

# Pensions Board

## Agenda

Wednesday 10 February 2021

6.30 pm

Virtual/Online

### MEMBERSHIP

<b>Employer Representatives</b>
Councillor Bora Kwon Councillor Rory Vaughan
<b>Scheme Member Representatives</b>
Neil Newton William O'Connell Khadija Sekhon

**CONTACT OFFICER:**

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<http://democracy.lbhf.gov.uk/ieListMeetings.aspx?Committeeld=522>

Members of the press and public can watch the meeting on YouTube:

<https://youtu.be/69WhYq8Pldo>

# Pensions Board

## Agenda

10 February 2021

<u>Item</u>		<u>Pages</u>
<b>1. APPOINTMENT OF CHAIR AND VICE CHAIR</b>		
	The Board is asked to appoint a Chair and Vice-Chair for the 2020-21 Municipal Year.	
<b>2. APOLOGIES FOR ABSENCE</b>		
<b>3. ROLL CALL AND DECLARATIONS OF INTEREST</b>		
	To confirm attendance, the Chair will perform a roll call. Members will also have the opportunity to declare any interests.	
	<p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
<b>4. MINUTES OF THE PREVIOUS MEETING</b>		5 - 8
	To agree the minutes of the meeting held on 19 <sup>th</sup> November 2020.	
	This report has exempt minutes that contain information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the committee members only.	

***Any discussion on the contents of an exempt minutes will require the Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion.***

**5. DRAFT MINUTES OF THE PREVIOUS PENSION FUND COMMITTEE 9 - 12**

Draft minutes of the Pension Fund Sub-Committee meeting held on 24th November 2020 – for information.

This report has exempt minutes that contain information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the committee members only.

***Any discussion on the contents of an exempt minutes will require the Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion.***

**6. INVESTMENT CONSULTANT REVIEW 13 - 22**

This paper provides the Pensions Board with a performance review of the Pension Fund's investment consultant, in line with the agreed set of aims and objectives.

**7. PENSIONS ADMINISTRATION SERVICE 23 - 41**

That the contents of this report are noted and that further updates will be provided over the project duration, including a full report on all project workstreams, to the next meeting of the Pensions Board.

This report has an appendix that contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the committee members only.

***Any discussion on the contents of an exempt appendix will require the Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion.***

**8. ANY OTHER BUSINESS**

**LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION**

**Proposed resolution:**

Under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

# Agenda Item 4

London Borough of Hammersmith & Fulham

## Pensions Board Minutes



Thursday 19 November 2020

NOTE: This meeting was held remotely. A recording of the meeting can be found at: <https://youtu.be/LMGLfR-AEfg>

### **PRESENT**

**Committee members:** Councillors Rory Vaughan (Chair) and Bora Kwon

**Co-opted members:** William O'Connell and Neil Newton

**Officers:** Timothy Mpofo (Pension Fund Manager), Matt Hopson (Strategic Investment Manager), Rhian Davies (Director of Resources), Dawn Auger (Assistant Director Transformation, Talent and Inclusion), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (H&F Pensions Manager), Mathew Dawson (Treasury and Pensions)

### 1. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Khadija Sekhon.

### 2. **DECLARATIONS OF INTEREST**

The Chair carried out a roll call to confirm attendance. There were no declarations of interest.

### 3. **MINUTES OF THE PREVIOUS MEETING**

#### **RESOLVED:**

That the minutes of the previous meeting held on the 13<sup>th</sup> January 2020 were agreed.

*NOTE: The Chair agreed to reorder the agenda. Items 11, 12, and 13 were given priority.*

### 4. **DRAFT MINUTES OF THE PREVIOUS PENSION FUND SUB-COMMITTEE**

The draft minutes of the previous Pension Fund Sub-Committee were noted.

## **5. PENSION FUND QUARTERLY UPDATE PACK**

Timothy Mpofo (Pension Fund Manager), presented the report and gave a summary of the key points, these included the Pension Fund's overall performance for the quarter ended 30<sup>th</sup> September 2020 and the Environment, Social and Governance (ESG) Appendix.

It was also noted that the Pension Fund Sub-Committee decided to allocate 15% of its overall investment portfolio to an active equity manager. An agreement was reached to appoint Morgan Stanley, who managed the LCIV Global Equity Sustain Fund, as the Pension Fund's new active equity manager.

At the Pension Fund Sub-Committee meeting held on 29 September 2020, the committee approved for officers to use Northern Trust's Conservative Ultra Short Fund as part of the Fund's overall cash management strategy.

The Chair asked for further clarification to be provided on a few of the higher risks included in the risk register. In response Timothy Mpofo outlined the concerns relating to the key risk categories and the mitigating actions taken by the Council.

### **RESOLVED**

That the Pension Board noted the report.

## **6. DRAFT ANNUAL REPORT 2019-20**

Timothy Mpofo (Pension Fund Manager), presented the report and gave a summary of the key points. The Pension Fund accounts 2019/20 were produced and handed to the external auditors in June 2020. The external audit was currently ongoing having started in August 2020 and the approved draft of the annual report would be shared with the external auditors as part of the audit.

Neil Newton (Co-opted Member) noted that the annual report was a comprehensive and lengthy document. He suggested that officers provided a one-page summary of all the key elements alongside the wider report to Members in the future.

The Chair asked for an explanation to be provided on the contributions made by the admitted bodies. Timothy Mpofo (Pension Fund Manager) explained that the contributions made, were relative to the number of members per admitted body and were relevant to the assets available to the Fund.

### **RESOLVED**

That the Pension Board noted the Annual Report 2019/20 for the Pension Fund and the Pension Board.

## **7. RESPONSIBLE INVESTMENT STATEMENT**

Timothy Mpofo (Pension Fund Manager), presented the report and gave a summary of the key priorities for the Council over the coming years. The purpose of the responsible investment statement was to ensure that the Pension Fund was investing responsibly. This included the integration of ESG factors as part of the

Pension Fund's investment strategy. This was in line with the Pension Fund's commitment to have its investment portfolio net zero in carbon emissions by the year 2030. The responsible investment statement was approved by the Pension Fund Sub-Committee at the meeting held on 29 September 2020.

William O'Connell (Co-opted Member) asked how the Council's carbon footprint was measured against the money invested. Timothy Mpofo outlined the different ways in which the figures for carbon were estimated. This was an ongoing piece of work and reporting quality would improve over time. It was noted that by 2022 all companies would have to report how much carbon footprint they were generating.

**RESOLVED:**

That the Pension Board noted the report.

**8. SUPREME COURT DECISION ON LGPS INVESTMENT GUIDANCE**

Mathew Dawson (Treasury and Pensions), presented the report and gave a summary of the key points. This included a briefing of the recent supreme court ruling on the LGPS investment guidance and details of the potential implications for LGPS Funds. It was noted that LGPS administering authorities in England and Wales were required to follow that guidance when formulating their investment strategy statement. The guidance directed how social, environmental and governance considerations should be reviewed. It was noted that further progress updates would be brought to a future Pension Board meeting.

Members thanked Matthew Dawson for explaining the report in further detail.

**RESOLVED:**

That the Pension Board noted the report.

