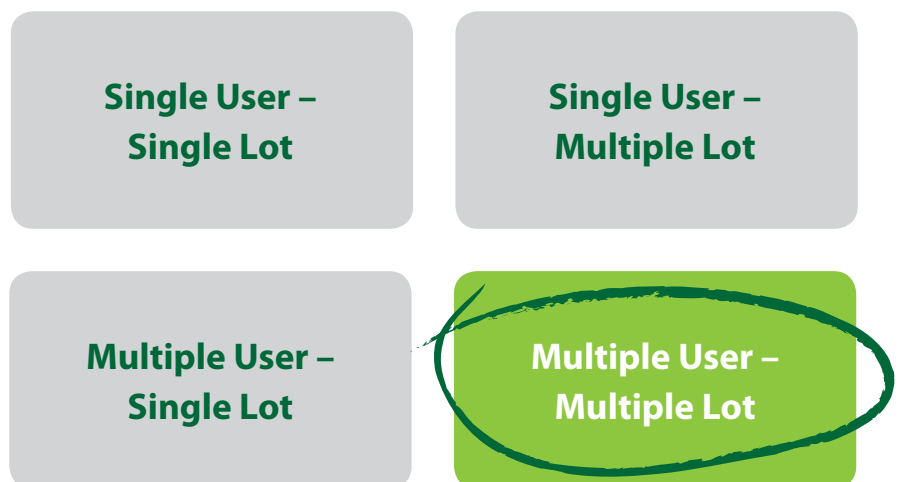
We believe that all LGPS Funds using the framework should benefit from the collaboration, which is why we have negotiated a collaborative rebate for all Funds that let services from the framework.

The National LGPS Frameworks are directly in line with the Government's agenda for LGPS collaboration and delivering greater value for money.

Using the framework will help Funds easily access the marketplace and leverage better prices, while crucially still supporting local decision making and service requirements.

Different types of frameworks

There are several different types of framework arrangements. The National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services is a multiple user, multiple lot framework – i.e. all users identified on page 9 of this document can use the framework to procure a range of services.



Why should I use this framework?

Procuring actuarial, benefit and governance consultancy services can take significant time and money, both for the awarding authority and service provider.

The National LGPS Framework is fully compliant with the Public Contracts Regulations 2015. It reduces the time and costs associated with the procurement process by offering a facility that has already been competitively tendered.

It aims to deliver access at the best possible price to high-quality, efficient and effective actuarial and benefit consultancy services for all LGPS administering authorities and any of their participating employing authorities.

The main benefits include:

Easy access to pre-selected, specialist service providers

The National LGPS Framework provides an easy access route to pre-selected specialist providers who are best placed to deliver actuarial, benefits and governance consultancy services to the LGPS.

Collaboration and partnership

The National LGPS Frameworks have been created in line with the Government's wish for LGPS Funds to seek ways of extending joint working and collaboration. They are helping to realise potential efficiencies and are giving LGPS Funds a clearer voice within the marketplace, along with helping to share knowledge, information, experience and best practice.

Flexibility

National LGPS Frameworks reduce the time and cost associated with a full procurement exercise, which in turn allows you to be more flexible with the planning and running of any tender process via Further Competition. Depending on which Lot meets your requirements, there is also the option to Directly Award.

Best practice procurement

Each of the service providers on the National LGPS Frameworks have been subject to a rigorous procurement process, ensuring they offer the scope and quality of services you require. The pre-agreed terms and conditions offer you contractual safeguards.

Agreed terms and conditions

Terms and conditions are already established and agreed for you and service providers. This removes the need to re-draft and/or renegotiate terms for each procurement you undertake. You have the right to refine, but not fundamentally alter, the terms and conditions to take into account any special requirements.

Efficiency

The framework removes the need for you to conduct full tender exercises or lengthy service provider evaluations, saving the time and costs associated with procurement exercises. Our easy ordering process makes the National LGPS Framework simple to access and use.

Value for money

To harness the opportunity to aggregate spend, ceiling prices with the facility to conduct Further Competition, along with collaborative rebates, ensure that value for money is consistently achieved.

