

ITEM No ...6.....

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES
COMMITTEE & PENSION BOARD – 3rd SEPTEMBER 2018**

REPORT ON: APPOINTMENT OF INVESTMENT CONSULTANT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 276-2018

1 PURPOSE OF REPORT

This report informs the Sub-Committee of the appointment of KPMG as Investment Consultants for Tayside Pension Fund for a period of 3 years with a further 2 year extension based on satisfactory performance. This contract commenced on 2nd July 2018.

2 RECOMMENDATIONS

The Sub-Committee is asked to note the contents of the report.

3 FINANCIAL IMPLICATIONS

Although costs for the service above are on a fixed fee basis of £28,500, presenting a saving of £6,500, the overall cost of service will be based on usage in line with the strategic and operational needs of the fund which cannot be easily quantified, however all standard service costs are provided thus enabling transparency of charges prior to initiating consultation.

4 BACKGROUND

AON Hewitt had been incumbent Investment Consultants to Tayside Pension Fund since 2013. Following completion of contract, a full tender was undertaken.

The introduction of the National LGPS Framework 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 and that comes with agreed terms and conditions provided. Tayside Pension Fund also used this framework for the previous investment consultant tender as well as for a number of other pension related services.

5 TENDERING EXERCISE

The procurement exercise was initiated in May, with subsequent evaluation and interviews held on 8th June 2018.

In response to an advertisement of mini competition on Procurement Scotland Portal, responses were received from PWC, KPMG, Mercer, and Hymans Robertson. Following an initial evaluation, the top 3 responses were invited to make presentations to officers.

The tender criteria was assessed over 3 categories and weighted as follows:

Price (based on schedule of recognisable services)	30%
Quality (based upon investment knowledge, skill and focus)	50%
Service Fit (demonstrating ability and approach specific to fund)	20%

6 CONCLUSIONS

The results of the evaluation described above are as follows:

Overall Evaluation				
	KPMG	Mercer	PWC	Hymans
Price 30%	11.62%	25.58%	-51.07%	19.33%
Quality 50%	45.20%	31.60%	35.60%	38.60%
Service Fit 20%	19.40%	12.00%	no interview	17.20%
Total %	76.22%	69.18%	-15.47%	75.13%

Rank	1	3	4	2

KPMG demonstrated a detailed knowledge and in-depth understanding of the fund in relation to its current asset allocation, funding position and performance measurement of managers, as well as the investment style and strategies employed. They provided clear reasoning on topical issues and focussed on specific risks. The provided well thought out strategic and operational solutions demonstrating their investment skills and experience especially tailoring to suit the specific needs of Tayside Pension Fund.

Their overall approach provided officers with reassurance of their depth of resource and the quality and level of service provided to consultancy clients.

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.

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

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

28 AUGUST 2018