



PENSIONS COMMITTEE

18 MARCH 2025

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| REPORT TITLE: | ACTUARIAL CONTRACT AWARD |
| REPORT OF: | DIRECTOR OF PENSIONS |

REPORT SUMMARY

This report informs Members on the outcome of a recent procurement in respect of the provision of actuarial and benefit consultancy services to the Pension Fund.

Utilising the National Local Government Pension Scheme (LGPS) Frameworks, the four providers on the framework were notified in 2024 of the Fund's intention to procure services via a process of further competition, with the activity taking place during January/February 2025.

Two providers responded to the further competition, and following, an evaluation of responses the highest ranked provider regarding the 'Most Economically Advantageous Tender' was Mercer Limited. The two providers who responded to the further competition have both been informed of the outcome of the procurement.

RECOMMENDATION

Pensions Committee is recommended to:

- (1) Endorse the procurement process outlined within this report pursuant to the Actuarial Services Framework;
- (2) authorise the appointment of Mercer Limited as the most economically advantageous tenderer pursuant to a mini competition as the Fund's actuary for a contract period of ten years.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 Merseyside Pension Fund requires the professional services of an actuary to carry out the triennial actuarial valuation of the Fund and a variety of other tasks, including consultancy services, ad-hoc advice and guidance regarding the provision of pension benefits and tax related matters to members.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Conducting the procurement activity via the National LGPS Frameworks was the most cost-effective and time-efficient means of accessing the marketplace.
- 2.2 The alternative would have been for the Fund to conduct a full tender process under the Public Contracts Regulations 2015, which, given the contract value, would require publication in the Official Journal of the European Union (OJEU) to invite interested suppliers to participate.

3.0 BACKGROUND INFORMATION

Actuarial Services

- 3.1 The main function of the Fund Actuary is to carry out the statutory triennial actuarial valuation of the Pension Fund. The actuarial valuation sets out the Fund's assets and liabilities, based on a set of actuarial assumptions, and reviews the financial position of the Fund. It also sets the contribution rates for each employer in the Fund for the following three years.
- 3.2 In addition to the triennial valuation, the Actuary also carries out accounting valuations for the Fund and the Fund's constituent employers on an annual basis.
- 3.3 The Actuary will also advise on the content of the Funding Strategy Statement, carry out employer risk assessments, exit calculations, cash flow analyses and assessments of the cost of pension arrangements for any new admitted bodies resulting from Councils outsourcing services.

National LGPS Frameworks

- 3.4 The national LGPS frameworks are the result of collaboration between a number of LGPS funds with procurement, legal and project management support provided by Norfolk County Council. They are a direct example of funds with shared interests collaborating effectively to deliver benefits locally and nationally across the entire LGPS.
- 3.5 The benefits of using a framework agreement for the Fund are that it reduces procurement time and cost because the providers on the framework have already been through a competitive tender and Public Contracts Regulation 2015 compliant procurement process.

- 3.6 The national frameworks are multi-provider, allowing several qualified providers to be on the frameworks. The Actuarial, Benefits & Governance Consultancy Services Framework has the following providers:
- Aon Solutions UK Ltd;
 - Barnett Waddingham LLP;
 - Hymans Robertson LLP; and
 - Mercer Limited
- 3.7 Agreed terms and conditions are provided so LGPS Funds can simply 'call-off' the framework to meet their own local requirements. The Fund opted to buy services from the framework agreement by running a 'mini competition' amongst the four providers, allowing the Fund to define local requirements and obtain value for money from the market.
- 3.8 The evaluation criteria used for the framework procurement, was:
- 80% Quality & Service Fit,
20% Cost
- 3.9 The rationale for the ratio of quality versus price highlights that actuarial advice and risk management services are fundamental to the success of the funding framework, as misjudgements can cost employers (mainly the Merseyside Councils) hundreds of millions of pounds over the contractual period.
- 3.10 The potential financial risk of not having a quality Actuary would exponentially outweigh the contract cost and adversely affect Merseyside Council budgets and taxpayers.

Further Competition

- 3.11 Following advanced notification to the four providers in 2024, Fund officers, supported by the Council's Procurement team, conducted a competitive procurement activity under the framework during January and February 2025. At the closing date, two of the providers declined to submit a response.

3.12 Following procurement best practice, Senior Fund Officers conducted a moderated evaluation of the two provider responses.

| Service Provider | Quality & Service Fit weighted score (max 80%) | Price weighted score (max 20%) | Total weighted score |
|-------------------------|--|--------------------------------|----------------------|
| Mercer Limited | 76.80% | 17.02% | 93.82% |
| Provider 2 | 68.00% | 17.12% | 85.12% |

3.13 The highest ranked provider in regard the 'Most Economically Advantageous Tender' was Mercer Limited. The two providers who responded to the further competition have been informed on the outcome of the procurement activity.

3.14 Subject to the recommendations within this report being endorsed, the term of the new contract with Mercer Limited will be for a term of ten years with annual reviews of service quality. The Fund retains the right under the terms of the contract to give notice to Mercer should performance fall below acceptable metrics such as the quality of service and timeliness of those services.

4.0 FINANCIAL IMPLICATIONS

4.1 The spend over the ten-year period is anticipated to be in the region of £10m, although a significant proportion of this amount will be recharged back to participating employers within the Fund.

5.0 LEGAL IMPLICATIONS

5.1 The Fund is statutorily required to have an appointed professional actuary.

5.2 The National LGPS Frameworks provide frameworks and advice that are fully compliant with the Public Contracts Regulations 2015.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 As Mercer Limited is the incumbent provider of actuarial services to the Fund, there are no resource or ICT implications to Fund staff managing a transition of knowledge and data to a new provider.

7.0 RELEVANT RISKS

- 7.1 Failure to have a suitably qualified, professional actuary would place the Fund in a position of extreme risk in successfully managing the liabilities of the Fund and individual employers.
- 7.2 The Government Actuary Department (GAD) conducts periodic reviews of valuation (under section 13 of the Public Service Pensions Act 2013) to ensure they are meeting the aims of: compliance, consistency, solvency and long-term cost efficiency. A professional actuary with long-standing LGPS experience is essential in meeting these metrics and the avoidance of government sanction.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The National LGPS Actuarial & Benefits Consultancy framework has four appointed providers who were all notified of the procurement activity.
- 8.2 Expert procurement advice was provided from Norfolk County Council in the utilisation of the framework, and Fund officers were supported by the Wirral procurement team.

9.0 EQUALITY IMPLICATIONS

- 9.1 Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator undertake equality impact assessments regarding the provisions of the LGPS Regulations and the administration and governance of public service pension schemes.
- 9.2 The Equality Statement published on the introduction of the Local Government Pension Scheme 2014 can be viewed at: <https://mpfund.uk/lgpsequalitystatement>
- 9.3 MHCLG and HM Treasury undertake equality impact assessments with regard to the statutory reform of the public sector pension schemes and LGPS.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE IMPLICATIONS

- 10.1 The Fund Actuary, when advising the Fund, acknowledges climate risk as a key systemic risk for long-term pension funding with the requirement to keep the management and governance of environment, biodiversity and climate risk under review.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 There are none directly arising from this report. Mercer Limited maintains an office in Liverpool which provides employment and pays business rates in the local area.

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BACKGROUND PAPERS

[National LGPS Frameworks – Actuarial, Benefits Consultancy Services](#)

[The Public Contracts Regulations 2015](#)

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day-to-day administration and to be responsible for any policy decisions relating to the administration of the scheme

Subject History (last 3 years)

| Council Meeting | Date |
|------------------------|-------------|
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