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ADDITIONAL CIRCULATION



To: Councillor Malik, Convener; Councillor Reynolds, Vice Convener; Councillor Barney Crockett, the Lord Provost; Councillor Alan Donnelly, the Depute Provost; and Councillors Bell and Delaney and 3 SNP Members (Pensions Committee)

Mr A Walker, Chairperson, Ms M Hart, Vice-Chairperson, Councillors Cowe and McKelvie; and Mr S Clunes, Ms M Lawrence and Mr K Masson (Pensions Board).

Town House,
ABERDEEN, 14 March 2018

PENSIONS COMMITTEE AND PENSION BOARD

The undernoted items are circulated in connection with the meeting of the **PENSIONS COMMITTEE AND PENSION BOARD** to be held here in the Town House on **FRIDAY, 16 MARCH 2018 at 10.30 am.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

BUSINESS

FINANCE, PERFORMANCE, RISK AND SERVICE WIDE ISSUES

12a Procurement of Pension Administration Software - Update (Pages 3 - 8)

Should you require any further information about this agenda, please contact Stephanie Dunsmuir, tel 01224 522503 or email sdunsmuir@aberdeencity.gov.uk

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SUBMISSION OF LATE REPORT

NAME OF COMMITTEE : PENSIONS COMMITTEE

DATE OF COMMITTEE : 16 MARCH 2018

TITLE OF REPORT : PROCUREMENT OF PENSIONS ADMINISTRATION SOFTWARE UPDATE

Please explain why this report is late.

Procurement have requested that Committee be advised of potential costs of new administration software contract.

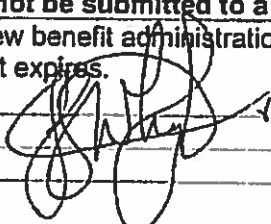
Please explain:

- why this report must be submitted to the next meeting of the Council/Committee; and
- why it cannot be submitted to a meeting of the Council/Committee at a later date.

Procurement for new benefit administration software needs to be completed before the end of March when our current contract expires.

Director

Date 13/03/2018



The following section must be completed by the Convener where a report must be submitted less than three clear days¹ before a meeting of the Council/Committee.

By law, an item of business must be open to inspection by members of the public for at least three clear days before a meeting.

An item of business not open to inspection for three clear days may be considered at a meeting only by reason of special circumstances, which shall be specified in the minutes, and where the Convener is of the opinion that the item should be considered as a matter of urgency.

Please explain why you are of the opinion that the item should be considered as a matter of urgency.

Convener

Date

M. Jones
14/3/2018

As per reason provided by Director above – potential additional costs require the item to be reported back to Committee – due to timescales for current contract, this cannot wait until the June meeting.

¹ For example if a letter is posted on Monday advising of a meeting on Friday, it gives 3 clear days notice (i.e. Tuesday, Wednesday, Thursday). Saturday, Sunday and public holidays are included within the definition of Clear Days.

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ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	16 MARCH 2018
REPORT TITLE	PROCUREMENT OF PENSION ADMINISTRATION SOFTWARE UPDATE
REPORT NUMBER	PC/MAR18/ADMIN
DIRECTOR	DIRECTOR OF RESOURCES
REPORT AUTHOR	MAIRI SUTTIE

1. PURPOSE OF REPORT:-

- 1.1 To advise Committee on the potential future running costs of a new contract with Aquila Heywood ('Heywood') for the provision of pension administration software to the North East Scotland Pension Funds (NESPF), which was approved on 1 December 2017.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee confirm the award of a new contract to Heywood as the supplier of pensions administration software, using the Northumberland County Council Framework, for a 10 year term (or such shorter term as may be deemed appropriate by the Chief Officer - Finance following consultation with the Chief Officer - Commercial and Procurement Services) and approve the potential expenditure as detailed in 3.2 and 3.3.

3. BACKGROUND/MAIN ISSUES

- 3.1 Based on the report (Appendix I) submitted to the 1 December 2017 meeting, Committee granted approval for Officers to enter into a new contract with Heywood for the supply of pension administration software, subject to further discussion between the Head of Finance and Head of Commercial and Procurement Services over the contract term.
- 3.2 As set out in the December report, the initial contract costs are:
- **£154,997 per annum** for Support and Maintenance Costs for Altair LGPS, Workflow, Image, MSS, Pensioner Payroll and Immediate Payments module. The initial licence fee being waived to the approximate value of £0.5m.

- **£97,949 per annum** hosting fees (based on current fee for 30 users), with an additional discounted fee of £3,000 per user from 31-35 and no further fee for users 36-40.
 - **£1,000** payable to Northumberland for use of the Framework
 - **£11,907** (approximate) for GMP Reconciliation Tool based on 23,334 active members.
- 3.3. Under the proposed contract terms, Heywood (the 'supplier') has the option to increase the initial support and maintenance costs by RPI (Retail Prices Index) plus 5%.
- 3.4 This option also exists under our current contract terms with Heywood, and throughout the term of the existing contract which was entered into in 2011 the annual increases applied by Heywood have run slightly below RPI. Heywood have never exercised the option to increase by the maximum i.e. RPI plus 5% and therefore there is no evidence to suggest that they would chose to do so during the new contract term. It should also be noted that annual increases published by the supplier apply to all authorities that participate in the CLASS group, which consists of all 11 Scottish Funds, Northern Ireland and the majority of authorities in England and Wales.
- 3.5 The Council's Procurement Regulations, used by the Pensions Service, set out that additional contract costs cannot vary beyond the lesser of 25% or £100,000 without further Committee approval. Therefore potential increases to the initial support and maintenance costs in line with RPI mean further approval is being sought at this stage.

4. FINANCIAL IMPLICATIONS

- 4.1 The North East Scotland Pension Fund will meet the cost of the benefits administration software. The potential financial implications are set out in this report above.

5. LEGAL IMPLICATIONS

- 5.1 Procurement have carried out a review of the terms of the contract and approved use of the Northumberland Framework.

6. MANAGEMENT OF RISK

- 6.1 Officers will manage the risk associated with procurement through the Funds Risk Register.

7. IMPACT SECTION

- 7.1 The administering authority is required to meet their statutory scheme duties. If sufficient resources are not provided there are potentially a number of

negative outcomes such as non-compliance with requirements of the Pensions Regulator, LGPS and other pensions legislation, inability to make pension payments or the correct payments and failure to provide accurate data for valuation assumptions which could lead to increased employer contributions.

8. BACKGROUND PAPERS

8.1 None

9. APPENDICES

9.1 PC/DEC17/ADMIN Procurement of Pension Administration Software

10. REPORT AUTHOR DETAILS

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