



PENSIONS COMMITTEE

Tuesday, 25th April, 2017

at 4.00 pm

Room 102, Hackney Town Hall, Mare Street,
London E8 1EA

Membership

Members:

Councillor Kam Adams
Councillor Robert Chapman (Chair)
Councillor Feryal Demirci
Councillor Michael Desmond (Vice-Chair)
Councillor Patrick Moule
Councillor Geoff Taylor

Co-optees:

Jonathan Malins-Smith

Tim Shields
Chief Executive




Contact:
Rabiya Khatun
Governance Services
Tel: 020 8356 6279
Email: Rabiya.khatun@hackney.gov.uk

The press and public are welcome to attend this meeting

AGENDA

Tuesday, 25th April, 2017

ORDER OF BUSINESS

Item No	Title	Page No				
1	APOLOGIES FOR ABSENCE					
2	DECLARATIONS OF INTEREST - MEMBERS TO DECLARE AS APPROPRIATE					
3	PROCUREMENT OF THIRD PARTY PENSIONS ADMINISTRATIVE SERVICES	1 - 6				
4	<p>EXCLUSION OF PRESS AND PUBLIC</p> <p>Proposed resolution:</p> <p>THAT the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of Exempt items on the agenda on the grounds that it is likely, in the view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in Schedule 12A to the Local Government Act 1972 as amended.</p> <table border="1" style="width: 100%; margin-top: 10px;"> <tr> <td style="text-align: center;">Wards Affected</td> <td style="text-align: center;">Contact Officer</td> </tr> <tr> <td></td> <td style="text-align: center;"></td> </tr> </table>	Wards Affected	Contact Officer			
Wards Affected	Contact Officer					
						
5	PROCUREMENT OF THIRD PARTY PENSIONS ADMINISTRATIVE SERVICES - EXEMPT APPENDICES	7 - 26				

ACCESS AND INFORMATION

Location

Hackney Town Hall is on Mare Street, bordered by Wilton Way and Reading Lane, almost directly opposite Hackney Picturehouse.

Trains – Hackney Central Station (London Overground) – Turn right on leaving the station, turn right again at the traffic lights into Mare Street, walk 200 metres and look for the Hackney Town Hall, almost next to The Empire immediately after Wilton Way.

Buses 30, 48, 55, 106, 236, 254, 277, 394, D6 and W15.

Facilities

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall.

Induction loop facilities are available in Committee Rooms and the Council Chamber

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

Copies of the Agenda

The Hackney website contains a full database of meeting agendas, reports and minutes. Log on at: www.hackney.gov.uk

Paper copies are also available from Governance Services whose contact details are shown on the front of the agenda.

Council & Democracy- www.hackney.gov.uk

The Council & Democracy section of the Hackney Council website contains details about the democratic process at Hackney, including:

- Mayor of Hackney
- Your Councillors
- Cabinet
- Speaker
- MPs, MEPs and GLA
- Committee Reports
- Council Meetings
- Executive Meetings and Key Decisions Notice
- Register to Vote
- Introduction to the Council
- Council Departments

RIGHTS OF PRESS AND PUBLIC TO REPORT ON MEETINGS

Where a meeting of the Council and its committees are open to the public, the press and public are welcome to report on meetings of the Council and its committees, through any audio, visual or written methods and may use digital and social media providing they do not disturb the conduct of the meeting and providing that the person reporting or providing the commentary is present at the meeting.

Those wishing to film, photograph or audio record a meeting are asked to notify the Council's Monitoring Officer by noon on the day of the meeting, if possible, or any time prior to the start of the meeting or notify the Chair at the start of the meeting.

The Monitoring Officer, or the Chair of the meeting, may designate a set area from which all recording must take place at a meeting.

The Council will endeavour to provide reasonable space and seating to view, hear and record the meeting. If those intending to record a meeting require any other reasonable facilities, notice should be given to the Monitoring Officer in advance of the meeting and will only be provided if practicable to do so.