Quality of service provision

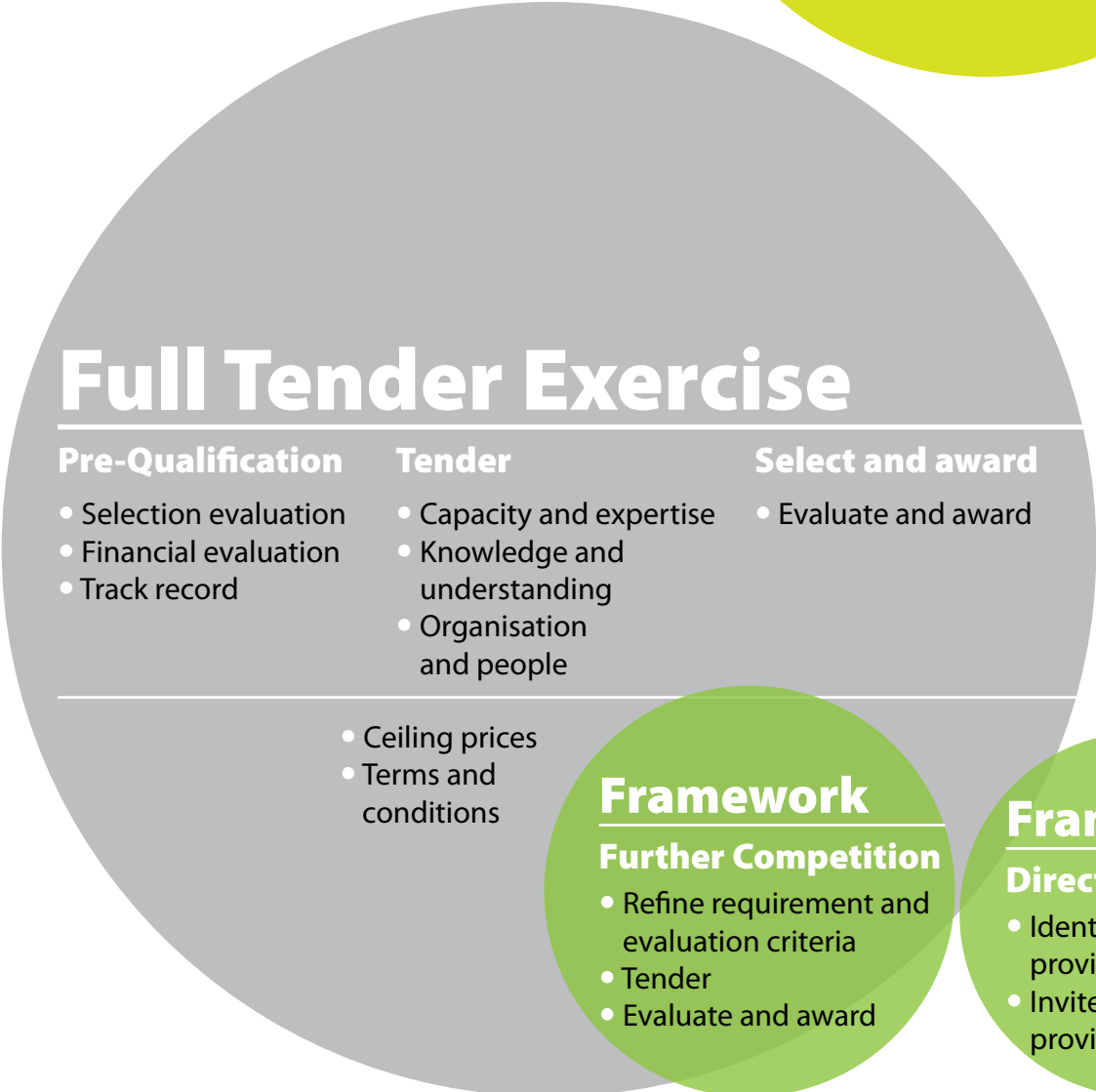
The experience, expertise and commitment to quality of a service provider are assessed at the time of the initial competition. Your satisfaction with the service providers' performance is monitored on an ongoing basis.

No fault break clause

You have the right to suspend or terminate the contract at any time by giving written notice to the service provider.

Framework route vs full procurement

The **National LGPS Framework** for Actuarial, Benefits and Governance Consultancy Services significantly reduces the **time and cost** associated with procurement by offering a facility that has **already been competitively tendered**.



6 - 9 months without framework	reduced to...	4 - 6 weeks with framework	or...	Same day with framework
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Who can use the Framework?

The National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services is a multi-provider framework agreement primarily in support of the Local Government Pension Scheme.