**9. LGPS MCCLOUD CONSULTATION**

Mathew Dawson (Treasury and Pensions), presented the report and gave a summary of the key points. The Ministry of Housing, Communities and Local Government had issued a consultation on proposals to remove age discrimination from the LGPS. This was caused by the transitional protections introduced at the time of the LGPS scheme reform, which were now considered unlawful. The proposals extend the protection to cover further members and amend how the protection works, requiring the benefits of those previously covered to be reviewed. Applying the remedy would be a significant exercise and require extra administration resources, resulting in additional cost and increasing the Fund's liabilities. The consultation closed on 8 October 2020. It was currently anticipated that revised regulations would not be in place before 2022/2023.

Members thanked Matthew Dawson and his team for providing a useful training session in September 2020, where they had received detailed updates on the McCloud consultation.

**RESOLVED:**

That the Pension Board noted the report.

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Minutes are subject to confirmation at the next meeting as a correct record of the proceedings and any amendments arising will be recorded in the minutes of that subsequent meeting.

**10. EXCLUSION OF THE PUBLIC AND PRESS**

The sub-committee agreed, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

**11. EXEMPT MINUTES OF THE PREVIOUS PENSION FUND SUB-COMMITTEE**

**RESOLVED:**

That the exempt minutes of the previous Pension Fund Sub-Committee were noted.

**12. PENSIONS ADMINISTRATION UPDATE**

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the item and the recommendations in the exempt report were approved.

Meeting started: 6:30pm  
Meeting ended: 8:00pm

**Chair** .....

**Contact officer** Amrita Gill  
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Governance and Scrutiny  
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Minutes are subject to confirmation at the next meeting as a correct record of the proceedings and any amendments arising will be recorded in the minutes of that subsequent meeting.

# Agenda Item 5



London Borough of Hammersmith & Fulham

## **Pension Fund Sub-Committee Minutes**

**Tuesday 24 November 2020**

### **PRESENT**

**Committee members:** Councillors Iain Cassidy (Chair), Rebecca Harvey, PJ Murphy and Matt Thorley

**Co-opted members:** Michael Adam

**Officers:** Phil Triggs (Director of Treasury and Pensions) Timothy Mpofo (Pension Fund Manager), Matt Hopson (Strategic Investment Manager), Emily Hill (Director of Finance), Rhian Davies (Director of Resources), Dawn Aunger (Assistant Director Transformation, Talent and Inclusion), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (H&F Pensions Manager)

### **Guest:**

Gareth Hopkins (Pensions Consultant)  
Kevin Humpherson

### **1. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

### **2. ROLL CALL AND DECLARATIONS OF INTEREST**

The Chair carried out a roll call to confirm attendance. There were no declarations of interest.

### **3. MINUTES OF THE PREVIOUS MEETING**

#### **RESOLVED**

That the minutes of the meeting held on 29<sup>th</sup> September 2020 were approved.

### **4. QUARTERLY UPDATE PACK**

Timothy Mpofo (Pension Fund Manager), presented the report and gave a summary of the key points. This included an update on the investment manager portfolios since March 2020 and the Fund's exposure to low carbon investments as part of the Environment, Social and Governance report.



Councillor PJ Murphy referring to the risk register asked for further clarification to be provided on the liability valuation increase for risk 3. In response Phil Triggs (Director of Treasury and Pensions) outlined the reasons for the small shifts in Consumer Price Index (CPI) inflation and the impact this had on the liability valuation. It was noted that the actuary had confirmed that these figures were correct. Kevin Humpherson (Deloitte) said that any changes in the asset value as a result of shifts in CPI inflation could be included in the risk register going forward.

**RESOLVED:**

That the Sub-Committee noted the report.

**5. GROUND RENT AND AFFORDABLE HOUSING**

Matt Hopson (Strategic Investment Manager), presented the report and gave a summary of the key points. Members discussed the report.

**RESOLVED:**

That the Sub-Committee agreed to interview a selection of shortlisted managers from each asset class.

**6. NATIONAL LGPS FRAMEWORK MEMBER ACCESS AGREEMENTS**

Matt Hopson (Strategic Investment Manager), presented the report and gave a summary of the key points. It was noted that the Pension Fund would need to run a procurement exercise to appoint an actuary and investment consultant before the existing contracts expired. Officers planned to conduct the procurement exercise through the National LGPS Framework.

Councillor PJ Murphy asked for further clarification to be provided on the process for appointing an investment consultant and whether there was any scope for the Council to consider the appointment of an alternative (investment consultant) to Westminster County Council. In response, Matt Hopson explained that officers would be conducting separate evaluations for consultancy tenders for the Council and WCC. The preferred option was a joint procurement with WCC (under separate sovereign contracts) which offered better value for money through economies of scale.

**RESOLVED:**

That the Sub-Committee approved that the Pension Fund access the LGPS Norfolk Framework for the use of its actuarial and investment consultancy contract services.

**7. CONSULTANT REVIEW**

Phil Triggs (Director of Treasury and Pensions), presented the report and gave a summary of the key points. Officers provided an overview of the performance review for the Pension Fund's investment consultant (Deloitte), in line with the agreed set of aims and objectives.

As shown in Appendix 1, the consultant's performance over the past year had been to an excellent standard and the Pension Fund officers remain pleased with the work that the consultant continued to carry out in advising the Fund on its investment strategy.

Members discussed the benefits of appointing an independent consultant, to support the Committee alongside the investment consultant.

Phil Triggs (Director of Treasury and Pensions), noted that a report, setting out a list of alternative options would be brought to a future Sub-Committee meeting.

**RESOLVED:**

That the Sub-Committee noted the report

**8. EXCLUSION OF THE PUBLIC AND PRESS**

The sub-committee agreed, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

**9. EXEMPT MINUTES OF THE PREVIOUS MEETING**

**RESOLVED:**

That the exempt minutes of the previous Pension Fund Sub-Committee were noted.

**10. QUARTERLY UPDATE PACK (EXEMPT)**

The exempt elements of item 4 were noted.

**11. GROUND RENT AND AFFORDABLE HOUSING (EXEMPT)**

The exempt elements of item 5 were noted.

**12. PENSIONS ADMINISTRATION UPDATE**

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the key points. Members discussed the report.

**RESOLVED**

That the Sub-Committee noted the report.

Meeting started: 7:00pm

Meeting ended: 9:00pm

Chair .....

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# Agenda Item 6

## London Borough of Hammersmith & Fulham

**Report to:** Pensions Board

**Date:** 10/02/2021

**Subject:** Pension Fund Consultant Review

**Report of:** Phil Triggs, Director of Treasury and Pensions  
Matt Hopson, Strategic Investment Manager  
Tim Mpofo, Pension Fund Manager

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### Summary

- 1.1 The Competition and Markets Authority (CMA) requires that the Pension Fund establish aims and objectives for its investment consultant.
- 1.2 This paper provides the Pensions Board with a performance review of the Pension Fund's investment consultant, in line with the agreed set of aims and objectives.

### Recommendations

1. The Pensions Board is requested to note and comment on the report.
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**Wards Affected:** None

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### H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none"><li>• Being ruthlessly financially efficient</li></ul>	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and taxpayer.

