



# Haverling

LONDON BOROUGH

## LOCAL PENSION BOARD AGENDA

**4.00 pm**

**Tuesday  
27 June 2017**

**Committee Room 1-  
Town Hall - Town Hall**

Members4: Quorum 3

Mark Holder, Scheme Member Representative  
Justin Barrett, Employer Representative  
Anne Giles, Scheme Member Representative  
David Holmes, Employer Representative

**For information about the meeting please contact:  
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## AGENDA ITEMS

### 1 APPOINTMENT OF CHAIR.

To appoint a Chair of the Board following the resignation of Justin Barrett.

### 2 CHAIR'S ANNOUNCEMENTS

The Chair will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

### 3 APOLOGIES FOR ABSENCE

(if any) – receive.

### 4 DISCLOSURE OF INTEREST

Members are invited to disclose any interest in any items on the agenda at this point of the meeting.

*Members may still disclose any interest in an item at any time prior to the consideration of the matter.*

### 5 MINUTES OF THE MEETING (Pages 1 - 10)

To approve as correct the minutes of the meeting held on 22 March 2016 (attached) and authorise the Chair to sign them.

### 6 WORK PLAN (Pages 11 - 12)

Members of the Board to provide an update on their development of a Work Plan for 2017/18.

### 7 PENSIONS ADMINISTRATIONS SERVICE (Pages 13 - 34)

### 8 TO RECEIVE FEEDBACK FROM THE MEETING OF THE PENSIONS COMMITTEE HELD ON 15 JUNE 2017.

Minutes of the meeting of the Pensions Committee held on 15 June 2017 to follow.

**9 EXCLUSION OF THE PUBLIC**

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 3 of schedule 12A to the Local Government Act 1972: and, if it is decided to exclude the public on those grounds, the Board to resolve accordingly on the motion of the Chair.

**10 PENSIONS ADMINISTRATION SERVICE (Pages 35 - 38)**

**Andrew Beesley  
Committee Administration Manager**

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# Public Document Pack Agenda Item 5

**MINUTES OF THE MEETING OF THE  
LOCAL PENSION BOARD  
Town Hall, Main Road, Romford  
30 March 2017 (3.30 - 4.35 pm)**

**Present:**

David Holmes (Employer Representative)

Anne Giles (Scheme Member Representative)

Mark Holder (Scheme Member Representative)

All decisions were taken with no votes against.

Officer attendance: James Ahlberg, Anthony Clements

**29 CHAIR'S ANNOUNCEMENTS**

The Chairman gave details of the arrangements in case of fire or other event that might require the evacuation of the meeting room.

**30 APOLOGIES FOR ABSENCE**

Apologies were received from Justin Barrett. It was agreed that Mark Holder should chair the meeting on this occasion.

Apologies were also recorded from Debbie Ford, Pensions Accountant.

**31 DISCLOSURE OF INTEREST**

There were no disclosures of interest.

**32 MINUTES OF THE MEETING**

The minutes of the meeting held on 10 January 2017 were agreed as a correct record and signed by the Chairman.

Matters arising:

Minute 22: It was confirmed that a resource was now in place to assist with working through the backlog of pensions administration work.

Minute 23: The Annual Report of the Board had been presented to the Pensions Committee.

Minute 24: Officers would check the level of indemnity that the Board had and report back on this to the next meeting.

Minute 25: Noted that a Board member and officer had attended a recent meeting of the London CIV which had covered investment strategy.

Minute 27: Final changes to the TUPE manual had been put in place and an update would be given at the next meeting.

### 33 **PENSIONS ADMINISTRATION STRATEGY**

The strategy would assist by setting out the standards expected between the Council and employer members of the scheme. The strategy, which was reviewed regularly, was not mandatory but was enforceable.

It was hoped that e-initiatives introduced under the strategy would lead to better customer service for members. Employers who were late in submitting contributions would be chased by officers, although this would be done in consultation with the Board and the Pensions Committee. Discretion could however be used and it was hoped to build stronger relationships with employers over time.

E-initiatives included an on-line portal for employers to give notification of new starters etc. Monthly contributions could be submitted on-line and there was also the facility to upload estimate requests in bulk in the case of for example a large redundancy exercise.

It was aimed to sign up all scheme employers to the strategy by 1 April 2018. Expected benefits of the scheme were higher efficiency and improved communication with employers. Havering would be seen as a Lead Authority in this area and fewer complaints (from an already low number) were also expected. Reduced administration would also mean cost savings for the pensions team.

The case management system showed key performance indicators and service level agreements. The yourfund.org.uk website fed into the system and this allowed better management of the pensions caseload. All queries were logged and support was available 24:7. Both systems were already in use in Bexley and Newham and it was emphasised that this was separate from the systems available for staff.

The service level agreement with employers would generally be in a generic format. If payroll data was received late from Havering, this would be flagged as late in the same way as for other employers and the Council could be open to the same fines etc. under the strategy.

Officers added that the Government Actuaries Department had introduced changes to the split of how payments were made. Whilst this would not affect members, it would lead to some changes to how the pension scheme was reported.

The Government was likely to look at the affordability of the scheme over the next 1-2 years and then consult on any possible changes. No changes were therefore expected to be implemented until around 2020.

It was noted that the administration of the scheme was becoming a specialist job and the scheme had also become more complex for members. There were spreadsheets available on line that could give a rough idea of pension entitlements etc.

It was agreed that officers would continue to update the Board on the progress of the Pensions Administration Strategy.

#### 34 **ON-LINE INFORMATION**

The Board considered a slightly amended version of the report for this item which is attached to the minutes for reference.

It was noted that the Membership Self Service (MSS) portal was now available and improvements were being made. The system was considered secure and cost in the region of £5,000 per annum plus VAT. Scheme members were able to use the on-line system to view records, benefit statements etc and update nomination forms. Payslips and P60s for pensioners could also be viewed.

