

Subject	Procurement of Actuarial Services	Status	For Publication
Report to	Authority	Date	9 th December 2021
Report of	Director and Head of Pensions Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director Jason Bailey Head of Pensions Administration	Phone	01226 666439 01226 666431
E Mail	ggraham@sypa.org.uk jbailey@sypa.org.uk		

1 **Purpose of the Report**

- 1.1 To formally report on the conclusion of the procurement process for actuarial services.

2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Note the outcome of the procurement process for actuarial services**

3 **Link to Corporate Objectives**

- 3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers).

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

4 **Implications for the Corporate Risk Register**

- 4.1 The effectiveness of the Authority's arrangements for securing actuarial services impact a number of risks included in the Corporate Risk Register, including those associated with contribution affordability.

5 Background and Options

- 5.1 At its meeting on 30th September 2020 the Authority agreed to undertake a new procurement process for actuarial services using the (then) soon to be completed new national framework agreement covering these services. The motivation for undertaking a further procurement was a combination of a desire to seek opportunities to improve the service provided to employers through making greater use of technology in supporting the actuarial process combined with a wish to better control what can be a significant cost both to the Fund and for some pieces of work for employers. All of the actuarial firms supporting the LGPS have made progress in both these areas since the last procurement undertaken by SYPA.
- 5.2 Following the new framework going live in July 2021 an invitation to further competition was issued to the four qualified actuarial firms on 13th September 2021 with three bids being received by 11th October. The bids were evaluated, and interviews held with the three bidding firms before a decision was made.
- 5.3 The nature of the national LGPS frameworks is that the process used to construct them provides a choice of providers (in this case 4) technically capable of providing the relevant services allowing the buyer to run a further procurement focussed on assessing the differentiating factors which are important to them. Given the drivers for undertaking the procurement this led the Authority to focussing the quality aspect of the process on the delivery of service and technological improvements to the actuarial process and weighting this equally with price.

Having reviewed the requirements set out by the Authority one provider chose not to participate further in the process on the basis of their own commercial judgement as to their likelihood of success. This is unfortunate in terms of reducing the level of competition, but providers have to make their own commercial judgements.

Provider	Overall Ranking	Quality Ranking	Price Ranking
A	Third	Third	Third
B	Second	Second	Second
C	First	First	First

- 5.5 While there were some differences in the quality scores all three providers would have provided access to technological innovations which would represent a step forward from where we are now. It is also the case that in terms of the actuarial teams being put forward all three firms put forward what would be regarded as their leading LGPS teams, perhaps reflecting the fact that given our size SYPA is regarded as something of a “catch” in the marketplace. The successful provider was differentiated by the fact that they could provide a number of the new tools from day one and had a very clear development path supporting a movement to employer and client self-service for a range of tasks.
- 5.6 In terms of price actuarial services are not a fixed fee type contract and the process uses the costs of typical actuarial functions (such as the triennial valuation) to evaluate price. The successful provider was ahead of the other two on price, and given this, officers questioned them on the assumptions used in their price submission. Given the diversity of the tasks that the actuary may be required to perform for the fund, any of the bids would have carried a risk of actual costs not being in line with the proposal.

However, the main functions carried out on behalf of employers and the fund include fixed pricing and the controls proposed by the successful provider in relation to the agreement of variations provide appropriate mitigation.

- 5.7 The successful provider is Hymans Robertson LLP, a Glasgow based actuarial practice, who provide actuarial services to around half of the LGPS, who have been appointed for an initial period of five years. The nominated Fund Actuaries are Catherine McFadyen who is a Partner and Head of the firm's LGPS Consulting Practice and Douglas Green who is a Partner, CV's are attached in the Appendix. The Firm puts forward two individuals to act as Fund Actuary in order to ensure cover and also, given the number of LGPS clients that they advise, to assist in managing potential conflicts of interest (for example where they are advising both the sending and receiving funds involved in a bulk transfer).
- 5.8 The procurement process has now concluded and the process of transition from the incumbent to the new provider has begun. The process has reinforced our understanding that the market had moved on in terms both of the nature of service provision and the cost of the service since the previous procurement was carried out in 2017. The delivery of these benefits will be based on the improvements in technology, and in increased levels of self-servicing, which will be an area of significant focus going forward.

6 **Implications**

- 6.1 The proposals outlined in this report have the following implications:

Financial	There will be some reduction in costs charged to employers for activities such as accounting disclosures and the arrangements involved in admitting contractors to the Fund. While at individual employer level these will be relatively small, they will be noticeable and in aggregate are likely to be material. In terms of the costs chargeable to the Fund these are likely to reduce materially in relation to the 2022 Valuation Process as well as future valuations.
Human Resources	None
ICT	None. The contractual documentation includes appropriate requirements in terms of data protection and GDPR.
Legal	None specifically. The detailed contractual terms are set out in the framework agreement.
Procurement	The procurement was carried out using a fully compliant national framework specifically designed by and for the LGPS.

George Graham

Director

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	Place of Inspection