

CHANGE AUTHORISATION NOTE

CR NO.: TPS/CAN 29	TITLE: TPS Contract Extension	DATE RAISED: 28 November 2014
PROJECT: N/A	TYPE OF CHANGE: Amendments made to existing Clauses and Schedules, the insertion of new Clauses and Schedules as a result of the extension of the term of the TPA contract.	REQUIRED BY DATE: 28 November 2014

DETAILED DESCRIPTION OF CONTRACT CHANGE:

1. DEFINITIONS AND INTERPRETATION

- 1.1 Terms and expressions used in this Change Authorisation Note shall, unless the context otherwise requires, have the meaning given to them in the pension administration services agreement made between (1) The Secretary of State for Education and (2) Capita Employee Benefits Limited (formerly known as Capita Business Services Limited) dated 24 March 2011 unless the context otherwise requires.
- 1.2 In the case of conflict or ambiguity, the order of precedence for this Change Authorisation Note and the documents attached to or referred to in this Change Authorisation Note will be as follows:
- 1.2.1 this Change Authorisation Note (including the Appendices but excluding Appendix 2 of this Change Authorisation Note);
 - 1.2.2 the documents referred to in this Change Authorisation; and
 - 1.2.3 Appendix 2 of this Change Authorisation Note.

2. CONDITION PRECEDENT

- 2.1 The obligations and rights of each Party set out in this Change Authorisation Note are conditional upon the Contractor executing an agreement for lease for the New Property by no later than 23:59 on 31 December 2014 and providing to the Department by no later than such date a copy of such agreement for lease, and subject to this Clause 2, this Change Authorisation Note shall not come into effect until such condition has been satisfied.
- 2.2 This Clause 2 shall come into effect on the date on which both Parties sign this Change Authorisation Note. The remainder of this Change Authorisation Note shall come into effect on the date on which the condition referred to in Clause 2.1 is satisfied. If the Contractor fails to satisfy the condition in Clause 2.1 this Change Authorisation Note shall automatically terminate.

3. NOTICE OF EXTENSION

- 3.1 Pursuant to Clauses 3.3 and 3.4 of the Agreement, the Department hereby gives notice that it has exercised its option to extend the Term of the Agreement beyond the Initial Term for all three of the Extension Periods referred to in Clause 3.3 (being the First Extension Period, Second Extension Period and Third Extension Period) and accordingly the Agreement shall expire on the expiry of the Third Extension Period being 23:59 on 30 September 2021.
- 3.2 Upon the date on which both Parties sign this Change Authorisation Note, the Changes to the Agreement set out in Paragraph 5 of this Change Authorisation Note shall take effect save in

respect of:

3.2.1 the amendments set out in paragraphs 4.1.10 to 4.1.12 (inclusive), 4.2.4 and 4.2.9;

3.2.2 the insertion of the following defined terms:

- (a) Contract Year 8;
- (b) Contract Year 9;
- (c) Contract Year 10; and
- (d) Service Elements;

3.2.3 the amendments to the definition of "Forecast Gain",

which shall take effect on the expiry of the Initial Term being 23:59 on 30 September 2018.

4. UPDATED FINANCIAL MODEL

4.1 Pursuant to Paragraph 5.3 of Schedule 7.5 (Financial Model), the Contractor has revised the Financial Model to reflect adjustments to the Charges as a result of the Contractor implementing the Changes set out in this Change Authorisation Note.

4.2 A CD-ROM signed by the Parties is attached to this Change Authorisation Note which contains a copy of the revised Financial Model with reference number v2 dated 18 November 2014.

4.3 The Department has approved the revised Financial Model referred to in Paragraph 4.2.

4.4 The revised Financial Model shall take effect on the date both Parties sign this Change Authorisation Note.

5. EXTENSION CHANGES

5.1 Changes to Clauses of the Agreement:

5.1.1 A new Clause 3.2.2A is inserted as follows:

"undertake the Relocation Activities during the period from 10 December 2014 until the achievement of all Relocation Milestones identified in the Relocation Plan".

5.1.2 Clause 3.5 is deleted and replaced with a new Clause 3.5 as follows:

"Clause 3.5 Not Used".

5.1.3 In Clause 5, Clauses 7 to 9, Clause 11.1 and Clause 47.3, after each reference to:

- (a) "Implementation Activities" insert the words "and/or Relocation Activities (as applicable)"; and
- (b) "Implementation Plan" insert the words "and/or Relocation Plan (as applicable)".

5.1.4 A new Clause 5.1A is inserted as follows:

"Subject always to paragraph 1.3 of Schedule 3 (Department Responsibilities), the Contractor shall provide the Relocation Activities in parallel with the provision of the Operational Services to ensure the seamless and smooth transition from providing the Operational Services from the Department Premises at Mowden Hall to the New Property

and without any interruption to or other adverse impact on the Operational Services. For the avoidance of doubt, the Contractor shall not be relieved from the application of any provisions of this Agreement (including Service Levels and Service Credits) during the provision of the Relocation Activities."

- 5.1.5 A new Clause 6.1A is inserted as follows:

"Where the Contractor has completed the Relocation Activities in respect of a Milestone, such Relocation Activities shall be subject to testing in accordance with the applicable provision of the Relocation Assurance Procedures."

- 5.1.6 Clause 6.2 is deleted and replaced with the following new Clause 6.2:

Each Party shall bear its own costs in respect of the Testing Procedures and the Relocation Assurance Procedures. However, if a Milestone does not Achieve the Test Success Criteria or Relocation Milestone Assurance Criteria (as applicable), provided that this is not due to a Department Cause, the Department shall be entitled to recover from the Contractor any reasonable additional costs it may incur as a direct or indirect result of further review or re-Testing of a Milestone to Achieve the Test Success Criteria.

- 5.1.7 Clause 7.3 shall apply in respect of any Delay to a Relocation Milestone.