There were approximately 11,000 scheme members who could access the system and around 1,000 people had now registered on-line. The portal would be promoted via benefits statements etc and people would have to opt out of the electronic system if they still wished to receive paper copies of statements. This would produce a saving in costs for printing and postage. It was expected that more people would sign up to the on-line system when the annual benefits statement was released.

The pensions team had received training on the portal and active members had been contacted in tranches of 2,000 each. It was possible that there could be small discrepancies with the payroll system and the roll out would be completed by summer 2017. Officers would keep the Board updated on progress.

MSS was also being promoted on the Council's website and via global e-mails to staff. E-mails had also been sent to deferred members. It was clarified that members could only amend non-financial details via the portal and could not update any data affecting the value of a pension.

It was accepted that members were often confused about the pension scheme but MSS could assist with this and allow members to be in control of their benefits. The amount of additional contributions paid was not currently included on the site and officers would look into this. General

feedback about the site had been very positive. All schools in the Havering pension scheme had access to the site.

MSS would deliver financial benefits to the Council in terms of reducing the number of hard copies being sent out whilst still meeting disclosure requirements required under the scheme regulations. Pension forms and statements would be published direct onto the system. Only 166 people had thus far opted out of MSS – less than 2% of total scheme membership.

Further promotion of MSS was planned to take place over the next three months and the new release of the system this year would support all browsers. Officers added that potential savings via reduced need for hard copy statements alone amounted to £4,000 per annum.

The Board noted the position.

**35 FEEDBACK FROM MEETING OF THE PENSIONS COMMITTEE**

It was confirmed that the Annual Report of the Board had been noted at a recent meeting of the Pensions Committee. No specific comments had been made on the report.

**36 URGENT BUSINESS**

The Board agreed to defer a discussion of its work plan to the next meeting.

Officers would forward the latest version of the compliance documents.

It was suggested that Key Performance Indicators could be looked at in more detail at the Board. Officers responded that reporting of these indicators was currently on hold until revised systems were in place. The case management system would assist with this.

It was confirmed that, under legislation, each Council was required to have its own Local Pensions Board and the Board could not therefore be combined with that for Newham or another area.

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**Chairman**



## Member Self Service (MSS) Project update to Pensions Board

### 1 PROJECT PURPOSE

#### Background

Altair Member Self Service provides members and pensioners with an easy to use web portal to access and update their own information. Using simple and easy to navigate screens accessed through a fully auditable secure system, a member or a pensioner is able to:

- Update personal details
- Run their own benefit calculations
- Request benefit statements
- Notify the pensions department of any amendments required
- Print nomination and other forms for completion
- View payslips and P60's

The roll out of this service does not only give the above advantages for members it will also free up administration time for the pension and payroll team as any estimate requests, expression of wish forms, change of addresses and bank details can be completed on the website.

#### Current Membership

Current Havering membership as of March 2017:

- Actives 6172
- Deferred 6083
- Pensioners/ Dependants 6020
- Frozen Refunds 329

#### Testing and Website Update

The previous pension manager had done testing of the service and tailored the options the members have regarding what can be updated online. This testing has been extended locally to members of the pensions, payroll and some members of HR. Additional and more rigorous testing has also been done to ensure all calculations and functionality is working using the latest version of the service and it was fit for roll out.

#### Roll Out

Roll Out was tackled differently dependent on the status of the member:

Active members were sent out in tranches of approximately 2000 members, each tranche lasted 2 weeks before the next tranche was sent out. This minimised the amount of queries raised as there are only a limited amount of potential queries the pension's team could receive per tranche.

Deferred members were sent out in one tranche using inserts with the deferred annual benefit statements as promotion of the service.

Finally pensioners and dependants are due to be sent out in tranches of 2000 and each tranche will last 1 month. Pensioners will be the final group of members enrolled as LBH will need to do some due diligence and data matching of the data held on altair and what is being paid by the payroll. If this is not done then this could result in queries as to why the amounts do not match. This payroll data matching is due to be completed in summer 2017.

- Active members there will be 3 or more tranches dependant on employer splits
- Deferred members there will be 1 tranches
- Pensioner members there will be 3 tranches

### **Promotion of MSS**

Promotion of service varied dependant on the status of the member:

Active Members

- Promotion on the [www.yourpension.org.uk/handr](http://www.yourpension.org.uk/handr) website
- Promotion in 'The News – Global Email'
- Promotion on the intranet site
- Information and guides will be sent to new starters of the scheme

Deferred Members

- Bulk email to email addresses held on altair
- Promotion on the [www.yourpension.org.uk/handr](http://www.yourpension.org.uk/handr) website
- Wording to be included on the annual benefit statement

Pensioner Members (once roll out commences)

- Bulk email to email addresses held on altair
- Promotion on the [www.yourpension.org.uk/handr](http://www.yourpension.org.uk/handr) website
- Wording/ message to be included on payslips

## **2 OBJECTIVES**

The objective is to allow all members of the pension scheme to have access to their own records via electronic means. This will be reliant on a number of factors;

- Promote the project in such a way to maximise take up from members.
- Roll out service within specified timescales as outlined above.
- Reduce basic correspondence requests from members

### 3 BENEFITS OF IMPLEMENTING MSS

#### **Members are in Control**

With MSS being available to members it hands back some of the responsibility to the members allowing them to monitor their records and alert the pensions team to anything that may be incorrect such as previous service, working hours and or any personal information. This makes paying benefits a smoother process as any potential queries will be addressed before retirement and the member is happy with and aware what benefits are payable. Members can also update their personal details, nomination form and contact the pension department directly if any queries do arise.