The framework may be used by:

- Any administering authorities and any of their participating employing authorities as defined in the Local Government Pension Scheme Regulations 2013 SI 2013 No.2356 (as amended) and the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 as amended by SSI 2011/349;
- The Committee (the NILGOSC) and employing authorities as defined in the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 / SRNI 2009/33;
- The Board of the Pension Protection Fund www.pensionprotectionfund.org.uk;
- Any other administering authority or organisation of a public sector pension scheme or any public sector body that requires pensions related services; and
- Any Common Asset Pool or Collective Investment Vehicle established by or on behalf of an administering authority or group of administering authorities; any Local Government Pension Fund(s) or groups of Pension Funds; or any bodies, organisations or companies established by them for the purpose of operating on a collective basis.

“Enterprising and effective collaborations like this are the type of approach we are keen to encourage.”

Francis Maude

Minister for the Cabinet Office

What services are covered by this framework?

The National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services has four separate Lots covering:

Lot	Description	Number of Service Providers
1	Actuarial Services	4
2	Benefits Consultancy	4
3	Governance Consultancy	5
4	Consultancy Services to Support Specialist Projects	7

Lot 1 – Actuarial Services

Actuarial Services including but not limited to:

Actuarial services including but not limited to:

- Actuarial advice in relation to outsourcing / reshaping service delivery (Including staff transfers and changes in workforce profile)
- Advice on admission agreements
- Actuarial advice to new or existing participating employers
- Attendance at meetings as required by stakeholders
- Support for and supply of scheme communication, advice and training for all associated stakeholders as required including but not limited to scheme members, pension boards, section 101 committees and employers.
- Completion of the triennial Actuarial Valuation exercise in accordance with the LGPS governing regulations (to include preparation of individual valuation positions for each participating employer)
- Funding Strategy Statement preparation and advice
- Providing responses to auditors of administering authorities and participating employer bodies in respect of the financial reporting of Pensions and any other matters arising
- Undertaking Asset Liability Studies (every three years or more frequently if required)

Q.

Can we add in any service requirements at the Further Competition stage, even if they are not covered by the framework’s more general specification?

A.

Yes, as long as these are in areas within the overall scope. You may want to request that service providers give specific examples for any questions you ask.

- Completion of Actuarial Valuation at the date of cessation of a scheduled body or an admission body to assess any termination liabilities arising
- Annual accounting valuations of pension liabilities (in accordance with FRS17 (FRS102) / IAS19 requirements or any such standard as is in force) – including the calculation of opening positions for new employers.
- Preparation of pensions information on behalf of participating employers for inclusion in tender documentation when letting services that includes the transfer of staff who are members of the LGPS
- Calculation of opening positions (level of assets and liabilities) for new participating employers and the calculation of the appropriate employer contribution rate at commencement
- Calculation and actuarial advice relating to the consideration of an appropriate bond or other guarantee either where an authority is entering into a transferee admission agreement with a contracting party or other circumstance
- Provision of appropriate actuarial factors as prescribed by the LGPS governing regulations e.g. strain costs on early retirement.
- Provision of modelling and projections in respect of underlying assumptions and strategy at a fund or employer level
- Provision of funding and contribution strategy advice
- Supporting unitisation and segregation (in support of employer specific funding strategy)
- To act as expert witness (in case of arbitration, regulatory or other).
- Covenant analysis and baseline risk management
- Cashflow Modelling

Lot 2 – Benefits Consultancy

Benefits Consultancy Services including but not limited to:

- Benefit administration advice about outsourcing / reshaping service delivery
- Benefit administration advice to new or existing participating employers
- Attendance at meetings as required by stakeholders
- Support for and supply of scheme communication and information to stakeholders as required including but not limited to scheme members, pension boards, section 101 committees or equivalent and employers.
- Provide pension fund risk management and implementation services
- Process design and implementation
- Advice on administration management structures, service standards and key performance indicators
- Advice on compliance with regulatory requirements
- Policy Development
- Advice on the development and implementation of administration strategy (including, but not limited to, advice on a Pensions Administration Strategy)
- Working with LGPS administration software providers
- Pensions taxation advice
- Internal Dispute Resolution Procedure (IDRP) guidance
- Provision of training

Lot 3 – Governance Consultancy

Governance Consultancy Services including but not limited to:

- Advice and guidance on fund governance
- Support for and supply of scheme communication and information to stakeholders as required including but not limited to scheme members, pension boards, section 101 committees or equivalent and employers.
- Risk Management related to governance and scheme analysis
- Reviews and guidance on governance structures and its effectiveness
- Strategy and Policy Development
- Advice on compliance with regulatory requirement and other governance standards
- Advice and attendance at meetings as required by stakeholders
- Provision of training

Lot 4 – Consultancy Services to Support Specialist Projects

Discrete pieces of specialist, pensions-related project work including, but not limited to:

- LGPS asset management restructuring (“asset pooling”)
- Change management
- Project management
- Regulatory compliance reviews (including, but not limited to, compliance with The Pensions Regulator requirements)
- Data Quality and Validation Audit

Who can provide services under this framework?