- 5.1.8 The following words are added to the end of Clause 7.6:

"(it being recognised that Clause 7.3 also applies to Delay to a Relocation Milestone)."

- 5.1.9 A new Clause 8.2.3 is inserted as follows:

"8.2.3 in respect of a failure to Achieve Relocation Milestone RM5 by the Relocation Milestone RM5 Longstop Date due to the Contractor's Default the Contractor shall, until such time that the Contractor has Achieved Relocation Milestone RM5, the Department shall not be required to pay any further rent, rates, service charges or any other charges relating to or in respect of the New Property."

- 5.1.10 New Clauses 27.12 and 27.13 are inserted as follows:

"27.12 The Department may from time to time, in its sole discretion and by giving the Contractor three (3) months' written notice in each case, require the Contractor to provide the Service Elements specified in such notice solely via digital channels, such as via the Contractor's website and/or directly via a link to the Contractor Systems, and in accordance with systems, processes, procedures and methods agreed by the Parties in writing. The Department shall specify in the written notice only those Service Elements which the Contractor is already providing partly via digital channels. The Contractor shall provide the Service Elements set out in the Department's written notice in accordance with such agreed systems, processes, procedures and methods and with effect from the date of expiry of the Department's written notice."

27.13 If the Department requires the contractor to provide any Service Elements using solely digital channels pursuant to Clause 27.12, then the Forecast Gain share shall be further reduced by a maximum of one and a half per cent (1.5%). The amount of reduction to be applied shall be directly related to the total non digital volumes of digital activities for each Service Element, listed in Appendix 2 to Part 1 of Schedule 7.3 (Value for Money Provisions) required to be solely supported through digital channels in accordance with Clause 27.12, divided by the total number of non digital volumes for all activities listed in Appendix 2 Part 1 of Schedule 7.3 (Value for Money Provisions). This ratio shall then be applied to the maximum gain share reduction of one and a half per cent (1.5%) (referred to above) to calculate the applicable reduction (for example the total number of non digital transactions for all activities described in Appendix 2 to Part 1 of Schedule 7.3 (Value for Money Provisions) is 263,023. For the benefit of this example if

the Department mandates retirement applications only (as at November 2014, 22,368 retirement applications are made via a non digital channel) in doing so the Department would be mandating 8.5% of the non digital volume (22,368/263,023). The total amount of gainshare reduction possible is 1.5%, taking 8.5% of 1.5 gives the gainshare reduction achieved by mandating Retirement applications – 0.13%). Where the requirement to provide Service Elements using solely digital channels occurs on multiple occasions, the same calculation will be applied, minus those activities already directed by the Department to be solely digital. The table in Appendix 2 to Part 1 of Schedule 7.3 (Value for Money Provisions) provides a set of indicative volumes to demonstrate how this calculation will be applied, but is only intended to be illustrative, as the volumes will change moving forward, however, the Service Elements are static and will not change"

5.1.11 At the beginning of Clause 44.3.1, insert the words "Without prejudice to Clauses 44.3.5 and 44.3.6,"

5.1.12 A new Clause 44.3.6 is inserted as follows:

"The Department may terminate the Deferred Programme, for convenience at any time on giving written notice to the Contractor (the effect of such termination being that the Contractor shall not submit data to "Capita Tracing Services" after the date of such notice (as discussed in the Contractor's document entitled "Extension – Deferred Project" dated 15 October 2014 with version number V1.06)) and no Termination Payment or Compensation Payment shall be paid to the Contractor in respect of such termination. If Department terminates the Deferred Programme under this Clause 44.3.6 then any Qualifying Discounts allocated to the Deferred Programme (determined by reference to the Financial Model) unused at the date of termination shall be added to the Reserve Fund. However, given that a period (anticipated to be not more than two (2) months) of ongoing work will be required to process any outstanding deferred Member records initiated before the notice to terminate is given to allow all outstanding records to be finalised, the amount of the Qualifying Discount shall be adjusted to reflect the amount of ongoing work undertaken by the Contractor.

5.1.13 A new Clause 45.6 is inserted as follows:

"Notwithstanding the other provisions of this Agreement relating to expiry or termination, the Department may require the Contractor to provide run-on services in accordance with paragraph 11 of Schedule 8.5 (Exit Management)."

5.1.14 Clause 60.5 is deleted and replaced with the following:

"60.5 Subject to Clause 8.2.3, by no later than:

60.5.1 the Relocation Milestone RM5 Longstop Date, the Contractor shall have vacated the Department's Premises at Mowden Hall; and

60.5.2 the Milestone Date for Relocation Milestone RM5 the Contractor shall have commenced provision of the Operational Services at the New Property.

5.1.15 Delete the following words from Clause 60.6:

"(being a Site(s) at a different location to that set out in the Transition Plan or Implementation Plan and to which, as at the Effective Date, the Department has given its consent"

and replace with the following words:

"being a Site(s) at a different location to that of the New Property".

5.2 Changes to Schedules of the Agreement:

5.2.1 **Schedule 1 (Definitions)**

(a) The following definitions are inserted into Schedule 1 (Definitions) as follows:

