



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Jaqueline Gillies, Chief Investment Officer, Ext: 75186

Item 9

21st June 2022

AWARD OF CONTRACT: STRATHCLYDE PENSION FUND (SPF) ACTUARIAL SERVICES

Purpose of Report:

To conclude a tendering exercise for actuarial services.

Recommendation:

The Committee is asked to **APPROVE** the appointment of **Hymans Robertson LLP** to provide actuarial services.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

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1 **Background**

The Local Government Pension Scheme (Scotland) Regulations 2018 require that an administering authority must obtain:

- an actuarial valuation of the assets and liabilities of each of its pension funds both on an ongoing and a cessation basis as at 31st March 2020 and on 31st March in every third year afterwards
- a report by an actuary in respect of the valuation and
- a rates and adjustments certificate prepared by an actuary.

The actuarial valuation is of major strategic importance in:

- measuring the Fund's progress;
- managing the Fund's liabilities by setting employer contribution rates; and
- shaping the Fund's investment strategy.

Various other sections of the regulations also require the Fund to take actuarial advice. The actuary also provides some services to the Fund's employers.

2 **Current Service**

The Fund's actuarial services contract was last tendered in 2016 and Hymans Robertson LLP were retained to carry out the 2017 and 2020 actuarial valuations. Originally due to expire in 2021, the contract was extended to June 2022.

A tendering exercise to review current arrangements was included in the 2021/22 Business Plan. This exercise is described below.

3 **Tendering Process**

In line with the efficiency and effectiveness aim of the Council's Corporate Procurement and Commercial Improvement Strategy 2018 - 2022 (which promoted consideration of National and Collaborative Frameworks), it was agreed that the most appropriate procurement route to deliver this contract would be a mini-competition process under the National Local Government Pension Scheme (LGPS) Actuarial, Benefits and Governance Consultancy Services Framework Agreement ("the Framework") reference NCCT41941. Lot 1 of the Framework covers actuarial services.

4 **Service Specification**

The service specification for the tender largely replicates the services set out in the Framework with an additional clarification regarding secure electronic delivery. The full scope of services is set out in **Appendix A**.

5 **Mini-Competition**

The tendering exercise commenced on 4th April 2022 when an Invitation to Mini-Competition was issued to all 4 suppliers appointed to the Framework.

The 4 suppliers who received the mini-competition documentation were:

- Aon Solutions UK Ltd
- Barnett Waddingham LLP
- Hymans Robertson LLP
- Mercer Limited

Of the 4 suppliers, 2 submitted a tender by the 28th April deadline.

6 Award Criteria

The mini-competition documentation included a detailed scope of the services required by the Fund and requested responses to 14 technical questions designed to assess the quality of each of the suppliers' proposals, as well as seeking detailed pricing information for commercial and value for money assessment. Fair work practices (FWP) were also assessed, and details of voluntary community benefits were requested. The mini-competition award criteria were divided as follows:

Award Criteria	% split
Quality – Project Specific	55%
• Organisation	3%
• Proposed Consultant Team	8%
• Processes, Systems and Research	9%
• Actuarial Approach and Advice	26%
• Working with the Fund	9%
Quality - Fair Work Practices	5%
Price	40%
• Actuarial Valuation	12%
• Activity Pricing	10%
• Financial Reporting	18%
• Hourly and Daily Rates	Non-Scored / For information only
Total Section	100%

7 Evaluation

The evaluation panel comprising officers of the Fund assessed the tender responses and allocated a score to each candidate. CPU (GCC Central Procurement Unit) assessed the pricing and fair work practices submissions and allocated a score to each candidate.

8 Final Scores

The final scores for each candidate were as follows:

- Barnett Waddingham LLP 88.9%
- Hymans Robertson LLP 95.5%%

On the basis of the award criteria Hymans Robertson LLP tendered the most advantageous proposal for the Fund.

9 Hymans Robertson

Hymans Robertson was founded in 1921, specifically to advise public sector pension funds. Hymans is now an independent, limited liability partnership with over 1,000 staff providing pensions, investments, benefits and risk consulting services, as well as data and technology solutions. They remain at the forefront

of the LGPS market, providing actuarial services to 53 Funds including 9 of the 11 funds in Scotland.

10 Implementation

The appointment will be effective immediately upon conclusion of contract. Contract duration will be 6 years with the option to extend for a period of 4 years (6 + 4).

11 Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	Estimated value over the 10 year lifetime of the contract is £4m. A significant part of this is paid by Fund employers for services delivered to them.
<i>Legal:</i>	See paragraph 1.
<i>Personnel:</i>	None.
<i>Procurement:</i>	The procurement process is described at paras 3 to 7 above.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.

n/a

What are the potential equality impacts as a result of this report?

