

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

|                                     |
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| Electoral Division affected:<br>All |
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## **Award of the Contract for Actuarial Services**

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### **Executive Summary**

The contract for provision of actuarial services to the Lancashire County Pension Fund has not been formally tendered for some time. As part of the ongoing work to establish collaborative working with neighbouring funds and to formalise the Fund's contractual relationships the Committee has previously approved the undertaking of a joint procurement with the Cumbria and Merseyside Funds. This process has been led by the Merseyside Fund and this report summarises the results of the process and recommends the appointment of the new Fund Actuary.

### **Recommendation**

The Committee is asked to note the conclusion of the process for procuring actuarial services for the Fund and the appointment of Mercer as the Fund Actuary for a period of three years with the option to extend for a further three years.

### **Background and Advice**

The current arrangements for the provision of actuarial services to the Lancashire County Pension Fund are less formal than would be desirable and have been due for exposure to competition for some time. As a result the Pension Fund Committee approved a joint procurement with the Cumbria and Merseyside Funds.

While the Merseyside Fund has led the procurement process all three funds have participated in the evaluation and scoring of the formal proposals and presentations and have come to a common recommendation which will be processed through the relevant decision making processes.

At an early stage the basis for evaluation was agreed as 65% quality and 35% price reflecting the fact that in this particular type of contract the quality of advice can have far greater financial consequences than the simple price of the service. The quality of provision was assessed based both on the tender submissions and a series of presentations by the staff who would be involved in delivering the contract.

All four actuarial firms that are active in the local government market submitted bids, with the nature of the team's put forward and the pricing indicating the benefits of a collaborative procurement of this nature. Other than the successful bidder the firms are not identified below, as this report will be published prior to detailed feedback being provided to the unsuccessful firms.

The overall scores at the end of the procurement process were as set out in the table below:

|               | Firm A | Firm B | Firm C | Firm D |
|---------------|--------|--------|--------|--------|
| Quality Score | 51.01  | 44.69  | 60.92  | 65.00  |
| Price Score   | 25.67  | 20.22  | 35.00  | 32.48  |
| Total Score   | 76.68  | 64.90  | 95.92  | 97.48  |
| Rank          | 3      | 4      | 2      | 1      |

The conclusion of the evaluation panel was that Firm D, Mercer should be appointed for a term of three years with the option to extend for a further three years. The County Treasurer approved this under the new arrangements for procurement on 15<sup>th</sup> June 2011. Following the approval by the Merseyside Fund, the standstill period required under EU law has now expired and the contract can commence.

The officers involved in the process have concluded that there is likely to be significant advantage for all three funds in managing this contract collectively, both to reduce the overall effort involved but also to ensure that all three funds gain the benefit of new developments as they occur.

### **Consultations**

County Secretary and Solicitor in terms of procurement law.

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

The procurement process led by the Merseyside Fund has been conducted in line with EU procurement law so as to mitigate the risk of challenge.

The implementation plans for the contract would have catered for the various risks which exist around the transition from one provider to another, although in the event this is unnecessary.

## **Financial**

The new contract provides considerably more cost certainty than the previous arrangements with more tasks dealt with as part of a menu of prices rather than on a time and materials basis. In addition for some items such as the annual calculation of liabilities for accounting purposes the unit cost within the menu of prices has reduced considerably due to the various firms improving their working practices and use of technology. Thus overall considerable savings are forecast, although ultimately this will depend upon the volume of activity required of the actuary over the contract period.

## **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