"Additional Services"	means such additional services related to the TPS as the Department may require.
"Contract Year 8"	means the period of twelve (12) months commencing on the seventh anniversary of the Operational Services Commencement Date.
"Contract Year 9"	means the period of twelve (12) months commencing on the eighth anniversary of the Operational Services Commencement Date.
"Contract Year 10"	means the period of twelve (12) months commencing on the ninth anniversary of the Operational Services Commencement Date.
"Deferred Programme"	means the programme described in the document entitled "Extension – Deferred Project" version 1.06 and dated 1 October 2014.
"Extension Outcomes"	means Outcomes 14, 15 and 16.
"Lease"	means the lease dated 27 April 2012 between the Department and the Contractor in respect of the Contractor's occupation of the Department's premises at Mowden Hall.
"MDC"	means the monthly data collection solution provided by the Contractor that will give Employers the ability to submit service and salary data and/or other information in respect of Members, through an electronic portal.
"New Property"	means 25,000 square foot of space dedicated to the provision of the Operational Services and situated in the property located at Unit 11b, Lingfield Point, Darlington.
"New Property Costs"	means those costs as set out in the Financial Model which will be directly incurred by the Contractor and which are reasonably apportioned in respect of the amount of Unused Space during a period of two (2) years from the date on which the Contractor is required to commence provision of the Operational Services from the New Property (the date of such being set out in the Relocation Plan).
"Qualifying Discounts"	means those discount amounts identified in the Financial Model in respect of certain Services to be performed by the Contractor (including but not limited to the Deferred Programme).
"Reserve Fund"	means a notional sum of money recorded in the Financial Model (as updated from time to time) and administered by the Contractor in

accordance with this Agreement. As at the expiry of the Initial Term the fund shall amount to the sum of £0 but may be increased by the addition of unused Qualifying Discounts pursuant to Paragraph 3.14 of Schedule 7.1 (Charges and Invoicing).

"Relocation Activities"

means the relocation activities set out in the Relocation Plan to be undertaken by the Contractor in respect of the relocation by the Contractor from the Department's Premises at Mowden Hall to the New Property.

"Relocation Assurance Procedures"

means the applicable assurance procedures set out in part 4 of Schedule 6.3 (Testing Procedures).

"Relocation Milestone"

means an event or task described as a Milestone in the Relocation Plan which must be completed by the relevant Milestone Date.

"Relocation Milestone Assurance Criteria"

means the criteria to be agreed in accordance with Part 4 of Schedule 6.3 (Testing Procedures).

"Relocation Milestone RM5 Longstop Date"

means the date set out in the Relocation Plan identified as being the longstop date for Relocation Milestone RM5.

"Relocation Plan"

means the plan and timetable (including Relocation Milestones) for the Relocation Activities as detailed in Part B to Schedule 6.2 (Implementation Plan and Relocation Plan) together with the plan referred to in Paragraph 6.3 of Schedule 8.1 (Governance).

"Service Elements"

means each element of the Operational Services as set out in the first column of Appendix 2 to Part 1 of Schedule 7.3 (Value for Money Provisions).

"Unused Space"

means space in the New Property which is not materially and/or substantially occupied or otherwise used by the Contractor, whether on a temporary basis or otherwise, for any business or other related purpose whatsoever.

(b) The following definitions in Schedule 1 (Definitions) are deleted and replaced as follows:

"Achieve"

means:

- (a) in respect of a Test, to successfully pass a Test without any Test Issues; and
- (b) in respect of a Transition Milestone, an Implementation Milestone and a

Relocation Milestone, the issue of a Milestone Achievement Certificate in respect of that Milestone in accordance with Schedule 6.3 (Testing Procedures).

"Delay"	means the period of time by which the implementation of the Services by reference to the Transition Plan or Implementation Plan is delayed arising from a failure to Achieve a Milestone or the period of time by which the Relocation Activities are delayed arising from a failure to achieve a Relocation Milestone.
"Earned Expenses"	means all amounts recognised as costs and/or expenses in the Financial Model which shall be treated in accordance with the generally accepted accounting principles within the United Kingdom and in accordance with the relevant policies and treatments documented in the databook within the Financial Model. Such costs and/or expenses shall be those incurred by the Contractor in respect of this Agreement and in the applicable Gain Share Period for which the relevant Gain Share Calculation is to be made (including but not limited to the New Property Costs).
"Forecast Gain"	means Forecast Revenue less Forecast Expenses.
"Milestone"	means an Implementation Milestone, a Transition Milestone or a Relocation Milestone (as applicable).
"Milestone Date"	means the date set against the relevant Milestone in the Implementation Plan, the Transition Plan or the Relocation Plan (as applicable).
"Outcome Charge At Risk Amount"	<p>means the percentage of the Relevant Fixed Charges in a Contract Year which are put at risk against achievement of the Outcomes. The percentage of the Relevant Fixed Charges which have been put at risk in each Contract Year are as follows:</p> <p>Contract Year 0: N/A;</p> <p>Contract Year 1: 5% of Relevant Fixed Charges;</p> <p>Contract Year 2: 5.5% of Relevant Fixed Charges;</p> <p>Contract Year 3: 6% of Relevant Fixed Charges;</p> <p>Each of Contract Years 4 to 7: 6% of Relevant</p>

Fixed Charges; and

Each of Contract Years 8 to 10: 8% of the Relevant Fixed Charges.

"Project Plans"

means the Transition Plan, Implementation Plan, Relocation Plan and Test Plan.

"Service Credit At Risk Amount"

means the percentage of the Monthly Relevant Fixed Charges which are put at risk in each Service Period against Service Credits. At the Effective Date the percentage of the Monthly Relevant Fixed Charges which have been put at risk in each Service Period are as follows:

Contract Year 1: 7% of the Monthly Relevant Fixed Charges for Contract Year 1;

Contract Year 2: 6.5% of the Monthly Relevant Fixed Charges for Contract Year 2;

Contract Year 3: 6% of the Monthly Relevant Fixed Charges for Contract Year 3;

Contract Year 4: 6% of the Monthly Relevant Fixed Charges for Contract Year 4;

Contract Year 5: 6% of the Monthly Relevant Fixed Charges for Contract Year 5;

Contract Year 6: 6% of the Monthly Relevant Fixed Charges for Contract Year 6;

Contract Year 7: 6% of the Monthly Relevant Fixed Charges for Contract Year 7; and

Each of Contract Years 8 to 10: 4% of the Monthly Relevant Fixed Charges.

"Test Issue"

means any variance or non-conformity of a Deliverable or a Relocation Milestone from its requirements as set out in the relevant Test Success Criteria.

