

London Borough of Hammersmith & Fulham

Report to: LBHF Pensions Board

Date: 08/06/2022

Subject: Update on the LGPS Pensions Administration Service

Report of: David Hughes, Director of Audit, Fraud, Risk and Insurance
Eleanor Dennis, Head of Pensions

Responsible Director: Emily Hill, Director of Finance

Summary

This report follows up on update reports presented previously to the Pensions Board on the actions agreed by the Pension Fund Sub-committee on 3 February 2021 to appoint Local Pension Partnerships Administration (LPPA) to provide the Pension Administration service from 1 February 2022. The new service subsequently went live on 26 January 2022, with all data being successfully migrated from the previous provider.

The Pensions Board and Pension Fund members need to be assured that the administration and governance of the Pension Fund is compliant with regulatory requirements, is effectively managing risk and providing a high-quality service.

Recommendations

1. That the contents of this report are noted.
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Wards Affected: None

H&F Values	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 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 administration are borne by the Pension Fund. These costs include the costs of any delegated or contracted arrangements and any shared or in-house retained pensions team. Any additional costs, such as data improvement, or transitional costs of moving to another delivery model will also be charged to the Pension Fund.

Finance implications verified by Emily Hill, Director of Finance, 30 May 2022.

Legal Implications

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”. Therefore, it is responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation.

Legal Implications verified by Adesuwa Omoregie, Assistant Director, Legal Services, 30 May 2022

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

Proposals and Analysis of Options

1. This report is for noting and no decisions are required. A range of options were considered by the Pension Fund Committee on 31 July 2020 and actions agreed.
2. This report sets out the recent progress made against the actions previously agreed by the Pension Fund Committee. All of the actions requested at the Pension Fund Committee on 31 July 2020 have now been completed.
3. The data migration from Surrey County Council (SCC) to LPPA has been successfully completed and the new service being provided by LPPA went live on 26 January 2022.
4. As the new service is now operating, further reporting on the service will be provided through the performance reports presented by the Head of Pensions.

Progress Update

What were the key project risks?

5. As reported at the previous meetings of the Pensions Board and Pension Fund Committee, the Pensions Taskforce identified four key risks which have all been mitigated against.

- 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 implemented. The Pension Fund Committee approved entering into a delegation agreement for the service to be provided by LPPA, with a clear and achievable timetable proposed to ensure the new service could go live on 1 February 2022. This date was subsequently brought forward to 26 January 2022 when the new service with LPPA commenced.

- 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.

The mitigations for this risk have been completed. 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 put in place and reviewed on a weekly basis. The transfer of functions was completed as per the transition plan.

- 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 Council 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 Committee to consider both public and private providers, the Taskforce engaged with a number of public providers. Reference sites were also 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 was undertaken. Following consideration of the options the Taskforce agreed to pursue the public provider option, with the existing partnerships being evaluated in detail. That evaluation led to the recommendation to the Pension Fund Committee on 3 February 2021, to enter into a delegation agreement for the service to be provided by LPPA, which was approved and has now been actioned.

- The Pension Fund's data held by SCC is not subject to sufficient data improvement work, impacting on the Pension 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 reviewed the data improvement work carried out by SCC and RBKC and procured a third party to undertake work on the backlog cases. The work was agreed under an officer decision report, in consultation with the Chair of the Pension Fund Committee and has been completed.

6. In recognising the key risks above, the Taskforce developed a detailed Project Plan structured around nine key areas of activity, all of which are now complete. An overview of the project plan is provided for each workstream below:

Workforce and Recruitment

7. The Retained Team structure is in place and operating the new service alongside LPPA. The team structure has been designed and implemented to provide service resilience, capability, capacity and support to the Head of Pensions to lead the service and manage the relationship with the new service provider. As reported previously, transition of all the retained functions previously managed by RBKC is complete and the in-house team are delivering a good, retained service.

The structure for the new Retained Pensions Team ensures there is sufficient resource to run the service on a day to day basis, to progress the data improvement work, to manage the exit from the SCC arrangement and to manage the new service with LPPA, all of which has been completed.

Procurement - Pensions Administration service

8. Officers first agreed Heads of Terms with LPPA, to enable the transition project to commence and have also recently signed and completed the discharge and liability agreements governing the operation of the new service which came into force when the new service commenced on 26 January 2022.

Data improvement - caseload backlog project

9. The work was carried out by ITM and has been completed.

Legal/Contractual

10. As stated above, the discharge and liability agreements with LPPA and Lancashire County Council covering the operation of the new service have been agreed were signed and completed prior to the new service commencing on 26 January 2022.

Transfer of Retained Functions from RBKC

11. All functions and data were successfully transferred to LBHF by 31 December 2020 in line with the detailed transfer plan agreed. Communication was provided to all fund

employers and stakeholders to ensure they were aware of the transfer to the LBHF Retained Team from January 2021.

SCC Exit Plan

12. This is complete. The Director of Audit, Fraud, Risk and Insurance and the Head of Pensions worked closely with SCC on key project plan activities, timescales and responsibilities, in consultation with LPPA to ensure that all key activities, responsibilities and timescales were documented and agreed. The fourth and final data cut was successfully taken and provided by SCC following the January 2022 payroll run. All data was successfully transferred to the new service provider prior to the commencement of the new service. All H&F Pension Fund data previously held by SCC has now been securely removed from their systems, in line with the agreed exit plan and data protection requirements.

Governance Arrangements

13. The Pensions Taskforce provided oversight during the project implementation, reporting regularly to the Chief Executive (and SLT Assurance) on progress. Update reports have been provided to the Pensions Board and Pension Fund Committee against the nine key areas identified in the project plan, all of which have now been completed.

Communications

14. Fund Employers were informed in October 2021 of the forthcoming change of administration from SCC to LPPA. Fund Members received communications in December 2021 and January 2022 from LPPA regarding the new service. Employers and Members can access their information via the dedicated portals provided by LPPA.

Budget

15. This is now complete. The costs of pensions administration are met by the Pension Fund. The Head of Pensions works with the Treasury team to manage the budget. Budget accountability sits with this role and the Director of Finance.

Risk Management Implications

16. The report sets out the key risks being managed on the project and the main mitigations being progressed by officers are set out throughout the report.

Risk: Pension provider record keeping and administration provisions:

17. The Council is the accountable body responsible for ensuring that members of the Pension Fund receive the best possible service which is in compliance with regulations. It continues to act at pace following identification of the risks and issues involved. Performance of the Pensions Administrator was affected by a combination of administrative, data quality and contract risks discovered by the Council in late 2019.

These risks are being managed by the Pensions Taskforce in accordance with the council's Programme Management Office approach.

Implications verified by Moira Mackie, Head of Internal Audit, 30 May 2022.