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## **PENSIONS ADMINISTRATION SYSTEM**

**Report by Service Director HR and Communications**

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### **JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD**

**12 September 2019**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report seeks approval to delegate the responsibility for the procurement of the Pensions Administration System for the Scottish Borders Council Pension Fund to the Chief Financial Officer.**
- 1.2 Lothian Pension Fund carried out a full tender exercise for the Pensions Administration system and Scottish Borders Council Pension Fund expressed an interest in being included with a view to using the same terms and conditions following the outcome of the tender exercise and appointment of the preferred supplier.
- 1.3 Aquila Heywood were the preferred bidder and they are our current supplier, therefore, we will be looking to enter into a new contractual relationship with the supplier. Costs for the procurement and implementation of the additional functionality for the Pensions Administration System will be capped at £815,610 over the following five years. Officers are continuing discussions with the supplier in an effort to reduce these costs.
- 1.4 The system is an essential administrative tool that supports the provision of a high quality administrative service for the Pension Fund, allowing the Fund to continue to address the complexity of legislative changes that have been added in recent years without the need to review staffing levels.
- 1.5 This provides us with an opportunity to implement a modernised application with the functionality to provide an improved experience and service for members of the Pension Fund, through the implementation of Members Self Service functionality which addresses a deliverable from the Business Plan and Communication Policy previously agreed.
- 1.6 The additional of i-Connect will streamline processing of all starters, leavers and changes, along with the removal of the annual return, which in turn will be an improved experience for employers and lead to more accurate up to date information being available for members using the Members Self Service functionality.

## 2 RECOMMENDATIONS

- 2.1 **It is recommended that the Pension Fund Committee and Board:**
- (a) **Approves the delegation of responsibility for the procurement of the contract renewal for the Aquila Heywood Pensions Administration System to the Chief Financial Officer, with costs restricted to a maximum of £815,610 over the five year term of the contract, including implementation costs for the new functionality.**

## 3 BACKGROUND

- 3.1 The Pensions Administration Team, within HR Shared Services, currently uses the Aquila Heywood Altair system to assist with the administration of the Scottish Borders Council Pension Fund. The current contract was signed on 26 March 2014 for a period of five years with the option to extend for a further two years on a year on year basis.
- 3.2 Lothian Pension Fund carried out a full market test of the Pensions Administration System market during 2018 and Scottish Borders Council Pension Fund, along with others, expressed an interest on being listed on this procurement. As a result of the Lothian procurement not being concluded by the end of our initial five year agreement a one year extension of the current contract was invoked, taking us through until 26 March 2020 with the option to extend for one further year still being available.
- 3.3 The Lothian Pension Fund tender exercise has now been concluded and the preferred bidder was Aquila Heywood. On the back of this officers have commenced discussions with Aquila Heywood over the contractual renewal looking to take advantage of the Lothian tender process.
- 3.4 The current annual costs for the provision of the administration system are as follows: -

	Annual Value
Altair LGPS	£72,273
Hosting Service	£43,724
CLASS Development Fee	£1,000
Microfocus Licence	£1,220
Total Value (exc VAT)	£118,217

The application is fully hosted by Aquila Heywood removing the need to contract with CGI over the ongoing maintenance and upfront provision of servers. This also provides us with a test instance to carry out system testing prior to promoting changes, such as software updates, to the live environment and Aquila Heywood are responsible for the availability of the system in the event of a disaster recovery situation.

The Microfocus Licence is required by users of the system, due to the need to install operating software on individual computers.

- 3.5 The Procurement Team have been consulted on the approach being taken for the extension of the contract for the Pensions Administration System

and will continue to do so, along with colleagues from Legal, as we look to review and sign off on the terms and conditions.

- 3.6 It is worth noting that all LGPS Pension Funds in Scotland are currently contracted with Aquila Heywood for the provision of the Pensions Administration System with Funds using different elements of the overall product, for example Payroll processing.
- 3.7 Aquila Heywood will continue to be responsible for interpreting all regulatory changes for the administration of the Local Government Pension Scheme in Scotland and ensuring that the system is configured to deal with such changes.
- 3.8 The Pension Fund will continue to be members of the CLASS group, which operates for the benefit of all Heywood customers and allows for the sharing of any costs arising from developments such as those mentioned at 3.7 above.