"Testing Procedures"

means the applicable testing procedures and Test Success Criteria set out in Schedule 6.3 (Testing Procedures) but excluding the Relocation Assurance Procedures.

"Test Success Criteria"

means the test success criteria referred to in Appendix 3 of Schedule 6.3 (Testing Procedures) or the Relocation Milestone Assurance Criteria (as applicable).

5.2.2 Schedule 2.2 (Service Levels)

Schedule 2.2 (Service Levels) (as amended) is deleted and replaced with Schedule 2.2 (Service Levels) as set out in Appendix 1 to this Change Authorisation Note.

5.2.3 **Schedule 3 (Department Responsibilities)**

- (a) Paragraph 1.2.1 of Schedule 3 (Department Responsibilities) is deleted and replaced with the following:

"Subject to paragraph 1.3, the Department Responsibilities set out in this Schedule".

- (b) A new Paragraph 1.3 is inserted in Schedule 3 (Department Responsibilities) as follows:

- (c) "In respect of the Contractor's Relocation Activities to achieve the Extension Outcomes, as a consequence of the Contractor being required to provide the Services from the New Property in an IL3 environment, the Department shall be required to obtain the co-operation of an approved accreditor to assess and approve changes made by the Contractor to the "Risk Management Accreditor Document Set".

- (d) Paragraph 3.10 of Schedule 3 (Department Responsibilities) is deleted and replaced as follows:

"The Department shall allow the Contractor to continue to occupy, in accordance with the terms of the existing Lease, up to 30,591 square feet of accommodation at Mowden Hall to enable it to provide the Services to the Department and to enable the Contractor to provide services to its other clients until no later than the Relocation Milestone RM5 Longstop Date. Subject to paragraph 3.11, the Contractor shall pay rent to the Department in respect of this Lease as set out in Schedule 7.5 (Financial Model)."

- (e) A new Paragraph 3.12 is inserted in Schedule 3 (Department Responsibilities) as follows:

"The Contractor shall not be liable to pay rent and/or service charges to the Department in respect of the Lease of Mowden Hall pursuant to paragraph 3.10 of this Schedule 3 (Department Responsibilities) for the period commencing on 1 March 2015 (in the case of the rent) and from 1 April 2015 (in the case of the service charges) to the extent that the Contractor is in lawful occupation of both Mowden Hall and the New Property at the same time."

5.2.4 **Schedule 4.1 (Contractor Solution)**

Appendix 2 to this Change Authorisation Note is annexed to Schedule 4.1 (Contractor Solution).

5.2.5 **Schedule 6.2 (Implementation Plan)**

- (a) Schedule 6.2 (Implementation Plan) is amended so that it is split into two parts, a "Part A", and a "Part B". Accordingly, the following amendments are made to Schedule 6.2 (Implementation Plan):

(i) the heading of the Schedule is amended to "Implementation Plan and Relocation Plan" and all references in the Agreement to "Schedule 6.2 (Implementation Plan)" is amended to "Schedule 6.2 (Implementation Plan and Relocation Plan)";

(ii) above Paragraph 1, "Part A" is inserted and heading 1 is amended to "Purpose of Part A".

(iii) in Paragraph 1 the words "The purpose of this Schedule is:" is replaced with the words "The purpose of this Part A is:";

(iv) in Paragraph 3.3, the words "in accordance with Paragraph 3.2 of this Schedule" is replaced with "in accordance with paragraph 3.2 of this Part A"; and

(v) after Paragraph 3.4, the text and table set out in Appendix 3 to this Change Authorisation Note is inserted.

(b) A new appendix 2 to Schedule 6.2 (Implementation Plan and Relocation Plan) is inserted as set out in Appendix 4 to this Change Authorisation Note.

5.2.6 **Schedule 6.3 (Testing Procedures)**

(a) Paragraph 1.1 of Part 1 of Schedule 6.3 (Testing Procedures) is amended as follows:

"This Schedule sets out the approach to Testing Documentary Deliverables, Technical Deliverables and Relocation Activities. Part 2 of this Schedule specifies the procedures which apply to the assurance of Documentary Deliverables, Part 3 of this Schedule specifies the procedures which apply to the assurance of Technical Deliverables and Part 4 of this Schedule specifies the procedures which apply to the assurance of Relocation Activities.

(b) In Paragraph 1.2 and 2.2 of Part 1 of Schedule 6.3 (Testing Procedures), after the word "Deliverable" insert "or Relocation Activities",

(c) The first line of Paragraph 2.1 of Part 1 of Schedule 6.3 (Testing Procedures) is amended as follows:

"The issue of a Test Certificate shall not operate to transfer any risk that the Deliverable or Relocation Activities will meet and/or satisfy the Department's requirements for that Deliverable or those Relocation Activities.

(d) Paragraph 1.1 of Part 4 of Schedule 6.3 (Testing Procedures) is amended as follows:

"Deliverables and Relocation Activities will complete Testing and a Test Certificate shall be issued when the Deliverables or Relocation Activities (as applicable) satisfy the Test Success Criteria in respect of that Deliverable or Relocation Activities without any Test Issues."

(e) In Paragraph 1.3.2 and 1.3.2(a) of Part 4 of Schedule 6.3 (Testing Procedures) insert "or the Relocation Activities" after "Technical Deliverable" and "Deliverables" respectively.

(f) In Paragraph 1.5 of Part 4 of Schedule 6.3 (Testing Procedures) insert "or Relocation Activities" after "Deliverables".

(g) Part 4 of Schedule 6.3 (Testing Procedures) is renumbered to Part 5 and a new Part 4 is inserted as set out in Appendix 7 of this Change Authorisation Note.

5.2.7 **Schedule 7.1 (Charges and Invoicing)**

(a) In Paragraph 2.1 of Schedule 7.1 (Charges and Invoicing), reference to "table" is amended to "tables".