There are 7 service providers on the framework, across the four Lots:

Service Provider	Lot 1	Lot 2	Lot 3	Lot 4
Aon Hewitt	✓	✓	✓	✓
Barnett Waddingham	✓	✓	✓	✓
Equiniti				✓
Hymans Robertson	✓	✓	✓	✓
KPMG			✓	✓
Mercer	✓	✓	✓	✓
PWC				✓

In order to be appointed to the framework, providers have demonstrated they have the right expertise and capacity to provide these services.

While each provider successfully passed a minimum quality threshold, they are not all the same.

It is really important that you focus clearly on what you as a Fund need, so you select the most appropriate provider.

What is the duration of the framework?

The National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services commenced July 2016 and is open for 4 years.

Contracts awarded under the National LGPS Framework may be for a period of up to 7 years.

This framework has been established by Norfolk Pension Fund (Norfolk County Council), in collaboration with Cumbria, Lincolnshire, the Environment Agency Pension Fund, West Midlands Pension Fund (City of Wolverhampton Council) and the London Boroughs of Hackney and Tower Hamlets (the “founding authorities”).

There is no obligation to use a framework; however the benefits of the Framework apply to all requirements. You must comply with your local financial regulations.

How much does it cost and what will I save?

Q.

Are pension funds that use the National LGPS Framework bound by the prices set out in the tender responses, or is there scope for price negotiation at an individual fund level?

A.

The prices set out in the framework are the **maximum** rates, but we would expect these to be **reduced** at **Further Competition** or at **Direct Award** if applicable. Please note however that this is competition not negotiation. The defined pricing structure aims to eliminate hidden extras and allow for easy comparison at the evaluation stage.

Joining Fee

You will only need to pay a joining fee once then you will be able to call-off from the relevant Lots of the National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services as many times as you need during its lifetime.

The Joining Fees for each lot are set out in the table below:

Lot/s	Joining fee
All Lots	£5,000
Lot 1 and 2	£4,000
Lot 1 and 3	£3,500
Lot 1 and 4	£3,500
Lot 1	£3,000
Lot 1, 2 and 3	£4,500
Lot 1, 2 and 4	£4,500
Lot 1, 3 and 4	£4,250
Lot 2 and 3	£2,500
Lot 2 and 4	£2,500
Lot 2	£2,000
Lot 2, 3 and 4	£3,250
Lot 3 and 4	£1,500
Lot 3	£1,000
Lot 4	£1,000

The joining fees give you access to the framework and prices (for the relevant Lots) along with all framework documentation, including the pre-agreed terms and conditions and comprehensive guidance notes. You will also benefit from the collaborative rebate structure.

The joining fee for Lots 1 and 2 is higher to reflect their longer-term 'Full Service' nature along with the main benefits of competitive framework prices that can be reduced at Call-off and removing the need for a separate, costly and time-consuming full regulation-compliant procurement exercise.

Lots 3 and 4 have a lower joining fee that covers the administrative costs of the joining process, reflecting the smaller, more specific nature of the work involved.

See the benefits section under **Why should I use this framework?** for more.

Pricing

Ceiling prices for all service providers on the National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services are included in the **Pricing Schedules**.

All prices are maximum rates and are subject to further reduction at **Further Competition** or **Direct Award** if applicable.

Rebates to framework users

The following rebate applies to **all** work awarded and delivered under the National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services. It will be applied to the prices as agreed at **Further Competition** (or **Direct Award** if applicable) and contract award, if these are different to the prices as established under the framework:

- An aggregated cumulative stepped rebate based on the overall value of work awarded to a supplier under this framework, pro-rata'd across all Authorities awarding work to that supplier during the year. This will be due for payment directly from the service providers as at 31 March each year for work completed and invoiced during the year.

Travel and subsistence

Service provider prices are inclusive of travel, subsistence and any other expenses.

