



City of Westminster

Committee Report

Decision Maker:	Pension Fund Committee
Date:	21 June 2016
Classification:	General Release
Title:	Pension Fund Investment Adviser Contract
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report, although the contract appointment will potentially result in a change in costs currently incurred by the Pension Fund.
Report of:	Steven Mair <i>City Treasurer</i> smair@westminster.gov.uk 020 7641 2831

1. Executive Summary

- 1.1 The Committee's contract with Deloitte expires on 31 October 2016. It is proposed that a tender process is to be undertaken to appoint an Investment Adviser for the Pension Fund using the National LGPS Framework.

2. Recommendation

- 2.1 The Committee is asked to:
 - (a) note this report and approve the proposed tender process using the National LGPS Framework for Pension Fund Investment Advisers, and
 - (b) Nominate representatives to the adviser presentations.

3. Introduction and Background

- 3.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations require the Pension Fund to take proper advice

when deciding how to invest the Fund's assets, deciding which investment managers to appoint and when monitoring performance.

- 3.2 Deloitte has been investment advisers to the Westminster Pension Fund since 2009. The existing extension to their contract is due to expire on 31 October 2016. Westminster's procurement rules require a re-tender as opportunities to extend have been exhausted.
- 3.3 The National LGPS Framework for Pension Fund investment advisers was set up in early 2013 by group of local authorities led by Norfolk County Council. This involved undertaking a full EU compliant procurement process and appointing six investment advisers to the framework¹. Any local authority Pension Fund can now use the framework by undertaking a mini-competition to select from the six, rather than needing to go through a full EU procurement process. This saves Pension Funds both time resource and costs when procuring investment advisers.
- 3.4 All the major providers of investment advice to local authority pension funds, including Deloitte, are on the framework and available to select from.
- 3.5 The option reported at the November 2015 meeting of a joint procurement process with the Royal Borough of Kensington and Chelsea is no longer a possibility as RBKC are unwilling to use the national framework. Therefore it is recommended that the Pension Fund Committee approve the retender process using the National LGPS Framework on a stand-alone basis.

4. Tender Process Proposal

- 4.1 A mini competition process to appoint an Investment Adviser from the National LGPS Framework will be undertaken by officers with support from colleagues in Procurement. The first stage involves the preparation of a tender document to explore each firm's capabilities together with a scoring matrix. The six firms on the Framework are then invited to submit their responses to questions around the quality of service they would provide and the prices they would charge. It is proposed that these responses are evaluated against the scoring matrix by a panel of Tri-Borough Pensions officers and ranked to shortlist the top three. The main issue when setting the scoring matrix is the allocation of marks between quality factors and price. It is proposed that 60% quality and 40% price is applied in line with Westminster's procurement policy.
- 4.2 The top three will then be invited to give a presentation to a panel made up of Pension Fund Committee members and Officers from the Tri-

¹ The six firms are: Aon Hewitt, Deloitte Total Reward and Benefits, Hymans Robertson LLP, JLT Investment Consulting, KPMG LLP and Mercer Limited

Borough Pensions team and Procurement. Following the presentations, the scoring will be reviewed in the light of new information to identify the preferred advisor. There will then be an opportunity for the preferred candidate to present to the whole Committee before the appointment is confirmed.

- 4.3 It is proposed that the presentation panel be arranged in advance of the next Pension Fund Committee meeting, which is due to be held on 20 September 2016, and the Committee is invited to nominate representatives to attend the presentations.
- 4.4 The decision to appoint the contract can then be made at the September Committee meeting. The timetable is tight and may have to be extended.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS:

The National LGPS Framework for Pension Fund Investment Advisers

APPENDICES - None