### Financial Impact

- None

### Legal Implications

- None
- 

**Contact Officer(s):**

Name: Matt Hopson  
Position: Strategic Investment Manager  
Telephone: 078 1621 7778  
Email: [mhopson@westminster.gov.uk](mailto:mhopson@westminster.gov.uk)

Name: Phil Triggs  
Position: Director of Treasury and Pensions  
Telephone: 020 7641 4136  
Email: [ptriggs@westminster.gov.uk](mailto:ptriggs@westminster.gov.uk)

Verified by Phil Triggs

### **Background Papers Used in Preparing This Report**

None

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## **DETAILED ANALYSIS**

### **1. Background**

- 1.1. In December 2019, the Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Investigation Order 2019 came into effect following an extensive review into the industry. This required all pension funds to set formal aims and objectives for their investment consultants.
- 1.2. The Pension Fund Sub-Committee approved its set of investment consultant aims and objectives on 26 November 2019, against which the consultant performance for 2020 has been reviewed.
- 1.3. A detailed assessment of the consultant's performance is included in Appendix 1 to this paper.

### **2. Performance Against Aims and Objectives**

- 2.1. The consultant's objectives have been broken down into the following subcategories:

#### **Assistance in achieving the Fund's objectives**

- 2.2. The consultant scored an Excellent performance rating against the all the objectives in this category by advising the Pension Fund on its investment strategy reviews throughout the year.

#### **Governance and Costs**

- 2.3. The consultant scored an Excellent performance rating against the all the objectives in this category including carrying out due diligence on behalf of the Pension Fund on existing and prospective investments.

#### **Proactivity/Keeping Informed**

- 2.4. The consultant scored an Excellent performance rating against the all the objectives in this category by providing training on new asset classes and suggesting potential investment options for the Sub-Committee to explore.

#### **Monitoring**

- 2.5. The consultant scored an Excellent performance rating against the all the objectives in this category, providing the Sub-Committee with a quarterly monitoring report on investment manager performance

#### **Delivery**

- 2.6. The consultant had an Excellent performance rating against most of the objectives, although a couple areas of improvement were identified regarding

the delivery of reports to officers and the breakdown of costs relating to work carried out on behalf of the Pension Fund.

- 2.7. As shown in Appendix 1, the consultant's performance over the past year has been to an excellent standard and the Pension Fund remains pleased with the work that the consultant continues to carry out in advising the fund on its investment strategy.

**3. Reasons for Decision**

- 3.1. N/A

**4. Equality Implications**

- 4.1. N/A

**5. Risk Management Implications**

- 5.1. N/A

**6. Other Implications**

- 6.1. N/A

**7. Consultation**

- 7.1. N/A

**List of Appendices:**

Appendix 1 – Investment Consultant Review

## LBHF Pension Fund Investment Consultant Review 2020

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### Background

As per the requirements of the Competition and Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant. A set of consultant objectives were drawn up for the Pension Fund investment consultant, Deloitte, and approved by Committee on 26 November 2019.

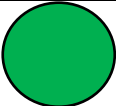
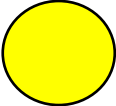
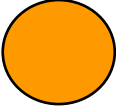
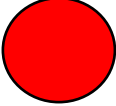
After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing several recommendations to improve pension fund governance, with a number of concerns expressed around fees and conflicts of interest.

The Pensions Regulator (tPR) welcomed the review by the CMA and produced guidance on setting aims and objectives. The regulator's view is that it is good practice for pension funds, including the LGPS, to be setting aims and objectives for investment consultants and advisors in order to achieve better outcomes and manage areas of underperformance.

### Performance Against Aims and Objectives

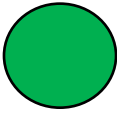
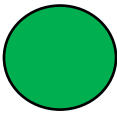
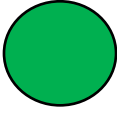
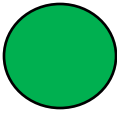
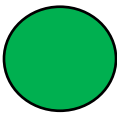
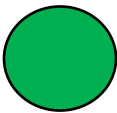
In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every 3 years or when there has been a material change in investment approach.

In the tables below are the agreed objectives and aims for the investment consultant, Deloitte, against which the consultant performance has been reviewed. Each objective has been assessed individually and assigned a rating as follows:

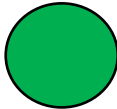
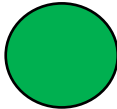
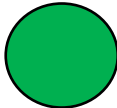
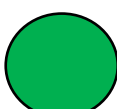
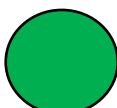
Performance Rating	Key
Excellent	
Good	
Satisfactory	
Unsatisfactory	
Not able to assess	N/A



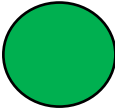
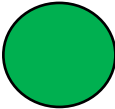
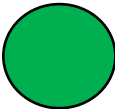
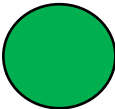
**LBHF Pension Fund  
Investment Consultant Review 2020**

<b>1. Assistance in achieving the Fund's objectives</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Any proposed changes in investment strategy or investment managers has a clear rationale linked to the Fund's objectives with specific reference to improving the efficiency of the investment strategy in terms of risk adjusted returns.		Review of investment strategy during 2020, and manager selections which reflect the new asset allocation.
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.		The actuarial valuation taken into consideration when agreeing the revised asset allocation.
c)	The investment consultant has an appropriate framework in place to recognise opportunities to reduce risk.		The investment consultant has the required due diligence processes in place to reduce risks.
d)	The investment consultant has contributed to the Fund's cashflow management process ensuring that the Fund's benefit obligations are met in a cost-efficient manner.		The Fund cashflow management is run in-house, however the consultant may suggest appropriate income strategies to match the shortfall in cash.
e)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability studies as commissioned.		The consultant has drawn up shortlists and arranged interviews for the manager selections during the year.
f)	The investment consultant has complied with prevailing legislation, the constraints imposed by the Investment Strategy Statement, the detailed Investment Management Agreements and the policy agreed with the Committee when considering the investment of the Fund's assets.		The investment consultant and the Pension Fund have a contract in place.

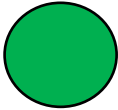
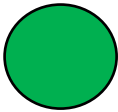
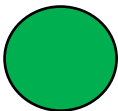
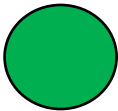
**LBHF Pension Fund  
Investment Consultant Review 2020**

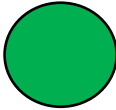
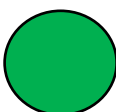
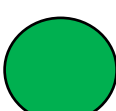
<b>2. Governance and Costs</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Assist the Committee to implement the Fund's investments on a more competitive fee basis, through negotiation and periodic benchmarking of fees.		The investment consultant produces a quarterly investment report which now includes fees benchmarking.
b)	Cost implications, both in terms of investment management expenses and implementation costs, are considered as part of investment strategy advice.		These factors were taken into consideration during the 2020 investment strategy review.
c)	Where the investment consultant has provided support on implementation activity, including activity required to meet Fund benefits, these transactions have been carried out in a cost-effective manner.	<b>N/A</b>	The fund transitions are undertaken by the in-house investment team.
d)	The investment consultant has demonstrated an understanding and appreciation of governance requirements, in particular, the investment consultant has avoided complexity where simpler, more cost-effective solutions may be available.		Manager fees taken into consideration during the manager shortlisting and selection process.
e)	The investment consultant has ensured that investments are in accordance with the current regulatory and compliance requirements relevant for the LGPS.		The investment consultant has the required due diligence processes in place to ensure regulatory and compliance requirements are met.
f)	The investment consultant has taken into account the necessity for all investment funds within the portfolio, with few exceptions, to utilise one of the pools.		The consultant includes the asset pool products within the manager shortlisting and selection process.