#### **Reduction in Multiple Estimate Requests**

Since the roll out of MSS any members that ask for multiple estimate requests are informed about the service and issued with login details so they can run their own estimates at different dates. The pension's team have also seen a reduction in these types of request since implementation freeing up time to process other work types. Any members that are nearing retirement, whilst can use the system to estimate when they will retire, the pensions team will also do an estimate on the date they have chosen to ensure accuracy of the figures.

#### **Financial Benefits**

Having completed both stages of disclosure LBH are now in a position to upload the annual benefit statements rather than posting them to members which gives significant savings year on year. There are also new developments within altair, the pensions database, that allow documents to be published to MSS meaning in an ideal world physical posted documents could be a thing of the past.

#### **Targeted Information**

MSS has the facility to upload documents and have news stories within the service; this can be taken advantage when promoting certain services that LBH offer. The pensions team have used this when advising members of the change in actuarial factors for over 65's and also the more recent news story of the cohabitating partner that won the ruling to extend benefits automatically to partners that are unmarried.

### 4 RESULTS

The roll out for active and deferred members of the scheme was completed in December 2016 and to date LBH have had 797 members register and use the system. In a drive to increase the amount of email addresses on the system LBH now have over 5000 email addresses on members records which is just under 30% of the total membership, this is up from 19% (3,600) in September 2016.

Both stages of disclosure have now also been completed; the pension's team took advantage of the bulk mail out for the vacant pension board member position and included it in the letter. This allows the pensions team to upload members annual benefit statements to their online accounts which brings potential savings on printing and postage as outlined below. To date the pension's team have had 166 people opt out of electronic communications so some will still be sent out as a hardcopy statement. This equates to fewer than 2% of the active and deferred membership, from previous experience and once the system is in place for longer LBH can expect up to 5% of members opting out of electronic communications.

The pension's team have had very positive feedback from members that are using the system as they now have easy access to their pension records and can update personal details and run estimates which accurately let them know what they can expect to receive. The most popular calculation used is the voluntary retirement calculation as members can accurately see the difference in benefits if they choose different leave dates, this helps the pension team out as we have seen requests for multiple retirement dates go down in the last couple of months.

Another promotion drive of the service is needed through the prescribed routes over the next 3 months to increase membership and also to stop a bottleneck of mass subscriptions when the annual benefit statements are issued. There is a facility to bulk email out activation keys to members that have an email address which the pension's team will be investigating as part of the promotion of online benefit statements.

All the pension staff have received training on the system and can deal with member queries efficiently. More training is planned as a refresher closer to the next promotion of member self-service. In house guides have been produced to help the pension team walk through the sign up process with members.

Overall this project has run smoothly without any major issues however there does seem to be a consistent query with a minority of members around not being able to login or the activation key/ link doesn't work. After some investigation the issue has been pin pointed and there is one factor that is constant, this is the use of unsupported internet browsers such as Chrome. This has been reported back to the software providers, Heywoods, so that future releases can include improved connectivity and usability for different browsers.

The future of the service will start by migrating to the new look Member self-service later in 2017 at no extra cost, this is dependent on agreeing the shared service approach with LPP. The pension's team will, of course, be looking at increasing the uptake of member self-service and monitoring this closely.

## **5 LINKS TO OTHER PROJECTS**

### **E-Comms**

In a drive to reduce print and postage costs on an on-going basis, year on year, from 2017 active and deferred annual benefit statements will be uploaded to member's online records unless members wish to opt out of electronic communications. This could see potential savings of up to £4,300.00\* per annum.

\*Based on 2016 annual benefit statements print and postage costs

### **Pension to Payroll Cross Check**

Before the final roll out to pensioner members it is essential to do a pension to payroll cross check, this will ensure the pension in payment matches the members record. Failure to do this will see an increase in queries to the pension team and be counterproductive.

### **GMP Reconciliation**

In preparation for the GMP reconciliation the above project will prepare the pension records for members without a GMP and ensure they are correct. Once the project is completed the member data will be ready and MSS can be rolled out for these members.

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## **Local Pensions Board 27 June 2017**

### **WORK PLAN 2016/17 AND 2017/18**

#### **The Future**

The work plan agreed for 2015/16 had been a first step to try to identify key matters which needed to be considered. With a number of meetings held we were now in a better place to consider a work plan for 2016/17.

A key area to consider in 2016/17 is Pensions Administration. We were aware that the oneSource finance team were being reorganised and we need to ascertain from the Pension Committee whether or not they were confident that the proposed structure is adequate to meet all the demands placed upon it.

We will seek clarity from the Pensions Committee whether they are happy with the Pension Administration performance in achieving or not achieving its KPI's and whether those measures were the ones which they should be focussing on.

We wish to finalise our review of Fair Deal and TUPE and have a report on how the current changes, i.e. introduction of Multi Academy Trusts and College reorganisation would impact on the Pension Scheme. A national programme of area sector based reviews of the further education sector is underway, the objective of which is to create fewer, more sustainable and more specialised colleges. We understand that under current proposals colleges could merge, not necessarily on geographic location and staff could be transferred from one scheme to another. With regard to risk assessment we would be seeking an assurance that the risk strategy had been updated to meet the current needs with specific reference to the possible threats to Havering.

The Work Plan will be a live document and subject to change as necessary with a particular focus on the development of the CIV and how this will be implemented.

The work plan will be reviewed on 27 January 17 to focus on Code of Practice no. 14 Governance and administration of public service pension schemes published by the Pensions Regulator. The board will seek assurances from Havering officers that the delivery of the scheme is compliant to this code.

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## **PENSIONS COMMITTEE** **15 June 2017**

**Subject Heading:**

The Future of the Pensions Administration Service

**SLT Lead:**

Jane West, Managing Director oneSource

**Report Author and contact details:**

Sarah Bryant  
Director of Exchequer & Transactional Services  
01708 432434

**Policy context:**

Provision of the Pensions Administration Service

**Financial summary:**

The preferred option is expected to deliver savings in the region of £76,900 to the Pension Fund over a 5 year period and achieves a more resilient pensions administration service for the long term, avoiding over-reliance upon expensive temporary staff. This may create a pressure on the General Fund to the extent that savings are realised from the reduction of support service recharges that are chargeable from the General Fund to the Pension Fund. Any General Fund pressure will be mitigated through the negotiation of accommodation fees with LPP in respect of their team occupying Havering office space.

