

PROCUREMENT OF ACTUARIAL SERVICES

Introduction

1. In July 2018, the Council, on behalf of the Pension Fund, awarded a contract to Hymans Robertson and Co for the provision of actuarial and benefit consultancy services by way of call off from the Actuarial and Benefit Services Consultancy Framework.
2. The initial period of the contract was until 31 December 2019 with the option to continue on a rolling basis subject to six months' notice. Given the critical timeline to deliver the 2019 triennial valuation the contract has continued. As the triennial valuation is now complete it is timely to launch a tender to procure a new contract.
3. The value of the contract spend is such that Public Contract Regulations apply. The key regulatory principles of openness, transparency and equal treatment of suppliers will underpin the procurement approach.
4. This report sets out the proposed approach to the re-procurement.

Recommendation

5. The Committee is asked to endorse
 - the proposed procurement approach set out in the report, including the indicative timeline, and
 - the proposed approach to Committee involvement in the selection process

Proposed Approach

6. The proposal is to call off a new contract following a further competition using the national LGPS Actuarial, Benefits and Governance Consultancy Services Framework.
7. The LGPS community has established multi-user, multi-provider national LGPS Procurement Frameworks which are open to all LGPS fund authorities. The frameworks are compliant with Public Contract Regulations and enable LGPS funds to reduce procurement timescales significantly.
8. The frameworks have the advantage of prior vetting such that all suppliers who have been accepted onto the framework are able to deliver all the services listed at a generic level. Clearly there will be qualitative and pricing variations between suppliers which will be examined as part of further competition.
9. The Fund has experience of using these national frameworks and is a founding partner in a new framework for pension database services for which tender evaluation is ongoing.

10. The Actuarial, Benefits and Governance Consultancy Services Framework was launched in 2016 and is available until 30 June 2020. Contracts awarded under the framework may be for a period of up to 7 years.

11. The framework is split across four lots:

Lot 1	Actuarial Services	Lot 3	Governance Consultancy
Lot 2	Benefits Consultancy	Lot 4	Consultancy to Support Specialist Projects

12. The Fund will call off Lot 1 – Actuarial Services. There are four service providers on Lot 1 of the Framework, these are (in alphabetical order): Aon; Barnett Waddingham; Hymans Robertson and Mercer. All four suppliers will be invited to participate in a further competition under the Framework provisions.

13. The framework sets specific requirements for the management of further completion from the framework. Key steps are

Define service requirements

13.1 The list of core services included in the Lot 1 specification is attached at Appendix A. This comprehensive list will be clarified to reflect particular local requirements e.g. to specify where digital provision of outputs and reports is required.

Define any special contractual terms

13.2 The standard framework terms will be supplemented by the Council's standard terms in relation to GDPR and ICT Security Contract

13.3 It is proposed that, as now, the contract will provide for annual indexation of charges (CPI is the specified Index in the framework).

Set evaluation criteria

13.4 The Framework sets maximum and minimum ranges that can be applied to evaluate different elements of submissions. These ranges are:

Evaluation Criteria	Range %	Proposed Weighing
Quality Offered	Can be between 20% and 40%	30%
Service Fit	Can be between 20% and 40%	40%
Value for Money	Can be between 20% and 40%	30%
Total		100%

13.5 Appendix B sets out the proposed further sub-criteria questions and weighing proposed for each section. These may be further refined with advice from Procurement and Legal colleagues.

Interviews

13.6 It is proposed to include presentations to the Committee as part of the tender. The framework guidance advises that where presentations are used, only service providers who have a realistic chance of award should be invited and the numbers to be invited should be made clear in the Invitation to Further Competition document.

13.7 Presentation would need to take place in early May 2020 and is likely to require an additional meeting. Further briefing will be provided for members on their role in the evaluation process.

Procurement timeline

14. Officers, with advice from the Director of Governance are developing the detailed documents to be issued to suppliers. The key steps and the proposed approach are summarised below.

15. The indicative procurement timeline is set out in the table below.

Task	Proposed Dates 2020
Further Competition Issued	Friday 20 March
Deadline for Clarification questions	Wednesday 8 April
Issue responses to clarifications	Wednesday 15 April
Deadline for Further Competition responses	Wednesday 22 April
Bidders Interviews	May tbc
Contract award	June tbc
Contract Start	June tbc

Appendix A
Lot 1 – Actuarial Services Specification

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)
- 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
- Support for the management of ill health costs including an actuarial approach for enabling the use of an ill health insurance product or equivalent alternative solution
- Inter-valuation monitoring of funding position

Appendix B
Evaluation Criteria
Proposed Sub Criteria & Weightings

Quality – 30%

The proposed weighting applied to each of the quality sub criteria is shown in the table below:

Quality - Indicative	30% of total marks weighted as below
Question 1: Structure/Resourcing	15%
Question 2: Resourcing	12%
Question 3: Resilience	10%
Question 4: Development of LGPS	6%
Question 5: Quality assurance	17%
Question 6: Turnaround times	10%
Question 7: Data quality	15%
Question 8: Communications	15%
	100%

Service Fit – 40%

The proposed weighting applied to each of the Service Fit sub criteria is shown in the table below:

Service Fit - Indicative	40% of total marks weighted as below
Question 9: Transition	8%
Question 10: Partnership	5%
Question 11: Client management	8%
Question 12: Actuarial methodology and assumptions	15%
Question 13: Self-service tools	8%
Question 14: Data transmission	8%
Question 15: Employer valuations	8%
Question 16: Unitisation	5%
Question 17: Employer covenant	5%
Question 18: Presentation to Pension Fund Committee	30%
	100%