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NESPF saves 108 days with new payroll software

By **Tom Dines** | October 26, 2015

North East Scotland Pension Fund has made 'huge savings' in administration costs and time through its new payroll software, allowing it to focus on the changing structure of the Scottish Local Government Pension Scheme.

Government pressure on local authority spending has led to an increased focus on saving among LGPS members.

Some schemes have chosen to [make changes to administration and communication](#) to find savings, but investment management fees are more often [a target for cost cutting](#).

NESPF introduced the payroll system in January 2014, with five of the scheme's 55 employers joining. Another joined in January this year.

Laura Colliss, pensions manager at the fund, said the move 'delivered huge savings in terms of administration time and cost as monthly contributions had been provided through i-Connect [the new software] and reconciled throughout the year, which removed the need to process an annual return for almost 8,000 scheme members'.

The cost of processing monthly updates through the system is £0.15 per member a year, compared with £1.04 per member for the rest of the membership. The cost is expected to reduce further through 2015-16 to £0.05.

108 days saved

The software also reduced the time required to complete year-end processing by 108 days, to 220 days.

Colliss said: 'This made additional resources available to deliver a smooth transition to the new career average revalued earnings scheme in Scotland from April 1 2015'.

Scotland moves to CARE

The Scottish LGPS transitioned to a CARE model for calculating defined benefit for members at retirement a year later than English and Welsh schemes.

Karen McWilliam, head of public sector benefits at consultancy Aon Hewitt, said the extra year meant Scottish schemes were less likely to struggle with the change than those from elsewhere in the UK.

She said: 'They were able to get more of the legislation done in advance of the changeover date, which has allowed the employers to get the changeover work done.'

However, she added she was still hearing about some employers and systems not being able to deal with the new arrangement.

Since April, a further three employers in the NESPF have joined, meaning the platform now receives contribution data and Care payments for more than 90 per cent of the fund's 24,089 active members.

Colliss explained: 'This will deliver more savings for NESPF by removing [the] requirement to process annual contribution and Care pay returns for more than 22,000 members, and help us deliver the new standards required by the Pensions Regulator.'

Technology will also play a key part in re-enrolment, sending notifications of starters and opt-ins to the scheme.

Communication materials will then be sent to employers, to encourage members to engage with the scheme and keep opt-outs to a minimum.

Tougher tests ahead

Mark Lecompte, group client director at Aquila Heywood, the software provider that built i-Connect, said multi-employer schemes typically found the biggest savings by targeting their largest employers initially.

'Eighty per cent of members are typically in the top two employers, and initial savings are quite instant in that respect,' he said.

Monica Cope, chief operating officer at scheme data specialist Veratta, said joined-up processes were crucially important to avoiding problems with record-keeping.

She added: 'The process and data controls that exist between pension scheme administrators and the pensioner payroll teams are likely to be tested more than ever as guaranteed minimum pension reconciliation exercises may cause retroactive changes to pensions in payment and new pension freedoms allow benefits to be taken in ever-more sophisticated ways.'

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Mark Lecompte, Aquila Heywood

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More information on i-Connect from [Aquila Heywood](#)