

## **PENSIONS COMMITTEE**

**21 NOVEMBER 2017**

**Subject Heading:**

Employer Outsourcing Guide for Local  
Government Pension Scheme (LGPS)  
Scheme Employers

**SLT Lead:**

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**Policy context:**

A guide to provide an overview of all issues  
faced when an LGPS scheme employer  
outsources services from their organisation

**Financial summary:**

Costs for the provision of the guide at £6500  
plus VAT will be met from the Pension Fund

**The subject matter of this report deals with the following Council  
Objectives**

Communities making Havering  
Places making Havering  
Opportunities making Havering  
Connections making Havering

[X]  
[X]  
[X]  
[X]

## **SUMMARY**

This report provides an overview of LGPS implications and procedures detailed fully in the guide provided at Appendix 1

## **RECOMMENDATIONS**

The recommendation of this report is for Members to note, subject to employer consultation, the guide provided at Appendix 1.

## **REPORT DETAIL**

1. Guidance for best practice within Pension Administration is to ensure the establishment of a guide to assist employers within the LGPS fund who wish to outsource services within their organisation.
2. Havering Pension Administration commissioned Hymans Robertson to produce a guide to assist employers in the Havering LGPS fund, to make them aware of the legal position and their obligations when they are transferring a service from their organisation to an external service provider. The cost was £6,500 plus VAT and will be met from the pension fund.
3. Employees being transferred to the employment of the new external service provider, have protections in place for their pension scheme under The Transfer of Undertakings (Protection of Employment) (TUPE) Regulations 2006.
4. The scheme employer needs to ensure the bidding contractors are aware of the right of the staff (who are in scope to transfer to the new service provider) to an unreduced pension.
5. Under 'best value and fair deal' the scheme employer must ensure the contractor secures pension protection for future accrual for each transferring employee through the provision of pension rights that are, the same as, broadly comparable to, or better than they currently have.
6. The guide provided as Appendix 1 gives a detailed overview for all scheme employers to use and ensure best practices are followed when considering a transfer of service to an external service provider as a new employer. The report includes:

- a. Legislative background,
  - b. Responsibilities,
  - c. Admitted Body Status,
  - d. Broadly Comparable Schemes,
  - e. Overview of outsourcing arrangements (Roles),
  - f. Procedural flow for pension outsourcing, insourcing
  - g. What happens when a contract comes to an end
  - h. Costs.
7. The guide will be accessible to all employers via the Havering pension website [www.yourpension.org.uk/handr](http://www.yourpension.org.uk/handr) and communications will be sent via email to all employers to advise them of the guide.
8. The guide is out for consultation with employers which will close on Friday 17 November. Responses will be verbally updated at Pensions Committee.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

The guide aims to make clear the organisations responsibilities when considering outsourcing services and the requirement to provide pension protection to staff being transferred out to the new service provider.

The financial risks to the Fund and letting authority are mitigated if the correct process is adhered to. The letting authority may not obtain or be able to compare the best contract price if pension implications are not considered and would also bear the cost if there was a failure to obtain adequate security for the Fund.

### **Legal implications and risks:**

There are no direct legal implications and risk arising from this report.

### **Human Resources implications and risks:**

There are no direct human resource implications and risk arising from this report.

### **Equalities implications and risks:**

There are no direct equalities implications and risk arising from this report.

## BACKGROUND PAPERS

Appendix 1