

Pension Fund Committee

Date:	9th March 2023
Classification:	GENERAL
Title:	Update on GMP Project – Mercer Ltd Postponement
Report of:	Diana McDonnell-Pascoe Pension Project and Governance Lead, People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	None

1. Introduction

The purpose of this paper is to update the Pension Committee on the status of the Guaranteed Minimum Pension Project with respect to failure of Mercer Ltd to complete their part of the GMP Rectification project by the deadline of February 2023.

2. Guaranteed Minimum Pension (GMP) Project

2.1. GMP Rectification with Mercer Ltd

As the Committee is aware, following the transfer of pension administration services from Surrey to Hampshire Pension Services in November 2021, a decision was made that Mercer should effectively continue to complete our GMP project but report directly to Westminster rather than to our new pension administration partner.

As the Committee is aware from my previous papers, there was a significant delay to Mercer Ltd starting the rectification of the GMP data as although we had project

meetings to discuss the requirements of the project in advance of April 2022 (when the rectification activity was meant to start post Pensions Increases), the data template which was not provided until 26th April 2022 requested far more data than was expected and Civica, Hampshire Pension Services' software provider, had to be engaged to extract the data from UPM.

Despite this delay, Mercer Ltd received the data in the format they requested on 11th August 2022 in advance of the 15th August 2022 deadline. Unfortunately, there was a further delay until 8th September 2022 as there had been an error in the data template and two fields marked "optional" and therefore ignored, were found to be "essential" and Hampshire Pension Services were asked to provide this data which they did with good faith and without extra charge.

On 27th October 2022 Mercer Ltd advised us they were conducting a review of all GMP projects and resources for the schemes they were project managing. The Westminster / Hampshire project team were informed that we would receive an updated project plan which would set out the tasks and timeline to keep the project on track within ten working days.

Despite much chasing and an email on 23rd November 2022 saying, "*it's looking positive we can deliver for February*", the promised version three of the project plan detailing how they would meet the February deadline never materialised and neither did the expected quote for extra resource to complete the project.

Notwithstanding this positive outlook, we were informed by email from Karen Scott, our account manager at Mercer Ltd on 21st December 2022 that there was a significant risk to non-delivery. This communication was sent close to end of business hours just as Karen was going on annual leave and we were told that she would update us in January.

2.2. Mercer Ltd – Rectification Calculations postponed to April 2023

On 13th January 2023 Karen informed us by email that there was a failure with the calculation tool that Mercer Ltd were going to use to complete the rectification of our data and the February deadline could not be met. Mercer Ltd proposed a new timeline which starts on 31st April 2023 and concludes 7th October 2023.

While unsurprised at this news, I and the project team were particularly disappointed at this outcome given the amount of monitoring and support Mercer Ltd had to complete the project from Westminster and Hampshire Pension Services. At this point, I would like to recognise the invaluable support provided to us from Hampshire Pension Services and their partners Civica and Intellica who provided a lot of support without charge in acknowledgement of the strong partnership between Westminster and Hampshire Pension Services.

In terms of progress and since receiving the email on 13th January 2023, I've consulted with Legal and Procurement internally and with Hampshire externally and determined a strategy to move forward which is to aim to complete the project with Mercer Ltd albeit with more stringent conditions imposed on them by us.

We considered terminating the contract with Mercer Ltd, which we can do “no-fault” with 90 days’ notice and awarding the contract to Hampshire but, on balance, the lowest risk to completing the project before 2024 Pensions Increases in April next year is continuing the project with Mercer Ltd – assuming they engage with us and can satisfy our requirements. If they don’t, then we will terminate the contract and, with Committee approval, award the contract to Hampshire. Another factor in this decision is that Hampshire will not be completing their GMP project before 2023 PI increases either as the technical aspect of the project is taking longer than expected and they want to minimise risk to data quality.

Furthermore, we have since ascertained via the Mercer Ltd website and through additional verification from Hampshire, that Mercer Ltd have engaged Intellica to help them manage the project. This is an interesting development because it is

Intellica who are completing the GMP calculations for Hampshire and who Mercer Ltd ultimately will be sending the rectified data to. The fact that Mercer Ltd have engaged Intellica gives us increased confidence in their ability to deliver the project and, assuming that Intellica are completing the calculations on Mercer Ltd's behalf, to give us a quality assured product.

We have made a formal complaint to Mercer Ltd and set out our list of requirements including a proposed timeline for Mercer Ltd that Hampshire agree with. I have also queried Mercer Ltd's proposed timeline and asked for clarification and evidence where we seek assurance that they have the expertise, ability, and knowledge to complete the project for us. Our list of requirements includes increased project monitoring by having a formal monthly Project Board as opposed to project meetings, improved documenting by logging risks, issues, actions, dependencies etc as well as evidence of quality assurance with their calculation tool and the final product we will receive.

We have also notified Mercer Ltd that Westminster is putting them on poor performance contract monitoring. Additionally, and to strengthen the contract monitoring, Harbinder Manku, a contract manager from Procurement, has joined the project team to be a Project Board member and will support me to manage the formal poor performance process.

We gave Mercer Ltd a deadline of to respond to our 10th February letter on or before 24th February 2023 and on 22nd February 2023 we received a formal response. I will update the Committee verbally as to our position at the Committee meeting on 9th March 2023.

Finally, with respect to project costs, of the total £33,000 contract cost, we have only paid £6,600 which is a fifth of the contract overall. We do not expect any further costs with Mercer Ltd. Additionally and with Harbinder's support and experience as a public sector contract manager, we will determine a gateway process for releasing any more money so that we only pay for work completed.

3. Summary

- 3.1.** The Guaranteed Minimum Pension project will not be completed before Pensions Increases in April 2023. Mercer Ltd, our supplier for the data rectification has told us that their calculation tool is not working and therefore they cannot deliver the project in time.
- 3.2.** We have made a formal complaint to Mercer Ltd about their failure to deliver the project by the agreed deadline of February 2023 and in our letter of complaint we set out our requirements for continuing the project with Mercer Ltd. We requested a response to our letter on or before 24th February 2023.
- 3.3.** Mercer Ltd submitted their response to our letter on 22nd February 2023 and there will be internal discussion and review of the response in the coming days with a further verbal update of our position to the Committee at the 9th March 2023 Pension Fund Committee meeting.