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Bromley
THE LONDON BOROUGH
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DIRECT LINE:	020 8461 7743	
FAX:	020 8290 0608	DATE: 19 January 2021

To: Members of the
PENSIONS INVESTMENT SUB-COMMITTEE

Councillor Keith Onslow (Chairman)
Councillor Gareth Allatt (Vice-Chairman)
Councillors Simon Fawthrop, Simon Jeal, David Jefferys,
Christopher Marlow and Gary Stevens

Members of the Local Pension Board are also invited to attend this meeting

A meeting of the Pensions Investment Sub-Committee will be held on **WEDNESDAY 27 JANUARY 2021 AT 6.30 PM**

PLEASE NOTE: This is a 'virtual meeting' and members of the press and public can see and hear the Sub-Committee by visiting the following page on the Council's website: –
https://www.bromley.gov.uk/councilmeetingslive

Live streaming will commence shortly before the meeting starts.

MARK BOWEN
Director of Corporate Services

Copies of the documents referred to below can be obtained from
http://cds.bromley.gov.uk/

A G E N D A

1   APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

2   DECLARATIONS OF INTEREST

3   QUESTIONS FROM MEMBERS OF THE PUBLIC

In accordance with the Council's Constitution, questions that are not specific to reports on the agenda must have been received in writing 10 working days before the date of the meeting (5pm on Wednesday 13th January 2021.)

Questions specifically relating to reports on the agenda should be received within two working days of the normal publication date of the agenda. Please ensure that questions specifically on reports on the agenda are received by the Democratic Services Team by **5pm on Thursday 21st January 2021.**

4   CONFIRMATION OF MINUTES OF THE MEETING HELD ON 1 DECEMBER 2020, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION
(To follow)

5   MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

6   UPDATES FROM THE CHAIRMAN/DIRECTOR OF FINANCE/PENSIONS INVESTMENT ADVISOR

7   PENSION FUND PERFORMANCE Q3 2020/21
(To follow)

8   MEMBER SELF-SERVICE AND I-CONNECT (PART 1)
(Pages 3 - 46)

9   LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND FREEDOM OF INFORMATION ACT 2000

The Chairman to move that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

Items of Business	**Schedule 12A Description**
10 CONFIRMATION OF EXEMPT MINUTES - 1ST DECEMBER 2020 (To follow)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
11 MEMBER SELF-SERVICE AND I-CONNECT (PART 2) (Pages 47 - 50)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
12 UPDATES FROM THE CHAIRMAN/DIRECTOR OF FINANCE/PENSIONS INVESTMENT ADVISOR (PART 2)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

....

Report No. **FSD21009**	**London Borough of Bromley** **PART ONE - PUBLIC**

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Decision Maker:	**PENSIONS INVESTMENT SUB-COMMITTEE**		
Date:	**27th January 2021**		
Decision Type:	Non-Urgent	Non-Executive	Non-Key
Title:	**MEMBER SELF-SERVICE & I-CONNECT**		
Contact Officer:	David Dobbs, Head of Corporate Finance and Accounting Tel: 020 8313 4145 Email: david.dobbs@bromley.gov.uk		
Chief Officer:	Peter Turner, Director of Finance Tel: 020 8313 4668 Email: peter.turner@bromley.gov.uk		
Ward:	Borough Wide		

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1.   REASON FOR REPORT

1.1   The purpose of this report is to provide information regarding the forthcoming implementation of the Member Self-service portal and i-Connect, the data management portal.

_____

2.   RECOMMENDATIONS

2.1   **The Sub-Committee is asked to note:**

(a)   **the proposed changes to the contract for Pension System to Aquila Heywood and the impact that these changes will have on fund administration at the Council**

Corporate Policy

1.   Policy Status: Existing Policy. The Council's pension fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations for the purpose of providing pension benefits for its employees.

2.   BBB Priority: Excellent Council

Financial

1.   Cost of proposal: No Cost

2.   Ongoing costs: Recurring Cost. Total administration cost £5.1m (includes fund manager/actuary/adviser fees, Liberata charge and officer time)

3.   Budget head/performance centre: Pension Fund

4.   Total current budget for this head: £44.6m expenditure (pensions, lump sums, etc); £49.8m income (contributions, investment income, etc); £1,313m total fund market value at 31st December 2020

5.   Source of funding: Contributions to Pension Fund

Personnel

1.   Number of staff (current and additional): 0.4 FTE

2.   If from existing staff resources, number of staff hours: c14 hours per week

Legal

1.   Legal Requirement: Statutory Requirement Local Government Pension Scheme Regulations 2013 (as amended), LGPS (Management and Investment of Funds) Regulations 2016.

2.   Call-in: N/A.

Procurement

1.   Summary of Procurement Implications: N/A

Customer Impact

1.   Estimated number of users/beneficiaries (current and projected): 6,089 current employees; 5,663 pensioners; 6,068 deferred pensioners (for all employers in the Fund) as at 31st December 2020.

Ward Councillor Views

1.   Have Ward Councillors been asked for comments? N/A

2.   Summary of Ward Councillors comments: N/A

3. COMMENTARY

<u>The Pensions System contract from Aquila Heywood</u>

3.1 The Pension Fund has been using the Pensions System from Aquila Heywood since 2005. The last contract was renewed on 1st October 2013 with the expected end date on 30th September 2018. However, there was an option to extend the contract for a further 4.75 years after the initial 5-year term has expired. During July 2018, Executive agreed to extend the Pensions System with Aquila Heywood until 30th June 2023.

<u>Member Self-service (MSS)</u>

3.2 The current Pensions System Contract provides the core Altair software and associated modules such as Altair image, Workflow and online SEAM MSS (the old MSS). The SEAM MSS is an online portal that allow members to access their benefit information, including their annual benefit statement and pension projections. The Fund set up SEAM MSS in 2005 but it was discontinued from April 2020 as Aquila Heywood reformed their MSS to a new platform to take advantage of the latest technology and maintaining a high level of security.

