

## **Suffolk Pension Fund Committee, 3 June 2015**

### **Information Bulletin**

The Information Bulletin is a document that is made available to the public with the published agenda papers. It can include update information requested by the Committee as well as information that a service considers should be made known to the Committee.

This Information Bulletin covers the following items:

1. Pensions Administration System
2. What price Freedom?

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#### **1. Pensions Administration System**

The current Pensions Administration system 'Altair' is provided by Heywood and the current contract expires on 1<sup>st</sup> January 2016. This system holds all Pension member and beneficiary records and performs all the calculations required to carry out the full administration function.

When the current contract commenced the Pension Fund agreed to look at the possibility of a collaborative procurement exercise with the Norfolk Pension Fund. To this effect the Pensions Administration team have been working closely with the Norfolk Pension Fund exploring all providers and products available. The Dorset Pension Fund has also joined in this exercise.

There are currently only three providers of the relevant software nationally. The exercise has involved meeting with representatives of those three providers (Heywood, Equiniti and Civica) to have demonstrations of their products, and various site visits looking at the products in use and receiving valuable testimony and feedback from users of the systems, both in relation to the product as well as the customer service received from each.

All three funds had agreed criteria for the product requirement and applying the criteria meant one product had to be ruled out as it did not fit the requirements set. At the time of viewing the product was used by only one small Pension Fund and the company themselves did all the record updates. The second product appeared to be a viable alternative to the Heywood system, however site visits have identified problems with various areas including calculations – the core aspect of the system. In addition to this there are large resource requirements for migrating to this product and other funds have found it necessary to recruit project managers and additional staff purely to achieve the migration. This has the potential to increase the cost

significantly. This means the Heywood's Altair product is the only viable system currently on the market at this time. As a result options are being explored as to the best way to have a new contract with Heywood for this product. There is currently a framework agreement drawn up by Northumberland that could be accessed and work is ongoing with the Norfolk and Dorset funds to agree the pricing and contract length. In addition prices will be obtained independently to allow comparison of costs.

The advice from Procurement is that the current contract can roll forward for one year if more time is required to ensure the best terms are negotiated.

In addition to the core calculation system there are additional products including Member and Employer Self Service which would enhance the information available to members and employers thus streamlining administration in some areas. Discussions are continuing with the Norfolk and Dorset Funds about the likely use and benefit of these additional functions.

For further information please contact: Stuart Potter, Pensions Operations Manager; Email: [stuart.potter@suffolk.gov.uk](mailto:stuart.potter@suffolk.gov.uk), Telephone: 01473 260295.

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## **2. What price Freedom?**

Background:

In April 2015 the Government made significant changes to the ways that people in certain types of pension schemes can take their pensions. The biggest change is that members of Defined Contribution Schemes have freedom over what to do with their pension pot and can now take their money as an annuity or take as cash if they are aged 55 or over.

As the Local Government Pension Scheme is not a Defined Contribution Scheme, many of the changes that took place in April 2015 do not affect the members of the scheme. As the scheme is a Defined Benefit Scheme members are not able to take their benefits as cash in the same way. Instead members retain the options already available including commuting some annual pension to a lump sum on retirement of up to the total value of 25% of benefits.

The new Freedom and Choice rules do however allow LGPS Members to leave the scheme and transfer their benefits to a Defined Contribution scheme which would then allow them to access the full flexibilities available under these changes.

Potential impact:

At the moment it is impossible to say whether or not this will be a popular route for active and deferred scheme members and therefore it is very difficult to quantify the potential impact.

Increased transfer activities from the fund would reduce liabilities and therefore reduce potential funding deficits. This is because lower cash values would transfer from the fund compared to the liability to pay the future benefits. However, if these

levels of activity are high, cash flow could be affected and this in turn may affect strategic investment decisions in relation to the Suffolk Pension Fund. This activity will be monitored and if there is a large uptake in the future the Committee will be informed of this.

These changes are being communicated through various channels including the Employer Newsletter, HR communications and on relevant transfer paperwork. In addition this will be covered in the next Employer Liaison Meeting.

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