**LBHF Pension Fund  
Investment Consultant Review 2020**

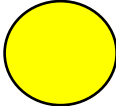
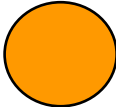
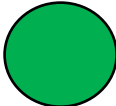
<b>3. Proactivity/Keeping informed</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Advise the Committee on appropriate new investment opportunities.		The consultant provides training to the Committee on new asset classes.
b)	Recognition of the dynamism of investment markets, recognising opportunities to crystallise gains or emerging risks which require immediate attention.		The investment consultant produces a quarterly report, rating the managers and advising if they believe the mandate is no longer rated favourably.
c)	The investment consultant has kept the Committee up to date with regulatory developments and additional compliance requirements.	<b>N/A</b>	The Committee is updated by the in-house investment team on regulatory matters.
d)	The investment consultant has highlighted areas that the Committee may wish to focus on in the future.		The investment consultant suggests asset classes which the Committee may wish to explore further.
e)	The investment consultant should be generally available for consultation on fund investment matters.		The consultant advises on all investment matters as required by the Pension Fund Officers and Committee.

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<b>4. Monitoring</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	The investment consultant provides insightful monitoring focused on the reasoning behind performance.		The investment consultant produces a quarterly report, providing narrative on investment manager performance.
b)	The Committee has been kept abreast of investment market developments and their implications for the Fund's investment strategy.		The consultant meets with Committee members quarterly and advises of market developments.
c)	Monitoring is integrated with funding and risk.		The risks within each mandate are monitored on an ongoing basis and the funding level is taken into consideration.
d)	Particular focus on the continued merits of active management. The investment consultant considers the value added by active management on a net of fees basis.		The consultant provides a quarterly report which details asset manager performance net of fees.

<b>5. Delivery</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		There is a good working relationship between the investment consultant and Officers/Committee members.
b)	Reports and educational material are pitched at the right level, given the Committee's understanding.		The reports and training matters are clear, easily understandable and concise to meet the needs of the Committee.
c)	Provides training/explanation which aids understanding and improves the Committee's governance.		Training provided by the consultant to meet any needs of the Committee.
d)	Meeting papers are provided in a timely		Papers are usually

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	fashion, with all required detail and accuracy.		received by the Pension Fund Officers sufficiently in advance of the Committee meetings. On occasion some reports may require slight revisions to include more detail.
e)	The investment consultant works within agreed budgets and is transparent with regard to advisory costs, itemising additional work with fees in advance.		The consultant sends regular invoices with an itemised breakdown. However, cost of works is not always clear until after the invoice has been delivered.
f)	The investment consultant works collaboratively with the scheme's actuary and other advisors or third parties including the global custodian.		The consultant works with the custodian to calculate the quarterly fund performance and liaises with the actuary on the funding level.

As shown in the performance review above the consultant has performed well over the past year, meeting the majority of the aims and objectives to an excellent standard. The Pension Fund remains pleased with the work produced by the consultant and aims to continue building on the good working relationship that has already been established.

# Agenda Item 7

## London Borough of Hammersmith & Fulham

**Report to:** LBHF Pensions Board

**Date:** 10/02/2021

**Subject:** Update on the LGPS Pensions Administration Service

**Report of:** David Hughes, Director of Audit, Fraud, Risk and Insurance

**Responsible Director:** Rhian Davies, Director of Resources

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### Summary

The attached report was presented to the Pension Fund Sub-committee meeting on 3 February 2021 and is being provided to the Pensions Board for information. Officers have completed the evaluation of providers for the pensions administration service and presented their recommendation regarding the preferred provider on 3 February 2021. Officers will provide a verbal update to the Pensions Board on the outcome of that meeting.

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### Recommendations

1. Appendix 3 in the attached report, which was presented to the Pension Fund Sub-committee on 3 February 2021, is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
  2. That the contents of this report are noted and that further updates will be provided over the project duration, including a full report on all project workstreams, to the next meeting of the Pensions Board.
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**Wards Affected:** None

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**Background Papers Used in Preparing This Report**

None

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## London Borough of Hammersmith & Fulham

**Report to:** LBHF Pension Fund Sub-Committee, Extraordinary Meeting

**Date:** 03/02/2021

**Subject:** LGPS Pensions Administration Service – proposed Pensions Administration Service provider

**Report of:** David Hughes, Director of Audit, Fraud, Risk and Insurance

**Responsible Director:** Rhian Davies, Director of Resources

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### Summary

This report follows up on the report presented to the Pension Fund Sub-Committee on 24 November 2020 in light of the Council's decision to terminate the delegation agreement with Surrey County Council for the provision of the pensions administration service having considered the findings of the review undertaken by an independent pensions adviser.

This report sets out the work done to assess the private and public provider markets, and having completed that assessment, the steps taken to assess and evaluate three public-public providers to make recommendations to Committee for the appointment of a future partner to provide the pensions administration service.

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### Recommendations

1. That Appendix 3 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings as set out in paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 (as amended).
  2. That approval be given for LBHF to join a public to public arrangement with Local Pensions Partnership Administration for the provision of the pensions administration service, by delegating this council function pursuant to Section 101 of the Local Government Act 1972, subject to there being an agreed Delegation Agreement.
  3. That regular updates on progress moving to the Partnership, including costs, are made to Pension Fund Sub-Committee and Pensions Board.
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**Wards Affected:** None

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<b>H&amp;F Priorities</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
Building shared prosperity	Continuing to provide assurance regarding the governance of the Pension Fund thereby encouraging employees to join and/or remain members of the LGPS.
Being ruthlessly financially efficient	To review and assess governance and efficiency of the Pension Fund, recommending and making changes where necessary.
Taking pride in H&F	Ensuring a high standard of governance of the Pension Fund that continues to underpin the retention and recruitment of employees.

## **Financial Considerations**

All costs of pension fund/scheme administration are borne by the pension fund. Any additional costs or transitional costs of moving to another delivery model will also be costs to the pension fund.

### **Current costs**

The current administration service provided by SCC under the section 101 delegation arrangement enables SCC to recharge the costs it incurs in providing the pension administration arrangements to the pension fund. In addition to this, the Council has a shared service arrangement with a RBKC hosted retained team which undertakes the client and employer functions which recharges the pension fund for this service. 2019/20 charges (the last full year of recharges) are summarised as follows:

<b>Pension administration costs 2019/20</b>	<b>£</b>
Surrey recharge	271,376
Retained team net recharge*	269,923
<b>Total costs</b>	<b>541,299</b>

\*This included exceptional costs of £77,323 relating to work on historical record correction (for the triennial review and 2019 annual benefit statements)

Further information relating to current costs, costs relating to data improvement and termination costs and the proposed costs for the new provider are set out in the exempt appendix.

