



Date:	22nd March 2016
Classification:	General Release
Title:	Analysis of the 2014/15 pension administration costs
Report of:	Director of Human Resources
Financial Summary:	The costs of the out-sourced pensions administration service were higher than expected in 2014/15, because of one-off costs migrating data from the LPFA to Surrey CC and because the start of the new arrangement was postponed by five months to 1 September 2015.
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1. Executive Summary

- 1.1 At the 16th November 2015 meeting, the Pension Fund Committee requested a breakdown of the 14/15 pension administration costs.
- 1.2 This report summarises the costs for each type of expenditure in the context that 14/15 was the financial year that the pensions administration contract was awarded to Surrey County Council from the LPFA and there were expected migration and start-up costs to absorb.

2. Recommendation

- 2.1 That the Committee notes the content of the report.

3. Background

- 3.1 Westminster City Council (WCC) first outsourced its pension administration service to the London Pensions Fund Authority (LPFA) in April 1992. The service remained with LPFA through various procurement exercises until 2014.
- 3.2 The contract was re-tendered but as a s.101 agreement and Surrey CC were successful

- 3.3 The initial cost of the Surrey s.101 agreement was £227k for 2014/15 representing a £17k (7%) annual saving on the previous contract with LPFA which cost £245k in 2013/14.
- 3.4 It should be noted that the difference between a contract and a s.101 agreement is that a section 101 agreement provides greater control over the costs of pension administration, because the costs of the services are transparent to both parties and the fee agreed is on a *not for profit* basis.

4. Analysis

- 4.1 The costs incurred in 2014/15 were £373k compared with the s.101 agreement sum of £227k and explained in Table 1 below.
- 4.2 The additional cost was due to:
- One-off start-up costs arising from the data migration of £73k;
 - Licence fees payable to Heywards for the administration system which straddled two financial years;
 - Offset by the saving in fees payable to LPFA and Surrey CC of £27k. The saving would have been £80k for a full year, but the start of the s.101 agreement was delayed from 1 April 2014 to 1 September 2014 to avoid clashing with the start date for the MSP project which was originally due to go live also on 1 April 2014.

Table 1

		£000s	£000s
	Original s.101 agreement sum		227
LESS	Saving in fees payable to Surrey CC due to delayed start		(130)
ADD	Additional fees payable to LPFA to extend the contract to 31 August 2014		103
ADD	One-off start-up costs:		
	Data migration	17	
	Fee payable to Heywards to transfer licence from LPFA to Surrey CC	50	
	Miscellaneous	6	
		<u> </u>	73
ADD	Heyward licence fee payable for 2014/15		47
	True cost for 2014/15		320
	Heyward licence fee prepaid for 2015/16 to 30 November 2015		53
	Total cost		373

5 Financial Implications

- 5.1 It is expected that the cost of administration will reduce as there should be no further one-off costs.

6. Legal Implications

6.1 None

If you have any questions about this report, or wish to inspect one of the background papers, please contact:
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