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

**SUMMARY**

1. This report sets out proposals and options for the future provision of the Pensions Administration Service for the London Borough of Havering.

**RECOMMENDATIONS**

2. Refer this report and the following recommendations to Full Council to give effect to the proposal to delegate the Pensions Administration Service detailed in appendix 1 to Lancashire County Council.
  - 2.1 Council is asked to agree Option 4, (subject to agreement by Lancashire County Council) that Havering Council enter into an arrangement under section 101 of the Local Government Act 1972 for the discharge by Lancashire County Council of the functions of Havering Council in respect of pensions administration from 1<sup>st</sup> October 2017 for a rolling annual period.
  - 2.2 Council is asked to delegate to the Managing Director of oneSource authority, after consultation with the Cabinet Member for Financial Management, to agree the final terms of the arrangements with Lancashire County Council and incorporate those into an agreement subject to those terms being in the best interests of Havering Council.
  - 2.3 Delegate to the Managing Director of oneSource, after consultation with the Cabinet Member for Financial Management, power to consider any consultation required and consider the Equality Impact Assessment and make any changes she considers necessary in order to give effect to the arrangements proposed in these recommendations.

- 2.4 Council is asked to agree the recruitment of a Projects and Contract Manager. And to note that over a 5 year period, the total cost of the service to the Pension Fund is estimated to decrease by £76,900 and will deliver a robust and resilient and future proofed service. This will include the recruitment of a Projects and Contract Manager for Havering at annual cost of up to £57,791 to be funded by the Pension Fund budget.
- 2.5 Note that project implementation costs of the new arrangements will be £78,240 to be financed from the Pension Fund budget.

<b>REPORT DETAIL</b>
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**3. Background**

- 3.1 The provision of the Local Government Pension Scheme (LGPS) is a statutory function of all local authorities in England and Wales. In recent years there have been a series of legislative changes to the LGPS rules, making the service significantly more complex to administer and it is now considered to be highly specialised function.
- 3.2 Havering's pension fund currently has around 18,990 members. This comprises up to 6,323 actives, 6,545 deferred, 6,122 pensioners and has 38 employers in the scheme. The system is provided by Heywoods, which is one of the systems used nationally for pension administration. The oneSource payroll service process the pensioner's payroll.
- 3.3 The London Borough of Havering has had a very traditional approach to providing the LGPS pensions administration via an in house team. However in recent years it has become extremely difficult to recruit and retain skilled, knowledgeable and experienced staff.
- 3.4 Due to retirements and staff leaving over the past two years, the team has reduced in permanent staff to three fte (full time equivalent) with a huge reliance on temporary staff. This has subsequently resulted in a review of options for service provision as the current arrangements are not sustainable or resilient and do not represent value for money. The service also needs to be improved by having skilled, experience staff to focus on providing an accurate, efficient service that can adapt to change and business priorities. The resilience of the team needs to be strengthened to provide functions such as technical development, information and case management, performance data, employer engagement and communications etc The capacity and capability to undertake improvement projects and reviews such as the provision of the AVC scheme, Members Self Service etc also needs to be developed.

**4. Havering's current service delivery**

4.1 The Pension Administration Service which relates to the administration of the scheme not the investment side is 90% funded by the Pension Fund to the value of £0.423m. The total 2016/17 budgeted cost of the Pension Administration Service was £0.471m; the split between controllable and non-controllable costs (internal recharges) was £0.406m and £0.065m respectively. Due to the resignations and retirement of a number of key staff the team currently comprises three permanent fte, (one Team Lead and three Specialist Senior Pensions officers). It has been extremely difficult to recruit skilled staff therefore there is a reliance on temporary resources including an Interim Pensions Manager (via a secondment arrangement with Local Pensions Partnership (LPP)).

4.2 The team ensure the core pension administration processes are performed for LBH. These are shown in Appendix 1.

## **5. Havering's Requirements**

5.1 Along with the core administration process, the key business requirements for Pensions Administration are:-

- provision and maintenance of accurate and complete data sets and information
- provision of a robust and resilient service to its members
- guidance and support to implement new government legislation and new processes
- development of robust customer relationships with employers and members
- review the processes and procedures in the service to avoid duplication to eliminate waste
- provision of effective, accurate management information and business intelligence to shape the service to provide value for money
- reduction of manual input to reduce errors and maximise efficiency
- provision of robust technical expertise that can be utilised to improve the service
- engagement with scheme members and employers to enable legislative changes to be considered and adhered to
- provision of self-service to enable members to access information
- exploiting IT and the digital agenda to provide easy use and access to information for the team and members and ensure data consistency and accuracy

## **6. Pensioner's Payroll Processing**

6.1 The pensioner's payroll is processed by the Havering Payroll Service and currently has 5,870 members being paid on a monthly basis. A recharge to the pension fund covers the cost of providing this service. The annual recharge for 2017/18 is £40,000.

## **7. Options Appraisal**

7.1 Market research shows that currently 90% of Councils use an in-house or collaborative intra-authority approach to service provision with 10% using the private sector providers.