### **In house Retained Pensions Team**

There will be costs associated with the recruitment and appointment of an in-house Pensions Manager and team, although these costs will, at least in part, be met by the reduction in charge from RBKC for the retained service which is proposed to transfer from RBKC to LBHF on 31 December 2020. Recruitment to the team is progressing well and the final costs for the team (both permanent and temporary resource for the transition period) will be reported to the Sub-committee once finalised.

The team is being bolstered in the short term to support a successful service transition from RBKC and to support the project to procure and transition to a new pensions administration provider. All pension staffing costs are charged to the Pension Fund.

### ***Triennial valuation***

It is not expected that the data issues identified will have a significant impact on the latest triennial valuation in the autumn of 2019 of the fund as the retained team provided offline data to the actuary to ensure that the data provided for the valuation was of sufficient quality for the valuation.

### **Legal Implications**

The Council is an administering authority under the Local Government Pension Scheme Regulations 2013, it has certain duties in relation to the management of the Pension Fund. This duty is owed to current members, deferred members and pensioners and other beneficiaries, including employers. There are also specific legal requirements that must be met as a matter of law. Under Regulation 53 of the Local Government Pension Scheme Regulations 2013, the Council, as the administering authority of the Pension Fund “is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations”.

This report recommends that Hammersmith and Fulham Council (H&F) join a shared service with Lancashire County Council (LCC) through the delegation by H&F to LCC its powers of the administration of H&F’s Pension Fund within the Local Government Pension Scheme. The aim is for this service to be delivered through LCC’s wholly owned subsidiary Local Pensions Partnership Administration Ltd (LPPA).

The authority for the council to enter into this proposed arrangement with LCC is governed by Section 101 of the Local Government Act 1972. Section 101 of the 1972 Act deals with delegation of local authority functions (save for those which are the responsibility of an authority’s executive pursuant to Section 12 of the Local Government Act 2020. Section 101(1) provides that, subject to any express statutory provision, a local authority may arrange for the discharge of any of its functions by a committee, sub-committee or one of its officers.

The decision makers must consider the analysis of options and business case development in order to determine that it is in the best interests of the Council and meets the Council’s best value obligations under the Local Government Act 1999.

Further legal comments are provided in the exempt appendix.

*Legal Implications provided by Hannah Ismail, Sharpe Pritchard*

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### **Contact Officers:**

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## **Background Papers Used in Preparing This Report**

Reports to the Pension Fund Sub-Committee on 9 March 2020, 31 July 2020, 29 September 2020 and 24 November 2020.

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## **Background and reasons**

1. In March 2020, a number of concerns regarding the pensions administration service provided by Surrey County Council (SCC) were reported to the Pension Fund Sub-Committee. To deal with the issues identified, the Pensions Taskforce was established and an independent review of the SCC service was commissioned. In March 2020, Royal Borough of Kensington & Chelsea (RBKC) served notice on SCC to create their own Pensions Administration Service from March 2021. In addition, they confirmed that they wished to transfer the retained pensions function (which they provided on a shared basis for London Borough of Hammersmith & Fulham Pension Fund (LBHF) back to London Borough of Hammersmith & Fulham (the Council) by the end of December 2020.
2. The independent review report concluded that it is not in the Council's, or the LBHF members' interests to continue with the arrangement with SCC beyond the required notice period and that the Council's objectives and requirements would be best met by reviewing the market to seek a credible alternative third party to provide the future service. The review found that there is a high risk to LBHF of regulatory non-compliance in respect of poor data quality standards and the lack of an improvement plan to address this. Having considered the outcome of the independent review, which was reported to the Pension Fund Sub Committee (PFSC) on 31 July 2020, the Committee agreed:
  - That the Council should serve 12 months' notice of termination on SCC in respect of the pension's administration service;
  - To take necessary steps to create a detailed service specification and carry out a competitive tender and/or identify a suitable public sector partner for a replacement pensions administration service, engaging external expertise where appropriate and to consider in parallel the potential for a public sector provider to be engaged to take on the service;

- To note that the shared service arrangement with RBKC would come to an end at 31 December 2020 and that a suitable transition plan for the retained pensions service needs to be agreed;
  - That officers should review, agree, implement and monitor a data improvement plan with SCC and RBKC; and,
  - To recruit to the post of Retained Pensions Manager for LBHF and to establish an in house Retained Pensions team to take on the functions previously undertaken by RBKC.
3. In December 2020, having reviewed the options for a new pensions administration service provider, the Director of Resources formally served notice on SCC that the Council wished to terminate its agreement with SCC on 31 January 2022.
4. The Council is required to provide a workplace pension scheme (in accordance with the Pension Act 2004) for its employees via the Local Government Pension Scheme. The Public Sector Service Act 2013 sets out detail of membership and establishment of a pension board to oversee the managing of the public service Pension Fund. Under the Act, the Pension Regulator issues code of practice. Code 14 sets out the legal requirements for public service pension schemes and contains practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.
5. As the Council has served notice on SCC, it has to take steps to put in place a pensions administration service which is compliant with the regulations and provides an effective and high quality service to the Fund's Members and Employer bodies.

### **Project risks and project plan**

6. The Pensions Taskforce identified a number of key risks, which have been reported to the Sub-committee previously, with the key mitigations set out in italics:
- In serving notice on SCC, insufficient time is allowed for the development of the service specification and tendering process to be completed, along with a period of mobilisation for the new provider to ensure the new service is able to fully commence at the end of the notice period.
- To manage this risk, a detailed project plan was developed and is being maintained. This was being used to inform the timing of serving notice on SCC, this has already been communicated to them. As set out earlier in the report, notice was served on SCC in December 2020 to terminate the agreement on 31 January 2022.*
- The new Retained Pensions Team is not created and put in place in a timely manner or has insufficient capacity to manage the transition period and transfer of functions from RBKC by 31 December 2020.

*A structure for the Retained Pensions Team was agreed and a successful recruitment undertaken. The Pensions Manager commenced on 2 November 2020; two permanent Pensions Advisors were appointed in December 2020 and in January 2021. Changes to the structure were agreed by the Taskforce, to include a temporary resource which commenced ahead of the transition of functions from the*

*RBKC shared retained team at the end of December 2020. A detailed transition plan was been put in place and reviewed on a weekly basis. The transfer of functions was completed as per the transition plan. The Taskforce have also retained the services of the independent pensions adviser to support the project during the next phase.*

- Lack of market engagement (including potential public sector providers) leads to an inadequate specification being developed and tendered against which fails to attract competitive responses, does not provide value for money for The Fund or does not enable implementation of the new service by the end of the notice period with SCC.

*Following the steer from the Pension Fund Sub-committee to consider both public and private providers, the Taskforce engaged with a number of public providers (including Hampshire County Council who provide the Finance, HR and Payroll service to the Council under a partnership agreement). Reference sites have also been engaged. In parallel and to consider the suitability of progressing a competitive tendering exercise for the new pension administration provider, a pre-competition engagement exercise has been undertaken.*

- The Pension Funds data held by SCC is not subject to sufficient data improvement work, impacting on the Fund's ability to attract competitive tenders for the new service or failing to secure a value for money service through the procurement.