3.3 In July 2019, Liberata completed its annual IT system audit and they concluded the SEAM MSS has failed a Public Service Network (PSN) assessor, which may cause personal data breach occurring through unauthorised access to the system. Aquila Heywood was unable to upgrade the SEAM MSS because it was coming to the end of its life and would not be available after March 2020. As the result, the SEAM MSS was switched off in August 2019 and Aquila Heywood offered the Fund the new MSS module which does not have the above vulnerabilities. Unfortunately, due to the pensions manager role being vacant the time the Fund was unable to migrate to the new MSS.

3.4 The new MSS provides internet and intranet facilities to enable all employees, past, present and future to access their individual information, update data, view documents and carry out "What if…" modelling. The main functionality includes:

- Online benefit calculations for members, including retirement (excluding ill-health) and transfer value estimates
- Online benefit statements that pull data straight from the Altair database with no administrative intervention
- General scheme documentation can be uploaded by administrator for members to access along with Altair documents generated
- Members can view and update personal details such as address and benefit nominations. The updates can write straight back to the Altair database, start a workflow or notify administrators via e-mail

3.5 In addition, the new MSS can be accessed through multiple devices, such as tablets and mobile phones, delivered in a modern looking, clean and responsive design. Unlike SEAM MSS, members can upload documents and forms via MSS which triggers a workflow in Altair for Liberata. Also, there will be strict security controls including the requirement for members to register and manage their passwords and security questions and answers.

3.6 Liberata established that approximately 300 members had logged into SEAM MSS in 2018/19 and many more had registered. Liberata has reported that from previous experience they found MSS dramatically reduced the number of queries and estimates requested. In the 2019/20 financial year (SEAM MSS was live for less than 3 months), there were 352 retirement estimates (6% increase from 2018/19) and 154 transfer-out quotes (47% increase from 2018/19).

3.7   The new MSS will create additional responsibilities for Liberata, such as:
- Liaise and assist Aquila Heywood with the set-up
- Communicate member login detail once they have registered
- Once member has uploaded documents and forms, they will need to be reviewed and processed accordingly
- Responding to queries from members based on their MSS projections

3.8   Additionally the reduction in the number of queries and estimates requested over the long-term will enable Liberata to concentrate on key strategic activities rather than focus on mundane administrative tasks.

3.9   The Council contacted other pension fund and was able to receive a demo session from Surrey County Council and useful feedback from Greenwich. Both Funds have received positive feedback from their members especially in relation to the new layout, which was clearer and easier for members to understand. However, both funds expressed that it was a challenging project as certain applications were complicated and rigorous testing was needed before launch.

3.10   Further details on the new MSS are included in:
- Appendix 1: Bromley MSS Proposal
- Appendix 2: Fujitsu Case Study

i-Connect

3.11   Currently, data items such as starters/leavers, contributions and year-end return are submitted by employers to Liberata manually in an excel spreadsheet or word document. Liberata then upload the data onto Altair manually. The fund has been experiencing some backlogs due to out-of-date data and un-notified starters/leavers caused by employer in the year-end data exchange. This increases the number queries from members and creating a risk of not meeting statutory deadlines due to incomplete and inaccurate data.

3.12   In the quarterly pension contributions reconciliation, data recorded did not always balance with employer payments received. Also, our current process has no way of identifying member who has not been paying their contribution and the employer doesn't always notify us in a timely manner. It is recommended that a regular reconciliation (that is, monthly) of pension contributions recorded on the members record against the contributions paid by the employer should take place. The year-end work has a significant impact on Liberata's KPIs/customer satisfaction during this time, in particular the administration lag, where data held on a member's record could be up to 15 months out of date.

3.13   Overall, the Fund current process increases the risk in the fund not being compliant with TPR's required standards and potentially resulting in of fines being imposed. Also, the statutory deadline for producing annual benefit statements is 31 August each year, and the 'Annual Allowance' statement by 6 October each year would become harder to meet.

3.14   i-Connect is an automated data exchange portal that is used between a pension fund and their employers. It allows the fund to capturing all the data required more frequently and eliminating the year-end process. i-Connect will:
- Wherever possible, ensure data is valid at the time of upload by the employer, rather than placing the responsibility and effort on the fund.
- Automatically verify that employers have made the appropriate file submissions.
- Eliminate the need to amend input files, thereby improving the audit trail.

- Automate submission for employers and improve customer satisfaction.

- Reduce the need for IT skills within Bromley Pension Fund, increasing the focus on core pension activities.

- Improve the overall quality and availability of data, reducing downstream pension administration costs.

- Provide management information.

- Improve regulatory and legal compliance.

- Increase productivity and efficiency (electronic versus manual).

- Provide increasingly accurate and valuable data relating to key performance indicators, which will allow managers to manage their resources more effectively.