7.2 Market Intelligence was gathered to understand the options currently available in the market. Having considered the information and to deliver a sustainable Pensions Administration Service along with developing the capacity and capability to manage business as usual, improve services, there are five key options available:

7.3 **Option 1 – Restructure and Recruit to the existing Pensions Administration Team and continue to employ temporary staff via Agency contracts** (status quo)

7.3.1 Recruitment of permanent staff has proved extremely difficult and the temporary market has not provided the relevant skilled staff, at an affordable, competitive cost. Selecting this option does not allow resilience to be built for the service. At present there are three temporary workers employed via the Adecco agency and specialist recruitment agencies, and two secondment arrangements from LPP, with the costs for employing these staff above the average salaries. Other disadvantages include limited resources to implement changes, limited technical and IT and development knowledge and no ability to deal with peak volumes of work restructures etc. This leaves the Service extremely vulnerable, open to risk of failure and is also not cost effective or efficient.

7.4 **Option 2 - Work in partnership with another local authority with LBH retaining the Service**

7.4.1 Currently there is no appetite from other London Boroughs to establish a shared partnership approach, and many have moved to the arrangement as set out in option 3 and 4. This option has previously been explored with The London Borough of Redbridge and was abandoned due to the lack of benefits of system integration, service resilience or value for money.

7.5 **Option 3 – Norfolk County Council Framework Agreement**

7.5.1 Norfolk County Council has developed a framework which has four providers of pensions administration services available. The four providers are:-

1. Surrey County Council (ORBIS)
2. Capita Employee Benefits Ltd
3. West Yorkshire Pension Fund
4. Paymaster (1836) Ltd (Equiniti)

7.5.2 Provider costs (commercially sensitive and confidential) have been analysed along with the provider in Option 4 (LLP). Details can be seen in Appendix 2.

7.5.3 Apart from costs there are advantages and disadvantages of service provision from each provider. All providers work across multiple local authorities, but not all have

Authorities in London as customers. Appendix 2 includes details of services available.

**7.6 Option 4 – Engage through a delegated arrangement (Local Government Act 1972)**

7.6.1 Following market research, the main providers of this service, with a good track record and extensive experience, are the London Borough of Wandsworth and Local Pensions Partnership (LPP). They are both set up as not-for-profit pension services organisations. This option is similar to outsourcing but negates the requirement of tendering.

7.6.2 The providers were approached to provide costs for providing the service to LBH. The London Borough of Wandsworth declined as they are currently not increasing their customer base.

7.6.3 Lancashire County Council (Lancashire County Pension Fund) and the London Pensions Fund Authority (LPFA) brought together the executive functions of their pension funds within a joint-venture structure referred to in this report as LPP. They currently provide pensions administration for London Borough of Newham and London Borough of Bexley as well as other Councils. The London Borough of Newham pension administration management responsibility falls within the remit of oneSource.

7.6.4 LPP provide pensions administration in the public sector. They have circa 150 staff dedicated to working in pension administration, of whom around 120 are focused on the LGPS, with others working on the various "blue light" pensions schemes. They have the capacity and capability to direct resources to address particular priorities and change. Appendix 2 shows the costs and services compared with the providers in Option 3.

**7.7 Option 5 – Outsource via a full Procurement and tender process**

7.7.1 The advantages and disadvantages are similar to option 4 but would involve a lengthy process and may incur considerable procurement and legal costs. The supplier company will also be looking to make a profit. Current providers include Capita, Liberata, Xafinity and Kier. Upon investigation private providers are losing many of its clients to the providers such as LPP, Wandsworth and Orbis as costs made are invested in improvement and development of the service or given back to the clients.

**8. Preferred Options**

8.1. Having reviewed and considered the available options and in discussion with the S151 Officer, the preferred route for the future of the Pension Administration Service is Option 4 – Local Pensions Partnership (LPP). It is anticipated that this will take effect on 1<sup>st</sup> October 2017 or shortly thereafter once the legal agreement has been agreed.

8.2 This option provides greater resilience to the Havering Pensions Administration Service. It also provides additional functions as LLP have access to wider skills and knowledge specifically for IT and system development, case management and managing the employer function through effective engagement and communication. They will also work closely with Havering to ensure that any future business demands and pressures are anticipated and actioned. The advantages of this option are:

- Avoidance of cost increase and escalation due to lack of availability of specialist skills in the market.
- Increased resilience of service provision due to access to skills, knowledge, experience and people.
- Potential long term efficiencies due to economies of scale.
- Expertise and dedicated teams for the management of LGPS
- Availability of technical expertise to improve the service and customer engagement.
- Provision of effective communications – pooling of resources, dedicated role for standardised quality documentation.
- Ability to offer specialist training to staff and clients.
- Shared project costs.
- Risk Management to manage all aspects on new and ceasing employers (e.g. multi-academy, trusts, academies, bulk transfers and small businesses).
- Providing accurate, up to date information via multiple channels including self-service.
- Improved ability to manage peaks and troughs of workflows and direct resources where appropriate.
- Potential to offer an improved service to members due to capacity and capability to respond to change.
- Potential to exploit and develop to better meet the Councils and members needs.
- Access to technical expertise including business continuity, risk analysis and disaster recovery planning in place.
- Proven track record working for other London Boroughs and Councils e.g. London Borough of Bexley, London Borough of Newham.

8.3 The risks and issues of this option are:

- Risks to system and data Migration are minimised as LPP use same systems as LBH.
- Robust contract management required to ensure the service is enhanced and the recruitment of a Contract Manager who is skilled in Pensions Administration legislation and contract management will be crucial to the success of the arrangement. It is planned to advertise this role in line with TUPE arrangements to minimise the impact on staff and mitigate any risks to service continuity.
- Develop and build on existing arrangements with the London Borough of Newham to provide resilience.
- TUPE of existing staff which will be mitigated as it is not planned to relocate staff – LPP are seeking a base in Romford and the London Borough of Havering have offered space (creating an opportunity to generate income).

8.4 To implement this option, the London Borough of Havering would be required to set up a delegation arrangement via Lancashire to enable them to deliver the service under the Local Government Act 1972.