*A detailed data improvement plan was developed and agreed. The Pensions Taskforce have been reviewing the data improvement work carried out by SCC and RBKC and procured a third party to undertake work on the backlog cases recently identified by SCC.*

7. The Taskforce have developed a detailed Project Plan which is structured around 9 key areas of activity, including the procurement of the new provider. An update report on the progress against all workstreams will be provided to the next planned meeting of the Sub-committee. The purpose of this report is to set out the work done to assess the private and public provider markets, and having completed that assessment, makes recommendation to Committee for a future partner to provide the pensions administration service following final evaluation of the three public providers with whom initial dialogue had been entered into.

## **Consideration of procurement options**

8. The independent review reported to the Sub-committee in July 2020 considered five options (set out below) for procuring a new provider for the pensions administration service. In considering the independent review report, the Sub-committee requested officers to consider the potential for a partnership with a public-public provider (in relation to option 4), similar to that entered into with Hampshire County Council for Finance, HR and Payroll services in 2018.
  1. Remain with SCC under the current delegation agreement;
  2. Set up an in-house pensions administration service to take on the service provided by SCC;
  3. Third-party administration: public sector;
  4. Third-party administration: private sector;
  5. Shared service administration: RBKC and LBHF.
9. Option 1 was discounted given the very serious concerns identified through the independent review and taking account of SCC's indication that it did not wish to continue to provide the service in the long term and certainly could not do so for the current agreed fee.
10. Options 2 and 5 were discounted due to the level of risk considered in being able to recruit and retain sufficient numbers of skilled, experienced and qualified staff to run an in house LGPS service, the diseconomies of scale which would be represented by a small service/function and the need to deliver significant improvements in the current service to Fund Members and Employers which was likely to be achieved by appointing an experienced existing provider. An in-house team would also be responsible for procuring and managing relationships with the software providers needed to support the delivery of the service. While there was an initial offer from RBKC to provide a shared in house service, LBHF were asked to commit to this at short notice with a view to the new service being established by 31 March 2021. LBHF determined that it wished to consider all options before making its decision.
11. As set out in the report to the Pension Fund Sub-committee on 24/11/20, the Pensions Taskforce explored two options in parallel (options 3 and 4), namely to carry out a competitive tender process requesting bids to be submitted and the potential to enter into an agreement with a public provider of pensions administration, similar to the model adopted by the Council when it entered into an agreement with Hampshire County Council's IBC for Finance, HR and Payroll services in 2018.

## **Open market competition**

### *Market engagement - Prior Information Notice*

12. To assist with the development of the specification and to consider the most appropriate route to market, the Taskforce undertook a market engagement exercise by publishing a Prior Information Notice (PIN), as covered by the OJEU procurement regulations. This was done to gather feedback and input from the market in terms of the Council's requirements against a number of questions which explore the market for the provision

of services in line with those requirements. The publication of a PIN did not commit the Council to undertaking a competitive process.

#### *Purpose of issuing the PIN*

13. The Taskforce set out a range of questions in the PIN to gain responses from the market to:

- Gauge market appetite to bid through a competitive process and with the potential to undertake Competition by Negotiation;
- Assess the coverage, knowledge of expertise of the market in providing an LGPS pensions administration service;
- Assessing the nature and scope of the core services offered and those which would be optional/incur additional costs;
- Understand the timescales and approach to implementation and onboarding of an LGPS Fund and the recent experience of doing this;
- Understanding the market's approach to data quality, both in terms of reviewing and improving data quality during onboarding and once the service goes live;
- Clarifying whether the Council's timescale (go live by December 2021) was feasible; and,
- Understanding the contract period required (with a view to this fitting in with the triennial valuation process).

#### *Assessment of responses*

14. In considering the factors set out above, an examination of the responses provided to the PIN appear to indicate that:

- There was limited market appetite/interest in bidding for this service although there was a general awareness of how Competition by Negotiation could be beneficial; this route was not ruled out;
- All three respondents had a limited footprint in providing an LGPS pensions administration service and limited experience of recent onboarding of an LGPS client;
- Whilst there appeared to be a relatively full service offer from all three respondents there were elements which were either identified as being out of scope or which could incur additional costs;
- Whilst the Council's timescale for implementation and onboarding was not ruled out, the period of onboarding indicated, along with the period needed to run a full procurement exercise appeared to be challenging. It appeared that none of the respondents had recently onboarded an LGPS scheme;
- The respondents identified a range of robust and technology-driven approaches to data quality, although there were mixed responses in respect of reviewing and improving data quality during onboarding;
- Clarifying whether the Council's timescale was feasible;
- Understanding the contract period required (with a view to this fitting in with the triennial valuation process); and,

- Although respondents demonstrated advanced member and employer technology, the Pensions Taskforce felt that this did not compensate for the points outlined above.

### *Conclusion – pre-market engagement*

15. Based on the criteria set out above and the summary of themes arising from the PIN responses there are a number of risks, which are set out in the table in section 4, indicate that the competitive procurement route is less likely to lead to the Council successfully engaging an experienced LGPS service provider within the required timescale and with a reasonable degree of cost certainty.
16. There were a number of factors where it was not clear how (or whether) data quality would be handled during migration, to what extent the service offering and systems would be future-proofed within a contract, or that a contract length which is aligned to the actuarial valuation cycle could be secured. Private providers appear to want a longer-term contract period to recoup their investment in the implementation of the service.

### ***Public provider via a partnership agreement***

17. As requested by the Pension Fund Sub-committee, the Pensions Taskforce undertook a review of the opportunities, benefits and risks associated with entering into a partnership agreement with a public pension administration provider.

#### *Purpose of engagement with public providers and reference sites*

18. The Taskforce engaged with three current public sector providers of pension administration services:
  - to understand the nature, extent and cost of the service they provide;
  - their ability and capacity to carry out an onboarding and implementation programme with a view to the new service commencing by December 2021; and,
  - their ability and capacity to deal with data quality issues as part of the onboarding process.
19. In addition, the Taskforce took up a reference site for each of the three providers to get their feedback on the points raised above as well as considering a number of other factors including:
  - their starting point in terms of data quality and how this was dealt with through and beyond the implementation process;
  - how the partnership arrangements worked in practice (including governance, performance, service development);
  - the range of services available to members and employers (including online portals and self-service); and,
  - lessons learnt from the implementation/onboarding process with their preferred provider.



20. It is noted that in considering other public providers of pensions administration services in selecting their preferred provider, all three reference sites had considered one of more the three providers considered by the Taskforce or Orbis (SCC), our current provider, with no other providers being considered.

*Assessment of engagement with providers and reference sites*

21. The following is a summary of key themes and points identified by the Taskforce through discussions with the providers and their reference sites:
- All demonstrated track record in administering LGPS Schemes;
  - All had recent experience of successful onboarding LGPS Funds;
  - They all have a well-structured service provision model (built around LGPS) and specific teams/resources covering onboarding, data quality, working with employers etc;
  - All were comfortable with December 2021 go live timescale (9 month implementation including at least 2 parallel payroll runs);
  - All have experience of migrating data from Altair and of dealing with historic data quality issues, both within and beyond the implementation period, taking an agreed approach to prioritising data improvement actions;
  - Clear partnership approach to service development and innovation, reflected in the reference site feedback;
  - Flexible approach to reporting and attendance at Committees is part of the service;
  - Good investment in training and retaining staff (good retention rates);
  - Range of indicative costs provided for service provision and onboarding (which needed to be examined and understood in more detail);
  - Positive feedback provided by the reference sites, including:
    - who had successfully onboarded in the past two years;
    - having had significant issues with data quality, with prioritised actions being agreed during onboarding and further projects agreed post go live;
    - seeing improvements in data quality through and beyond migration;
    - seeing their KPIs getting to required levels within a short period after go live;
    - recognising the benefits of the partnership approach and core focus on LGPS;
    - recognised their provider was working well with their actuary.

