

# WIRRAL COUNCIL

## PENSIONS COMMITTEE

25 JUNE 2012

<b>SUBJECT:</b>	<b>APPOINTMENT OF A PROVIDER OF GLOBAL CUSTODY SERVICES</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>ACTING CHIEF FINANCE OFFICER</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	
<b>KEY DECISION</b>	<b>NO</b>

### 1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Members of the outcome of a procurement process to appoint a provider of global custody services to the Merseyside Pension Fund and to recommend that Members approve the award of the contract. The detail of the recommendation is provided in an exempt report.
- 1.2 The exempt report contains information which is exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 On 20 March 2012 Pensions Committee received an update on the procurement exercise for global custody services and approved an extension of the contract with the existing service provider (State Street) to 31 December 2012. The procurement exercise has now been completed and the full results are given in an exempt report.
- 2.2 The services of the global custody provider are considered to be a critical component of the Fund's mitigation of operational risk. The custodian is responsible for safekeeping assets, processing investment transactions, collection of entitlements and comprehensive accounting and reporting services. The custodian also provides certain value-added services, including participation in securities lending, which generates an income stream for the Fund.
- 2.3 The Invitations To Tender (ITT) were issued to a pre-selected short-list of four bidders on 16 January 2012. The services of a specialist in global custody services (from Aon Hewitt) were used to prepare the ITT document, which comprised a detailed questionnaire covering all aspects of the services required. Responses to the ITT were received on 21 February 2012 and officers assessed these during March, as well as carrying out a series of site visits. The assessment process culminated in a series of interviews on 18 April 2012.

- 2.4 The bids were evaluated on price (35%) and quality (65%). Details of the assessment criteria and method of assessment are given in the exempt report. The most economically advantageous tender based on these criteria has been selected, which also has the lowest price submission.
- 2.5 The contract will run for three years, with an option to extend for a further three years.

### **3.0 RELEVANT RISKS**

- 3.1 The provision of global custody services is of critical importance to the operations of Merseyside Pension Fund. Any recommendation arising from this procurement process has the potential to be disruptive. The risks are mitigated by the timing of the procurement exercise to ensure continuity of service and the use of open market competition to ensure that MPF obtains value for money. The extension of the contract with the existing provider should mitigate this risk by providing the internal team with time to prepare for any change, should that be necessary.
- 3.2 The procurement exercise has been carried out with support from the Procurement Unit, to ensure compliance with EU procurement regulations. This mitigates the risk of challenge.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 No other options have been considered as MPF requires global custody services and it is necessary to tender at this time as reported previously to Pensions Committee.

### **5.0 CONSULTATION**

- 5.1 There has been no consultation undertaken or proposed for this report. There are no significant implications for partner organisations arising out of this report.

### **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 6.1 There are none arising from this report.

### **7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 7.1 All of the bids submitted represent a saving to MPF versus current budget provision. Existing provision can meet any staffing or IT resource implications.

### **8.0 LEGAL IMPLICATIONS**

- 8.1 There are none arising from this report.

### **9.0 EQUALITIES IMPLICATIONS**

- 9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

### **10.0 CARBON REDUCTION IMPLICATIONS**

- 10.1 There are none arising directly from this report.

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are none arising from this report.

## **12.0 RECOMMENDATION**

12.1 That Members appoint the firm recommended in the exempt report to provide global custody services to the Merseyside Pension Fund.

## **13.0 REASON FOR RECOMMENDATION**

13.1 Global custody services are considered essential for operational effectiveness and risk management at Merseyside Pension Fund.

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## **APPENDICES**

None

## **REFERENCE MATERIAL**

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Pensions Committee, Global Custodian Services</b>	<b>20 March 2012</b>
<b>Pensions Committee, Global Custodian Services</b>	<b>29 March 2011</b>
<b>Pensions Committee, Global Custodian Services</b>	<b>17 November 2009</b>