- 8.5 Any surplus income generated by LPP will, after provision for necessary investment, be returned to customers through a rebate mechanism. This ensures that no greater sum than is necessary is taken from pension funds to pay for the administration.
- 8.6 As the LPP already provide a proven efficient and effective pensions administration service for the London Borough of Newham, it will also assist management within oneSource to have a single provision of the pensions administration service and maximise the resources available. Projects and on-going improvements can also be funded and shared across the two Councils. Therefore LPP is recommended as the service provider for LBH.
- 8.7 This option will also provide the access to wider services with the capacity and capability to undertake project work such as, review of Additional Voluntary Contribution (AVC) scheme, adherence to Guaranteed Minimum Pension (GMP). This will be at an additional cost to the arrangements and will be determined and delegated to the S151 Officer via business cases.
- 8.8 Whilst it is a statutory requirement to tender a contract and Procurement have advised that the market could be tested in this way, however Procurement and Legal Services have agreed that the Pensions Administration Service can be delegated to Lancashire County Council under S101 of the Local Government Act 1972.
- 8.9 In addition Havering will need to recruit a Projects and Contracts Officer to ensure LPP are delivering the expected service and be able to liaise with employers and members and support the Pensions Board. A job profile has been established using the Councils Job Evaluation Scheme (see Appendix 3).
- 8.10 Within option 4 there is also the option for LPP to process the pensioner's payroll via the Heywoods Payroll module which fully integrates and therefore reduces duplication of input to process pensioner payments. This option will be considered once the Pensions Service is fully operational with LPP. Pensioners will also have access to Member Self Service (MSS) to view their payslips each month. At present oneSource payroll only produces a payslip every April, May and October, or if the net pay varies more than £5 from the previous month.

**9. Financial Information – Exempt Information**

**IMPLICATIONS AND RISKS**

- 10.1 This report proposes to transfer the Local Government Pension Scheme administration service from the Council to the LPP. It should be noted that this does not include the pension payroll service which will continue to be operated through the oneSource partnership.

- 10.2 The current cost of the pension administration service is £0.470m of which 90% (£0.423m) is funded through the Havering Pension Fund and the 10% from the General Fund in relation to activities of the employer authority. The 10% will be retained by the Council via oneSource and will not transfer under the new arrangement and will therefore continue to be met by the General Fund.
- 10.4 The cost of implementation for the transfer from the Council, via oneSource, to the LLPP is £0.078m which covers the cost of the data migration and associated project management along with system licences. TUPE will apply for the current staff and therefore any cost of redundancy or pension strain costs arising from this change in service delivery model will be funded from the transformation budget held corporately.
- 10.5 The proposed new delivery model is estimated to cost £2.238m over five years to 2021/22, an additional cost of £0.213m compared with the directly controllable budget for existing arrangements. However, potential savings in internal recharges of £0.290m are anticipated, resulting in an overall saving to the Pension Fund over the 5 years of £0.077m. The annual increase cost/savings are set out in the table at 9.5. As set out in paragraph 9.7, it is possible that the reduction in the recharge of support services to the Pension Fund will result in a cost pressure to the General Fund. However, officers will seek to minimise this impact through the negotiation of accommodation charges to LPP. The new arrangement will provide greater business continuity and service resilience to manage the risks of the current service model contained within the main body of the report.

## **11. Legal implications and risks:**

- 11.1 LBH has power to make arrangements for the discharge of its Council functions under s101 of the Local Government Act 1972 by another authority.
- 11.2 The arrangement for discharge will need to be accepted by the authority carrying out those arrangements which decision will be on the basis of a report mirroring that from LBH.
- 11.3 As any such arrangements can in law be revoked without notice by either party the arrangements proposed will have to be the subject of an agreement between the two authorities, this agreement will detail such matters as notice period who clients the arrangements from LBH and payments for services.
- 11.4 Section 101(4) allows the delegating authority to continue to exercise the functions if it so wishes.
- 11.5 Such arrangements will be outside the scope of the Public Contracts regulations 2015 which would normally require the tendering of such a service, but as a best value authority LBH will still have to demonstrate that this represents value for money.

11.6 Any staff currently undertaking the work to be transferred may be subject to TUPE as detailed below in para 12.

11.7 An Equality Impact Assessment (EIA) will need to be completed and considered prior to implementing the decision.

**12 Human Resources implications and risks:**

12.1 Option 4 will require the 4 existing staff (equivalent to 3 fte) to be transferred to LPP. It is highly likely that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply to this transfer. Full consultation will be carried out with staff with support from HR OD. LPP have confirmed that they will have a base in Romford so there will be no requirement to re-locate staff. Staff in scope of the transfer will also be invited to apply for the new position of Projects and Contracts Officer.

**13. Procurement implications:**

13.1 As a best value exercise has been carried out against the Norfolk County Council Framework Agreement and as the 1972 Local Government Act allows Havering to enter this arrangement, the framework shows there is a market for this service but the vfm exercise makes it reasonably risk free to enter the LGPS pension scheme.

**14 Equalities implications and risks:**

14.1 An EIA will be undertaken and shared with the affected employees as part of the TUPE consultation and information process.

**Core Pensions Administration Processes**

- Ensuring compliance with scheme and other relevant regulatory requirements; including implementation of any developments arising from legislative change or improvements in functionality and member and employer engagement.
- Liaising with external bodies, including the Government Actuary's Department, and the Pensions Regulator, and keeping Havering informed of the general implications of legislative, social, political and economic change.
- Providing information in compliance with overriding statutory requirements, in particular the Occupational Pension Schemes (Disclosure of Information) Regulations.
- Providing data on membership of the schemes under administration in an agreed format, including in respect of:
  - FRS17 / IAS 19 on an annual basis;
  - Central Government requirements;
  - External and Internal Audit requirements, and,
  - National Fraud Initiative requirements.
  - Triennial valuation data submissions
- Receiving contribution data, maintaining member records and recording data in relation to each active member on a monthly 'real-time' basis, to ensure that accurate data is continually available.
- Producing Annual Benefit Statements for active and deferred members.
- Handling routine member enquiries.
- Developing and maintaining a website containing comprehensive pension related policy and process, including new starter information and documentation, scheme guidance and a comprehensive employer guide.
- Developing and maintaining a self-service portal for all members.
- Providing a full range of active and deferred member services, including record maintenance, transfer processes, implementation of Pension Sharing Orders, and generating various types of estimate, including redundancy/efficiency, retirement estimates, member estimates, bulk HR requests and Annual Benefit Statements and general correspondence processes.
- Working forward developing members self-service to direct members to on-line information.

