

ITEM No ...4.....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD – 5TH JUNE 2017

REPORT ON: APPOINTMENT OF PENSION FUND GLOBAL CUSTODIAN

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 194-2017

1 PURPOSE OF REPORT

This report seeks approval to appoint a Global Custodian for the Pension Fund for a period of 5 years commencing 1st July 2017, with an option to extend for a further 2 years.

2 RECOMMENDATIONS

It is recommended that:

The incumbent custody service provider, Northern Trust be re-appointed as Global Custodian for Tayside Pension Fund. They will be required to supply the following services:

- Safekeeping of assets in a range of global markets
- Trade settlement
- Global Tax reclaims
- Corporate actions instruction and collection
- Proxy voting facilitation
- Cash management
- Investment accounting
- Online reporting
- Performance measurement
- Compliance monitoring

3 FINANCIAL IMPLICATIONS

Although costs for the service above are on a fixed fee basis of £130,719 per year, which provides an efficiency saving of approximately £120,000 p.a., the overall cost of service will be based on usage, in line with the strategic and operational needs of the fund which will be variable. The standard service costs provide transparency of charges for any engagement.

4 BACKGROUND

Northern Trust has been assisting Tayside Pension Fund with their reporting and financial accounting since 2002, and although soft market testing has been undertaken at regular intervals a full tender process with regards to this service has not been undertaken since then.

The introduction of the National LGPS Framework for Global Custody Services has facilitated procurement for services saving both time and costs associated with procurement by offering a facility that has already been competitively tendered, thus removing the need for OJEU process which that comes with agreed terms and conditions provided.

5 TENDERING EXERCISE

The procurement exercise was initiated in March 2017, with subsequent evaluation and interviews held on 8th May 2017.

In response to an advertisement of mini-competition on Procurement Scotland Portal, responses were received from HSBC, State Street, and Northern Trust. All three were invited to make presentations to officers.

The tender criteria was assessed over 3 categories and weighted as follows:

Quality	40%
Service Fit	30%
Value for Money	30%

8 CONCLUSIONS

The results of the evaluation described above are as follows:

Global Custody Tender Evaluation				
Criteria		HSBC	State Street	Northern Trust
Quality	40%	14.93%	12.65%	13.64%
Service Fit	40%	10.78%	13.25%	15.44%
Value for Money	30%	23.30%	18.67%	30.00%
Total %		49.01%	44.56%	59.08%
Rank		2	3	1

Northern Trusts overall approach provided officers with reassurance of their depth of resource and the quality and level of service provided to their global custody clients. Both material delivery and presentation were considered superior.

9 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

The major issues identified relate to Risk Management and these are addressed in the Risk Register.

10 CONSULTATION

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

11 BACKGROUND PAPERS

None