Rate review

The **Ceiling Prices** remain fixed for the duration of the Framework. However you have the option to set out in the Call off Terms and Conditions (clause 3.2.7) if you wish the contract price to be fixed for the duration of the contract or if you wish to offer a review date. Any increase would not exceed the percentage change in the Office of National Statistics' Consumer Price Index.

How were the service providers chosen and monitored?

Expectations of quality

As part of the procurement and tendering process, the successful service providers demonstrated proof of the following general expectations:

- A proven track record, extensive knowledge and experience of providing Actuarial, Benefits and Governance Consultancy Services to Local Government Pension Funds
- Strong knowledge and experience of the regulatory framework and operational environment for LGPS Funds and their employer bodies
- Provision of added value to the LGPS and its stakeholders including Pro Bono support
- Excellent communication, partnership and negotiating skills
- Appropriate professional qualifications such as membership of the Institute and Faculty of Actuaries, membership of the Pensions Management Institute (PMI)
- An innovative approach in delivering solutions to Framework users.

In order to be appointed to the framework, providers have demonstrated they have the right expertise and capacity to provide the services detailed on pages 10 to 13.

While each provider successfully passed a minimum quality threshold, they are not all the same.

It is important you focus clearly on what you as a Fund need, so that Further Competition or Direct Award helps you select the most appropriate service provider.

Q.

Under the National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services are providers scored or ranked? If so, are we under any obligation to use the highest scoring provider?

A.

Service providers are not ranked within the framework. All service providers appointed to the framework are deemed capable, and therefore should be treated in the same way. The framework would not oblige you to use any specific service provider. If you wished to make an appointment under the framework you would either **Directly Award** or undertake a **Further Competition**, depending on the nature of your specific requirements.

Dispute resolution

General contract issues should be dealt with between you and the service provider.

Where there are more significant issues or if things get out of hand then you can escalate these to us.

Email us at NationalLGPSFrameworks@norfolk.gov.uk or call us on **01603 495922**.

Anything else I need to know?

Audit

As part of its contract management function, Norfolk Pension Fund has the right to conduct independent auditing of the service providers' processes, procedures and application of their hourly rate.

Financial arrangement between Norfolk Pension Fund and service providers

Service providers are required to pay Norfolk Pension Fund, as the letting authority, a flat rebate of 1% of all contracts let under the National LGPS Framework each year, for work invoiced during the financial year.

This rebate will be used to cover the administration costs of the framework.

The rebate will be calculated against the set-up and management costs of the framework at the end of each financial year. A final surplus will be distributed among letting authorities.

How do I join the National LGPS Framework?

If you would like to know more or to make use of the National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services please complete and return a copy of the **Option Form** (Appendix 1) along with a signed **Confidentiality Statement** (Appendix 2)

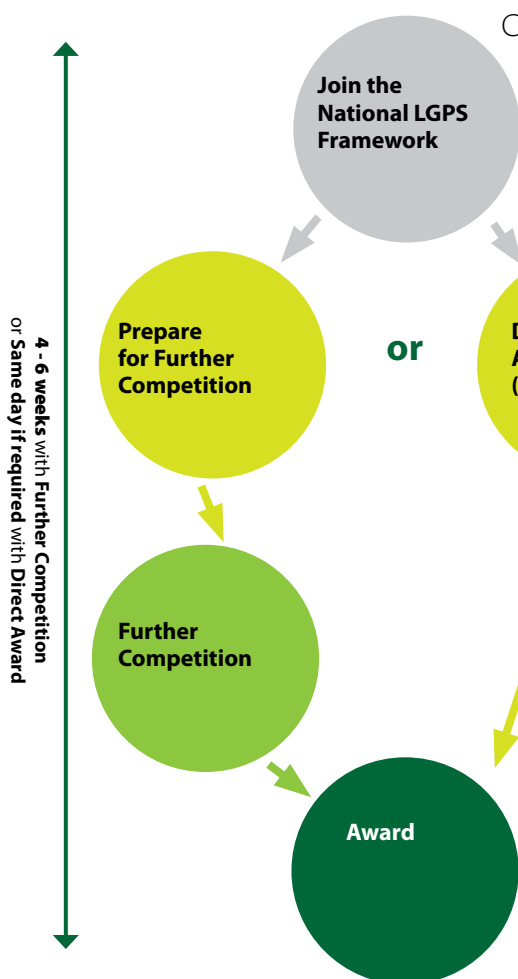
Via this form you can opt to receive more details or to join the framework.

