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**Pension Board
19 October 2023**

Procurement of Pensions Administration ICT System

Report of the Head of Pensions

Background

1. The existing contract for the Pension Administration Software, commenced on 17th June 2018 and was in place for a 5-year period expiring on 16th June 2023 (extended for a subsequent year via a contract modification). This was followed by the Hosting Agreement which started on the 11th of February 2019 and co-terminates in accordance with the Pension Administration Software contract. These contracts were awarded under a Northumberland County Council Framework Agreement.
2. Most of the current system functionality purchased has been in place for 30+ years. Whilst the functionality purchased to date fulfills the basic requirements needed to deliver the pensions administration function, it does not utilise modern technology to allow, for example, efficient and automatic transfers of data and online accesses to service for employers and members.
3. The LGPS Administration Systems market is small and dominated by two providers, both of which are on the National LGPS Framework for Pensions Administration Software.
4. There is a recognised acknowledgment that the current functionality of the system needs to be modernised to provide sufficient employer and member service levels and enable the Fund to meet ever-changing needs. All providers will be required to:
 - a. Detail their system's functionality capability to provide a system (or series of systems) which can:
 - Store data and perform calculations in line with the Local Government Pension Scheme Regulations (and all other relevant Regulations)
 - Interface Employer data in real time, providing automatic uploads of membership data using a control framework of data validations and checks.
 - Give members access to an online portal, allowing real time automatic updates and provision of information (such as estimates).
 - Allow secure communications with employers and members.
 - Provide a modern reporting system which includes Business Information (BI)/Management Information (MI) functionality.
 - b. Confirm they can transition from the existing system to one with the above

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functionality over a 6-month transition period, and during this period support the Pensions Admin Team in the transition.

- c. Respond to the ITT pack within the required timeframes providing evidence, where required, allowing the Fund to apply the agreed scoring and weighting approach to responses received and also to enable moderation and evaluation sessions to be conducted.

The agreed weightings for the scoring process are split as follows:

- 70% Quality
- 30% Price

The quality score includes a 15% social value score. This is mandated by Gloucestershire County Council. This leaves 55% of the score allocated to the quality of the services being procured.

It is agreed to weight heavily towards quality because the choice and provision of the pensions administration system is fundamental towards the efficient and compliant work of all staff within the pensions administration team. The team operate within a complex legislative environment and therefore it is essential that the system is able to meet the Fund's needs to a high degree. It is agreed that all mandatory requirements will be a 'pass/fail'. If a provider does not meet these requirements they will not be taken any further in the selection process.

5. The current system purchased does not contain the modern functionality which is used across nearly all LGPS Funds and therefore an expansion of provision, as agreed by Committee in July 2023, was agreed as part of this tender
6. The Committee agreed with the recommendation to incorporate employers and members online functionality at its meeting in June 2023.

Options

7. The following options were considered:
 - a) *Do Nothing*

This means the Fund will not be compliant with procurement legislation with no further extensions available in the current system contract allowed. Any further contract extensions would break procurement legislation and bring the risk of legal challenge. The current contract cannot be extended for any further term. This would leave the Fund without a functioning administration system resulting in a reversion to a paper based system. This would result in a significant risk that statutory timeframes for the provision of information within regulation would not be met and the Fund would be subject to sanction by the Pensions Regulator.

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- b) The Fund procures via its own competitive tender process rather than using the National LGPS framework.*

This would be inefficient, costly, introduce significant risk and impact the Fund's timelines. The national framework has been established for this purpose and includes all potential bidders who meet a standard minimum set of requirements.

- c) Using the National LGPS Procurement Framework*

This option means we use a recognised reliable framework, widely used by other Funds and incorporating the main suppliers in the market. This is therefore the preferred option.

Risks

8. Transition Period

With a transition period of 6 months, the timeline is tight for any new successful provider and within this period business as usual pension administration activity must continue as normal with minimal disruption. To ensure appropriate resources are available, an implementation plan and delivery partner would be required to support the transition and mitigate the risks around the transition.

Additionally, if a new provider is selected, significant personal data will be transferred during this period and there is the potential for all data and documents not to be transferred, or transferred correctly, which may result in penalty notices or action and significant additional work.