Community Benefit – Voluntary community benefits were included in this contract and the supplier recommended for award has offered to deliver the following community benefit outcomes over the duration of this contract:

- 1 x New Employee - Full Time Job (from Priority Group)
- 1 x New Employee - Full Time Job (non-Priority Group)
- 1 x New Employee - Part Time Job (from Priority Group)
- 1 x Apprentice New Start - Full Time (from Priority Group)
- 1 x New Entrant Graduate - Full Time (from Priority Group)
- 1 x Work Experience Placement – School
- 1 x Work Experience Placement - Non School
- 1 x Career Event

1 x Workplace Visit
1 x Community Engagement - Financial Support (minimum £1k)
2 x Community Engagement - Non-Financial Support (min. 5 hrs)

Please highlight if the policy/proposal will help address socio-economic disadvantage. See above.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify: Climate risk forms an integral part of the actuarial advice to be provided, recognising that it will affect economic growth, market valuations, inflation, employer covenant and longevity.

What are the potential climate impacts as a result of this proposal? The advice will assist with development of SPF's Climate Change Strategy.

Will the proposal contribute to Glasgow's net zero carbon target? N/a.

Privacy and Data Protection Impacts:

Member data will be exchanged securely with Hymans Robertson LLP under the scope of the contract.

12 Recommendation

The Committee is asked to approve the appointment of **Hymans Robertson LLP** to provide actuarial services.

Scope of Services

Actuarial Services including but not limited to:

- Actuarial calculations and modelling:
 - Completion of the statutory Actuarial Valuation exercise in accordance with the LGPS governing regulations (to include advising on actuarial assumptions, preparation of individual valuation positions and provision of a schedule of results and contribution rates for each participating employer if required)
- Completion of interim valuations,
- Completion of Actuarial Valuation at the date of cessation of a scheduled body or an admission body to assess any termination liabilities or credits arising
- Annual accounting valuations of pension liabilities (in accordance with FRS102 / IAS19 requirements or any such standard as is in force) - including the calculation of opening positions for new employers
- 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 an admission agreement with a contracting party or other circumstance
- Provision of appropriate actuarial factors as prescribed by the LGPS governing regulations or as requested
- Provision of modelling and projection in respect of underlying assumptions and risk strategy, including climate risk, at a fund or employer level
- Undertaking Asset Liability Studies (in line with valuation cycle or more frequently if required)
- Cashflow modelling
- Individual member actuarial calculations e.g. forfeiture
- Providing information and advice:
 - Advice on exit agreements
 - Advice on changes in status of employers
 - Advice on the management of closed employer liabilities and fund participation
- Actuarial advice in relation to outsourcing/reshaping service delivery (including staff transfers and changes in workforce profile)

Scope of Services

- Advice on employer admissions and other forms of employer entry
- Actuarial advice to new or existing participating employers
- Supply of scheme communication, advice and training
- Provision of data information (including data validation advice) to funds and their employers
- Advice on funding policy implications of investment strategy changes
- Preparation of pensions information on behalf of participating employers for inclusion in their tender documentation when letting services that includes the transfer of staff who are members of the LGPS
- Advice on approaches to risk sharing
- Provision of funding and contribution strategy advice and advice relating to policy documents
- Provide advice on the fund on GAD analysis under Section 13 of the Public Service Pensions Act
- Implications of regulatory change and legal impact
- Advice and support on compliance with regulatory requirements
- Support in respect of appropriate pensions taxation matters
- Working with stakeholders:
 - Providing responses to auditors of administering authorities and participating employer bodies in respect of the financial reporting of Pensions and any other matters arising
- Liaising with GAD in relation to Section 13 of the Public Service Pensions Act
- To act as expert witness (in case of arbitration, regulatory or other)
- Support for all associated stakeholders as required including but not limited to scheme members, pension boards, section 95 committees and employers
- Reviewing processes, structures and policies:
 - Funding Strategy Statement preparation and advice
- Support in relation to any funding and associated KPIs (whether set by the Scheme Advisory Board or GAD)
- Supporting projects and provision of services:

Scope of Services

- Employer covenant analysis and funding policy implications where appropriate
- Employer risk analysis and funding policy implications where appropriate
- Supporting notional segregation of employer assets and/or liabilities within the fund e.g. in support of employer specific funding strategy
- Merging of funds or the combination or disaggregation of employers and any consequent movements between funds
- Supporting notional segregation of employer assets and/or liabilities within the fund e.g. to support employer specific funding strategy, to track assets for accounting purposes

Further Specification

The Fund requires a provider who can demonstrate the following:

- Digital service delivery including a secure online interface between the Fund and the provider to facilitate
 - delivery and storage of data and documents; and
 - provision of calculations and modelling including real-time estimates of Fund and employee funding levels.
- Unitisation processes for the calculation of individual employer asset shares.
- An integrated risk management approach encompassing funding, investment, and covenant risk.