Confidentiality Statement

We cannot share any of the commercially sensitive details of the framework with you until you have completed and returned a **Confidentiality Statement** (Appendix 2).

Once we have received your **Confidentiality Statement** we will send you a set of **Guidance notes**, along with a comprehensive Call-off pack including a **Guide to Call-off** and an **Example Invitation to Further Competition Template**.

We will also send you **Call-off terms and conditions**, a **Pricing Schedule** and **Supplier Catalogues**, which include service descriptions and biographies/CVs.



Members' Access Agreement

To use the National Framework, you must sign and return two copies of the **Members' Access Agreement**. This is a legal document between your authority and Norfolk County Council (the Letting Authority for this framework). The purpose of the document is to regulate any liabilities that may arise as a result of use of the Framework.

If you opt to join the framework we will send you two copies of the **Members' Access Agreement** to sign and return, along with all the other framework documentation. An example of the **Members' Access Agreement** is at Appendix 3. We will also send you an invoice for the Joiners Fee.

If you have already signed a Members Access Agreement for the Actuarial, Benefits and Governance Consultancy Services framework but wish to join another lot, please complete and return **Annex A Notice letter template** which is attached to your signed Members' Access Agreement.

If you have any further questions or need any further detail before using the framework, please contact us and we will be happy to help.

Email: NationalLGPSFrameworks@norfolk.gov.uk

Do you know about the other services available via National LGPS Frameworks?

**Investment
Consultancy Services**

Legal Services

**Global Custody
Services**



If you have a requirement for any of the above services and would like to find out more about National LGPS Frameworks please contact us at **NationalLGPSFrameworks@norfolk.gov.uk** or **01603 495922**

FAQs

Question 1

Who can use the framework?

A. Any administering authorities and any of their participating employing authorities as defined in the Local Government Pension Scheme Regulations 2013 SI 2013 No.2356 (as amended) and the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 as amended by SSI 2011/349;

The Committee (the NILGOSC) and employing authorities as defined in the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 / SRNI 2009/33;

The Board of the Pension Protection Fund
www.pensionprotectionfund.org.uk;

Any other administering authority or organisation of a public sector pension scheme or any public sector body that requires pensions related services; and Any Common Asset Pool or Collective Investment Vehicle established by or on behalf of an administering authority or group of administering authorities; any Local Government Pension Fund(s) or groups of Pension Funds; or any bodies, organisations or companies established by them for the purpose of operating on a collective basis.

Question 2

When can I Directly Award and when do I have to run a Further Competition?

A. You can **Directly Award** from Lot 4 'as and when' you have a specific, one-off piece of work; however if you need a longer-term arrangement you will need to run a **Further Competition**.

Lots 1, 2 and 3 are primarily **Full Service** Lots, where you can appoint a single supplier for a long term arrangement. This is done by running a **Further Competition**.

Question 3

What is the difference between the two types of Direct Award?

A. There are two methods of **Direct Award** under the National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services – **Direct Award to Single Supplier** and **Direct Award following Quotes**.

Direct Award to Single Supplier is where you invite the service provider you have identified as most suitable, using the Call-off criteria, to provide the service within a given timescale. If they are unable to supply the service then subsequent service providers in order of suitability should be invited to supply the service within the given timescale.

Direct Award following Quotes is where you write to all the service providers you have identified as capable of providing the service you require and invite them to submit a price in writing for each specific contract to be awarded. You should then choose the service provider which offers best value for money when judged by the Call-off criteria you have set out.

***Direct Award** is not suitable for longer-term arrangements i.e. anything more than a one off piece of work. In these instances **Further Competition** should be used to award your work.*

Question 4

Under the National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services are service providers scored or ranked? If so, are we under any obligation to use the highest scoring provider?

A. Service providers are not ranked within the framework. All service providers appointed to the framework are deemed capable, and therefore should be treated in the same way. The framework would not oblige you to use any specific service provider. If you wished to make an appointment under the framework you would either **Directly Award** or undertake a **Further Competition**, depending on the nature of your specific requirements.

Question 5

If a list of suitable providers is provided (un-ranked), are we able to decide which firms to invite to tender?

A. This depends on the nature of your requirements and which Lots they fall under. Lots 1, 2 and 3 are aimed at longer-term arrangements where you appoint one supplier for a set period of time. You will need to run a **Further Competition** to appoint from these Lots and it is best practice to invite all capable service providers to take part. By nature of their successful award to the framework, all service providers on the National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services are deemed capable. You would need a clear and justifiable reason to exclude any service provider.