3.15   Below is the flowchart as to how the data would be manage between the employer and the Fund:
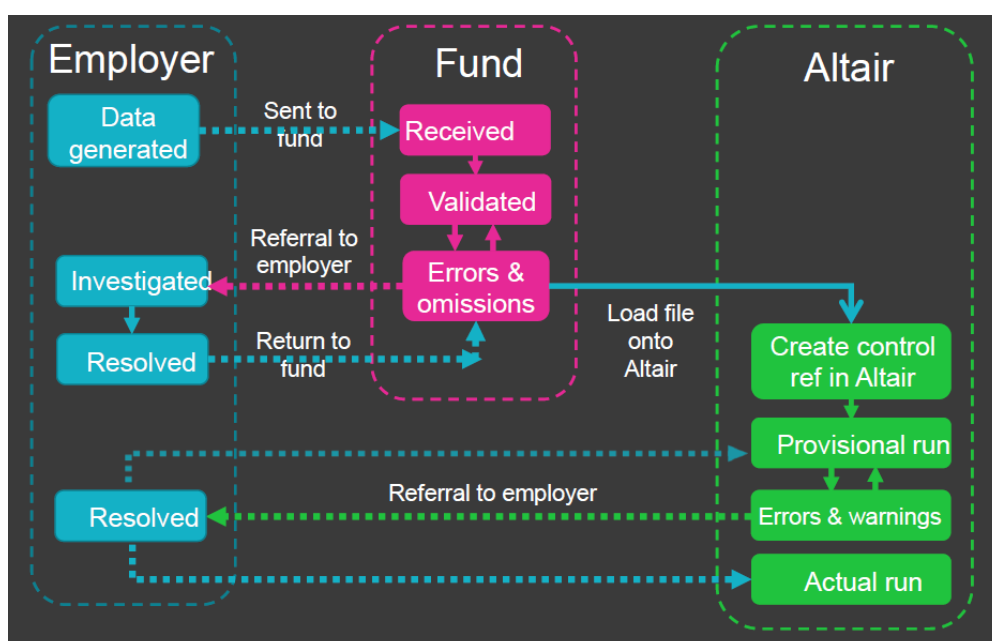
3.16   Implementing i-Connect will reduce administration cost over long-term as processing data becomes more efficient. The need to validate existing data and potentially gather fresh data is diminished through the provision of an automatic and accurate monthly data stream from each employer's payroll.

3.17   Additionally, the Public Services Pension Act 2013 and the Workplace Pension Reform 2012 are key catalysts to moving toward a model of electronic data submission to the advantage of administering authorities and employers, whose duties under CARE and auto-enrolment require them to ensure they make accurate and timely submissions of data as well as addressing data protection requirements.

3.18   Further details on i-Connect are included in:
- Appendix 3: Bromley i-Connect Proposal
- Appendix 4: Berkshire Case Study

4.   POLICY IMPLICATIONS

4.1   The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), for the purpose of

providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc. and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

Included in PART TWO report.

6. PERSONNEL IMPLICATIONS

6.1 The Fund's pensions manager will need to manage both projects by liaising with Liberata to provide Aquila Heywood assistant during the implementation stage.

7. LEGAL IMPLICATIONS

7.1 The statutory provisions relating to the administration of the Local Government Pension Scheme are contained in the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended). The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) set out the parameters for the investment of Pension Fund monies.

Non-Applicable Sections:	Impact on Vulnerable Adults and Children; Procurement Implications
Background Documents: (Access via Contact Officer)	LGPS Regulations 2013 (as amended); LGPS (Management and Investment of Funds) regulations 2016;

London Borough of Bromley

Proposal for Member Self-Service

October 2020

1   Introduction

London Borough of Bromley (Bromley) has requested a proposal for the installation of New Member Self-Service.

This proposal provides the cost of installing New Member Self-Service (MSS), including Address Look-Up through a Hybrid Hosting solution. We are pleased to offer discounted pricing if Bromley also commits to i-Connect at the same time, as detailed in our separate i-Connect proposal.

Aquila Heywood

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2 Business Case for MSS

Pension departments are under increasing pressure, with ever growing call volumes and queries from scheme members. With regulatory changes now recognising web communication as legitimate for disclosure purposes, there has never been a better time to use web services to increase scheme member engagement, provide a better service and drive down costs.

The use of a truly integrated technology solution means that there are no issues with overnight synchronisation of databases to ensure that data is aligned, validated and current. In addition, the benefit calculation routines in the Self- Service website will be aligned and consistent with the routines in Altair. The Aquila Heywood suite of applications provides a consistent approach to the submission and access of data in real-time and means that scheme members can access the current data being used by the administering authority.

MSS is highly configurable, providing clients with the flexibility to tailor the extensive range of options and facilities available to scheme members. It is fully integrated with Altair, providing a comprehensive solution. MSS provides members with an easy to use interface to the pensions department. The interface will enable members to access information, undertake data amendments, view their documents and carry out benefit projections online, without taking up valuable administration staff time.

Using MSS, the pensions department can choose to offer a range of services and information to their members, prospective members, actives, deferred members and pensioners. In addition, usage can be monitored using website statistics.

Aquila Heywood

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3   New Member Self-Service

The Solution

MSS provides internet and intranet facilities to enable all employees, past, present and future to access their individual information, update data, view documents and carry out "What if…" modelling.

Functionality includes:

- Full support for multiple devices, such as tablets and mobile phones, delivered in a modern looking, clean and responsive design

- Fully integrated with Altair Pensions components

- Ability to combine an existing static content website with MSS

- Social media integration

- Online benefit calculations for members

- Online benefit statements that pull data straight from the Altair database with no administrative intervention

- General scheme documentation can be uploaded for members to access along with Altair documents generated

- Members can view and update personal details such as address and benefit nominations. The updates can write straight back to the Altair database, start a workflow or notify administrators via e-mail

- Members can upload documents and forms via MSS which trigger a workflow in Altair

- Ability for members to track workflows in Altair

- Strict security controls. Members register and manage their own passwords and security questions and answers.

