



Havering
LONDON BOROUGH

PENSIONS COMMITTEE

08 NOVEMBER 2022

Subject Heading:

**PENSION FUND ACTUARIAL
SERVICES PERFORMANCE REVIEW -
1 October 2021 to 30 September 2022**

SLT Lead:

Dave McNamara

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Policy context:

A review of the performance of the services provided by the Actuary demonstrates compliance against Myners principles and contract procedure rules

Financial summary:

Actuarial net costs are met from the Pension Fund or from scheme employers where rechargeable

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

This report reviews the service and performance of the Havering Pension Fund's ("the Fund") Actuary from the 1 October 2021 – 30 September 2022.

RECOMMENDATIONS

That the Committee:

1. Note the views of officers on the performance of the Fund's Actuary during the period 1 October 2020 to 30 September 2021.
2. Agree to extend the contract for a further two years to the 15 July 2025

REPORT DETAIL

1. The Fund appointed Hymans Robertson ("Hymans") with a contract start date of the 16 July 2018 and terminates on the 15 July 2023 with an option to extend up to a further two years to 15 July 2025 if required.
2. Hymans have been the Fund's Actuaries since April 2010.
3. An annual assessment of the Fund's Actuarial Services performance is in line with Myner's Principle number 4 on performance measurement.
4. Monitoring the contract meets post contract award procedures and ensures services are being delivered in accordance to the contract.
5. Actuarial services includes but are not limited to completion of the triennial valuation exercise, Funding Strategy Statement (FSS) preparation and advice, annual accounting valuations of pensions liabilities of Fund employers (in accordance with Financial Reporting Standards (FRS) 102/ International Accounting standards (IAS)19 and 26 requirements, the provision of carrying out opening valuations for new scheme employers; closing valuations for exiting scheme employers; benefit administration advice and ad-hoc advice and guidance which takes account of their knowledge of the Fund's position and strategies.
6. The Actuary also provides advice on consultations regarding changes in legislation affecting the Local Government Pension Scheme (LGPS) and reviews guidance issued by the Department for Levelling Up, Housing & Communities (DLUHC) and the Scheme Advisory Board (SAB). Some of these changes are highly technical and the Committee rely upon the Actuary to put forward suggestions that are in the interest of the Fund. They work closely with the Government Actuary Department (GAD) to support their work under Section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations.

7. Since September 2021 the Actuary has undertaken the following:

Valuation:

- Preparation and attendance at pre valuation meeting in January 2022
- Cleansing of 31 March 2021 whole fund extract, including analysis of critical errors and reconciliation of employer codes
- Provision of 2022 valuation employer database and other valuation communications
- Produced Draft Funding Strategy Statement

Employers:

- Review of second draft consultation for the bulk transfer of Oasis to LPFA
- Review of revised Directions order for the colleges transfer to LPFA
- Provision of Pensions Information Memorandum for Waste & Street Cleansing (includes pass-through discussions and employer contribution rate)
- Annual review of employer risk to the Fund

Accounting:

- Produced statutory accounting disclosures - IAS19 for the London Borough of Havering and Mercury Land Holdings
- Produced IAS26 statement and actuarial statement for the Pension Fund
- Provided FRS102 reports for the academies.

General

- Various Client discussions and general advice
 - New Pension Committee induction to LGPS
8. Hymans has delivered a diverse range of advice and assistance to the Council over this period. Service delivery response times remain good. All relevant services required during the period 1 October 2021 – 30 September 2022 were delivered in both a timely manner and to a high quality.
9. Hymans continually provides timely briefings on changes to legislation, government consultations, and periodic LGPS updates. These are all welcomed, viewed as excellent, and give Council officers a steer on issues arising. Hymans also share Government consultations.
10. In conclusion, officers are satisfied with the service that Hymans is providing and therefore suggest that the Committee agree to extend the current contract period for a further two years to 15 July 2025.

11. Officers have shared the outcome of the service performance review with Hymans which is set out above.

IMPLICATIONS AND RISKS

Financial implications and risks:

Fees are charged for the time spent on services, taking into consideration the complexity of the services provided.

Fees include actuarial work that was recharged to other employers within the Fund.

Variations in fees will be due to requests for one-off papers or specific functions, for example, Data Improvement Plan, COVID 19 impacts, Asset Liability Modelling and Employer Risk Modelling.

Summary of Fees, since commencement of contract in July 2018, can be seen in the following table:

Table 1 - Fees

	Jul 18 to Sep 18 £	Oct 18 to Sep 19 £	Oct 19 to Sep 20 £	Oct 20 to Sep 21 £	Oct 21 to Sep 22 £
Gross Costs	35,009	104,400	112,563	59,580	45,607
Recharges	27,950	60,950	48,250	28,825	9,970
Net Cost	7,059	43,450	64,313	30,755	35,637

The total net costs for the period of review (Oct 21 to Sep 22) was £35,637.

The total net costs since commencement from July 2018 until September 2022 totals £181,214. These costs are made up of charges for the core elements, as set out in a paragraph 5 above and costs are in line with expected contract costs. The non-core elements are usually one-off pieces of work driven by a requirement to address unforeseen events i.e. COVID risks, and Legislation changes. These costs have been charged in line with the hourly rate as set out in the contract.

Net costs are met from the Pension Fund.

Hymans were appointed in 2018 using the 2016 Actuarial, Benefits and Governance Consultancy Framework and one of the advantages of this was the possibility to benefit from the cumulative rebate, based on the overall value of work awarded to a supplier under the Framework.

The Fund has received rebates, as follows:

Table 2 - Rebates

Rebate Year	£
2019/20	4,736.99
2020/21	2,402.22
2021/22	1,186.13
Total	8,325.34

These rebates have been received and reflected in Table 1- fees above.

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:

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/identity.

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

An EqEIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

BACKGROUND PAPERS

None