The Chair shall have discretion to regulate the behaviour of all those present recording a meeting in the interests of the efficient conduct of the meeting. Anyone acting in a disruptive manner may be required by the Chair to cease recording or may be excluded from the meeting. Disruptive behaviour may include: moving from any designated recording area; causing excessive noise; intrusive lighting; interrupting the meeting; or filming members of the public who have asked not to be filmed.

All those visually recording a meeting are requested to only focus on recording councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to respect the wishes of those who do not wish to be filmed or photographed. Failure by someone recording a meeting to respect the wishes of those who do not wish to be filmed and photographed may result in the Chair instructing them to cease recording or in their exclusion from the meeting.

If a meeting passes a motion to exclude the press and public then in order to consider confidential or exempt information, all recording must cease and all recording equipment must be removed from the meeting room. The press and public are not permitted to use any means which might enable them to see or hear the proceedings whilst they are excluded from a meeting and confidential or exempt information is under consideration.

Providing oral commentary during a meeting is not permitted.

ADVICE TO MEMBERS ON DECLARING INTERESTS

Hackney Council's Code of Conduct applies to **all** Members of the Council, the Mayor and co-opted Members.

This note is intended to provide general guidance for Members on declaring interests. However, you may need to obtain specific advice on whether you have an interest in a particular matter. If you need advice, you can contact:

- The Corporate Director of Legal, HR and Regulatory Services;
- The Legal Adviser to the committee; or
- Governance Services.

If at all possible, you should try to identify any potential interest you may have before the meeting so that you and the person you ask for advice can fully consider all the circumstances before reaching a conclusion on what action you should take.

1. Do you have a disclosable pecuniary interest in any matter on the agenda or which is being considered at the meeting?

You will have a disclosable pecuniary interest in a matter if it:

- relates to an interest that you have already registered in Parts A and C of the Register of Pecuniary Interests of you or your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner;
- relates to an interest that should be registered in Parts A and C of the Register of Pecuniary Interests of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner, but you have not yet done so; or
- affects your well-being or financial position or that of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner.

2. If you have a disclosable pecuniary interest in an item on the agenda you must:

- Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you (subject to the rules regarding sensitive interests).
- You must leave the room when the item in which you have an interest is being discussed. You cannot stay in the meeting room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision.
- If you have, however, obtained dispensation from the Monitoring Officer or Standards Committee you may remain in the room and participate in the meeting. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a pecuniary interest.

3. Do you have any other non-pecuniary interest on any matter on the agenda which is being considered at the meeting?

You will have 'other non-pecuniary interest' in a matter if:

- i. It relates to an external body that you have been appointed to as a Member or in another capacity; or
- ii. It relates to an organisation or individual which you have actively engaged in supporting.

4. If you have other non-pecuniary interest in an item on the agenda you must:

- i. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you.
- ii. You may remain in the room, participate in any discussion or vote provided that contractual, financial, consent, permission or licence matters are not under consideration relating to the item in which you have an interest.
- iii. If you have an interest in a contractual, financial, consent, permission or licence matter under consideration, you must leave the room unless you have obtained a dispensation from the Monitoring Officer or Standards Committee. You cannot stay in the room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision. Where members of the public are allowed to make representations, or to give evidence or answer questions about the matter you may, with the permission of the meeting, speak on a matter then leave the room. Once you have finished making your representation, you must leave the room whilst the matter is being discussed.
- iv. If you have been granted dispensation, in accordance with the Council's dispensation procedure you may remain in the room. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a non pecuniary interest.

Further Information

Advice can be obtained from Yinka Owa, Director of Legal on 020 8356 6234 or email Yinka.Owa@hackney.gov.uk



FS 566728

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Procurement of Third Party Pension Administration Services	Classification PUBLIC	Enclosures Three
	Ward(s) affected ALL	AGENDA ITEM NO.
Pensions Committee - Special 25th April 2017		

1. INTRODUCTION

- 1.1 This report provides Members with recommendations for the appointment of a supplier of pension administration services, following a procurement exercise carried out by officers of the Fund. The report proposes the award of a five year contract term, with the option to extend by up to 3 years. The new contract will provide the Fund with an enhanced level of service at a competitive cost per member.