#### **4 PROPOSAL**

- 4.1 Scottish Borders Council Pension Fund to utilise the Lothian Pension Fund route to renew the contract with Aquila Heywood for the provision of the Pensions Administration system.
- 4.2 The contract renewal to include the latest available version of Member Self Service allowing the Fund to meet the requirements of the Business Plan and Communication Policy as previously approved by the Committee and Board.
- 4.3 The provision of Members Self Service will give an enhanced offering to members of the Pension Fund allowing them to run benefit calculation quotes themselves reducing the requirement for staff within the pension's administration team to carry out these calculations. Additionally, members will be able to view their Annual Benefit Statements online removing the need to go through the time consuming and costly exercise of producing and distributing these on an annual basis. Implementation will deliver an improved experience for members as outlined within the Communication Policy.
- 4.4 The Pensions Regulator issued a requirement to provide information on data quality on an annual basis in 2018, this requires the running of various extract reports from the administration system from which a measure is applied. Aquila Heywood are able to run these reports and provide the measures and rectifications that are required. Officers have requested that this be included within the proposal for the contract renewal, the report for 2018 was produced by Aquila Heywood on a one year basis as we looked to renew the contract.
- 4.5 Aquila Heywood also provide functionality that allows the transfer of Starters, Leavers, Changes and monthly CARE figures from employers to the Pension Fund. Officers have requested that this be included within the contract renewal. Provision of this i-Connect functionality will streamline administration processes, provide up to date information for member on a monthly basis making quotation run through Members Self Service more accurate and removes the need for employers to provide annual returns, which in turn reduces the workload for the pensions administration team in the lead up to the production of the Annual Benefit Statements.
- 4.6 The proposal from Aquila Heywood also includes a move to a cloud hosted solution, which will be at no additional cost to the Fund. With benefits including the creation of a more secure and resilient solution, improved

connectivity resulting in a more robust and stable connection to the hosted service.

- 4.7 That responsibility for the procurement of the contract renewal for the Aquila Heywood Pensions Administration System be delegated to the Chief Financial Officer, with costs restricted to those stated at 5.1 below for the five year duration of the contract.
- 4.8 The Lothian framework includes an option to extend for a further five years based on existing terms and conditions. If this is to be exercised a further report will be brought to the Pension Fund Committee and Board at that time.
- 4.9 That officers continue to negotiate directly with the supplier in order to achieve a reduction in the costs quoted and commit to terms and conditions that meet the objectives and priorities of the Pension Fund and Employer bodies.
- 4.10 Once the contract has been signed off officers will develop an implementation plan with a view to having Member Self Service implemented as the priority as this will provide the greatest return on investment and improved member experience.

## **5 IMPLICATIONS**

### **5.1 Financial**

- (a) The costs and benefits attached to the proposal are to be formally confirmed as negotiations with the supplier continue. However, there will be an increase in licence costs on an ongoing basis as the Fund looks to enhance available functionality and improve member and employer experience. The total costs for the proposed five year contract and implementation of the additional functionality are £815,610, subject to indexation on an annual basis for the support and maintenance.
- (b) The support and maintenance costs of £144,627 per annum are based on the quotation formally submitted by Aquila Heywood and do not take account of any ongoing discussions with them over costs. This represents an increase of £26,410 per annum, directly attributable to Member Self Service, i-Connect and Data Quality reporting, £132,050 over the five year period of the contract, subject to indexation on an annual basis.
- (c) The implementation of the Member Self Service functionality will, amongst other functions, allow the Fund to provide online Annual Benefit Statements, thus reducing the administration cost of preparing, printing and posting these on an annual basis. The cost of postage alone for this year being £5,610. The Member Self Service functionality will also allow the Fund to improve communication with all members and allow them to run their own estimates, reducing the time spent by the pension administration team in carrying out this process. As reported in the Pensions Administration Performance for 2018/19 there were 1,036 estimates produced by staff within the administration team. The impact of this additional functionality will be monitored to determine an appropriate timeframe to consider the impact on staffing resource
- (d) The one-off implementation costs from Aquila Heywood associated with Licence Fees, Member Self Service and i-Connect have been discounted from the standard rate and are quoted as £92,475.

## 5.2 Risk and Mitigations

By agreeing to the proposal the Pension Fund will demonstrate steps taken to continue to address the following risks, as highlighted in the Pension Fund Risk Register:

- Failure to process pension payments and lump sums on time (5.3)
- Inability to keep service going due to loss of main office, computer system or staff – major operational disruption (5.3)
- Failure to hold personal data securely (5.5)
- Failure to comply with LGPS and other regulations (6.1)

The renewal of the contract for the Pensions Administration System will ensure that the Fund has a fit for purpose system and infrastructure to meet the challenges of the ever changing complexities surrounding pensions.

## 5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

## 5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which could affect the Council's sustainability.

## 5.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

## 5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

## 5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

## 6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, Service Director Human Resources, Communications and the Clerk to the Council have been consulted and any comments have been incorporated into the final report.
- 6.2 The Procurement Team have also been consulted and their comments have been incorporated into the final report.

**Approved by**

**Clair Hepburn**  
**Service Director HR and Communications**

**Signature .....**

**Author(s)**

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**Background Papers:****Previous Minute Reference: Pension Fund Committee and Board 13 June 2019**

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Ian Angus can also give information on other language translations as well as providing additional copies.

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