(b) After "Table 1" insert a new "Table 1A" as follows:

"Table 1A

Relocation Milestone Number	Relocation Milestone Description <small>Note 1</small>	Relocation Milestone Date	Milestone Payment £
RM1	CAT A + B fit out commencement, WAN link ordered, detailed IT site survey completed	15 May 2015	180,000
RM2	IT hardware received and installed	15 June 2015	295,000
RM3	Fit out mid point i.e. Cat A fit out 100% complete	15 July 2015	130,000
RM4	Communications/server room complete & furniture installed	15 August 2015	420,000
RM5	Fit out and office move complete. Provision of Operational Services commence at the New Property	30 September 2015	401,474
RM6	Completion Fee	15 October 2015	275,000

*Note 1: Fuller descriptions of the Relocation Milestones can be found in Schedule 6.2 (Implementation Plan and Relocation Plan).

(c) "Table 2" in Paragraph 3.3.1 shall be deleted and replaced, as follows:

Table 2

Fixed Charge	Charge (£)
Contract Year 0	N/A
Contract Year 1	14,141,608

Contract Year 2	14,141,608
Contract Year 3	14,141,608
Contract Year 4	15,588,000
Contract Year 5	11,435,000
Contract Year 6	11,520,000
Contract Year 7	10,944,000

(d) "Table 3" in Paragraph 3.3.2 shall be deleted and replaced, as follows:

Table 3

Base Charges	Charge (£)
Contract Year 0	N/A
Contract Year 1	13,434,528
Contract Year 2	13,363,820
Contract Year 3	13,293,112
Contract Year 4	14,653,000
Contract Year 5	10,749,000
Contract Year 6	10,828,000
Contract Year 7	10,827,000

(e) A new Paragraph 3.14 is inserted in Schedule 7.1 (Charges and Invoicing) as follows:

"3.14 Qualifying Discounts and Reserve Fund

3.14.1 Where the Department becomes entitled to the financial benefit of any unused Qualifying Discount, the Parties shall acting reasonably and in good faith, promptly determine an agreed sum in respect of such financial benefit by reference to the Financial Model and the Contractor will credit such sum to the Reserve Fund. In the event that a sum is not agreed such disagreement will be subject to the Dispute Resolution Procedure.

3.14.2 The Department is entitled from time to time to apply sums in the Reserve Fund to pay for any Additional Services it may require by serving written notice upon the Contractor providing details of the Additional Services required. Upon receipt of such notice the Contractor shall raise a Change Request and the Parties shall agree, in accordance with the Change Control Procedure, the nature and scope of any Additional Services required by the Department and how any sums standing to the credit of the Reserve Fund will be applied to pay for such Additional Services together with (where applicable) any additional Charges agreed by the Parties.

3.14.3 At least every six (6) months and within ten (10) Working Days of the Department's request, the Contractor shall provide a statement setting out the amount of the Reserve Fund at the time the statement is generated together with a detailed breakdown in chronological order from expiry of the Initial Term of all sums added to or drawn down from the Reserve Fund (including details of the Additional Services to which such sums (if any) have been applied). The Contractor shall at its cost provide such further analysis and information in respect of the Reserve Fund as may reasonably be required by the Department.

3.14.4 The Department is not obliged to apply sums in respect of unused Qualifying Discounts and/or any other amounts in the Reserve Fund in any particular Contract Year. The Department shall be entitled at any time prior to the expiry of the Third Extension Period to draw down and apply any amounts standing to the credit of the Reserve Fund (as may be reduced pursuant to Paragraph 3.14.2) in respect of payment in full or in part in respect of any Additional Services.

(f) Paragraph 7.2 of Schedule 7.1 (Charges and Invoicing) is amended to read as follows:

"The Contract Extension Charges shall be as set out in the table immediately below. The Contract Extension Charges shall be subject to indexation in accordance with paragraph 9 of this Schedule."

Contract Year	Charges (£)
Contract Year 8	10,763,000
Contract Year 9	10,763,000
Contract Year 10	10,763,000

(g) Paragraph 7.3 of Schedule 7.1 (Charges and Invoicing) is deleted.

(h) The date "1 October 2010" as used in the definition of "Index a" in Paragraph 9.1 of Schedule 7.1 (Charges and Invoicing) is deleted and replaced with the date "1 October 2014".

5.2.8 Schedule 7.2 (Payments on Termination)

(a) Paragraph 3 is deleted and replaced as follows:

"3. Breakage Costs

3.1 Breakage Costs are only payable in the circumstances identified in Paragraph 2 and the Department's total aggregate liability for Breakage Costs shall be subject to a financial limit of three million, five hundred and ninety one thousand, nine hundred and ninety two pounds sterling (£3,097,028) (subject to indexation calculated in accordance with Paragraph 9 of Schedule 7.1 (Charges and Invoicing)) in the period from 1 October 2014 until the expiry of Contract Year 10.

(b) The table at Paragraph 4.3 of Schedule 7.2 (Payments on Termination) is deleted and replaced with the following table:

Time Period	Maximum Liability (£)
Effective Date to Operational Services Commencement Date	N/A
Months after Operational Services Commencement Date	N/A
1 - 6	9,429,906
7 - 12	9,624,517
13 - 18	9,417,232
19 - 24	8,400,474
25 - 30	6,969,056
31 - 36	5,701,019
37 - 42	8,563,101
43 - 48	6,753,873
49 - 54	3,653,252
55 - 60	2,688,838
61 - 66	1,818,436
67 - 72	948,034
73 - 78	1,232,049
79 - 84	1,516,064
85 - 90	1,708,399
91 - 96	1,722,730
97 - 102	1,513,905
103 - 108	1,157,175
109 - 114	641,931
115 - 120	0

5.2.9 Schedule 7.3 (Value for Money Provisions)

A new Paragraph 2.1A is inserted in Part A of Schedule 7.3 (Value for Money Provisions) as follows:

"Upon expiry of the Initial Term, the Forecast Gain Margin is reduced to 7.09%. If the Department requires the Contractor to provide any Service Elements using solely digital channels pursuant to Clause 27.12, then the Forecast Gain Margin shall be further reduced in accordance with the methodology set out at Clause 27.12 for the purposes of carrying out the Gain Share Calculation in each Contract Year.

