

Pension Fund Sub-Committee

Extraordinary Meeting

Agenda

Wednesday 3 February 2021 at 6.30 pm
Online/Virtual

MEMBERSHIP

Administration	Opposition
Councillor Iain Cassidy (Chair) Councillor Jonathan Caleb-Landy Councillor Rowan Ree	Councillor Matt Thorley
Co-optee	
Michael Adam	

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<https://youtu.be/xPJ03mkWdoM>

Date Issued: 26 January 2021

Pension Fund Sub-Committee Agenda

<u>Item</u>	<u>Pages</u>
1. APOLOGIES FOR ABSENCE	
2. ROLL CALL AND DECLARATIONS OF INTEREST	
<p>To confirm attendance, the Chair will perform a roll call. Members will also have the opportunity to declare any interests.</p> <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>	
3. MINUTES OF THE PREVIOUS MEETING	4 - 7
<p>To approve the minutes of the meeting held on 24th November 2020.</p> <p>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minutes that contain information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication.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.</p> <p><i>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.</i></p>	

4. NEW MEMBERSHIP OF THE PENSION FUND SUB-COMMITTEE

At the Audit and Pensions Committee meeting held on 1 December 2020, the committee delegated the decision to agree the membership of the Pension Fund Sub-Committee to the Chair, in consultation with the Committee members.

The Pension Fund Sub-Committee is asked to note the following membership as agreed by the Chair of the Audit and Pensions Committee in consultation with the Committee members:-

- Councillor Iain Cassidy (Chair)
- Councillor Rowan Ree
- Councillor Jonathan Caleb- Landy
- Councillor Matt Thorley
- Michael Adam (Co-opted Member)

5. PENSIONS ADMINISTRATION UPDATE

8 - 24

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.

6. 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 3



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 Mpofu (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 29th September 2020 were approved.

4. **QUARTERLY UPDATE PACK**

Timothy Mpofu (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 5

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

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.

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

H&F Priorities	Summary of how this report aligns to the H&F Priorities
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:

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

*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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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.

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:

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

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

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 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 1st 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

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

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