Aquila Heywood
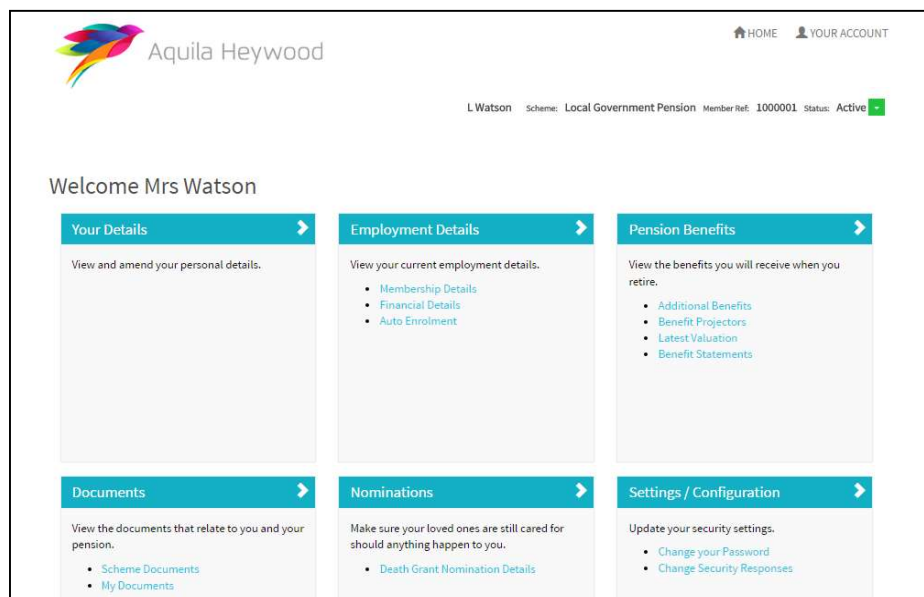
Members can access their individual information, update data,
view documents and carry out "What if…" modelling.

The Value

The benefits of MSS include:

- **Improved member engagement** - a customised website experience for members across multiple devices

- **Meeting member expectations** - delivering the digitalised services they expect

- **Enhanced service to members** - more personalised information, delivered more quickly, and at a lower generic cost

- **Increased efficiency** - enabling administrators to concentrate on key strategic activities rather than focus on mundane administrative tasks

- **Simple to use content management tools** - faster content deployment and greater flexibility in the enhanced 'look and feel' of the website allowing administrators to make changes to the website with no prior HTML knowledge

- **Highly configurable** - providing the flexibility to tailor the extensive range of options and facilities available to its scheme members

- **Robust industry standard security** - keeping your data safe and ensuring compliance with your security policies and standards

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4 Address Look Up

The Solution

Altair and Member Self-Service users can validate addresses and postcodes using a third-party database.

When this facility is enabled, a search icon is present alongside the Postcode field on member related address screens.

Entering a valid postcode and clicking the search icon displays a list of associated addresses, from which a selection can be made:
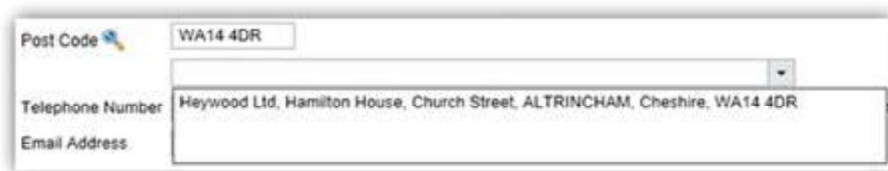
The Value

- Helps to ensure that postal addresses up-to-date and correct, increasing accuracy and less 'gone away' post.

- Reduces wasted postage and administration overhead.

Aquila Heywood

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Aquila Heywood

Increasing Member
Engagement

Case Study

Fujitsu increases member engagement through
new Self-Service portal

Increasing Engagement
Key Figures

5%
increase in registered MSS members

38%
increase in members logging onto the MSS portal

66%
increase in tasks carried out by members

30%
increase in member engagement through the MSS Calculations tool

Increasing Engagement
The Challenge

Fujitsu had been using the first generation version of **Altair™ Member Self-Service (MSS)** for several years.

To ensure Fujitsu continued to provide its members with the digitalised services they expect and to increase its operational efficiencies, Fujitsu approached Aquila Heywood to upgrade its Member Self-Service offering.

Increasing Engagement
The Solution

Aquila Heywood upgraded Fujitsu's Member Self-Service in two stages. The first stage involved setting up the technical framework within the newly designed MSS architecture. The second stage involved the migration of Fujitsu's existing customised content from the previous version of **Altair MSS**.

The entire project was completed over a three-month period, between May and early August 2016.

" *Aquila Heywood understood our needs and was able to deliver new MSS to our timelines and budget.*

Simon Wardrobe
Pension Systems Manager

Increasing Engagement
The Solution: new MSS

Altair™ Member Self-Service provides direct access for members to access their personalised pension data. All employees, past, present and future, are able to view all the details they need in real time and carry out "What if..." modelling on demand without needing to contact the scheme provider. Additional benefits include:

- Online benefits statements provide members with information on demand, whilst requiring no administration intervention

- Personalised Pension documentation and general scheme information can be viewed online, reducing printing and postage overheads

- Members can amend their personal details, keeping them current and improving data quality in Altair

- Simple online calculations for members are available and continuously updated in-line with legislation changes

- Electronic Payslip and P60 information can be issued automatically, eliminating the cost of paper documents

38%

increase in member logins through new Member Self-Service

" *Aquila Heywood supported us every step of the way which ensured that configuring, installing and testing new MSS was easy and straightforward.* "

Simon Wardrobe
Pension Systems Manager

Increasing Engagement
The Outcome

Fujitsu are now able to offer its members a modern responsive website that fully supports and meets their expectations and requirements.

Since MSS went live in August, there has been a 5% increase in registered MSS members and a 38% increase in members logging onto the MSS portal. Fujitsu has also seen a 66% increase in tasks carried out by members through MSS and a 30% increase in member engagement through the MSS Calculations tool.

All members who were registered onto Fujitsu's old version of MSS were automatically able to use new MSS without any additional actions needed.

The increased content management tools allow Fujitsu to reduce the overhead costs on maintaining its website and increasing the ease of use. This has led to significant cost and time savings for Fujitsu.

30%

increase in member engagement through the Member Self-Service Calcs tool

" *The new MSS has improved our relationship with our members providing a more tailored, responsive and straightforward engagement and communication channel.* "

Simon Wardrobe
Pension Systems Manager

Increasing Engagement
The Benefits

Additional benefits from implementing new MSS for Fujitsu include:

1 — A customised website experience for members across multiple devices and increased Member Engagement with the company through website integration with Social Media

2 — Increased Workflow through integration with the company's existing administration system (Altair)

3 — Simple to use content management tools for fast content deployment and greater flexibility in the enhanced 'look and feel' of the website allowing administrators to make changes to the website with no prior HTML knowledge

4 — Robust industry standard security

5 — A new hosting infrastructure

The success of this project has led to the implementation of a phase 2 element to enhance Fujitsu's MSS offering, which is due for completion in December 2016.