- Calculating benefits (up to the point of payment), including in respect of all retirement benefits and 'death in service' lump sums (and deferred benefits) in accordance with the relevant rules, members' options and statutory limits, in response to an agreed notification.
- Calculating widow and widower benefits following the death of a pensioner.
- Resolve any audit queries which arise.
- Calculating payment of refunds of pension contributions, including deducting statutory amounts in accordance with HM Revenue and Customs (HMRC) and the Department of Work and Pensions' regulations.
- Calculation and information in respect of HMRC's Lifetime and Annual allowance limits, including implementation of the 'Scheme Pays' option.

Employer risk management function will include:

- Ensure that the Fund's Admissions Policy is kept fully up to date in line with LGPS Regulations and other key legislation.
- Present to the Pensions Committee any deviations from the Admissions Policy.
- On boarding of new employers

The employer admission process includes:

- Collate data and advise employers on key requirements under Havering's admission policy, including eligibility to join the LGPS.
- Arrange for the actuary to calculate the employer contribution rate payable by the new admission body.
- Send the actuarial report to the employer and liaise with the admitted body and Legal to ensure that the admission and bond agreements are in line with Pensions Committee.
- Arrange for the relevant Havering officer to approve admission to the fund.
- Arrange to visit new organisations, including schools and academies, to advise them of requirements and responsibilities.
- Monitor monthly submissions together with payment receipts received in the pension fund account (if required).

The employer cessation process includes:

- Monitor employer numbers on a quarterly basis to ensure that employers have not closed to future accrual or ceased without informing Havering.

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- On notification by the admitted body that they are ceasing participation in the fund, compile data and cash flows and request the actuary to compile a cessation report.
- Issue the cessation report to the employer and recover any cessation shortfall. Advise the relevant Havering officer of any ongoing issues.

**EXEMPT INFORMATION - Appendix 2**



Working on behalf of



Working on behalf of



**Pension Projects and Contract Manager**

**Grade:** PO5 – Newham Grade  
Grade 8 – Havering Grade

**Location – Havering & Newham. The post holder must be flexible and work across sites in both Councils.**

Accountable to:	Head of Transactional People Services
Accountable for:	<ul style="list-style-type: none"><li>• Manage the contract to provide an efficient and effective value for money Pensions Administration Service.</li><li>• Effective management of projects such as Triennial Review, AVC scheme, GMP, policy review etc.</li><li>• Identify improvements and changes to the Council's and Pensions Service and work with the contractor to implement change effectively.</li><li>• The management of scheme employers meet statutory/regulatory requirements in partnership with the pension administration contractor including communication and engagement on current schemes and future changes.</li><li>• The postholder may also represent Council's Exchequer &amp; Transactional Services (E&amp;TS) on external bodies including professional groups.</li><li>• Ensuring the contractor has all admission agreements and bonds or other security as applicable in place prior to commencement of transfers of service provision.</li><li>• Collection of accurate contributions on time, scheme employer deficits not falling back on the Fund/Council tax payers, the management of quality support given to senior management, delivery of key performance indicators and the management and mitigation of key business risks.</li><li>• The correct calculation of all contractual and pensionable pay figures supplied by the Employers.</li><li>• Provide advice and guidance to the Pension Boards.</li></ul>



Specific Responsibilities	<p><b>Contract Management</b></p> <ul style="list-style-type: none"><li>• Provide timely advice and information to strict deadlines to letting authorities/council services and to contractors considering whether to apply for admission to the Councils LGPS fund or set up or use a broadly comparable scheme in accordance with approved policy and legal requirements.</li><li>• Ensure the Contractor has all admission body agreements and bonds or other security in place in accordance with the latest regulations and approved policy. Ensure control procedures are in place to implement them in relation to the operation of the LGPS, so that Council taxpayers are not called upon to underpin a contractor's pension liabilities in the event there is commercial failure during the life of the admission agreement or prior to collection of any exit payment.</li><li>• Monitor and co-ordinate to conclusion any bulk transfers resulting from the admission or departure of an admission body to or from the Fund.</li><li>• Facilitate the involvement of the Fund actuary at the start of the procurement process and the agreement of the letting authority or Council service to bear the cost of the actuarial fees incurred.</li><li>• Establish administering authority criteria to establish whether letting authorities/Council services have adequate risk assessment procedures for determining the adequacy of bonds or indemnity arrangements with the Contractor.</li><li>• Monitor letting authorities/council departments to ensure they are keeping under assessment the level of risks, even where these are negligible at the start of the contract, and the need for subsequent bonds and indemnity cover for admission bodies during the lifetime of the contracts with the Contractor.</li><li>• Raise awareness that admission bodies must, as part of the admission agreement that they have entered into, notify the Council as the relevant administering authority of any changes in employment terms that could affect the Fund and of other matters detailed in the agreement. Facilitate review of contribution rates in the event of any material notifications.</li><li>• Engage with new scheme employers to make them aware of the procedures and policies they must follow as a participating employer in the Fund, the formal process and deadlines for doing so and the penalties that will be applied if not met.</li><li>• Facilitate the collation of details of staff that are likely to be transferred to the contractor or other service delivery arrangements to the Fund actuary and production of new and revised rates and adjustment certificates and levels of risk information where appropriate.</li><li>• Take necessary action before and on termination of an admission agreement – facilitate actuarial valuation and collection of all outstanding and exit payments.</li><li>• Formulate and maintain corporate risk registers relating to the management of admitted bodies with the Contractor.</li><li>• Prepare reports and present to the Investment and Accounts Committee on all matters relating to admissions.</li><li>• Establish a Communication Strategy and support employer engagement activities.</li><li>• Ensure that estimations of benefits are produced by the contractor and that this information is passed onto relevant stakeholders.</li><li>• Discuss estimates of benefits with employees/HR/management including any on-going costs to the authority and where necessary referring them to the contractor.</li><li>• Agree contractual performance and pay invoices on due date to various bodies in connection with the contract.</li><li>• Liaise and hold meetings with the internal and external stakeholders on pension issues when required.</li><li>• Hold regular meetings with the contractor to ensure effective service provision that</li></ul>
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is in line with audit requirements.

