

**REPORT OF THE SERVICE DIRECTOR (HUMAN RESOURCES &
CUSTOMER SERVICE)****LOCAL GOVERNMENT PENSION SCHEME
PROCUREMENT OF PENSIONS ADMINISTRATION SYSTEM****Purpose of the Report**

1. The purpose of this report is to inform the Nottinghamshire Pension Fund Committee of the procurement of a new pension administration system.

Information and Advice**Background**

2. Nottinghamshire County Council (NCC) is the lead authority within the Nottinghamshire Local Government Pensions Scheme. NCC's Pensions Office administers the LGPS scheme on behalf of over 230 scheme employers, with a total membership over 104,000 (active members, deferred members and pensioners). The Pension Office also provides a sold pension administration service to Nottinghamshire Police.
3. In 1975, 11 Local Authorities grouped together to form the Consortium of Local Authority Superannuation Schemes (CLASS) to provide an ICT solution for the administration and calculation of Local Government Pension Scheme (LGPS) benefits.
4. The developed system, then known as CLASS was owned and controlled by the CLASS group and replaced Nottinghamshire County Council's paper based pension administration system in 1978-1979. Ownership of the CLASS system transferred into the private ownership of Heywood Limited in the 1980's. Subsequently, the CLASS group became an advisory body to Heywood, for the interpretation of new rules and regulations and the prioritisation of development of the system.
5. Nottinghamshire County Council's contractual relationship with Heywood Limited was initially based on a single national contract (negotiated by one lead authority for all CLASS members) and was in place up until 1995. Since 1995 it was established that each authority was required to have an individual contract.

6. Heywood Limited, have continued to develop their pensions administration system over the years in line with LGPS regulation and scheme changes.
7. Until 2005, there has been no competition to Heywood's LGPS system. The majority of Administering Authorities have continued to renew or extend their contract with Heywood. However, other pension administrations systems are now available. A number of Local Authorities are now operating other systems, for example West Midlands Pension Fund, West Yorkshire Pension Fund, East Riding Pension Fund and South Tyneside Pension Fund have procured and implemented the Universal Pensions Manager (UPM) system from Civica and Hackney London Borough Council have procured the pension administration system from Equiniti.

Nottinghamshire Pension Fund current position

8. Nottinghamshire County Council's contract for the AXISe Pension Administration System, provided by Heywood Limited, expired in September 2010. Under the terms of the contract, this then automatically followed into a one year rolling contract with a 12 month notice period.
9. Following the introduction of new EU Public Procurement Rules there has been national concern, that such large scale contracts, that have not been out to tender, may be at significant risk of legal challenge.
10. In 2012, following discussions with other CLASS group members Nottinghamshire County Council joined together with a group of 9 other Local Authorities to enter into collaborative framework tendering exercise. The ten Local Authority members of the new procurement group are: Tameside, South Yorkshire, Norfolk, Essex, Bedfordshire, Nottinghamshire, London Borough of Lambeth, Cheshire West & Chester, Hampshire and Kent
11. Since its formation the Procurement Group has worked with an external legal partner and created a procurement framework and invited tenders from suppliers of pension administration systems.
12. Nottinghamshire County Council's current systems supplier, Heywood Limited has declined to enter into the tendering process. Heywood Limited has subsequently informed all Local Authority users that they will no longer be supporting their AXISe product beyond 31 December 2014.
13. The successful suppliers who have tendered and subsequently been appointed to the framework are Civica and Equiniti, from whom Nottinghamshire will select an administration system to replace AXISe.
14. Nottinghamshire County Council is required to appoint one of the successful suppliers from the framework agreement to provide a pension administration system. As the incumbent supplier, Heywood Limited has given notice that they will no longer support their AXISe product beyond 31 December 2014, the replacement system must be implemented and go live no later than 31 December 2014 to ensure that Nottinghamshire County Council can continue to administer the Nottinghamshire Pension Fund and their sold service for Nottinghamshire Police.

15. Nottinghamshire County Council will select and appoint their preferred systems supplier from the framework agreement by the end of December. This will ensure that the new system is implemented and that Nottinghamshire's pension administration is transitioned over to the new system by 31 December 2014 at the latest.

Other Options Considered

16. Contracting directly with Heywood Limited is not an option and would not be legally compliant with current procurement legislation. An alternative option would be for Nottinghamshire County Council to undertake its own EU tender. This would not be possible due to the time constraints due to the short notice given by Heywood.

Reason/s for Recommendation/s

17. Nottinghamshire County Council has no option but to select a supplier from the procurement framework to ensure that it complies legally with procurement rules and legislation. As the Administering Authority, Nottinghamshire County Council must ensure that it has in place a fully functioning and operational new pension administration system no later than 31 December 2014 to enable it to be able to fully meet its administration obligations to all scheme members.

Statutory and Policy Implications

18. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

19. That the procurement of a new pension administration system is noted. Pensions Sub Committee will be kept informed of progress on the procurement and implementation of the new pension administration system.

M TOWARD

SERVICE DIRECTOR (HUMAN RESOURCES & CUSTOMER SERVICE)

For any enquiries about this report please contact:

Constitutional Comments (CEH 06.12.13)

20. The report is for noting purposes only. The report deals with the computer system upon which the Pension Fund information and records is held. The current supplier of the computer system has given notice to end the current contract and therefore a new system needs to be procured to ensure the operational day to day running of the Pension

Fund. The Council has a responsibility to follow the Financial Regulations in relation to the procurement of contracts for goods, works and services that it buys. The current contract with Heywood's for the pension computer system has evolved and developed over a number of years and has not formally been tendered putting the Council at risk of challenge of non-compliance with the Financial Regulations. As the market in, and providers of, pension computer systems has developed over recent years the Council has joined with a group of other Local Authorities to set up a procured framework contract for pension computer systems. By complying with the terms of the framework contract the Council will have a properly tendered and compliant contract for a pensions computer system.

Financial Comments (SRC 06/12/13)

21.The cost of procuring, implementing and maintaining the pension administration system is a legitimate charge to the pension fund under governing regulations.

Background Papers and Published Documents

None

Electoral Division(s) and Member(s) Affected

All