For more information contact us or visit our website

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Business Case for i-Connect

15 October 2020

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(part of the Aquila Heywood Group)

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Table of Contents

Aquila Heywood

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1 Executive summary

Good quality data is the bedrock to a well-run pension scheme. Not only do the accuracy of benefits paid depend it, but the effects of data quality impact all aspects of pensions administration.

Almost every process relies on data in some way. Where data is unreliable or incorrect, the additional governance and corrective action required consumes effort every time that process is carried out. Poor data costs time, can lead to fines and other measures being taken against the scheme, impedes innovation and reduces confidence in the scheme.

The current data interface process is very labour-intensive and has the following issues:

- Operational efficiency – the cost of:

    - Manipulating and uploading data

    - Correcting errors and chasing employers

- Operational risk and governance:

    - Loss of an audit trail as a consequence of manipulating interface data

    - Difficulties in tracking employers who have supplied or failed to provide data

- Financial management / risk – unable to:

    - Reconcile employee / employer contributions until end of year

    - Determine whether employees / employers are paying correct contributions

i-Connect improves scheme administration by managing the flow of data between employers and the fund. As the processing of data becomes more efficient the need to validate existing data and gather fresh data will reduce as the data flows from the employers' monthly submissions.

Data management is becoming the foundation of running schemes both efficiently and cost effectively.

i-Connect will:

- Wherever possible, ensure data is valid at the time of upload by the employer, rather than placing the responsibility and effort on the fund.

- Automatically verify that employers have made the appropriate file submissions.

Aquila Heywood

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- Eliminate the need to amend input files, thereby improving the audit trail.

- Automate submission for employers and improve customer satisfaction.

- Reduce the need for IT skills within Bromley Pension Fund, increasing the focus on core pension activities.

- Improve the overall quality and availability of data, reducing downstream pension administration costs.

- Provide management information.

- Improve regulatory and legal compliance.

- Increase productivity and efficiency (electronic versus manual).

- Provide increasingly accurate and valuable data relating to key performance indicators, which will allow managers to manage their resources more effectively.

Aquila Heywood

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2   Drivers for electronic submissions

The **Public Services Pension Act 2013** and the **Workplace Pension Reform 2012** are key catalysts to moving toward a model of electronic data submission to the advantage of administering authorities and employers, whose duties under CARE and auto-enrolment require them to ensure they make accurate and timely submissions of data.

Employers have a responsibility under pensions legislation to provide timely and accurate data to any pension scheme in which their employees participate. The Pensions Act provides for fines to be levied when information is not processed in a timely manner. The submission of data to the pension scheme places an administrative burden on the employer.

The last few years have seen this burden increase and the public services pension reform has only seen the load on employers increase yet again:

- 2011 – Finance Act – reduction in the annual allowance to £50,000

- 2012 - Workplace pension reform – commonly called auto-enrolment

- 2013 – Finance Act – reduction in the annual allowance to £40,000

- 2014 – The Public Services Pension Act 2013 – CARE schemes from 2014/2015

- 2015 – The Pensions Regulator (TPR) has an expanded role to cover:

  - Maximise employer compliance with employer duties

  - Data quality

  - Codes of practice

i-Connect has been specifically designed to improve the flow of information securely between employers and the authority administering the LGPS.
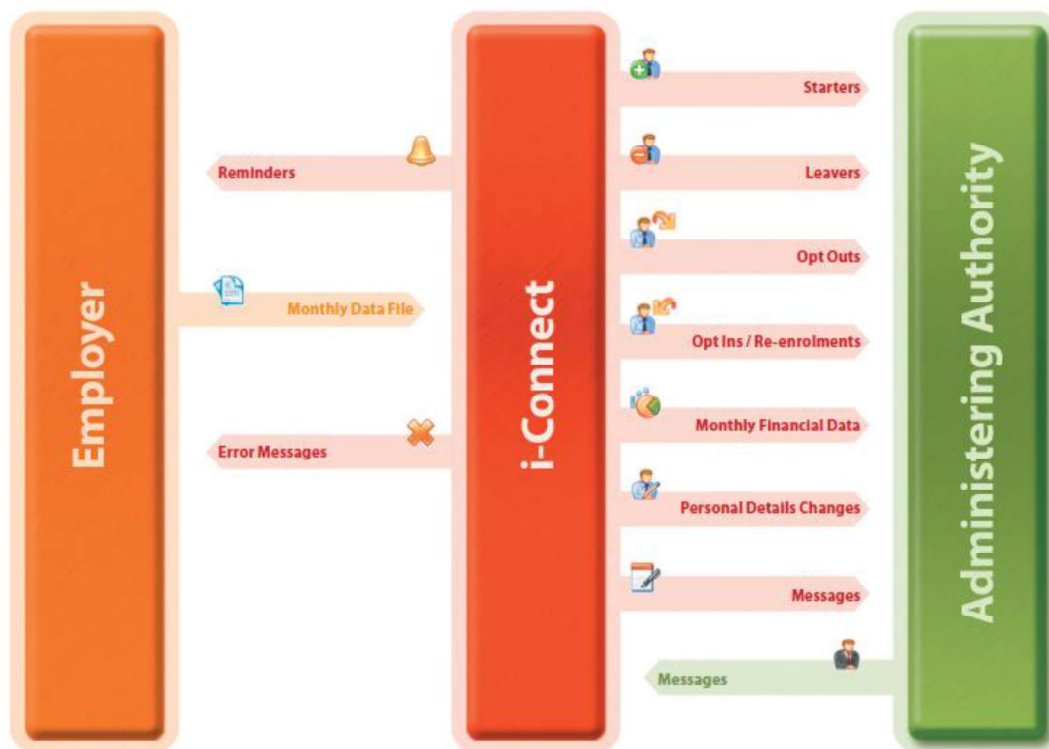
Aquila Heywood

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In terms of **reduced costs**, processing data becomes more efficient, as the need to validate existing data and potentially gather fresh data is diminished through the provision of an automatic and accurate monthly data stream from each employer's payroll.