2. RECOMMENDATION

- 2.1 The Pensions Committee is recommended to:
- Approve the award of contract to Supplier 1, as detailed in Exempt Appendices 1, 2 and 3 for the provision of a full third party pension administration service, with an initial contract period of 5 years and the option to extend for up to 3 years.

3. RELATED DECISIONS

- Pensions Committee – 24th January 2017 – Third Party Administration Procurement Update
- Pensions Committee – 6th December 2016 – Third Party Administration Procurement
- Pensions Sub-Committee – 9th December 2008 Decision to award the Pension Administration and Pension Payroll contract to Xafinity Paymaster for a period of 5 year commencing 1st April 2009 with the potential to extend for a further 3 years.

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 4.1 Equiniti has been the Fund's third party administrator for 8 years. Following the last procurement exercise for the pension administration and pensioner payroll contract, the Fund was able to secure significant savings with approximately £1m being saved over the 8 year period compared to the cost of the previous contract. The costs of the third party external administration contract for 2016/17 were approximately £400k.
- 4.2 Provision of a good quality pension administration service is vital for both the Fund and the Council as an employer within it. Funding decisions are taken and contribution amounts set on the basis of data provided by the administrator; additionally, failure to meet the requirements of the Pensions Regulator with respect

to administration of the Fund could attract significant fines. Poor performance of the Pension Administration service could therefore have serious consequences for the Council's financial position.

- 4.3 With the approval of the Pensions Committee, officers have used a mini-competition process under the National LGPS Framework for the procurement of Third Party Administration Services to carry out the procurement exercise. Use of the framework has helped ensure that the Fund is able to achieve cost savings from both the procurement process and from any contract procured under the Framework.

5. COMMENTS OF THE DIRECTOR, LEGAL

- 5.1 The Council's Constitution sets out the terms of reference for the Pensions Committee which includes delegated powers to make arrangements for the appointment of and to appoint suitably qualified Pension Fund administrators, advisers, investment managers and custodians and to periodically review those arrangements.
- 5.2 This report recommends the award of a single contract for the provision of the third party pension administration services; the procurement of this contract has been subject to the Public Contracts Regulations 2015.
- 5.3 Legal Services have been instructed during this procurement and, following the standstill period, will assist officers in putting together the contractual documentation should the Pensions Committee decide to award the contract.

6. SUMMARY

- 6.1 Administration is a key function within any pension fund, ensuring that records of membership are properly maintained and updated. Its profile as a key service for LGPS funds has increased in recent years, with the introduction of the LGPS 2014 CARE scheme and its highly complex transitional provisions, as well the new powers of the Pensions Regulator (tPR) to oversee the governance and administration of the funds. An exceptionally complex scheme combined with increasing numbers of employers means that the importance of high quality administration is only likely to increase over the coming years.
- 6.2 Equiniti (then Xafinity Paymaster) were appointed as the Fund's Third Party Administrators for 5 years from 1st April 2009, with an option to extend the contract for a further 3 years. This has now been extended by a further 9 months to 31st December 2017 to accommodate delays to the commencement of this procurement exercise.
- 6.3 The only long term alternative to procurement of a new pension administration contract would be to take the service in house. Whilst this option has been considered in the past, the cost of hiring suitably experienced staff in an inner London location renders it uneconomical.
- 6.4 Approval to carry out a procurement exercise via a competitive call off from the National LGPS Framework for Third Party Pension Administration Services was granted by the Pensions Committee on 6th December 2016. The LGPS National Frameworks are multi-user, multi-provider, OJEU-compliant frameworks that are

open to all LGPS administering authorities in the UK, as well as a number of other bodies. The project has been highly successful in using closer collaboration between funds to drive procurement process savings, as well as increasing competition and lowering prices within a number of markets serving the LGPS.

7. MINI-COMPETITION PROCESS

7.1 Suppliers were invited to tender under Lot 1 of the Framework for the provision of a full administration service. Four providers are appointed to this lot, all chosen on the basis of their ability to provide a high quality and competitive third party administration service to LGPS funds. A Notice of Intention to Tender was issued to each of these providers; the Fund received 3 bids in total, one of which was later withdrawn.

