

SOUTH YORKSHIRE PENSIONS AUTHORITY

14th June 2012

Report of the Clerk and Treasurer

Framework Agreement

1. Purpose of the Report

To give advance notice of the intention to enter into a framework agreement for the procurement of a pensions administration computer system.

2. Recommendations

Members are recommended to note the contents of the report and approve the costs of joining the framework group.

3. Information

- 3.1 Members will recall that in the Revenue Estimates report approved by the Authority in November 2011 they were advised that the Authority's ageing pensions administration system would need to be replaced within the foreseeable future.
- 3.2 The present pensions administration system is a highly complex computer program which is at the heart of Fund administration activities. It is used to record all Scheme member data and it is used to calculate and pay benefits to Fund members. System data is also used by the Fund's actuary when setting the employer contribution rates both initially and at the triennial actuarial valuation.
- 3.3 There has been a long term relationship with the current system supplier that goes back over thirty-six years. For all but the last few of those years it has been possible to simply renew contracts every five years or so as there was no other company in the marketplace who produced a comparable system for the Local Government Pension Scheme. This has now changed with the emergence of a competitor system. In accordance with EU procurement directives the Authority now has no alternative but to enter into a formal tender for the purchase of a replacement for the ageing system.
- 3.4 The specification and tender for a pensions administration system is a complicated, expensive and time consuming process. However, through discussions via our network of officer contacts it is clear that a number of other local government pension funds are in exactly the same position and, therefore, there is an opportunity for collaborative working. A framework agreement would be beneficial to all funds.
- 3.5 A framework group representing ten local government pension funds is in the process of being finalised with the intention of entering into a full and open

tender during the remainder of this year. The framework group will be responsible for;

- **Project Management** - To drive the initiative forward and ensure agreed landmarks are met at appropriate times through to completion. Setting and monitoring deadlines for agreed inputs during the programme for individual group members.
- **Finance and Budgeting** - To capture all the costs for each group member, accounting for all activity from the outset to completion, in order to ensure each group member is fully costed and these costs are recovered via the framework arrangement if this is agreed. To monitor all costs for contracted external advice to be met equally by group member Authorities and within agreed budget levels. Produce any required accounting records to confirm the same.
- **Technical** - Knowledge of systems / Pensions Scheme Regulations/ Procurement law/ Contractual law etc in order to meet all overarching requirements for the process and ensure the specification fully meets the needs of group members.

Officers have indicated to the group that the Authority would be willing to assist it with technical knowledge of the Regulations and pensions systems leading to the preparation of the system specification.

- 3.6 Participation in the framework agreement will cost the Authority approximately £5000. This is a significant saving on what it would cost if the Authority acted it alone. Further reports will be issued requesting the approval to purchase a new system at the end of this process later in the year. For Members' information the estimated cost of a new system will be in the region of £150,000.

4. Implications

- **Financial** - Circa £5000
- **Legal** - EU Procurement Directives
- **Diversity** - None
- **Risk** - Removes risk of challenge to current annually renewed contract

**W J Wilkinson,
Clerk and Treasurer.**

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Background papers used in the preparation of this report are available for inspection in the Pensions Administration Unit.