

WIRRAL COUNCIL

PENSIONS COMMITTEE

16 SEPTEMBER 2013

SUBJECT:	IT COSTS - 2014 REFORM
WARDS AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR OF TRANSFORMATION AND RESOURCES
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Members of the IT costs related to updating the pension administration computer system, in order to meet the legislative changes of the Local Government Pension Scheme (LGPS) in April 2014.
- 1.2 The report also covers the current Electronic Document Management and Workflow system, with the request to align procurement arrangements with the contractual renewal date for the Pensions Administration and Pensioner Payroll system.
- 1.3 An exempt report on the agenda, setting out the IT costs, contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

Pensions Administration & Pensioner Payroll IT System

- 2.1 During 2008, an open and competitive procurement exercise took place for a replacement Pensions Administration & Pensioner Payroll system. Pensions Committee approved the procurement of the Altair system from Heywood on 14 January 2009, the contract commenced 1 January 2010.
- 2.2 Heywood's were the existing software provider and the initial contract was for five years, with the option for a two year extension.
- 2.3 Pensions committee on 18 September 2012 approved the option to extend the contract with Heywood for a further two years (from December 2014 to December 2016).
- 2.4 Heywood is currently recognised (by market share) as the main provider of pension administration systems to LGPS Funds. Its Local Authority customers are organised into a formal user group entitled CLASS. The objective of the CLASS group is to

facilitate best value for the members in terms of software and services provision from the partner supplier, Heywood.

- 2.5 Members will be aware that the LGPS is facing significant regulatory change from April 2014. To meet these requirements, Heywood are required to make a significant investment in developing the product to accommodate Career Average benefits and to enhance current calculations in order to facilitate the transitional protections for existing members of the scheme.
- 2.6 The cost of development is to be shared amongst the CLASS Group members with the additional licence fee being paid over two financial years.
- 2.7 The required developments will also incur an additional ongoing software maintenance fee; this is an additional annual cost for the duration of the contract.

Electronic Document Management & Workflow IT System

- 2.8 The current electronic document management and workflow system supplied by Civica (previously known as Comino) was originally implemented by the Pension Fund in 1997. The system is referred to as Pensions5.
- 2.9 Pensions5 is embedded as a core IT system at the Fund and supports the administration function alongside the Altair system. In addition, to holding member documents the Pensions5 system also holds general documents related to Fund management e.g. historic and current legislation.
- 2.10 The Fund processes for dealing with members are delivered within Pensions5. As such, the delivery of LGPS 2014 will require a full review and modification of the existing workflow processes.
- 2.11 The current contract arrangement for the Pensions5 system is on an annual renewal basis with Civica.
- 2.12 Civica has a full Pensions Administration and Pensioner Payroll solution titled 'Universal Pensions Management' (UPM). This software has rapidly matured in recent years and is increasingly being adopted by LGPS Funds, most recently by West Yorkshire Pension Fund. UPM is based on the same technology as the Pensions5 system.

3.0 RELEVANT RISKS

- 3.1 The ongoing provision of both IT systems is critical to the core operations of the Fund. Without these systems the ability to maintain member records and pay pensions is fundamentally compromised.
- 3.2 The software enhancements to the Altair system are necessary to successfully meet the regulatory requirements and statutory responsibility of the Fund from April 2014.
- 3.3 The current IT systems are known to the staff of the Fund and there is considerable knowledge investment in the existing processes and user training. There is less operational risk to the Fund in enhancing and modifying existing embedded

processes and systems. Staff resources are not available to implement any new IT systems.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 The additional development costs, related expenses and ongoing costs are set out in the exempt appendix to this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No, because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 None arising from this report

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 None arising from this report

12.0 RECOMMENDATION/S

- 12.1 Members note the additional costs required to update the Altair IT System for the new regulations from April 2014.
- 12.2 Members to agree that the current annual renewal arrangement for Pensions5 continues until December 2016, in order to align procurement arrangements with the contractual renewal date for the Altair system.

13.0 REASON/S FOR RECOMMENDATION/S

- 13.1 Recommendation 12.1 is made in recognition of the statutory duties of the administering authority to comply with the requirements of legislation.
- 13.2 Recommendation 12.2 is made with the expectation of a future procurement process for a single integrated IT solution – delivering pension administration, payroll, document management and workflow management.

It will give time for other competitors to emerge following the LGPS 2014 reforms which may improve the procurement outcome. Officers judge that this is the best option in terms of risk control and value for money.

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SUBJECT HISTORY (last 3 years)

Council Meeting	Date
ALTAIR IMPLEMENTATION UPDATE	18 SEPTEMBER 2012
PENSIONS5 – GENERAL FILING	20 MARCH 2012
ALTAIR IT HARDWARE	27 SEPTEMBER 2010