7.2 The evaluation of tenders has been based on the following metrics:

- Quality of Service (40%)
- Service Fit (40%)
- Pricing (20%)

Quality of Service and Service Fit have been assessed on the basis of questions set by officers. Pricing has been assessed on the basis of cost per member and daily rates for key staff, using a pricing formula recommended by CIPFA as best practice. The scoring metrics set out above have been used on the National Framework and are suitable for a complex service where a high quality of service is essential.

7.3 Officers scored the Quality of Service and Service Fit questions independently before agreeing a provisional moderated score. Any questions which could not be fully answered within the bids (e.g. those requiring an assessment of suppliers' systems) and those where further detail was required to agree a score were listed for clarification at site visits. Following the site visits, relevant sections of the evaluated scores were adjusted to reflect the findings. A full list of questions can be found at Appendix 1 with scores and explanatory comments set out in Appendix 2

7.4 Pricing scores were evaluated using the scoring mechanisms set out in Appendix 3 which also provides a full breakdown of pricing scores awarded.

8. SCORES AWARDED AND RECOMMENDATION

8.1 The table below sets out the final scores awarded to each supplier for Quality, Service Fit and Pricing.

Category	Weighting	Provider 1	Provider 2
Quality	40.0	29.00	27.80
ServiceFit	40.0	33.20	29.80
Pricing	20.0	10.32	9.68
Total	100.0	72.5	67.3

8.2 The scoring metrics for this tender were intended to give a very high weighting to quality and service fit. Provision of a high quality service is vital to the Fund; not only does it have a direct impact on the accuracy of member benefits, but can also have a significant impact on the Council's financial position.

- 8.3 The completion of the evaluation process identified that the provider with the highest combined score across the 3 criteria is supplier 1, whose score of 72.5 demonstrates their ability to meet the needs and objectives of the Fund. As shown in the table, Supplier 1 was the highest scorer across each of the 3 criteria.
- 8.4 On the basis of the tender evaluation outcome the Pensions Committee is recommended to approve the award of the Third Party Pensions Administration Contract to Supplier 1, for an initial period of 5 years with the option to extend for a further 3 years.
- 8.5 If awarded, the new contract provides for significant improvements relative to the service specification and standards currently in operation. The requirements for provision of a website and online member and employer services have been very considerably strengthened, as have the requirements around reporting performance information. These improvements should help to significantly improve member and employer experience and the quality of information held, as well as ensuring that the Fund is compliant with the increasingly stringent requirements around governance and administration.
- 8.6 The price per member offered by Supplier 1 is competitive relative to other suppliers on the Framework and within the mini-competition scored the higher of the 2 bids received. The actual cost of the contract is dependent on the number of members at the commencement date; it will then be fixed and subject to inflationary increases (in line with CPI) only unless the number of members increases or decreases by more than 10%.

9. SUSTAINABILITY ISSUES

- 9.1 Equality issues – There are no adverse equality issues from the procurement of the third party pension administration services contract. The main beneficiaries will be fund members and employers, who should see improvements to the service received and the Pension Fund itself.
- 9.2 Environmental issues – Online member services could result in a reduction in the need for paper documents in relation to employee pensions. There are no other environmental impacts arising from this procurement
- 9.3 Economic issues – The proposed procurement will not have any negative economic impact on the local economy.

Exempt Appendices

- Appendix 1 – Quality and Service Fit Questions
- Appendix 2 – Quality and Service Fit Scores
- Appendix 3 – Pricing Schedule

Appendices 1, 2 and 3 have been classified as exempt on the following basis:

By virtue of Paragraph 3 Part 1 of Schedule 12A of the Local Government Act 1972, appendices 1, 2 and 3 are exempt because they contain:

Information relating to the financial and business affairs of any particular person (including the authority holding that information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Ian Williams

Group Director, Finance & Corporate Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett, ☎020-8356 3332

Legal comments: Patricia Narebor ☎020-8356 2029

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