- Rectify any problems or complaints made by employees with regard to the service provided by the contractor.
- Liaise with Actuaries regarding pension issues and provide information for Admission Agreements, Broad Comparability Studies, FRS17 and Valuation exercises.
- Work with minimal supervision.
- Obtain relevant information and feedback from Councils to ensure effective contract management.
- Responsible for and support team members with 2<sup>nd</sup> Stage Pension Appeals and advise employees on benefits after liaising with the Pensions Contractor. To look at the decision process of the Stage 1 Appeal and respond accordingly. Preparation of paperwork for Stage 2 appeal for employee to progress to Ombudsman and advise Section 151 officer on the status.
- Work alongside Internal Audit's Fraud section to assist with the annual National Fraud Initiative (NFI). Run reports from system to check for deceased and re employed pensioners on payroll and take appropriate action.
- Responsible for the application and communication of the annual Pensions Increase awards to all pensioners.
- Responsible for all monetary contributions from Admitted Bodies. Ensuring they are received, recorded and correctly allocated to the pension fund by the statutory due date
- Responsible for monthly pension accounts regarding benefits paid to staff leavers and payments coming in to the fund regarding transfers, ensuring that all benefits are allocated to the correct cost centres.
- Responsible for the information required for annual benchmarking and Freedom of Information requests.
- Deliver reports for Pensions Committee, Pensions Boards and other relevant groups.

### **Projects**

- Engage with stakeholders to ensure legislative pension requirements are implemented specifically regarding schools, academies, catering services, small businesses and outsourcing of services.
- Effectively identify and manage projects and associated resources to implement improvements and changes to the pension services.
- Develop PID's, determine tasks, guidelines and write update reports for new projects in pensions administration
- Maintain a risk management programme for the Pensions Service as part of a comprehensive assurance framework in relation to the overall Pension Programme.
- Proactively identify and recommend process improvements that increase efficiencies and enhance customer experience.
- Support the transition of the scheme through legislative changes, including conducting Pension Seminars.
- Promote, foster and sustain working relationships with associated and affected interest groups to progress the Pension Service's objectives and maintain a high standing with interested parties.
- Advise and guide Pensions Board on appropriate issues and undertake relevant actions to resolve the queries.
- Establish and deliver pre-retirement courses, seminars and workshops ensuring they are available for employees and employers.

	<ul style="list-style-type: none"> <li>• Ensure that the contractor provides Human Resources and Payroll with the relevant information in the proper format and that the correct information is provided by oneSource to the contractor to ensure the administration can be carried out correctly.</li> <li>• Ensure that estimates of benefits are produced by the contractor and relevant information is passed onto Human Resources and employees.</li> <li>• Responsible for identifying improvements and managing projects to deliver agreed outcomes.</li> <li>• Support and assist Pensions Board by providing relevant information.</li> <li>• Deliver changes to Pensions Services that enhance and improve service delivery to customers and members.</li> <li>• Work with stakeholders, both internal and external, to ensure changes are assessed, scoped and any new projects are identified.</li> <li>• Ensure project documentation including scope and feasibility, project and resource plans, risk controls and issues logs, communication plan etc are established and maintained.</li> </ul>
<p>oneSource Corporate Critical Factors</p>	<ul style="list-style-type: none"> <li>• Provision of and delivery of value for money quality services – ensuring a high level of service that is reflective of all customer needs</li> <li>• Anticipates and plans for customer needs and demands – delivering a customer focused shared service which is a cultural ‘fit’, is flexible and proactive in approach</li> <li>• Delivers a resilient business, which continuously improves and innovates with healthy revenue streams</li> <li>• Operates an ethos of joint working and operates across oneSource regardless of location</li> <li>• Delivers capacity and capability to operate and improve the business and delivering resolutions to problems and challenges</li> <li>• Delivers a flexible and scalable service to innovate, enhance market knowledge and continuously improve</li> <li>• Invests in people and skills to deliver a sustainable business</li> <li>• Provides a transactional service that is multi-channelled, face to face, local and nationwide</li> <li>• Provides effective contract management ensuring services are delivered to agreed targets and standards</li> </ul>

General	<ul style="list-style-type: none"><li>• OneSource is committed to and champions equality and diversity in all aspects of employment and service provision. All employees are expected to understand and promote this approach in their work.</li><li>• Adherence to Health and Safety requirements and proper risk management is required from all employees in so far as is relevant to their role. All employees are expected to understand and promote good health and safety practices and manage risks appropriately</li><li>• Deal with any Safeguarding issues that might arise, in line with the Council's policies and procedures.</li><li>• Comply with Health and Safety Regulations associated with your employment.</li><li>• Be aware of the council's responsibilities under the Data Protection Act 1984 for the security, accuracy and relevance of all personal data held on such systems and ensure that all processes comply with this.</li><li>• To treat all information acquired through your employment, both formally and informally, in strict confidence</li></ul>
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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