

ITEM No ...8.....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES
COMMITTEE & PENSION BOARD – 5TH JUNE 2017

REPORT ON: APPOINTMENT OF 3rd PARTY ADMINISTRATION SERVICE FOR A
SPECIFIED CASE EXERCISE

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 198-2017

1 PURPOSE OF REPORT

This report seeks approval to appoint a 3rd party administration service to process a legacy backlog of specified cases, with all work completed by 31st March 2018.

2 RECOMMENDATIONS

It is recommended that JLT be appointed as the service provider for Tayside Pension Fund.

3 FINANCIAL IMPLICATIONS

The contract cost is £74,900. Although the required internal resources are unavailable due to the need to maintain service delivery and performance, the equivalent cost of providing this service in-house (like for like) is estimated to be £78,500. This presents an efficiency of £3,600.

4 BACKGROUND

The Pension Administration Performance Report, following the review of operations undertaken by AON Hewitt (Article VII of the minutes of the Pensions Sub-Committee and Pension Board meeting of 6th June 2016, Report 217-2016 refers) highlighted this specified caseload as a backlog. These cases have no effect on fund value, but if unaddressed, could result in incorrect data.

Although continuous attempts have been made to incorporate this caseload within normal operational workloads, due to the complexity of these cases and the constraints of the existing in-house resources who would be able to undertake these duties, after consultation with AON Hewitt, it was advised that this should be treated as a one off exercise as it could not be undertaken within the timescales demanded without having an extreme detrimental impact on service delivery and performance, and due to the complex nature of the exercise and level of knowledge and experience that would be required to be committed to this exercise, success would be better achieved if outsourced.

All current cases of this nature are now incorporated into daily duties of staff with the appropriate level of skill and experience.

5 PROJECT OBJECTIVE

The service providers will be required to carry out the following to ensure a successful and timely conclusion:

Preserved Benefit Caseload:

- ensure complete and accurate leaver information is received,
- carry out the calculation of the deferred benefit,
- prepare the communication to the scheme member,

- update the Altair system to reflect the member's deferred status,
- check the calculation (including the accuracy of the leaver information) and communications,
- issue the communications to the scheme member, and documents for upload onto members Altair records should be returned to Tayside Pension Fund

Concurrent calculations:

- ensure complete and accurate leaver information is received in relation to the ceasing role,
- carry out any necessary calculations in relation to aggregating benefits,
- write to and obtain the member's decision about aggregating benefits (where relevant),
- update the active member record appropriately, and
- close off the record for the ceased role.
- issue a communication to the scheme member detailing the action taken and amendments made to their membership.

6 TENDERING EXERCISE

The procurement exercise was initiated in March 2017, with subsequent evaluation and interviews held on 18th and 19th May 2017.

In response to an advertisement of mini-competition on Procurement Scotland Portal, responses were received from the following 5 suppliers:

Capita	JLT
Equiniti	Hymans Robertson
ITM	

The two highest responders (JLT and Equinity) were invited to make presentations.

Tender evaluations were undertaken by Senior Pensions Officers and a Specialist Pension Administration Advisor from AON Hewitt.

The tender criteria was assessed over 3 categories and weighted as follows:

Quality	40%
Service Fit	40%
Price	20%

7 CONCLUSIONS

The results of the evaluation described above are as follows:

Provider Name	Equiniti	Hymans	JLT	Capita	ITM
Quality Score	36.0	28.0	28.0	28.0	28.0
Service Fit Score	32.0	24.0	32.0	24.0	24.0
Pricing Schedule Score	11.0	4.2	20.0	20.0	0.0
Total	79.0	56.2	80.0	72.0	52.0

Based on a caseload of 400 deferred cases and 615 concurrent cases, the costs were as follows:

Calculated estimated total cost:	Equiniti	Hymans	JLT	Capita	ITM
Per member cost - deferred calculations	£57,600.00	£55,200.00	£38,000.00	£29,200.00	£86,000.00
Per member cost - concurrent calculations	£88,560.00	£153,750.00	£36,900.00	£68,880.00	£161,745.00
Total	£146,160.00	£208,950.00	£74,900.00	£98,080.00	£247,745.00

JLT's overall approach provided officers with reassurance of their depth of resource and experience. They were able to demonstrate that their approach was tailored to suit the needs of the fund, providing good value for money.

8 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

The major issues identified relate to Risk Management and these are addressed in the Risk Register.

9 CONSULTATION

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

10 BACKGROUND PAPERS

None

MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

26 MAY 2017

