Havering
LONDON BOROUGH

PENSIONS COMMITTEE 13 MARCH 2018

Subject Heading:	**INVESTMENT MANAGEMENT CONSULTANCY SERVICES – EXTENSION TO EXISTING CONTRACT**
CMT Lead:	**Debbie Middleton**
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Policy context:	In line with Regulation 7 of the Management & Investment Regulations 2016, authorities taking proper advice,
Financial summary:	One year extension to cost in the region of £60,000

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report informs the Committee of the decision to extend the investment Adviser contract for a further year until 31 March 2019.

RECOMMENDATIONS

It is recommended that the Committee:

Note the approval of a one year extension of the existing contract for the provision of Investment Advice with Hymans Robertson LLP for the period April 2018 to March 2019.

REPORT DETAIL

1. Background

1. Hymans was appointed to provide Investment Advisory services to the Havering Pension Fund for the period commencing on the 1st April 2012. The contract is to run from 1st April 2012 until 31st March 2017 unless terminated or extended by the Council in accordance with the terms of the contract.

2. The contract has an option to be extended for an additional period of up to two years with written consent of both parties, no later than three months before expiry.

3. At the Pensions Committee held on the 22 November 2016 it was agreed for the contract to be extended for a period of one year in order to make use of the new Investment Management Consultancy National Framework due to be issued during 2017 and to avoid conflict with a number of external priorities expected at the time.

4. It was also envisaged that a joint procurement could be undertaken with our onesource partner Newham and extending the contract for one year would tie in with the Newham's Investment Adviser contract end date.

5. The current extended contract expires on the 31 March 2018 but still has an option to extend for a further 12 months.

5. At Pensions Committee meeting held on the 21 November 2017, members agreed to undertake the procurement of an Investment Adviser for the Pension fund ("the Fund") by joining the National Framework and hold the service provider interviews before the Pensions Committee as part of the further competition process.

6. Following the Committees decision on the 21 November 2017 a procurement process commenced and invitations to tender for the services of Investment Adviser was issued on the 19 January 2018 with a closing date of 23 February 2018.

7. Since the invitations to tender were issued the London CIV published a consultation on 9 February 2018 which aims to clarify the purpose of the London CIV and set out the direction of its future strategy. The consultation closes on the 28 February 2018 and proposes that any new arrangements could be in place by the end of 2018.

8. The consultation follows a governance review undertaken by Wills Towers Watson and indicated a need for the London CIV to change its Governance arrangements and clarify its purpose and future strategy. The LCIV proposed strategy for consultation can be found in another report on this same agenda.

9. In view of the announcement from the London CIV, officers in consultation with the Section 151 officer believed that the best outcome at this time was to defer the procurement of an Investment Advisor until 2019 whilst we await the outcome of the London CIV future strategy and direction consultation. We can then assess whether this impacts on the role that the Investment Adviser may have in supporting our Fund and whether the framework still matches those service needs.

10. **Reasons for deferring procurement at this stage:**

    a. The Investment Adviser has developed a good understanding of the Committee's requirements and there are significant benefits to be had from service continuity at this time. Changing Investment Adviser at this point could be a distraction when the strategic imperative is to ensure that we are monitoring the London CIV and making sure the outcomes of the consultation is in the best interest of the Fund.

    b. Hymans are also currently facilitating progression of the investment Strategy adopted by the Committee during 2017- the Private Debt and Real Assets implementation and completion of other current projects – if we switch Investment Advisers at this stage there is a risk we lose impetus (should Hymans be unsuccessful) thus delaying implementation, returns being compressed and the Fund potentially losing out.

    c. Until the consultation has concluded we don't know what direction or changes will be adopted by the London CIV so it will be difficult to procure services at this point in time. There is a risk that we contract for services that duplicate what the London CIV is doing and if we enter into a minimum five year contract with the Investment Adviser now we might miss out on potential savings.

    d. The Pensions Committee previously agreed that the service provider interviews were to be held before the Pensions Committee as part of the further competition process and were keen to be involved in the evaluation and scoring process, therefore it may be also be appropriate to await the outcome of the local elections in case the results mean a change to the committee membership.

11. The Investment Adviser's performances was last reviewed in November 2017 with Officers and the Pensions Committee being satisfied that Hymans delivers a good service and have continued confidence in the advice being given.

12. Due to the timescales involved Officers sought agreement from the S151 Officer and Chair of Pensions Committee to defer the procurement and extend the existing contract for a further year until March 2019.

IMPLICATIONS AND RISKS

Financial implications and risks:

The cost of Investment Advisory services from October 2016 to September 2017 was £58,895 (period of review) - (prior review year £32,755).

The cost of the Investment Adviser contract is met from the Pension Fund.

There is the facility to extend the existing Hyman's contract by one year and still be compliant with Procurement regulations

Legal implications and risks:

As stated in the Report, the existing contract may be extended by written consent of both parties for a period of up to two years, provided notice is given at least three months before the expiry date, which means that there is sufficient time to extend. There are no apparent legal implications if the extension is granted as recommended.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

There are no equality implications or risks as a result of this report.

Pensions Committee 13 March 2018

BACKGROUND PAPERS

Background Papers List

None