

**REPORT TO:** PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD – 25<sup>TH</sup> MARCH 2019

**REPORT ON:** PROCUREMENT FOR CONSULTANCY SERVICES TO SUPPORT SPECIALIST PROJECTS – UNDERTAKING A SCHEME EMPLOYER COVENANT REVIEW

**REPORT BY:** EXECUTIVE DIRECTOR OF CORPORATE SERVICES

**REPORT NO:** 132-2019

**1 PURPOSE OF REPORT**

This report seeks approval to grant delegated authority for the Executive Director of Corporate Services in respect of the procurement exercise for Covenant Review Services.

**2 RECOMMENDATIONS**

It is recommended that the Sub-Committee delegate authority to the Executive Director of Corporate Services to appoint a service provider to undertake an exercise to review the covenants of the employers of Tayside Pension Fund following the outcome of a National LGPS Framework mini-competition. The outline details of the mini-competition are contained within the report.

**3 FINANCIAL IMPLICATIONS**

The service price will be based upon Fund specific service schedules. Each pricing element will be evaluated separately with the most favourable price being allocated the maximum available points. Each of the other tenders will be awarded marks in proportion to this price, so that, for example, a price that is 10% more expensive will receive 10% fewer marks, one that is 20% more expensive will receive 20% fewer marks, etc.

**4 BACKGROUND**

The introduction of the National LGPS Framework in 2013 for Investment Consultancy Services has facilitated procurement for services saving both time and costs associated with procurement by offering a facility that has already been competitively tendered, thus removing the need for OJEU process which that comes with agreed terms and conditions provided. This will be the second time that Tayside Pension Fund has used this particular framework for service procurement. The current core contract period for investment consultancy services has now expired, and the Fund wishes to use this as an opportunity to re-tender for services more suited to the Fund's changing needs.

The National LGPS Framework has been extended over the last 5 years, and there are now individual lots within the framework for all LGPS service requirements. Tayside have used these for Pension Investment and Administration, Custodian Services, and Legal Services since their introduction, and now for specialist projects such as Employer Covenant Review.

Employer covenant is the extent of the employer's legal obligation and financial ability to support the scheme now and in the future. Assessing the covenant is about understanding the extent to which the employer can afford to support the scheme now and in the future, including the risks to this support being available when it is needed. It should focus on the ability of the employer to make the cash contributions to the scheme to achieve and maintain full funding over an appropriate period, including addressing reasonable downside risks. The covenant should be assessed and monitored with a level of detail and frequency proportionate to the circumstances of the scheme and employer.

Whilst the Fund does not have to eliminate all risks to the scheme, The Pensions Regulator states that it is vital that Funds understand and actively manage the risks they are taking. The Pensions Regulator also recommends that pension funds should undertake a full covenant review at each valuation, as covenants can change quickly and this can have implications for investment and funding strategies. Pension Funds should therefore monitor the covenant regularly between formal reviews and have well developed contingency plans so they can take prompt and effective action when required.

**5 TENDERING EXERCISE**

**5.1 Procurement Timeline**

An 'Invitation to Quote' has issued by way of a mini-/further competition based on and under the Framework referred to above. The following sets out the timeline for the exercise:

1	Further Competition Issued	22 <sup>nd</sup> February 2019
2	Deadline for Clarification questions	8 <sup>th</sup> March 2019
3	Issue responses to clarifications	Within 3 days of receipt
3	Deadline for Further Competition responses	11 <sup>th</sup> March 2019
4	Evaluation	12 <sup>th</sup> March – 22 <sup>nd</sup> March 2019
5	Presentation to Officers	27 <sup>th</sup> March 2019
6	Issue intention to award letters	1 <sup>st</sup> April 2019
7	Standstill Period	2 <sup>nd</sup> April – 7 <sup>th</sup> April 2019
8	Contract Award	12 <sup>th</sup> April 2019

## 5.2 Selection Process

The best Quotation will be selected on the basis of the most economically advantageous Quotation, having regard to the price and quality of the Bidder's offer. The overall weighting for evaluation of the Quotes will be on the basis of a price/quality split between the following criteria, with the top 3 scored bidders will be invited to a presentation / moderation interview:

Criteria	Weighting
Quality	40%
Service Fit	40%
Price: Value for Money	20%
Total	100%

## 5.3 Service Specification

The successful candidate will be required to assess the covenant and associated risks of the admitted bodies specified within the tender documents, to evaluate their ability to pay deficit recovery contributions and/or exit cessation costs as they fall due in order to protect all scheme member benefits. The successful candidate will provide comprehensive analysis, clear conclusions, key risks and recommendations. The review is to be conducted in line with the regulatory guidance as specified by the Pensions Regulator in its document 'Assessing and monitoring the employer covenant'.

## 7 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

The major issues identified relate to Risk Management and these are addressed in the Risk Register.

## 8 CONSULTATION

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

## 9 BACKGROUND PAPERS

None