# Market Sounding Exercise

Investment Manager for the West Sussex Pension Fund Property Portfolio

(West Sussex County Council)

Ref: WSCC - 036967

Section 1: Introduction

General Requirements

* 1. The purpose of this document is to briefly explain to providers the business and technical requirements (and the expected scope) of a proposed procurement of a Investment Manager for the West Sussex Pension Fund Property Portfolio.
	2. **Please note:** this market sounding exercise is **not** an invitation to tender or a request for formal expressions of interest. This document does not form any part of an invitation to tender. West Sussex County Council (WSCC) is issuing this request for **information only**.
	3. Any supplier invited to present to WSCC is doing so to support market research only and to help make any potential procurement process more focused and efficient. No supplier selection or supplier preference is implied.

Confidentiality and Freedom of Information (FOI)

* 1. **Please note:** all information included in this market sounding is confidential and only for the recipients’ knowledge. No information included in this document or in discussions connected to it may be disclosed to any other party without prior written authorisation.
	2. All responses will be treated confidentially. However, please be aware that we are subject to the disclosure requirements of the FOI Act and that potentially any information we hold is liable to disclosure under that Act. For this reason, we strongly advise that any information you consider to be confidential is labelled as such. In the event that a request is subsequently made for disclosure under FOI the request will be dealt with in accordance with the legislation.

Background

* 1. The Local Government Pension Scheme (LGPS) is a national scheme administered locally by relevant Administering Authority. West Sussex County Council is the Administering Authority for the West Sussex Pension Fund and provides current and future benefits for over 85,957 scheme members.
	2. Responsibility and governance for the Fund, including investment strategy, fund administration, liability management and corporate governance is delegated to the West Sussex Pension Committee. More information can be found here: [Pension Fund - West Sussex County Council](https://www.westsussex.gov.uk/about-the-council/pensions/local-government-pension-scheme-lgps/pension-fund/)
	3. The Committee have set a strategic asset allocation which is based on detailed advice from the Fund Actuary, Investment Consultant and Investment Adviser through the completion of Asset Liability Modelling work.
	4. The WSPF Pension Committee have agreed to maintain a strategic allocation to direct property of 10% of the total Fund value. As at 30 June 2023 the estimated value of the Fund was £5.4bn and the property portfolio was valued at £490m (equivalent to 9% of the Fund).
	5. The current portfolio consists of 32 properties all owned in the name of WSCC as Administering Authority to the Pension Fund. The current investment manager is abrdn plc.

The requirement

* 1. The Fund requires a bespoke and tailored property portfolio to meet its specific income requirements and is seeking an investment manager to be responsible for the asset management, income collection and lease negotiation for the properties and have full discretion over which properties to buy and sell to meet the objectives set by the Fund. Further details as to how this is delivered are set out in section 6.
	2. The Fund is looking to run a Competitive Procedure with Negotiation (CPN) allowing for the option of representatives of the Fund to communicate with Bidders about their submissions with the aim of clarifying, negotiating and enhancing bids to achieve the best possible outcome for the Fund.
	3. The tender process is expected to commence later this calendar year.

Soft Market Test Timetable

* 1. Please read this document and if you feel that your organisation is able to contribute to this exercise please complete the questionnaire at the end of this document and return, via SE Shared Services by **12:00 on 18 October 2023**.
	2. SE Shared Services is located at [SE Shared Services eSourcing Portal - Home (in-tendhost.co.uk)](https://in-tendhost.co.uk/sesharedservices/aspx/Home) . The project reference is WSCC - 036967.
	3. For technical support or assistance in using the West Sussex County Council portal please contact the InTend helpdesk:
	+ Phone: 0845 557 8079
	+ E-mail: support@in-tend.co.uk
	1. Potential responders will not be prejudiced in any future procurement processes by either responding or not responding to this market sounding exercise.
	2. Potential Providers may raise questions or seek clarification regarding any aspect of this document at any time to james.skilling@westsussex.gov.uk

Section 2: Scope

Broad Specification (Draft)

* 1. The property portfolio forms part of the Pensions Committee’s strategic allocation to income assets. The portfolio is required to be the second resource for paying pensions after contributions. The property portfolio will therefore need to be actively managed and reflect the Pension Fund’s own cashflow requirements and is expected to remain outside any pooling arrangements in the long term.
	2. The strategic target for property is 10% of the total Pension Fund value.
	3. The portfolio must be managed in line with the Fund Investment Strategy Statement including the requirements for responsible investment.
	4. The Fund has a preference for low-risk core property assets which are of high-quality and well-occupied, generating a long term sustainable income stream.
	5. The Fund's appointed property investment manager is expected to engage proactively with its assets to improve their characteristics over time, to safeguard against obsolescence and enhance the value of the Fund's portfolio. These enhancements (such as reduced energy consumption; water efficiency) are positively linked to the Fund's aim to support long-term sustainable outcomes.
	6. The portfolio must be submitted to and monitored against the Global Real Estate Sustainability Benchmark ('GRESB') and actions are discussed to continuously improve.
	7. The manager’s investment process must be consistent with its philosophy and support the delivery of WSPF mandate.
	8. As part of the Negotiation process, Bidders will be invited to discuss with the Council where, in their opinion, the best opportunities exist to ensure that the Fund objectives are met and can demonstrate continuing value for money.

## Minimum requirements

* 1. To help filter the market, the West Sussex Pension Fund is looking to incorporate some minimum requirements at the Selection Questionnaire stage. We expect these to be that candidates are:
		1. currently a signatory of the Principles for Responsible Investment (PRI).
		2. already managing at least £2 billion of property assets in dedicated UK mandates or funds.
		3. able to manage a portfolio of UK properties with a focus on generating an agreed level of income.
		4. already managing at least 2 other UK direct property separate account portfolios and have a working conflict policy.
		5. able to measure and report on climate considerations and carbon intensity of the portfolio in line with TCFD requirements and submissions to GRESB.

Section 3: Questionnaire

Section A: Organisation and Contact Details

|  |  |
| --- | --- |
| **Question** | **Response** |
| Name of your organisation |  |
| Registered office (if applicable) |  |
| Trading address (if different from office) |  |
| What if any local connections do you have with the authority? |  |
| Name of person whom an queries relating to this questionnaire should be addressed |  |
| Telephone Number(s) |  |
| Email |  |
| Address if different to above |  |

Section B: Questions

Your response should specifically identify areas of proprietary or commercially sensitive information that you would not wish to be divulged.

|  |
| --- |
| **Question** |
| 1. Would your organisation meet the minimum criteria in Section 7? If not, which element would be a barrier to meeting the criteria?
 |
| **Response** |
| 1. Do you have any comments on the proposed CPN procurement process? Have you taken part in a similar process recently (in the last 3yrs)? If so, what was your experience and are there any considerations you would like to raise at this point?
 |
| **Response** |
| 1. Do you have experience of meeting income targets? If so, how is this measured?
 |
| **Response** |
| 1. What would you consider to be the optimum contract length (Initial term + extension) for this type of contract and why?
 |
| **Response** |
| 1. How much time would you allow for contract mobilisation (from the view of an incoming supplier)?
 |
| **Response** |
| 1. From your experience, what charging structure works best for this type of engagement and why?
 |
| **Response** |
| 1. Are there barriers or problems (practical, legislative, commercial, technical, conflicts of interest etc) that you will need to overcome in order to be considered as investment manager of the West Sussex Pension Fund property portfolio?
 |
| **Response** |
| 1. Do you have any other comments you wish to share at this point?
 |
| **Response** |

Thank you in advance for completing this market briefing questionnaire.

ENDS-