

Agenda Item

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| Subject | Functionality of Pensions Administration Software (PAS) | Status | For Publication |
| Report to | Local Pensions Board | Date | 14 October 2021 |
| Report of | Head of Pensions Administration | | |
| Equality Impact Assessment | Not Required | Attached | No |
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1 Purpose of the Report

- 1.1 To update members on the expected improvements to the pensions administration software (PAS) system from February 2022.
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2 Recommendations

- 2.1 Members are recommended to:
- a. Note the expected improvements in the PAS from February 2022 and monitoring arrangements to be put in place**
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3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers). A key element of the quality assessment during the competition for the new PAS was focused on providers demonstrating how the system could help to improve our customer experience.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times. The competition process for awarding the PAS was fully compliant with procurement best practice through a mini competition under a national LGPS framework agreement.

Valuing and engaging our Employees

To ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services. Key personnel who administer the scheme on a day to day basis contributed to the assessment process.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report have implications for Risk O2 in the Corporate Risk Register. It is essential that SYPA has a fully functioning PAS system in order to continue to meet its statutory requirements for the administration of the scheme.

5 **Background and Options**

- 5.1 In January 2020, members of the Authority agreed to the extension of the current licence for the PAS with the incumbent provider, Civica, up to February 2022. The main purpose of the extension was to allow SYPA to conduct a full procurement exercise once the new National LGPS Framework created specifically for LGPS administration systems had been launched. SYPA was a founder and active contributor to the development of this Framework.

- 5.2 The new Framework was launched in April 2020, with one of the providers (Equiniti) appointed subject to providing further evidence of the relevant developments to their PAS to meet the *Specification of Requirements* set out in the Framework. The additional evidence required to meet the Specification was subsequently provided and Equiniti were fully appointed to the Framework in October 2020.

- 5.3 Despite initial interest from a wider range of providers, only three companies were able to demonstrate that they had the capability to deliver PAS which would support the administration of the LGPS. This is a reflection of the complexities of administering public sector pension schemes with potential providers reluctant to invest in the development of a complex product without the guarantee of future income.

Invitation to Competition

- 5.4 Earlier this year, SYPA launched an Invitation to Further Competition within the Framework with an initial five year term and an option to extend for up to a further four years. SYPA received submissions from all three providers. As notified to the providers under the terms of the Framework, the submissions were panel assessed based on the following scoring ratio:

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| Quality Assessment | 70% |
| Price Evaluation | 30% |
| Total | 100% |

- 5.5 The aim of setting the ratio above was to ensure that the evaluation would not focus predominantly on price (important a consideration as that was) but on the application of available technology to support enhancements to customer experience as well as improving the efficiency of the administration operation. The quality assessment therefore covered a range of themes including:-

- *Product Roadmap*. Demonstrating how the future development of the PAS would improve the experience of both scheme members and employers
- *Administration by Exception*. How the technology would assist SYPA in removing unnecessary processing/data input and allow practitioners to focus on tasks that add value
- *Improved digitisation*. Allowing scheme members and employers to 'self-serve' and interact with SYPA online, achieve instant responses and complete transactions (such as claiming benefits) without excessive form-filling.

- *Managing Change*. The ability of providers to support SYPA to manage changing legislative requirements such as McCloud and the £ 95k cap (as was)

Competition outcomes

5.6 The overall outcome of the further competition was that the Authority agreed that the new contract from February 2022 should be awarded to the incumbent provider, Civica.

Specification of Requirements

5.7 The new and comprehensive *Specification of Requirements* that was prepared for the LGPS Framework contains several enhancements and improved functionality beyond the specification that was developed back in 2014 and has largely formed the basis of the PAS since that date.

5.8 This means that there are several areas of improved software functionality that Civica do not currently deliver and that need to be addressed prior to the implementation of the new contract from February 2022. Given the legacy issues experienced, there does remain a legitimate risk that Civica may not fully deliver the functionality required in time for the commencement of the new contract from February 2022.

5.9 The Specification itself is broken up into a series of categories that are listed in the first column of **Appendix A**. The Appendix also summarises those areas where SYPA believes there is a current shortfall based on our experiences of using the UPM system since 2014. This is a summary of the main discrepancies identified between the Specification of Requirements and a more detailed report is being shared with Civica to enable them to comment on whether they agree with our interpretation of the Requirements.

5.10 Once we have reached agreement with Civica on our assessment of the functionality and service gaps (most of which Civica are aware of), we are expecting them to produce an implementation/assurance plan that will set out their proposals for breaching the gaps prior to the commencement of the new contract in February 2022.

5.11 There is no doubt that Civica have improved their product delivery significantly since 2014 and, with the on boarding of new LGPS clients under the LGPS Framework who will be using the same *Specification of Requirements*, it is hoped that Civica will be able to implement the majority of the required enhancements by February 2022.

5.12 Ultimately, however, SYPA will have the option to bring any new PAS contract to a premature end without penalty if we do not feel that Civica is delivering the PAS that was agreed under the LGPS Framework. Any further procurement exercise required as a result could be actioned relatively quickly and economically now that the new Framework is in place and this does give SYPA a degree of flexibility around future administration system provision.

6 Implications

6.1 The proposals outlined in this report have the following implications:

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| Financial | The costs of the new PAS solution from February 2022 were previously agreed by the Authority. |
| Human Resources | Efficiency improvements as a result of the new PAS are expected to result in staff resource savings in the longer term (two years plus) but it is intended these will be directed to |

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| | investment in improving customer service and managing legislative changes (such as McCloud) rather than compulsory redundancies. |
| ICT | None. |
| Legal | None. |
| Procurement | The procurement exercise carried out under the LGPS Framework is OJEU compliant. |

Jason Bailey

Head of Pensions Administration

| Background Papers | |
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| Document | Place of Inspection |
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