Financial implications

9. The total 10-year contract cost is expected to be in the range of £4m to £5m however exact costs will be determined by the bids received.

This represents an approximate increase of up to £1m (£100k per annum) on the current costs of £4m (£400k per annum); reflecting the current economic landscape and additional functionality being purchased.

Climate change implications

10. No material impact identified

Equality implications

11. We have included appropriate mandatory requirements within the specification to make

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sure the system is compliant with up-to-date Accessibility Guidelines. No equality implications have been identified.

Data Protection Impact Assessment (DPIA) implications

12. The Fund has worked with the internal Information Management Service to ensure best practice and internal controls are followed. In particular, the Fund will be establishing as part of the tender that each provider has sufficient levels of cyber security and data protection controls in place in order for them to be awarded the contract.

Social value implications

13. Questions relating to social value will also be included as part of the procurement, in line with GCC Social Value Policy

Consultation feedback

14. We have consulted with Information Governance ,Procurement, Legal, HR, Finance and ICT. All are supportive of the proposed approach, and we continue to engage with them on the development of the tender documentation. We have the required committed resources to help support the procurement.

Officer recommendations

15. Officers recommend that the Committee approves option C above that the system is procured via the National LGPS Framework for Pensions Administration Software.

Performance management/follow-up

16. Officers will report back concerning the progress of the tender at future Pension Committee meetings. The performance management of the service being purchased will be reviewed in line with the terms of the contract.

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Below is the full report, including recommendations, considered by Committee at its meeting on 22 September 2023.

Purpose of Report	To seek approval to conduct a Procurement exercise for a 10 year contract (initial 7 year term, with a 3 year extension option) using the National LGPS Framework for Pensions Administration Software in relation to the Fund's Pension Administration System requirements.
Recommendations	<p>That Pension Committee delegates authority to the Head of Pensions in consultation with the s151 Officer and the Chair of Pensions Committee to:</p> <ol style="list-style-type: none"> 1. Conduct a mini-competition process under the National LGPS Framework for Pensions Administration Software in respect of a call-off contract for the supply of a pension administration system. The proposed call-off contract shall continue for an initial period of seven years and include an option to extend its term for a further period of not more than 3 years; 2. Award such call-off contract to the preferred tenderer; and 3. Determine whether to exercise the option to extend such contract for a further period of not more than three years on the expiry of the initial seven year term.
Reasons for Recommendations	To ensure that a modern and compliant Pensions Administration System is provided to deliver the statutory services required within Local Government Pension Scheme regulations 2013. Utilising the National LGPS Framework for Pensions Administration Software provides an efficient, compliant and effective route to market,
Resource Implications	<p>The total 10-year contract cost is expected to be in the range of £4m to £5m however exact costs will be determined by the bids received.</p> <p>This represents an approximate increase of up to £1m (£100k per annum) on the current costs of £4m (£400k per annum); reflecting the current economic landscape and additional functionality being purchased. The costs relating to this contract will be fully met from the Pension Fund.</p>
Background Documents	<ul style="list-style-type: none"> • Decision - Extension of Contract with Heywood Pension Technologies for the Provision of a Pensions

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	Administration System (gloucestershire.gov.uk)
Statutory Authority	Local Government Pension Scheme Regulations 2013
Officer	<p>Any representations should be sent to:</p> <p>Name: Matthew Trebilcock Tel. no: 01452 328 920 Email: Matthew.Trebilcock@gloucestershire.gov.uk By 5pm on 21 September 2023</p>
Timeline	<p>Indicative dates (to be confirmed):</p> <p>22 September 2023: ITT Pack completed</p> <p>1 October 2023: Tender Issued</p> <p>17 November 2023: Tender Responses returned.</p> <p>30 November 2023: Responses Evaluation complete.</p> <p>December 2023: Seek delegated approval to appoint.</p> <p>Mid-January 2024: Finalise Contract</p> <p>January – June 2024: Transition to new system (if required)</p> <p>17 June 2024: current Heywood contract expires.</p>

Recommendation

The Board notes the recommendations and timeline agreed by Committee in relation to the procurement of the Pensions Administration ICT System.

Contact Officer

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