Lot 4 is designed for one-off specialist projects and as such contracts can be **Directly Awarded** without the need for **Further Competition**.

Question 6

Will we undertake a mini selection exercise from the list of successful providers?

A. Again this depends on which Lot your requirements fall under. For Lots 1, 2 and 3 you would run a **Further Competition** based on your specific requirements and assessed by you against the criteria you refine for 'call-off' (you can introduce sub-criteria and set the weightings within the boundaries we have set). The format of the **Further Competition** is your decision; however we have included guidance and templates in the **Guide to Call-off** you receive if you choose to return a confidentiality statement.

There is also more information on how to call-off from Lot 4 in this guide, including **Directly Awarding** to a single supplier or inviting all suppliers to **Further Competition**.

Question 7

Are pension funds that use the National LGPS Framework bound by the prices set out in the tender responses, or is there scope for price negotiation at an individual fund level?

A. The prices set out in the framework are the **maximum** rates, but we would expect these to be **reduced** at Call-off stage. Please note however that this is competition not negotiation. The list of ceiling prices is fixed so that there are no hidden charges and prices are comparable and transparent.

Question 8

How much does it cost to join the framework?

A. Please see the joiner's fee details at page 15. You will only need to pay a joining fee once then you will be able to call-off from the relevant Lots as many times as you need during its lifetime. If you wish to join a further Lot you will only need to pay the difference between the lot you have joined and the Lot you wish to join.

Question 9

What do we get for these fees and why are they so different?

A. The joining fees give you access to the framework and prices (for the relevant Lots) along with all framework documentation, including the pre-agreed terms and conditions and comprehensive guidance notes. You will also benefit from the collaborative rebate structure.

The joining fee for Lots 1 and 2 is higher to reflect their longer-term 'Full Service' nature along with the main benefits of competitive framework prices that can be reduced at Call-off and removing the need for a separate, costly and time-consuming full regulation-compliant procurement exercise.

Lots 3 and 4 have a lower joining fee that covers the administrative costs of the joining process, reflecting the smaller, more specific nature of the work involved.

See the benefits section under **Why should I use this framework?** for more.

Question 10

Is there scope for us to agree/alter contractual terms and conditions, or are these essentially set at a framework level?

A. The Public Contracts Regulations 2015 (“the Regulations”) specifically state that the parties should not substantially amend the terms laid down in a framework agreement.

There is an acknowledgement though that you may need to make non-material changes to the terms (e.g. to change the time for supply of the relevant products). However, you are not entitled to make a material change to the terms (e.g. by adding a new service) to the extent that it might affect the identity of the service providers capable of meeting the requirements.

This prevents the distortion of competition by ensuring that service providers are not excluded solely on the grounds that they were unable to meet the original requirements.

Question 11

What variations will be considered non-material?

A. The regulations do recognise that the terms of a framework, or of specific contracts, may need to be supplemented in certain situations.

Where you are running a **Further Competition** under a multi-supplier arrangement, you may supplement the terms.

In these circumstances, you would do so where you need to amend the terms to ensure that they capture the requirements more precisely, or provide additional terms on the basis that these have been referred to in the framework. **This does not allow a fundamental re-write of the terms** but recognises that it is not possible or practical to attempt to make provision for every eventuality, particularly in a multi-supplier environment.

However, there is a requirement that any supplemental terms align with and are based on the terms referred to in the framework agreement or the original request for tender. It was for this reason that careful consideration was given to the development of these documents when setting up this framework.

Question 12

Will we be able to stipulate our own contract termination conditions?

A. You have the right to suspend or terminate the contract with immediate effect at any time by giving written notice to the service provider as set out in the **Call-off terms and conditions**.

Question 13

When we do our own tenders we may have a shortlist in order of highest score and use the interviews to verify the scores from the ITT, plus add an additional score, e.g. for communication. Can we still do this if using the National LGPS Framework?

A. You may wish to include service provider interviews as part of your **Further Competition** process – for example, if you want to meet your potential client relationship manager.

If you decide to include moderation interviews as part of your **Further Competition** evaluation process, you will need to invite all service providers who have realistic chance of winning (You should make it clear in your Invitation to Further Competition document who you will interview e.g. the top three scoring bids who have a realistic chance of winning).

