

Report to: Pension Board

Date of meeting: 9 February 2017

By: Chief Operating Officer

Title: Business Operations Systems - update

Purpose: Update on the effectiveness of current LGPS administration system and market alternatives

RECOMMENDATIONS

The Board is recommended to consider and note the report

1 Introduction

1.1 The Board may be aware that, in April 2016, Business Operations contracted with Heywood for use of the *Altair* system to provide an LGPS administration service. The contract period was five years (with a three year break clause) and Business Operations agreed to provide the Committee and Board with regular updates on developments with *Altair* and options for alternative systems in future.

2 Cost Savings

2.1 Business Operations reported to the Pensions Committee in February 2016 that it expected to make a long-term saving by changing the hosting arrangements for *Altair* and moving the database to the Surrey data centre. This project was completed successfully in October 2016 on budget and the savings are therefore expected to be reflected in the total saving over 5 years of £237,000 as reported to the Committee.

2.2 It is also anticipated that Business Operations will be able to make further modest long term efficiency savings as well as increasing resilience by moving towards a single set of integrating processes and operating procedures now that the databases are no longer separately hosted. This integration is likely to continue on a phased basis over the next twelve to eighteen months.

3 Current Performance

3.1 Although only ten months into the new contract, *Altair* has continued to perform to the expected standards with minimal service interruptions and a number of enhancements implemented over the period. There have been three system upgrades in 2016/17 (the costs of which are covered by the fixed contract price) which included a number of enhancements such as those outlined below:-

- introduction of a workflow dashboard for pensions staff (Feb 2017)
- enhancements to benefit calculations to reflect new actuarial guidance
- enhancements to interfaces and ability to automatically recalculate benefits where there is a retrospective change in circumstances

3.2 In addition to the standard system upgrades, Heywood has demonstrated a willingness to work with Business Operations as a major Local Government Pension Scheme (LGPS) client by arranging four separate visits from Heywood consultants to discuss service enhancements to feed into their developmental roadmap. We understand Heywood has completed 70 client visits in total and this customer-centred approach is a welcome improvement from the previous more rigid stance that Authorities historically reported encountering.

4. Current System Enhancements

4.1 The Board will be aware that Business Operations is currently undertaking a project to provide members with online access to their pension records and to make the 2017 annual statements available online and the system is currently in place and is undergoing security testing by IT colleagues. We will provide an update on live roll out of this facility at the next Board meeting.

4.2 In addition to the facility to bring members records online, Business Operations is also expanding *Altair* access for employers to view records online and use standard reporting facilities. Online access is currently available to some employers via a separately licensed product called *PensionsWeb* and the *Altair* employer access will complement this for those employers that may wish to use the functions available.

4.3 The online access referred to above is an enhancement to the service offered to employers but is unlikely to produce efficiency savings for the pension fund. Business Operations has been able to secure trial access to a separate product (*i-Connect*) which is aimed at improving integrity of data and business processes. Employers upload a monthly extract direct from their payroll system which identifies starters, leavers and material changes and automatically updates the relevant member records as far as possible. Although *i-Connect* are linked to Heywood it is understood the product can link with other systems. Business Operations will be testing *i-Connect* over the forthcoming months.

5. Market Review

5.1 At the time of completing the new contract, Business Operations established that there were only two feasible providers of bespoke LGPS administration systems, Heywood and Civica. As might be expected, in the 10 month period since the new contract there has been no material change to this position. Civica has not taken on any new Funds beyond the 14 and Heywood provide the system for 81 of 100 LGPS funds (including Scotland).

5.2 Business Operations continues to monitor with interest the performance of Civica as an alternative to Heywood and will look to conduct a more formal review in late 2017. In the interim, it is clear from public reports that the Civica system offers a number of benefits but that at least one of the large LGPS pension funds has flagged up continuing transitional issues with operational performance and system development. It is hoped that Civica will be able to iron out these issues over the next twelve to eighteen months and this will provide the opportunity to review a more fully developed alternative.

6. Conclusions and reasons for recommendations

6.1 The Board is recommended to consider and note the report.

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Background documents:

None