***Risks and opportunities with the two approaches***

22. The following table summarises the risks and opportunities considered by the Pensions Taskforce in relation to the two routes to market considered by the Taskforce and their assessment of the responses/discussions relating to those two routes:

<b>Competitive tender</b>	<b>Public provider agreement</b>
<i>Risks</i>	
<ul style="list-style-type: none"> <li>• Limited market interest based on PIN reflected in lack of competitive bids if tendered</li> <li>• Limited LGPS experience in the responses provided, predominantly other public sector or private sector schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership agreement/SLA rather than contractual terms against which provider can be held to account for poor service</li> <li>• Capacity for multiple onboarding projects and less frequent experience of running onboarding projects than private providers</li> </ul>

<p>being managed</p> <ul style="list-style-type: none"> <li>• LGPS work small proportion of business so LBHF may not be seen as “important” client able to shape and influence service delivery and innovation</li> <li>• Bespoke software systems may not be fully suitable for LGPS requirements and future legal/scheme changes likely to chargeable or (in one case) not covered</li> <li>• Likely that backlog and data issues will be chargeable and/or not included (at least one response to this effect)</li> <li>• Uncertainty as to whether a full procurement process and mobilisation could be completed by in the required timescales.</li> <li>• Longer term contracts sought to recoup initial investment/outlay on implementation – not seeming to grasp the need to align to the valuation cycle</li> <li>• Rigid nature of the contract and the council’s ability to have a voice on services delivered</li> </ul>	<ul style="list-style-type: none"> <li>• Potential slow development of software and innovation if software platform is dated as investment can be costly and may not be a priority</li> </ul>
<i>Opportunities</i>	
<ul style="list-style-type: none"> <li>• Potential for innovation and more self-service for employers and members, with value added features included (e.g. wealth modeler)</li> <li>• Greater focus on member access (including phone app) and developing this further</li> <li>• Longer contractual terms could provide stability and encourage investment into the services and products offered</li> <li>• Larger entities with wider customer base which potentially increases capacity for onboarding and ongoing service provision?</li> <li>• Experience working with central government bodies and large actuarial firms.</li> <li>• Opportunity to offer a holistic service (i.e. FRS102 for accounting)</li> </ul>	<ul style="list-style-type: none"> <li>• Only provide LGPS and other public pension fund services so core focus on LGPS services, this will include future proofing the service for legal/scheme changes</li> <li>• Partnership approach which enables LBHF to play full part in ongoing service and developments</li> <li>• Partnership approach provides good degree of cost certainty</li> <li>• Good understanding of LGPS data quality issues and experience/expertise in addressing this</li> <li>• Good recent experience of onboarding LGPS clients (including those with significant data quality issues)</li> <li>• Proven LGPS software in use and all have expertise and recent experience in migrating from Altair to their platform.</li> </ul>

*Conclusion – public-public providers*

23. Based on the factors set out above, the summary of themes arising from the provider and reference site meetings, the evaluation undertaken by the Taskforce members and the risks and opportunities set out in the table in section 4, it was considered that carrying out a further evaluation of the three public providers, with a view to entering into a partnership agreement, was the most likely option to lead to the Council successfully engaging an experienced LGPS service provider within the required timescale and with a reasonable degree of cost certainty.

24. There were a number of further factors which needed to be taken into account in terms of their recent experience of successfully onboarding other LGPS clients where there were significant data quality issues, their experience in migrating from Altair (our current software provider) and in dealing with inherited data quality issues during onboarding, the benefits to be gained from a partnership approach in terms of ongoing service provision and innovation and a detailed understanding of all service requirements including, the need for flexible reporting, governance arrangements including reporting to Members and the relationship with the Council's actuary.
25. Having considered the results of the PIN assessments and the discussions with the three public providers and their reference sites, the Pensions Taskforce determined that it was appropriate to proceed with a further and final evaluation of the three public providers with a view to recommending a preferred provider to the Sub-committee. As with the progression of the partnership agreement with HCC for the IBC, a procurement strategy report was not required and the rationale for this is set out below and in the legal implications section.

### ***Final evaluation of the three public providers***

#### ***Evaluation approach***

26. To ensure that a full and thorough evaluation of the three public providers identified in the initial engagement phase was completed so that a recommendation could be made to the Sub-committee on a preferred provider. The results of the evaluation are set out in the exempt appendix.

#### ***Outcome of the final evaluation assessments***

27. The exempt appendix contains the detailed evaluation of the three providers considered.
28. The financial standing assessment (based on counter party checks) undertaken by the shared Treasury Team on the three providers found that, in each case there was a satisfactory outcome.
29. A review of Key Performance Indicator (KPI) data for each public provider was undertaken.
30. All three sets of KPIs examined as part of the evaluation were found to contain KPIs which are in line with the Pensions Regulator guidance on clear targets being used with service providers to ensure agreed standards are being met.
31. The reported KPIs demonstrate that all three providers have performed well through the Covid pandemic, which indicates they have robust continuity and IT arrangements as well as being able to work effectively from remote locations. The levels of performance reported give the evaluation panel confidence and assurances that each provider had good arrangements in place to manage and deliver the service.

32. In completing the evaluation, the following assumptions and risks were considered, bearing in mind the Council's objectives and requirements in identifying a new service provider. A summary of the risks is set out in the exempt appendix.

#### *Assumptions*

- Recognised that all have proven LGPS experience and recent experience of onboarding local authorities where there were significant data quality issues relating to the incumbent provider which needed to be addressed;
  - All providers offer a full range of pensions administration services with well-resourced and structured in house teams, working closely with the software provider to deliver the service;
  - All three providers have set out a clear and achievable timetable to onboard and go live with the new service by 1<sup>st</sup> February 2022, which is in line with the notice served on SCC. This includes robust arrangements for parallel running the pensions payroll prior to going live;
  - All three are capable of delivering the service required and to develop the offer to Members/Employers (including online, training, engagement, monitoring), all appear to be performing well based on published KPI data and reference sites all identified how they had made improvements in data quality from a low base;
  - All three providers have demonstrated, through the recent onboarding of LGPS clients, that they have brought about tangible and prompt improvement in data quality levels and in providing the service within their stated performance standards within a reasonable timeframe of going live with the new client;
  - All three providers offer the partnership on a cost sharing basis, with surpluses reinvested into the partnership and service;
  - The selected provider would need to lead on the project management of the onboarding, data cleansing and migration activities and be appropriately resourced to do so;
  - The demonstrated system is one which LBHF members of the scheme would find very easy to use;
  - A high, not just good, degree of regulatory compliance is being consistently achieved; and,
  - Engagement with Employed bodies and Fund actuaries is good or excellent.
33. A summary of costs for each of the providers evaluated is set out in the exempt appendix.