Electronic data submission is an effective tool in **minimising risks**. Significantly for employers, **i-Connect** evaluates the workforce each payroll period, submitting new starters to the Pension Fund and minimising the risk of a fine from TPR.

The use of a secure portal for data transmission assists employers and the administering authority in addressing data protection requirements.

For the administering authority, having regular and accurate submissions addresses TPR's guidance regarding data quality and the requirement to record those who opt out of the fund.

Aquila Heywood

3 Current state

3.1 Submission process

Bromley Pension Fund invests a significant amount of time and resource in capturing data from employers and uploading it to Altair. Data team staff will spend all year processing data supplied by the fund's 121 employers.

Employers submit information using different processes depending on their size. Returns are a mixture of electronic and paper. Employers must generate their own interface files; the method relies on employers identifying the changes that must be notified to Bromley Pension Fund. All employers must also submit end-of-year files, which are used in the reconciliation process. Due to the large number of errors contained in these files and the poor quality of the submissions throughout the year, the end-of-year process runs from April to October.

3.2 Issues with the current process

The management of the existing interfaces mainly involve very labour-intensive processes. A significant amount of data input and output is provided in a variety of formats, including email and a number of electronic file formats (such as CSV, Excel, or plain or fixed-format text).

One of the consequences of this manually intensive activity is the inability to obtain a timely resolution when requesting missing data or data corrections from employers. Simple queries from employers and members are directed to pensions administrators via telephone calls and letters. Responding to these queries diverts the administrators from more productive tasks.

3.3 Challenges to employers

The current process forces employers to identify changes in their workforce and submit these to Bromley Pension Fund. Most payroll systems provide the capability to extract data, but they are not designed to easily identify changes over a given period. A high number of smaller employers have to track this information using spreadsheets outside of their HR/payroll systems. This presents an additional overhead to the employers.

The current process also forces employers to invest a significant effort at year end, which is also their busiest time of the year, resulting in resource issues and often leading to submissions being delayed.

Aquila Heywood

4 Risk and governance

The processing method presents a number of challenges to Bromley Pension Fund.

4.1 Operational efficiency

The current approach to interfacing places a large burden on Bromley Pension Fund in terms of increased workload and the additional costs incurred through having to manipulate and upload employer data.

Consideration also must be given to the cost implications of chasing employers and the knock-on effect to overall operational efficiency, through data not being available when member-related processes are performed.

4.2 Operational risk and governance

There is a significant audit risk created by Bromley Pension Fund staff having to amend interface file data. Should an employer or member come back and question why, for example, their salary information is not up to date or missing, it is difficult to ascertain where the original fault lies.

Employers not supplying data within the required timescales leads to backlogs of processing and delays in the production of Annual Benefits and Annual Allowance Statements. This puts Bromley Pension Fund at risk of failing in their regulatory obligations, risking fines imposed by TPR.

4.3 Financial management

The process of reconciling all information at the end of the year and identifying and recording accurate membership data for a large number of employers presents two challenges to Bromley Pension Fund.

Bromley Pension Fund is unable to reconcile contributions until end of year and unable to determine whether employers are paying appropriate contribution levels. This can lead to significant contribution debts being generated for employers, leading to budgetary challenges.

Aquila Heywood

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5 Future state

5.1 i-Connect for Bromley Pension Fund

Maintaining up-to-date accurate data for pension scheme members takes up a huge amount of pension department resource. i-Connect dramatically reduces this cost by bringing employers and pension departments closer together.

i-Connect intelligently manages the data flow from employer to administrator. For the fund, i-Connect provides substantial improvements in data quality and timeliness, automating the data-gathering and validation processes to bring real cost savings. i-Connect integrates fully with Altair to create seamless business processing.

i-Connect also provides benefits to the administering authority. In terms of reduced costs, processing data becomes more efficient as the need to validate existing data and gather potentially fresh data is diminished through the provision of an automatic and accurate monthly data stream from each employer's payroll.

In total i-Connect will save **Bromley Pension Fund £30,000** each year through the automation of data submission in support of auto-enrolment requirements, reduction in errors and efficiencies realised in the existing annual reconciliation process.

Benefit	Annual Saving
Electronic submission of data	£3,200
Reduction in errors and missing data	£1,600
Improvement to Annual Reconciliation	£25,200

'Historically, making sure that members' records are up to date and accurate has been a challenge.'

Aquila Heywood

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6 Benefits for the administering authority

6.1 Savings realised on member data change and update processes

With auto-enrolment increasing the volume and frequency of data changes, the provision of data via electronic interfacing, rather than through manual submission, provides considerable efficiency gains. Receiving updates and changes in paper format carries a significant overhead compared to electronic submissions. Documents are often scanned before being entered into the administration system. With manually-entered data, it is likely that, as part of a quality assurance process, a percentage of cases will be sent to another team member or supervisor for peer review.

Electronic submission direct from a payroll extract provides substantial benefits. A significant saving is in the elimination of time taken keying data into the pension administration system.

> **For Bromley Pension Fund, we estimate that using i-Connect will save £3,200 per year, compared to entering the data manually.**

One of the key obstacles to the successful deployment of electronic submissions has been the need for employers to build complex business rules into their HR/payroll systems to identify what information should be submitted to the pension fund, and the effort necessary to produce that data in the required electronic data exchange format. i-Connect addresses these key issues by simplifying the format of the interface file and providing the logic required to determine what pension data is sent to the administering authority.

