



PENSIONS COMMITTEE

Subject Heading:

Pensions Administration Budget 2022/23
and Service Level Agreement Review

SLT Lead:

Dave McNamara
Section 151 Officer

Report Author and contact details:

Caroline Guyon
Pensions Projects and Contracts Manager
01708 432185
Caroline.guyon@havering.gov.uk

Policy context:

Local Government Pension Scheme
Regulations 2013

Financial summary:

The proposed budget for 2022/23 is
£0.519m to be met by the Pension Fund.
This is an increase of £0.015m on the
original budget set for 2021/22.

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

The administration of the Havering Local Government Pension Scheme (LGPS) is provided via a shared service agreement with Lancashire County Council (LCC) who delegate the function to the Local Pensions Partnership Administration (LPPA).

This report details the LPPA's proposed budget for 2022/23 of £0.519m, an overall increase of 3% from 2021/22, for agreement by Committee.

LPPA are also proposing a change to the service level agreements (SLA) currently in place. This would be the first change to the SLA following the commencement of the shared service agreement in November 2017. The report provides details for noting by Committee.

RECOMMENDATIONS

The Committee are asked to:

- Approve the 2022/23 budget of £0.519m for the provision of the LPPA pensions administration service.
- Note the proposed changes to the current service level agreements.

REPORT DETAIL

1. Pensions administration budget 2022/23

- 1.1. In November 2017 the London Borough of Havering entered into a delegated agreement (Local Government Act 1972) with LCC, for its pension administration service. LCC's pension administration service is provided by LPPA.
- 1.2. In line with the Service Agreement, LPPA on behalf of LCC, will propose an annual budget for the following financial year, which will be presented by officers for agreement by the Pension Committee. If no agreement is provided then the budget will be increased in line with the Consumer Price Index (CPI).

Pensions Committee, 15 March 2022

- 1.3. LPPA on behalf of LCC, have proposed a budget of £0.519m for the 2022/23 financial year. This is based on membership data as at August 2021 of 19,646 Fund members and equates to £26.45 per member.
- 1.4. In 2021/22 the budget was £0.504m which means an overall cost increase of 3%, 2.52% per member.
- 1.5. When setting the budget, LPPA's key assumptions were:
- An inflationary uplift of 4%
 - the 1.25% employer Health & Social Care levy effective which becomes payable from April 2022
 - the cost of additional headcount recruited to provide operational resilience for the migration to the new pensions administration system software: Universal Pension Management System (UPM provided by Civica)
 - reduction in systems costs as LPPA transition away from the current pensions administration system provider and software (Heywood Altair)
- 1.6. At the end of each financial year LPPA will confirm any variance against the budget and the Fund will receive either an invoice or remittance for the balance. At the end of Q2 LPPA have advised of a forecasted overspend of approximately £5,000 against the 2021/22 budget, largely due to an increase in system costs during the period of migration to the new pensions administration software provider (Civica).
- 1.7. The proposed budget settlement of £0.519m, is LPPA's estimate for the financial year. Officers are provided with quarterly forecasted outturns.

2. Revision of current service level agreements

- 2.1. To aid business efficiency and reduce systems costs, LPPA have made the decision to change their pensions administration system software to UPM. Havering will migrate in the autumn of 2022 in phase 2 of LPPA's project.
- 2.2. To ensure the system can be used efficiently, it is necessary for LPPA to standardise their SLAs across all clients with effect from 1 April 2022.
- 2.3. The table below shows our current and proposed SLAs post migration:

Process	Current SLA (working days)	Revised SLA (working days)	Difference
New starters	3	10	+7
Transfers in	4	10	+6
Transfers out	5	10	+5
Estimates - individual	5	10	+5

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Deferred benefits	4	15	+11
Deaths	10	5	-5
Retirements - immediate	5	5	0
Retirements – deferred	5	5	0
Refunds	4	5	+1
Estimates - employer	5	5	0
Correspondence	5	10	+5
Aggregation	30	30	0

- 2.4. The overall SLA target of 95% remains unchanged for Havering and will be standardised across all LPPA clients.
- 2.5. Despite SLA dates being extended, LPPA are confident that new working principles will ensure that an improved service will be provided to members and employers with shorter overall processing times

This is achieved by staging dates being built into the processes of the new system which require work to be carried out prior to a case reaching its SLA date whereas on the current system a case is not worked on until it reaches the SLA date – this is illustrated in the example below and should result in an overall shorter duration between the case being opened and closed

Example: retirement from active status

Process step	Current System	UPM System
Data received from employer, checked for accuracy and any query raised	Day 5 after receipt	Day 1/2 after receipt
Response to query received and options issued to member	Day 5 after receipt	Day 1/2 after receipt
Final calculation processed and payments of benefits arranged	Day 5 after receipt of member forms	Up to day 5 of receipt of member forms

The trigger for measuring a case against the SLA is the point the final piece of information is received to enable a case to be processed.

- 2.6. Once the migration is complete LPPA are committed to exploring how SLAs can evolve in the future to deliver the best service to their clients, our members and employers. – Officers will continue to monitor performance closely once the system becomes fully operational.

IMPLICATIONS AND RISKS

Financial implications and risks:

The cost of pension administration is recharged annually to the Fund, the contract costs from LCC are factored into the budget and any increase in contract costs, once agreed, the budget will be increased and the additional cost met within the Fund.

Legal implications and risks:

The Council has delegated its pension administration functions to LPPA by an agreement which provides for termination on either party giving 12 month's notice but is otherwise indefinite.

The provisions relating to price are as follows:

For the duration of this arrangement, in September of each year Lancashire will send to Havering a proposed budget for the next financial year including detail of any increases or efficiency savings from previous years. Havering will either agree or offer an amended budget proposal. In the absence of agreement by both Parties the budget will remain as per the previous year plus an inflationary uplift per CPI as at the September prior to the commencement of the budgetary year.

Once the proposed budget is agreed in principle, Havering will refer the proposed budget to its Pension committee or other appropriate body for approval. If approved the annual budget will be ring-fenced for Lancashire and transferred to Lancashire in twelve (12) equal monthly instalments. The actual budget spend will be monitored and reimbursed through a quarterly review process. At the end of each financial year any budgetary over or underspends will be adjusted accordingly.

As result LPPA can propose a budgetary uplift of any value. As they are set up for full cost recovery the difference in the budget and the actual spend will always be adjusted with the authority.

It is open to the Council to not agree the budget proposal in which case it will be increased by CPI.

Human Resources implications and risks:

There appear to be no HR implications or risks arising directly as a result of this report.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants. We will ensure that disabled people with sensory impairments are able to access the strategy.