CAMBRIDGESHIRE PENSION FUND

LGSS

PENSION COMMITTEE

Date: 22 October 2015

Report by: Deputy Head of Pensions

Subject:	**LGSS Pensions payroll provision**
Purpose of the Report	**To outline options for an IT refresh of the LGSS Pensions payroll system**
Recommendations	**The Pensions Committee are asked to:** **1. Review and ratify the recommendation for the replacement solution for the provision of pensions payroll and** **2. Agree the required funding for the IT Refresh Project for Pensions Payroll**
Enquiries to:	Mark Whitby, Deputy Head of LGSS Pensions Service Tel – 01604 368502 E-mail – mwhitby@northamptonshire.gov.uk

1. Background

1.1 The LGSS Pensions Service currently use the *altair* pensions administration software solution which is licensed, hosted externally and managed by heywood. Payroll for the LGSS Pensions Service is managed and provided separately from this on the Oracle ERP platform by LGSS Payroll Services.

1.2 The framework contract for Oracle ERP provision comes to an end in November 2017. LGSS are moving away from Oracle ERP at the end of 2017 to Unit 4's Agresso and this will include payroll administration provision.

1.3 A Pensions Committee decision on which solution will be used for pensions payroll administration going forward is required.

2. Options

2.1 The default position of LGSS would be to move the pensions payroll function onto the Agresso system. However the Agresso charge for licences is significantly higher than the charge for *altair* payroll licences.

2.2   The current pensions administration solution, *altair,* also provides a payroll module. The *altair* payroll option would be more advantageous for the Pensions Service for a number of reasons:

   1.   Lower implementation costs than Agresso.

   2.   Achieve greater efficiency savings

   3.   Streamline processes and functions between pensions administration and pensions payroll.

   4.   Provide a full end-to-end offering for other parties which may consider contracting with LGSS Pensions for provision of their service. It would be easier to market whole pensions and payroll services to future customers, resulting in an improved perception of the Pensions Service.

2.3   For a number of years there has been an issue with reconciling data between the Oracle ERP and *altair* administration system. By having pensions and payroll data on one system would address these issues going forward. There is a time consuming project currently underway to reconcile data, but the reconciliation issue remains where there are separate pensions administration and payroll systems with the potential for further data misalignment and payment errors.

2.4   It is important to note that regardless of the payroll solution selected, the payroll service itself will continue to be undertaken by LGSS in the same way it is now, but using different technology.

2.5   Moving to another payroll system is expected to be a lengthy process. For example, a move to *altair payroll* is expected to take approximately 9 months, therefore the decision needs to be made soon as possible to allow sufficient time to migrate the payroll provision before Oracle ERP is decommissioned. If *altair* were to be the selected option, the move would need to be completed by Summer/Autumn 2016 to fit in with the necessary timescales. An Agresso implementation would need to be managed within the Next Generation Working Programme timelines.

2.6   A move to Agresso can be considered to be the default position but will be more expensive. Other options to move to an entirely new pensions system with associated payroll solution are outside the scope of this project and there are no tenable alternatives at present.

2.7   Both the *altair* and the Agresso options require investment to implement as detailed respectively in section 4 and 9 of this report.

3 Relevant Pension Fund Objectives

Perspective	Outcome
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only.

4. Finance & Resources Implications

4.1 The following table details the implementation costs of the altair pensions payroll solution.

altair payroll	£k						
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5		5 yr total
One-off costs (implementation)	181,000	0	0	0	0		**353,467**
Initial training costs	3,000						
Licence costs (one-off cost)	101,200						
Project Management costs	57,567						
Additional chargeable support costs	4,500						
LGSS IT costs (server hardware etc)	5,000						
Legal charges re contract creation etc	1,200						
Total costs	**353,467**	**0**	**0**	**0**	**0**		**353,467**
Cashable savings (efficiency savings and resources)	-26,825	-26,825	-26,825	-26,825	-26,825		-134,125
Total net costs	**326,624**	**299,817**	**272,992**	**246,167**	**219,342**		**219,342**

4.2 The main benefits of implementing *altair* payroll as the replacement for Oracle are around proving a full end-to-end pensions to payroll system thereby improving data quality and accuracy. This is turn will reduce the amount of incorrect payments, improve customer satisfaction, reduce queries and complaints whilst providing the LGSS Pensions Service with a more marketable pensions administration offering to potential customers.

4.3 Specific examples of improvements are:

- More efficient administration to payroll transfer with many processes automated leading to minimised processing time thus reducing resource requirements to administer;

- Reduced data integrity risk hence reduced audit and financial risks:
    - reduced errors in over/under payments as a result of data in one single system and reduced requirement to reconcile between systems;
    - reduced need for corrective journals in the GL finance system

- Improved governance and performance for members and employers and thus leading to improved customer satisfaction; and

- Scalable solution to offer to potential partners/customers; a resilient offering.

5.   Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
That the implementation cannot be achieved before the move away from Oracle ERP payroll	Project to start in January 2016 with implementation in Summer 2016.	Low
Current data reconciliation is not completed in time to migrate accurate data to the replacement system – resulting in inaccurate data being transferred.	Closely monitor progress and allocate additional resources if progress to target slips.	Low

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the move to *altair payroll* is not approved and the funding provided, a move to Agresso will be completed as a default position – resulting in increased costs and on-going data integrity issues.	Medium

6.   Communication Implications

Direct Communications	To members in receipt of pensions regarding: specific changes to payments (as applicable).
Website	To members in receipt of pensions regarding: payslip changes (if applicable) and general accuracy improvements.

7.   Legal Implications

7.1   A new contract (with Heywood) for the pensions payroll solution would be required. Opportunities to tie this contract into the main contract should be investigated when the renewal time approaches as there may be opportunities to achieve additional contractual savings.

8.   Consultation with Key Advisers

8.1   Not applicable.

9.   Alternative Options Considered

9.1   As discussed above, Agresso payroll would be the LGSS default option. The work to move the pension payroll over to Agresso would be managed as part of the Next Generation Programme of work and thereby no additional contract with heywoods would be required. However, the Agresso option is more costly due to licence and support costs and has no efficiency savings for the LGSS Pensions Service:

Agresso **payroll**	**£k**						**5 yr total**
	Yr 1	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**		
One-off costs (implementation)	181,000	0	0	0	0		**353,467**
Initial training costs	0						
Licence costs (one-off cost)	273,600						
Project Management costs	57,567						
Additional chargeable support costs	0						
LGSS IT costs (server hardware etc)	6,000						
Legal charges re contract creation etc	1,200						
Total costs	**519,367**	**0**	**0**	**0**	**0**		**519,367**
Cashable savings (resources)	0	0	0	0	0		0
Total net costs	**519,367**						**519,367**

9.2   Key dis-benefits for the Pensions Service:

- Higher net costs than the *altair* alternative;
- Minimal service improvements with continued double-keying requirement – leading to continuing reconciliation requirements with associated data accuracy and integrity issues leading to financial and audit risk;

10.   Background Papers

10.1   None.

11.   Appendices

11.1   None.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Chris Malyon – 05/10/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 06/10/2015
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Count – 06/10/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015