6.2 Savings due to reduction in errors and receiving data in a timely fashion

The most obvious risks associated with manual processing are the incorrect keying of data and oversights made by employers in identifying which records should be passed to the administering authority.

Errors made in data entry cause significant overheads in terms of additional effort. Typically, errors are identified during investigation into a query raised by a member, employer or other party. Often errors are identified only long after the original submission of data, making the investigation and remedy of issues a costly exercise. In terms of measuring the cost of errors, standard quality theory defines the cost of correcting an error that has occurred 10-100 times to be as expensive as taking the preventative action to stop the event.

Aquila Heywood

i-Connect takes a feed direct from the payroll system, similar to the approach HMRC is taking with its Real Time Information (RTI) initiative, eliminates the probability of human error in deciding which records should be selected and processed and removes the likelihood of costly mistakes in entering information.

Performing processes efficiently relies on having the data in place at the outset. The first step of any member related process involves validating any existing data and subsequently having to chase employers for data the administering authority should have received previously.

i-Connect ensures data is up to date by providing employers with an easy-to-use method for submitting data to the administering authorities.

> **For Bromley Pension Fund, the saving generated from having accurate and up-to-date data is estimated to be £1,600 per annum.**

6.3   Efficiencies made to the annual reconciliation process

Most administering authorities perform reconciliation between member data and contributions paid on an annual basis. During this process, it is common to discover inconsistencies between the data held on the administration system and the contributions paid, for example, employee contributions deducted for members for whom the administering authority has not received starter data.

Even administering authorities who perform more frequent reconciliation exercises throughout the year find that, due to the poor quality of the data received from employers, the final end-of-year reconciliation is still very resource-intensive, with some dedicating 10% of their annual administration effort to complete the process.

Through the deployment of i-Connect, administering authorities receive up-to-date information from all their employers throughout the year, **significantly reducing the effort required for the annual reconciliation process**. Furthermore, as data is being received monthly, administering authorities can move to a monthly reconciliation cycle process, providing an enhanced level of financial auditing, something that regulators are demanding going forward.

> **For Bromley Pension Fund, i-Connect will reduce the effort involved in the annual reconciliation process by 45%.**

Aquila Heywood

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7 Benefits to employers

i-Connect simplifies the process of submitting data to pension funds, reducing costs and risks for employers. i-Connect is a highly automated service, designed specifically for employers in the public sector.

i-Connect simplifies employer duties. A feed of data is taken from the payroll system by i-Connect, which then automatically identifies and processes new joiners, leavers and other changes that need to be notified to Bromley Pension Fund.

i-Connect:

- Reduces effort and costs in supporting the pension scheme.

- Automatically identifies changes to the workforce.

- Provides a straight-through process for submitting data.

- Improves governance regarding contribution reconciliation.

- Provides secure transfer of data to the pension fund.

- Removes the annual end of year return.

- Is equipped for CARE schemes.

Providing the pension scheme with accurate data in a timely fashion has numerous direct and indirect benefits for the employer.

7.1 Reduced effort due to the utilisation of a highly automated solution

The auto-enrolment and LGPS CARE regulations have resulted in an additional level of operational expenditure for employers. Each month, employers must evaluate their workforce and then submit details of any new starters to the administering authority, and provide a statement of pay and contributions for each employment. i-Connect automates this processing and, furthermore, eliminates the need for providing additional data, by identifying and submitting leavers, changes and salary and contribution events, all from a single extract.

Aquila Heywood

i-Connect provides a highly automated solution that reduces the burden placed upon employers, by automating decision making and supporting employers in meeting the bulk of their obligations under the new regulations. i-Connect automatically passes information to the administering authority without the need for the employer to enter additional data.

7.2   Reduced effort at year end due to eliminating the need to provide annual data return

There is usually a significant number of queries generated for your team with the end-of-year return, regarding when employees joined the scheme, left employment or made changes to their working hours over the year. i-Connect addresses this issue by providing administering authorities with regular accurate updates throughout the year. This improves overall data quality and enables reconciliation on a month-by-month basis. This reduces the overall demand on your staff and, more significantly, spreads the effort throughout the year, rather than focusing it all during the financial year end.

7.3   Reduced risk of being fined due to failed compliance

Employers who fail to comply with the Work Force Pension Reform or HMRC regulations can incur large penalties.

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8 Benefits for the workforce

For members, this will be realised through the provision of accurate benefits statements and annual allowance assessments. Employees' estimates will be produced faster and more accurately. Accurate data will also assist in the identification of members who have lost touch with their pension entitlement and lead to:

- Improved mortality assumptions for actuarial valuations

- Prevention of delays in paying benefits

- Improved member communication

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9 Reduce risks and costs

An element of the employer's contribution paid to the fund depends on how efficient the fund is; this, in turn, relies on the quality of the data provided. Actuaries faced with incomplete data sets will make conservative assumptions regarding the potential liabilities for an employer. Providing accurate data improves the ability of the actuary to forecast liabilities, improving transparency and reducing risk and costs.

A recent annual Local Government Pension fund report states that accurate, good-quality data can reduce the employer contribution rate by as much as 1-2%.

