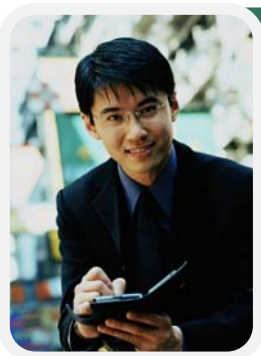




## SUCCESS STORY – Scottish Public Pensions Agency



# Epicor Automates £1.5bn in Pension Payments for the SPPA



## Success Highlights

### Challenges and Opportunities

- Processes split across two systems and multiple versions of the same spreadsheets
- Reconciling accounts at the end of month could take more than a month to complete
- Manual data entry and processing of 1,100 transactions a month required three full-time staff

### Epicor Solution and Services

- Epicor 9 ERP
- Epicor Service Connect

### Why Epicor?

- “We chose Epicor because we liked the modern look and feel of the system, and could see that it had all the features we needed as standard, such as business workflows. We were particularly impressed with Service Connect. It was immediately obvious how it could be used to automate many of the processes that were currently taking place by hand, as well as interface with other systems.”

### Benefits

- Improved flexibility and system integration through Service Connect
- Automated processes and removal of manual data entry, free staff up for higher value tasks
- Tighter controls over governance, risk and compliance

### Organization Facts

- Location: United Kingdom
- Industry: Public Sector
- Number of Locations: 1
- Web site: [www.sppa.gov.uk](http://www.sppa.gov.uk)



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Mark Cockburn, scheme finance manager

The Scottish Public Pensions Agency (SPPA) is an executive Agency of the Scottish Government. The agency administers and regulates the NHS and teachers' pension schemes in Scotland. Annual pension contributions receipts exceed £1.5 billion. The SPPA also regulates the local government, police and fire pension schemes administered by Scottish local authorities. The Agency employs around 230 people.

Around 1,200 employers serving the Scottish public sector make monthly payments on behalf of their employees to the SPPA – these funds are then paid to The Treasury by the SPPA. The SPPA is also responsible for the processes of managing employers' contributions and the recovery of pension overpayments where found.

In late 2009 the SPPA decided that it needed to update its systems to give staff improved control over the transactions being processed each month, to simplify the reconciliation of accounts, and to manage the recovery of pension overpayments. Following a review of sixteen solutions, the project team decided that Epicor's next-generation enterprise resource planning (ERP) solution and Epicor Service Connect provided the best range of features for their needs.

### About Epicor

Epicor is a global leader delivering business software solutions to the manufacturing, distribution, retail and services industries. Epicor serves more than 33,000 customers in over 150 countries.



### Keying In Thousands of Instructions By Hand

As a Government agency, the SPPA takes its responsibility to be as efficient as possible and to manage the public purse very seriously. Central to this is ensuring the accurate and timely collection of employers' contributions. One of the biggest challenges for the SPPA in achieving this is maintaining control over transactions passing through its systems, and reconciling those against its bank accounts on a monthly basis. Every month 1,200 payment instructions are received, and historically these were keyed by hand into a central control spreadsheet.

At the end of the month the control spreadsheet would be manually reconciled against the SPPA bank accounts, but this was a very complex and time-consuming process. For example, if an employer made a mistake, or paid their reported amount in the spreadsheet over several days and transactions, this would be difficult to cross-match. This was because each employer was represented as a single row with their total expected payment for that month.

"In a lot of ways it was like trying to shift sand," says Mark Cockburn, Scheme Finance Manager at the SPPA. "Details would change in the spreadsheet with different team members editing their own versions of the document. It took more than a month to close off a previous month's work. Ultimately this meant waiting until year-end to deal with the back log that would accumulate over the period."

One consequence of managing pensions from a control spreadsheet was the lack of an audit trail or version control of changes made by team members. This made understanding where changes had been made and why, entirely dependent on communications via email or telephone with team members and merging the different versions of the spreadsheets together.

### Modern Look and Feel

The SPPA considered several solutions to its challenges including moving all its processes into the Scottish Government Accounting System (SEAS), which at the time managed the SPPA's recovery of pension overpayments. However, further investigation showed that SEAS lacked the full set of features the SPPA needed, and would incur substantial development costs. Epicor ERP and Epicor Service Connect were cited by the SPPA as an excellent fit because of the flexibility of Epicor, and the way in which Service Connect would allow the automation of many tasks.