5.2.10 Schedule 8.1 (Governance)

(a) A new Paragraph 1.4 is inserted in Schedule 8.1 (Governance) as follows:

"The Contractor shall follow the procedures in Appendix 2 to this Schedule in respect of the planning, management and control of the Relocation Activities.

- (b) A new Appendix 2 is added to Schedule 8.1 (Governance) as set out in Appendix 6 of this Change Control Note.

5.2.11 Schedule 8.5 (Exit Management)

- (a) Paragraph 6.1 of Schedule 8.5 (Exit Management) is deleted and replaced as follows:

"6.1 The Contractor shall, for the purpose of the smooth transfer of the Services to the Department and/or the Replacement Contractor, offer the Department and/or the Replacement Contractor, during the Termination Assistance Period and for a period not exceeding either two (2) years after the expiry of the Termination Assistance Period or the date of expiry of the lease of the New Property (whichever is the earliest), access to and a licence to use and/or occupy, but only on a continuous basis from expiry or termination of this Agreement, any Sites (as a location or locations from which to provide Replacement Services (including any transition and implementation activities required prior to commencing provision of the Replacement Services)) where reasonably required by the Department and/or the Replacement Contractor. In the event that the Contractor requires a bond or some other form of financial security prior to consenting to the access or licensing arrangements referred to in this Paragraph for a Replacement Contractor, the Department will (or, if applicable, will procure that the Replacement Contractor will) enter into discussions with the Contractor (where both Parties shall act reasonably) to agree how that financial security will be provided.

- (b) Paragraph 6.3 of Schedule 8.5 (Exit Management) is amended as follows:

"The Department shall pay to the Contractor or shall procure that the Replacement Contractor shall pay to the Contractor a sum or sums equivalent to any ongoing costs, rent (to the extent that the nine (9) month rent free period on termination or expiry has been exhausted), rates, service charges, maintenance and repair charges (including any dilapidations liabilities arising at the date of the cessation of the Replacement Contractor's use or occupation of the Sites because of alterations made to the Sites to put them into a comparable state of repair to that enjoyed by the Replacement Contractor at the commencement of its use or occupation but only to the extent that such [dilapidations] have been caused by the Replacement Contractor during the period of its occupation) and/or insurance costs to the extent of the use or occupation of the whole or part of the Sites to which it (or a Replacement Contractor) has been granted use or occupation in accordance with Paragraph 6.1."

- (c) New Paragraphs 11.1 and 11.2 are inserted in Schedule 8.5 (Exit Management) as follows:

"11. RUN-ON

11.1 In accordance with Clause 45.6 and at the request of the Department at least three (3) months prior to the date on which this Agreement is due to expire or terminate and subject to continued payment of the Outcome Charges and the Charges (for example the monthly Charges invoiced by the Contractor and payable by the Department shall include one twelfth of the Outcome Charge payable in Contract Year 10 regardless of whether the Contractor meets the Outcomes in the Run On Period (as defined below)), the Contractor shall continue to provide all of the Operational Services on the same terms as this Agreement for such extended period as may be specified in the notice ("**Run on Period**") and subject to payment by the Department of the Service Charges and Outcome

Charges (on the basis referred to above) in accordance with Schedule 7.1 (Charges and Invoicing) pro rated to the extent of the Operational Services required by the Department. The Department may continue to further extend such extended period by notice in writing to the Contractor at least three months prior to the expiry of such prior extended period save that the total duration of all extended periods may not exceed thirty six (36) months.

11.2 If the Department requires the Contractor pursuant to paragraph 11.1 to continue to provide the Operational Services following the date on which this Agreement was due to terminate or expire then all applicable provisions of this Agreement (including for the avoidance of doubt, provisions relating to Exit Management) shall continue in force during such period and the parties shall agree when the obligations to provide Exit Management and Termination Services during that extended period shall commence.

5.2.12 **Schedule 9.3 (Key Personnel)**

Annex A of Schedule 9.3 (Key Personnel) shall be amended as set out in Appendix 5 of this Change Authorisation Note.

DETAILS OF PROPOSED ONE-OFF ADDITIONAL CHARGES AND MEANS FOR DETERMINING THESE (E.G. FIXED PRICE OR COST-PLUS BASIS):

Not applicable. All charges are detailed above.

SIGNED ON BEHALF OF THE DEPARTMENT:

Signature: Marcus Bell

Name: MARCUS BELL

Position: Director

Date: 28/11/14

SIGNED ON BEHALF OF THE CONTRACTOR:

Signature: [Signature]

Name: SURAN RANA

Position: OSD

Date: 28 Nov 2014

PART 1

SERVICE LEVELS AND KPIS

2. PRINCIPAL POINTS

- 2.1 The objectives of the Service Levels, Service Points, Service Credits and KPIS are to:
- 2.1.1 ensure that the Services are of a consistently high quality and meet the requirements of the Department;
 - 2.1.2 provide a mechanism whereby the Department can attain meaningful recognition of inconvenience and/or loss resulting from the Contractor's failure to meet Service Levels which it has contracted to deliver; and
 - 2.1.3 incentivise the Contractor to meet the Service Levels and to remedy any failure to meet the Service Levels expeditiously.