The table below illustrates the potential savings:
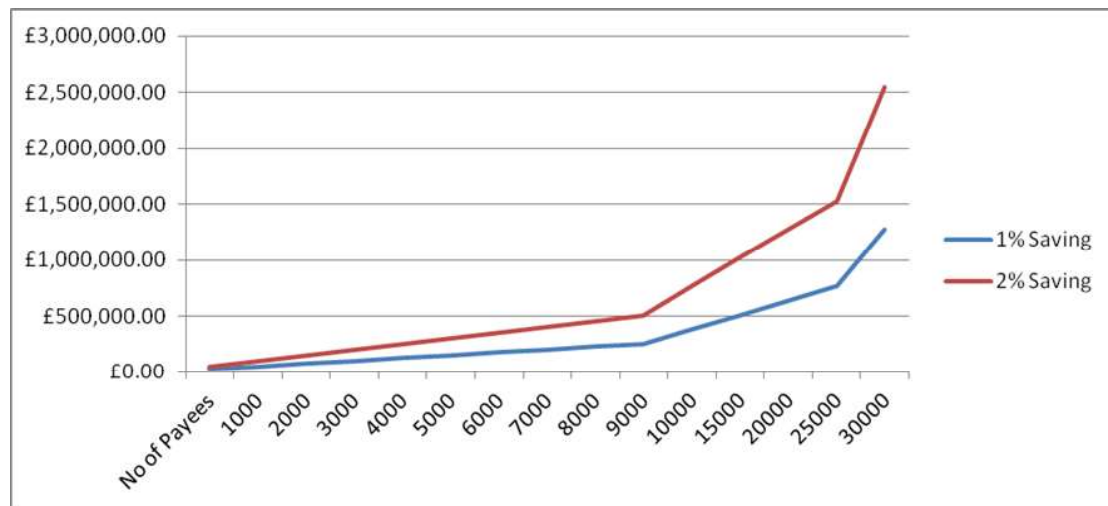
The figures are based on an average salary of £17,000 per annum and an employer contribution rate of 15%

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Aquila Heywood

Data Exchange Automation

for both Employer and Pension Fund

Case Study

Big savings delivered for both **The Royal Borough of Windsor and Maidenhead** and **Berkshire Pension Fund**

Data Exchange Automation
Key Figures

12,900
member updates automated in first three months

3,000
employees across 15 payrolls pay and contribution values uploaded

76%
reduction in number of reports payroll team produces

0.5 days
a month of effort compared to 12 days before implementation

Data Exchange Automation
The Challenge

In a strategic review of its processes, the **Royal Borough of Windsor and Maidenhead** identified that, while its systems have become automated over the years, its payroll data transfer activities were still an extremely manual process, amounting to an estimated 12 days of effort each month.

Similarly, the **Royal County of Berkshire Pension Fund** struggled to update member data efficiently. This affected the delivery of a quality service, due to difficulties in obtaining timely and accurate data submissions from employers.

Data Exchange Automation
The Method

The Royal Borough of Windsor and Maidenhead (RBWM) is the administering authority of Berkshire Pension Fund, a large pension fund administered by a small team, with an administrator-to-scheme member ratio of 1 : 4,673.

Although the RBWM and the Pension Fund were facing different challenges; automation of payroll processes, and improvements to administration efficiency; the solution was the same for both: an automated Data Exchange portal.

i-Connect™ from Aquila Heywood was chosen to solve both of these challenges.

" *The Royal Borough of Windsor and Maidenhead identified a need to reduce the amount of time its payroll administrators spent on pension administration, while still providing all the data the Pension Fund needs to fulfil its duty as an employer of the LGPS.* **"**

" *The Berkshire Pension Fund highlighted that a regular, electronic transfer of pension data would be essential for future efficient pension administration, increasing quality of data held and reducing the number of errors and queries.* **"**

Steve Lyon,
Technical Analysis for the Royal County of Berkshire Pension Fund

Data Exchange Automation
The Solution: i-Connect™

i-Connect is an automated data exchange portal that provides benefits to both Pension Funds and their employers:

Reduces both effort and costs in supporting the Pension Fund's administration team	✓
Helps address Pension Reform obligations	✓
Removes the annual end-of-year return	✓
Provides a simple, secure and efficient process for transferring and submitting data to a pension administration system	✓
Allows for future scheme changes	✓
Meets The Pensions Regulator's code of practice on record-keeping	✓
Identifies changes to the workforce automatically	✓
Automates the creation of tasks and pension records	✓

It reduces the cost and risk associated with processing pension data by automating the submission of data to pension schemes. i-Connect improves the flow of data from payroll to pensions, minimising the need for manual intervention.

> **"** *i-Connect allows the Pension Fund to automate a number of our procedures, reducing administration time, while the regular and secure transfer of data has dramatically improved quality.* **"**

Steve Lyon,
Technical Analysis for the Royal County of Berkshire Pension Fund

Data Exchange Automation
The Implementation

Working in close collaboration with the Pension Fund's administration team and i-Connect teams, the RBWM payroll team tested its i-Connect solution in the final quarter of 2015 and went live in February 2016 with 15 employers.

After uploading its data file onto i-Connect, the RBWM completed its year-end return to the Pension Fund in March. This was in contrast to its previous end-of-year returns, which usually ran into July and generated hundreds of queries.

The Pension Fund's year-end return was also completed in March. In previous years, the year-end return usually generated an average of 1,000 queries, which required investigation.

In the first three months, a total of 12,900 member updates have been automated, in addition to the monthly uploads of pay and contributions values for circa 3,000 employees across 15 payrolls.

" We are still monitoring the results; however, the pilot has proven successful with a further four of our employers, amounting to a further 9,000-plus pension records, now looking to adopt i-Connect in the next year. "

Steve Lyon,
Technical Analysis for the Royal County of Berkshire Pension Fund

Data Exchange Automation
The Benefits

Fast, secure submission of monthly payroll data

Significantly reduced administrative burden

Efficient membership data updates

Improved service to members

Productivity gains for both the administration team and employers

Data Exchange Automation
The Outcome

1

Reports reduced from 735 a year to 180

i-Connect has significantly reduced the number of reports the payroll team now produces, from 735 a year to 180, as well as reducing the number of pension forms that needed to be completed.

2

Increased savings through automation

With the pilot now complete, both the Berkshire Pension Fund and the Royal Borough of Windsor and Maidenhead are looking to build on their success; Berkshire Pension Fund is reaching out to other councils and employers in the fund to increase their savings by automating the Data Exchange process for the employers.

3

Days of effort cut by more than half

The Royal Borough of Windsor and Maidenhead is now implementing the latest i-Connect multi-payroll functionality to decrease its days of effort further, from two days to half a day a month, by combining the 15 payroll files into one submission.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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