If you choose to use interviews for clarification and to ratify the scores you have awarded as part of the Quality and Service Fit criteria again, you may not want to interview any supplier that does not have a realistic chance of winning. Whichever approach you take, you must clearly state your intentions upfront in your **Invitation to Further Competition**.

Please try to avoid carrying out unnecessary interviews for providers who have no realistic chance of being awarded a contract.

Question 14

How does the Public Services (Social Value) Act 2012 apply to Framework Agreements?

A. Procurers and commissioners must consider the provision of the Act when procuring an above threshold framework agreement for public services. The Act states that Authorities should consider economic, social and environmental aspects that can affect citizens when they are tendering for requirements. This might involve consultation with local groups and the voluntary sector.

Norfolk County Council have assessed this Framework Agreement in the context of the Act, and have determined that it meets the requirement of Economy, in that it is anticipated that it will generate savings for the public purse in the local area of each user pension fund.

It is anticipated that this will be achieved through the rebate structure and increased competition in provision of Actuarial, Benefits and Governance Consultancy services to user pension funds and authorities. In addition, this is an innovative procurement approach for the LGPS as a whole and it is anticipated it will generate savings through speeding up lengthy procurement processes for each user fund.

Glossary

Access agreement

An agreement to join the National LGPS Framework, made between an awarding authority and the letting authority (Norfolk Pension Fund in this instance). Also known as a Deed of Adherence.

Administering authority

An authority that administers a Local Government Pension Scheme (LGPS).

Award criteria

The criteria used to determine whether a service provider can meet the requirements set by an awarding authority.

Awarding authority

An LGPS authority looking to award a contract to a service provider within the National LGPS Framework.

Call-off

The act of an awarding authority procuring a service provider from the National LGPS Framework.

Call-off contract

A legally binding agreement for the provision of services made between the awarding authority and service provider.

Call-off criteria

The criteria used to evaluate service providers at the Further Competition stage.

Ceiling prices

The maximum prices that service providers can charge as part of the National LGPS Framework. These are subject to further reduction at the Call-off stage.

Collaborative rebate

All awarding authorities are eligible for an aggregated cumulative stepped rebate. This is based on the overall value of work awarded to a supplier under the National LGPS Framework, pro-rata'd across all Authorities awarding work to that supplier during the year (across both services). This will be due for cash payment as at 31 March each year for work completed and invoiced during the year.

Competitively tendered

The process of circulating detailed specification of services to a number of potential providers, who submit bids for evaluation ahead of an award being made. In this instance it refers to the process undertaken by Norfolk Pension Fund and the “founding authorities” when appointing service providers to the National LGPS Framework.

Confidentiality statement

A statement to be signed by potential joiners of the National LGPS Framework, agreeing to respect the confidentiality of any commercially sensitive information made available.

Cyclical Valuations

A valuation that is required in designated cycles. In this instance, it refers to the requirement of all LGPS schemes to get an actuarial valuation of their assets and liabilities every 3 years.

Direct award

Where a contract for services is awarded based solely on the information provided in the **Supplier Catalogues** without the need for **Further Competition**.

Further Competition (sometimes referred to as mini-competition)

Competitions run by awarding authorities in order to evaluate service providers when awarding contracts under Lots 1, 2 and 3 as part of the National LGPS Framework.

Initial competition

The procurement exercise that was carried out in order to appoint service providers to the National LGPS Framework.

Invitation to Further Competition

As part of the **Further Competition** stage, awarding authorities will invite service providers to quote for the services they have set out in their detailed requirements.

Joining fee

A one-off fee applicable to all LGPS authorities who wish to join the National LGPS Framework for Actuarial, Benefits and Governance Consultancy services.

Letting authority

The authority that provides access to the National LGPS Framework (in this case Norfolk County Council).

LGPS

The Local Government Pension Scheme.

OJEU

OJEU stands for the Official Journal of the European Union. This is where the contract notice for the National LGPS Framework was published. All public sector contracts over a published threshold are required to be published in the OJEU.

Order Form

The order submitted to the service provider by the awarding authority in accordance with the National LGPS Framework. It sets out the description of the services to be supplied including, where appropriate, key personnel, premises, timeframe, deliverables and quality standards.

Service provider

A company that provides legal services as part of the National LGPS Framework.

Terms and conditions


In this instance, the Call-off terms and conditions that, along with an Order Form, comprise a call-off contract.

Contact us

If you have any questions about the National LGPS Frameworks or would like to know more, please contact us at the following:

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