# MAINSchedule 9

# Brief and Specification

**Number: R5169
Title: Global Custody Services**



**SPECIFICATION OF REQUIREMENT**

**London Borough of Tower Hamlets Pension Fund**

**Service Specification**

**1.0 BACKGROUND INFORMATION**

1.1 The Local Government Pension Scheme (LGPS) is a national scheme administered on a local basis by The London Borough of Tower Hamlets, providing current and future benefits for approximately 19,140 scheme members.

1.2 The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

* the LGPS (Benefits, Membership and Contributions) Regulations 2013
* the LGPS (Transition Provisions, Savings and Amendment) Regulations 2014
* the LGPS (Management and Investment of Funds) Regulations 2016

1.3 As at 31st March 2017, there were 18 employer organisations in the Fund, including the Council, with 9 scheduled employers (including 7 academies and multi-academy trusts) and 9 admitted employers. The number of employers is anticipated to reach 30 by the end of 2017 with additional admitted bodies and academies. Membership numbers as at 31st March 2017 were:

* Active members 6,390
* Pensioner members 4,536
* Dependents 1,030
* Deferred members 7,184
* Total membership 19,140

1.4 Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employers’ contributions are set based on triennial actuarial valuations.

1.5 The last triennial valuation was undertaken by Hymans Robertson as at 31st March 2016 at which point the Fund was 82.8% funded (liabilities £1,361 million and assets £1,126 million). The Fund as a whole primary employer contribution rate is 19.9% with secondary contributions due in 2017-18 of £14.0 million.

1.6 In the future, it is anticipated that active membership will decline due to staff reductions by the Council. The growth in the number of employers is also likely to continue through the outsourcing of Council activity and schools moving to academy status.

1.7 The value of the Fund at 31st March 2017 was £1,379m and the Fund is managed with regard to a strategic asset allocation benchmark. The actual allocation at any point in time reflects the decisions and views of the Fund’s investment managers and the movement of financial markets.

1.8 For information attached to the tender documents are a copy of the 2016 triennial valuation report, the Fund’s 2015-16 Annual Report and Accounts, the current Investment Strategy Statement and the Funding Strategy Statement. A draft of the 2016-17 Accounts will be provided when available.

1.9 The London Borough of Tower Hamlets Pension Fund wishes to appoint a single supplier to provide Global Custody Services for the period 2nd January 2018 to 31st December 2023 (with a contract option for a further 24 month extension).

**2.0 Brief**

2.1 The provider will be required to supply the following Global Custody Services:

• safekeeping of assets in a range of global markets

• trade settlement

• tax reclaims

• corporate actions instruction and collection

• proxy voting facilitation

• foreign exchange services

• cash management

• investment accounting

• online reporting

• performance measurement

• compliance monitoring

• passive currency hedging, and

• other asset administration services which may arise from time to time

* Support for class actions

2.3 The Global Custodian will ensure that they are up to date with respect to the legislation, regulations, risks and opportunities with respect to the management of LGPS Fund.

**3.0 Requirements**

3.1 The quality and service fit criteria seek the following attributes from the successful bidder:

* Prompt delivery of reports, transactions reconciliation and issue resolution within agreed timetables.
* A technology infrastructure that facilitates efficient download of client data and the delivery of client reporting.
* Is dedicated to providing their LGPS client base at no cost with updates and guidance relating to LGPS developments and matters of general pension interest.

**4.0 Performance**

4.1 The performance of the service provider in delivering the services will be reviewed on a yearly basis. The review will be conducted by the Investment & Treasury Manager and the Global Custody Services Relationship Manager /Director.

4.2 Tower Hamlet’s contract lead will be the Investment and Treasury Manager. The named officer will be the first point of contact for the Global Custody Services Relationship Manager during the contract.

4.3 The Global Custodian will appoint a named contract operational lead who will be the first point of contact for the Council during the term of the contract. The Global Custodian will also appoint a contract management lead. This may be the same person as the operational lead. If there is a change to either of the above nominated officers, then the Global Custodian will ensure that another named individual is appointed to the contract forthwith.