3. SERVICE LEVELS

- 3.1 Part 1 of Appendix 1 to this Schedule sets out Service Levels applicable to the provision by the Contractor of the Operational Services the performance of which the Contractor has agreed to measure.
- 3.2 The Contractor shall monitor its performance of each of the Services referred to in Paragraph 3.1 by reference to the Service Level(s) for that Service and shall send the Department a report detailing the level of service which was achieved in accordance with the provisions of Part 4 of this Schedule ("**Service Level Report**").
- 3.3 If the level of performance of the Contractor of any element of a Service during a Service Period:
- 3.3.1 achieves the Service Level in respect of the relevant element of the Service, no Service Points will accrue to the Contractor in respect of that element of the Service;
 - 3.3.2 is below the Service Level in respect of the relevant element of the Service, the appropriate number of Service Points will accrue to the Contractor in respect of that element of the Service; or
 - 3.3.3 constitutes a Critical Service Failure, the Department shall be entitled to terminate this Agreement pursuant to Clause 44.1.5.(g) (Termination for Cause by the Department) and/or seek damages in addition to any Service Points which have already been accrued by the Contractor and for which Service Credits are payable by the Contractor to the Department.

4. REPEAT AND PERSISTENT FAILURES

- 4.1 If the Contractor fails to achieve any Service Level:
- 4.1.1 during two (2) consecutive Service Periods, the second and each subsequent consecutive failure of the same Service Level shall be a "Repeat Failure"; or
 - 4.1.2 during two (2) or more Service Periods in any four (4) month period, the second (2nd), third (3rd) and fourth (4th) such failure shall each be a "Repeat Failure".

For the avoidance of doubt any failure to achieve a Service Level cannot be counted as a Repeat Failure under both scenarios in the same Service Period.

- 4.2 If any Repeat Failure occurs, the number of Service Points that shall accrue to the Contractor in respect of such Repeat Failure shall be the number of Service Points that would normally accrue in

APPENDIX 1
NEW SCHEDULE 2.2 (SERVICE LEVELS)

SCHEDULE 2.2
SERVICE LEVELS

1. SCOPE

This Schedule 2.2 sets out the Service Levels which the Contractor is required to achieve when delivering the Services, the Outcome Charges which are applicable to the Services, the mechanism by which Service Failures will be managed and Outcome Charges calculated and the method by which the Contractor's performance of the Services will be monitored. This Schedule comprises:

- 1.1 Part 1: Service Levels and KPIs;
- 1.2 Part 2: Outcomes;
- 1.3 Part 3: Monthly Data Collection Performance Measure;
- 1.4 Part 4: Performance Monitoring;
- 1.5 Appendix 1 (Service Levels and KPIs);
- 1.6 Appendix 2 (Outcomes); and
- 1.7 Appendix 3 (Outline Performance Monitoring System)

respect of an initial failure of that Service Level multiplied in accordance with the process set out in Paragraphs 1.11 to 1.13 in Part 1 of Appendix 1 to this Schedule.

5. RELATED FAILURES

Where a specific Service Failure occurs that causes the Contractor to miss two or more Service Levels then the Contractor shall only be deemed to have failed the Service Level which has the highest value of Service Credits applying to it, taking into account any increased Service Credits due to any Repeat Failures as described in Paragraph 4.2.

6. RELIEF FROM SERVICE LEVELS AND KPIS

- 6.1 Where any element of a Service Level or KPI is dependent on information, decisions or actions from the Department or third parties, the Department recognises that a Service Level or KPI may not be achieved as a result of a delay caused by the Department or such third parties. In such circumstances, subject to Paragraph 6.4 below, the time period between the time at which the Contractor requests such information, decisions or actions from the Department or the third party (as appropriate) until the time that the information, decision or action is received shall be excluded from the measurement of elapsed time in the Service Level or KPI (as appropriate) provided that the Contractor has demonstrated to the Department's reasonable satisfaction it has complied in full with all relevant requirements of Schedules 2.1 (Statement of Service Requirements) and 4.1 (Contractor Solution). For the avoidance of doubt, the foregoing provision shall not relieve the Contractor from any obligations to take reasonable steps to chase any overdue information, decisions or actions and/or to otherwise take such steps as are reasonable to endeavour to achieve the Service Level or KPI (as appropriate).
- 6.2 If any matter connected to the Services is referred to the Internal Dispute Resolution Procedure ("IDRP") at either stage one or stage two and such referral prevents a transaction from being completed whilst the case is being determined and this in turn impacts on the Contractor's ability to meet one or more of the Service Levels and/or KPI(s), then such adverse impact (including but not limited to the removal of any time taken between referring the matter to the IDRP and the date when the IDPR's final decision has been received) shall be removed from the measurement of the elapsed time in the relevant Service Level(s) and/or KPI(s).
- 6.3 Where volumes are extraordinarily high due to exceptional circumstances brought about by events beyond the Contractor's reasonable control, the Department shall act reasonably in considering a case from the Contractor for the relaxation of specific Service Levels and/or KPIS where the Contractor has demonstrated to the reasonable satisfaction of the Department that it has taken and will continue to take all reasonable steps to mitigate the effects of the exceptional circumstances, including but not limited to re-prioritising workloads and implementing any agreed recovery plan.
- 6.4 In respect of the Service Levels and KPIS referred to in Paragraph 6.1 above it is agreed that where the Contractor is reliant upon information, decisions or actions from the Department and/or a third party and the Contractor is entitled to exclude the time taken for such information, decisions or actions to be provided, then the time allowed for receipt of such information, decisions or actions shall also include any time required for any checking or verification that needs to be performed in order to place the Contractor in the same position as it was in immediately prior to requesting such information, decisions or actions. By way of an example, if a Service Level dictates that the Contractor has three (3) days to process a form and after one (1) day the Contractor discovers some incorrect or missing information on the form which needs to be provided by a third party then the "clock" will stop whilst the Contractor contacts the third party and awaits the missing information. On receipt of the missing information, the Contractor may have to cross check that the new information received is correct and does not conflict with other existing information on the form. The "clock" will restart once the cross checking is complete and the Contractor is in a position to be able to resume its activities in respect of processing the form (as if there had never been a break in the transaction). For the avoidance of doubt, the time taken to validate or cross check any information, decisions or actions received from the Department and/or a third party shall be reasonable in the circumstances and, in any event, shall not be longer than

the time it has taken to perform the task up to the point at which the Contractor referred the matter to the Department and/or a third party.