"We chose Epicor because we liked the modern look and feel of the system, and could see that it had all the features we needed as standard, such as business workflows," says Cockburn. "We were particularly impressed with Service Connect. It was immediately obvious how it could be used to automate many of the processes that were currently taking place by hand, as well as interface with other systems."

Epicor Financial Management sits at the heart of the new SPPA solution, replacing the control spreadsheets, and extensive use is made of Service Connect to free staff up from data entry tasks to focus on those with higher value to the SPPA and its stakeholders. For example, employers now submit their pension data through a standard Excel spreadsheet, which is automatically loaded into Epicor by Service Connect and triggers the creation of an invoice to that employer, through customized business workflows built into the software to represent the SPPA's business processes.

The new processes require all 1,100 employers to submit their pension information in a revised format. As a result, it was important that Epicor could intelligently validate the data provided, rather than blindly load it into Epicor. Service Connect achieves this by checking each employer's submission against a set of criteria for each field in the spreadsheet, and alerts the SPPA team if these are not met.

The SPPA's accounting processes for scheme income collection are now fully managed through Epicor, and through Service Connect, which communicates financial transactions to the SPPA's banking institutions. The new solution also sees Epicor take on the role of managing the recovery of approximately 1,000 annual pension overpayments through its accounts receivable features.

The solution went live recently, following training and communications to all employers informing them that they would be required to submit pension payment data through a new spreadsheet template and process.

## Tightening Governance and Compliance Whilst Reducing Risks

The SPPA's original goals focused on improving the efficiency of processes in tandem with greater visibility and control over transaction processing. Through the introduction of Epicor and Service Connect SPPA has tightened its governance and compliance, whilst reducing the possible risks incorrectly processed payments.

Service Connect has enabled 80% of employers to have pension contributions processed with almost no human intervention, where historically each employer's transaction would have been manually keyed into the system by one of a team of three people working full time on administration. This process improvement has made it possible for the SPPA team to focus on helping employers with queries and adapting to the new processes, rather than unrewarding and repetitive data entry tasks, which sometimes lead to incorrect payments.

"Some of our employers are still adapting to the new processes, but we can see a time when the new solution will be delivering approximately a 20 per cent efficiency improvement on our processes," adds Cockburn.

The new solution has also given SPPA greater flexibility and control of the transactions that take place directly with its bank. One specific example was when the Epicor solution went live and a change of bank account structure was imposed on the SPPA, from one bank account to three, and finally back to two.

"We would have found it impossible to manage this kind of bank account change with the previous solution," concludes Cockburn. "In an environment that was already quite complicated, this would have almost certainly have lead to mistakes being made and an increased risk of incorrect payments."

Being able to manage the recovery of pension overpayments within Epicor has given the SPPA complete visibility of its financial transactions within a single system for the first time. Reports can be run in real-time to give a true financial position and highlight those transactions that need to be investigated further.

Efficiency and process improvements mean that staff can see the status of all employer transactions, with an auditable trail of actions that have taken place against them. All of this has meant improved customer service for employers, as well as more tightly controlled governance, risk and compliance for the agency in a socio-political environment where public sector efficiency and transparency are the watchwords of the day.



## EPICOR®

### Worldwide Headquarters

San Francisco Bay Area  
7683 Southfront Road  
Livermore, CA 94551 USA  
Toll Free: +1.800.999.1809  
Direct: +1.949.585.4000  
Fax: +1.949.585.4419

### Latin America and Caribbean

Blvd. Antonio L. Rodriguez #1882  
Int. 104  
Monterrey, Nuevo Leon, CP 64650  
Mexico  
Phone: +52.81.1551.7100  
Fax: +52.81.1551.7117

### Europe, Middle East and Africa

No. 1 The Arena  
Downshire Way  
Bracknell, Berkshire RG12 1PU  
United Kingdom  
Phone: +44.1344.468.468  
Fax: +44.1344.468.010

### Asia

238A Thomson Road #23-06  
Novena Square Tower A  
Singapore 307684  
Singapore  
Phone: +65.6333.8121  
Fax: +65.6333.8131

### Australia and New Zealand

Level 34  
101 Miller Street  
North Sydney NSW 2060  
Australia  
Phone: +61.2.9927.6200  
Fax: +61.2.9927.6298