

**Pension Fund Committee**  
Meeting to be held on 15 July 2011

Electoral Division affected: All
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**Strategy for the Procurement of Governance and Proxy Voting Services**  
(Appendix A refers)

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**Executive Summary**

The current contract with Pension Investment Research Consultants (PIRC) for corporate governance advisory services is due to end on 30 June 2011. Under procurement guidelines it is good practice to market test the provision of these services and it is recommended that a mini competition procurement exercise is run to ensure the Fund receives the best value service. The current contract with PIRC will be extended to ensure services are in place whilst the procurement exercise is run.

**Recommendation**

The Committee is asked to approve the attached procurement procedure for the appointment of corporate governance and proxy voting advisors, and the short term extension of the current contract with PIRC.

**Background and Advice**

PIRC have provided corporate governance services to the fund since 2003. The current contract includes the provision of voting advice and corporate governance company reports relating to the UK FTSE Allshare, the US S & P 500 and the Eurofirst 300 index. The service also includes the provision of PIRC alerts, a weekly newsletter on current issues in corporate governance and socially responsible investment and also the County Council is entitled to two free places at any conferences PIRC organises on issues of corporate governance. The Fund's investment managers vote on the Funds behalf based on PIRC recommendations.

The Fund's current contract with PIRC is due to expire on 30 June 2011 and it is proposed that the contract be temporarily extended until the procurement process recommended in this report is completed.

A review of this service has shown that the Pension Fund only requires reports for approximately 300 companies rather than the 1,000 that are currently being received and that current best practice is to allow PIRC to vote on behalf of the pension fund. Initial research has indicated that the current arrangements are not in line with best practice and not arranged in the most cost effective way. A revised service could lead to approximately £17k cost saving to the Fund.

The Committee is asked to approve the procurement procedure detailed at Appendix 'A', the short term extension of the current contract with PIRC and the subsequent appointment of corporate governance and proxy voting advisors.

### **Consultations**

Investment Panel.  
One Connect Ltd Procurement Centre of Excellence.

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

No significant risks have been identified.

### **Procurement**

It is best practice to review and re-tender services, usually this should be carried out every 5 years.

### **Financial**

Research indicates a potential to achieve cost savings of the order of £17k by adopting a more up to date set of arrangements for this service.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Directorate/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A