#### ***Strengths/benefits identified for appointing the preferred provider***

34. While the evaluation panel believe that all three providers would provide a good pension administration service, the panel are confident that the recommended provider would provide this service to a high standard, with a clear margin being demonstrated in the evaluation to the second placed provider. The following points set out the rationale for recommending LPPA as the preferred provider based on the evaluations conducted:
- Provides LBHF access to a well-developed and maturing partnership, which includes six other London Boroughs.
  - Provides best accessibility and functionality to Members and Employers

- Dedicated data improvement team which will help to ensure data quality standards are significantly improved
- Has most LGPS clients and experience of delivering, including a number of London local authority clients
- Close working relationship with Civica and clear roadmap for developing the software and Member/Employer portals further
- The Panel felt that the software provider would be an integral part of the offer, working closely with the preferred partner to develop and enhance the service and Member/Employer experience. This approach would also remove the need for separate procurement of the administration software.
- Attention to detail on SLAs/performance standards, with a greater degree of reporting/analysis provided as standard and as required, at no additional cost and therefore reducing the need for ad hoc reports
- Aligns well with our Council objective of being Ruthlessly Financially Efficient and driving service improvements to maximise value for money

35. The evaluation panel has a high degree of confidence in the preferred provider being able to deliver a high quality and compliance service which meets the needs of the Council, Fund Members and Employers.

### **Next steps**

36. Subject to the Sub-committee agreeing the recommendations set out in this report the following actions would be required to initiate and commence the project:

- Review and agree the partnership agreement with LPPA;
- Review and agree the detailed implementation plan and milestones for onboarding;
- Undertake the gap analysis and data mapping exercise to identify key data gaps/issues and agree prioritising, timing and costs for remediation works;
- Develop and agree the Project Definition Document;
- Establish the internal and combined project groups to oversee the project to completion;
- Engage with SCC regarding the requirements for data extraction, migration and handover (to be documented in the Exit Plan to be agreed with SCC); and,
- Provide regular reports to the Pension Fund Sub-Committee and Pensions Board on project progress.

### **Timetable for implementation**

37. Subject to the Sub-committee agreeing the recommendations, Appendix 1 sets out the timetable proposed by LPPA to deliver a go live date for the new service in January 2022. Appendix 2 details the four phases and key activities within each phase, as set out in LPPA's submission, in terms of data cleansing/migration and onboarding.

### **List of Appendices**

- 1 – Project Plan and milestones
- 2 – Approach to data cleansing and migration and onboarding
- 3 – Exempt information

**Appendix 1 – Project Plan provided by LPPA showing a detailed breakdown of key activities and milestones**

<b>Month</b>	<b>Key Activities/Milestones</b>
Mar 2021	<ul style="list-style-type: none"> <li>• Project Manager assigned to project &amp; governance set up</li> <li>• Definition phase begins</li> <li>• System configuration stage begins</li> <li>• System configuration stage complete</li> <li>• Communications plan drafted for stakeholders (members &amp; employers)</li> </ul>
Apr 2021	<ul style="list-style-type: none"> <li>• Definition phase complete</li> <li>• Data migration and UAT begins</li> <li>• Business process review begins</li> </ul>
May 2021	<ul style="list-style-type: none"> <li>• Data cut 1 signed off</li> <li>• Member web – CMS scoping begins</li> </ul>
Jun 2021	<ul style="list-style-type: none"> <li>• Data cut 2 begins</li> <li>• Employer web (EAS) scoping begins</li> <li>• Communication plan agreed including member web registration and employer web on-board</li> </ul>
Jul 2021	<ul style="list-style-type: none"> <li>• Business process sign off</li> <li>• Training plan for employers drafted and agreed</li> </ul>
Aug 2021	<ul style="list-style-type: none"> <li>• Data cut 2 signed off</li> </ul>
Sep 2021	<ul style="list-style-type: none"> <li>• Ongoing migration &amp; UAT</li> <li>• H&amp;F meet key members of the LPPA operations team</li> </ul>
Oct 2021	<ul style="list-style-type: none"> <li>• Member web sign off</li> <li>• Employer web sign off</li> </ul>
Nov 2021	<ul style="list-style-type: none"> <li>• Data extracts, parallel runs for payroll begin</li> </ul>
Dec 2021	<ul style="list-style-type: none"> <li>• UPM and web released into operations</li> <li>• Issue welcome letters to members</li> </ul>
Jan 2022	<ul style="list-style-type: none"> <li>• Go-live</li> </ul>

## **Appendix 2: LPPA submission – approach to data cleansing, migration and onboarding**

### **Phase 1 - Project Definition**

It is essential that a project of this size is well scoped and understood by all stakeholders. During this phase, LPPA will create a Project Definition Document (PDD); this documents the scope, deliverables, assumptions, prerequisites, exclusions, milestones, activities and approaches into a working document. It forms the foundation for delivery of the project. The project plan and risk log will also be created during this stage to reflect the information and approach agreed during the technical scoping sessions. This ensures that the project only commences once all stakeholders have agreed the scope and approach, avoiding uncertainties arising later in the project. Including:

- Initial scoping meeting and preparation
- Review of information / produce initial documentation
- Scoping meeting and clarifications
- Finalisation of documentation to signoff

### **Phase 2 - Conversion Systems Configuration**

LPPA will build two conversion systems containing LGPS “best-practice” processes. The high-level activities will include but not be limited to:

- Creation of two new project environments
- One remains static with test used for testing.

Member data will be added during phase 3.

### **Phase 3 - Migration of Data and UAT**

Involves loading all admin/payroll data at one time as it is anticipated that the ceding provider uses the same software system for both administration and payment of pensions. This is a proven process will mirror what will happen during the live migration.

- Data to be provided in a specific format to allow use of standard migration tools
- LPPA to perform a gap analysis and a data mapping exercise to highlight data issues, for example, reconciliation errors between pension/payroll data.
- Data cleansing by LPPA of highlighted data exceptions.
- LPPA to import the data based on agreed mapping document into environments for testing.
- It is assumed (based on LPPA’s knowledge of Altair data) that there will be three conversions in total i.e. 2 test and 1 live. This could change depending on the quality of data, in which case the costs would be adjusted accordingly.
- Sample image extract and indexing data provided by H&F, LPPA will agree the layout of the index file during Phase1.
- LPPA to upload sample images into UPM.
- Control totals will be generated to enable LPPA/H&F to confirm the number of members transferred and number of data tables transferred.

- Includes payroll running with each data migration.

Once complete, LPPA/H&F would agree timescales for live migration.

#### **Phase4 Go-Live**

The requirements for go live will be agreed and planned once each phase have progressed and are close to completion. It is assumed that images will be migrated once the live member data has been completed

The project will be managed by LPPA with the only dependencies on H&F being:

- Provision of:
  - data extract files per conversion
  - a sample/final image extract
- Relevant person to:
  - Participate in Project Board governance calls/meetings
  - Provide response to unresolved queries
  - Liaise with / manage relationship with Orbis to enable LPPA to perform a GAP analysis