7. SERVICE CREDITS

- 7.1 Paragraph 1.14 of Part 1 of Appendix 1 to this Schedule sets out the mechanism by which Service Points are converted into Service Credits.
- 7.2 The Department shall use the performance reports provided pursuant to Part 4 of this Schedule to, among other things, verify the calculation and accuracy of the Service Credits, if any, applicable to each relevant Service Period.
- 7.3 Service Credits are a reduction of the amounts payable in respect of the Services and do not include VAT. The Contractor shall set-off the value of any Service Credits against the appropriate invoice in accordance with the provisions of Clause 27.4 and Schedule 7.1 (Charges and Invoicing).
- 7.4 The Contractor confirms that it has modelled the Service Credits and has taken them into account in setting the level of the Charges. Both Parties agree that the Service Credits are a reasonable method of price adjustment to reflect poor performance.

8. KEY PERFORMANCE INDICATORS

- 8.1 Part 2 of Appendix 1 to this Schedule sets out KPIs applicable to the provision by the Contractor of the Operational Services the performance of which the Contractor has agreed to measure.
- 8.2 The Contractor shall monitor its performance of each of the KPIs and shall send the Department a report detailing the level of service which was achieved in accordance with the provisions of Part 4 of this Schedule.
- 8.3 The KPIs shall be formally reviewed every six (6) months during Contract Years 1 to 3 and annually thereafter at the applicable monthly Performance Review Meeting. Any changes agreed at such meetings shall be documented and formalised using the Change Control Procedure.
- 8.4 Any changes to the KPIs that may be required by either Party outside of the formal reviews detailed in Paragraph 8.3 above shall be agreed using the Change Control Procedure. In addition, the latest set of KPIs shall be maintained by the Contractor on eShare where they shall be available for inspection by the Department at any time.
- 8.5 In the event that the Contractor persistently fails to achieve the level of performance set out in a KPI the Department shall, following discussions with the Contractor, be entitled to (but not obliged to) convert the relevant KPI into a Service Level. Such conversion may take place on either a permanent basis or on a temporary basis until such time as the level of service for that KPI is consistently back on target. For the purposes of this Paragraph 8.5 a persistent failure of a KPI shall be where the Contractor has failed to deliver within ten percent (10%) of the relevant KPI target for three (3) or more Service Periods in any six (6) consecutive Service Periods. The conversion of a KPI into a Service Level shall be agreed and formalised through the Change Control Procedure PROVIDED THAT the total number of Service Points allocated to the existing Service Levels shall be re-allocated so that there is no increase in the aggregate total number of Service Points that the Contractor can accrue in any Service Period after the new Service Level has been added and hence there is no increase in the potential value of Service Credits payable across all of the Service Levels. Where the Contractor consistently delivers a KPI at around ninety percent (90%) of its target (or lower), but such failure does not fall within the criteria outlined in this Paragraph 8.5, the Parties shall, at the reasonable request of the Department, discuss ways of improving the performance against such KPI (including, if appropriate, making the KPI into a Service Level for an interim period) and the Contractor shall implement any such agreed improvement plans.
- 8.6 In the event that the Department exercises its right to withhold a proportionate amount of the Service Charges under Clause 27.10 due to a Service Failure, then the Service that has caused

such Service Failure shall (if it is not already a KPI) be converted into a KPI which shall be agreed between the Department and the Contractor and the Contractor shall monitor and report on such new KPI until such time as the failed Service is restored, at which point, unless otherwise agreed between the Parties, the new KPI shall be removed from the KPI regime.

9. **CONTRACTOR SYSTEM MAINTENANCE**

- 9.1 The Contractor shall create and maintain a rolling maintenance schedule with regard to the Contractor System ("**Maintenance Schedule**") to be agreed with the Department. The Maintenance Schedule shall be discussed and updated by the Operations Board in accordance with the procedures set out in Schedule 8.1 (Governance).
- 9.2 When the Contractor wishes to carry out any maintenance to the Contractor System (other than Emergency Maintenance), it shall ensure that:
- 9.2.1 the timing of the planned maintenance is in accordance with the requirements of the Maintenance Schedule or is as otherwise agreed in writing with the Department's Representative at least two (2) Working Days in advance;
 - 9.2.2 it is not carried out between 08:00 and 18:00 on any Working Day;
 - 9.2.3 once agreed with the Department's Representative the planned maintenance (which shall be known as "**Permitted Maintenance**") is forthwith entered onto the Maintenance Schedule; and
 - 9.2.4 the Permitted Maintenance is subsequently carried out in accordance with the Maintenance Schedule.
- 9.3 The Contractor shall ensure that Permitted Maintenance takes place between the hours and on the day specified in the Maintenance Schedule unless otherwise agreed in writing with the Department.
- 9.4 Service Downtime arising due to Permitted Maintenance that is carried out by the Contractor in accordance with Paragraph 9.3 will be subtracted from the total number of hours in the relevant Service Period when calculating Availability, in accordance with Appendix 1 to this Schedule.
- 9.5 Service Points shall accrue as set out in Part 1 of Appendix 1 to this Schedule if any Service Downtime occurs as a result of Emergency Maintenance undertaken by the Contractor or where maintenance undertaken by the Contractor exceeds the Permitted Maintenance hours included in the Maintenance Schedule for the relevant Service Period.
- 9.6 The Contractor shall carry out any necessary maintenance where it reasonably suspects that the Contractor System or the Services or any part thereof has or may have developed a fault. Any such maintenance shall be carried out in such a manner and at such times so as to avoid (or where this is not possible so as to minimise) disruption to the Contractor System and the Services.
- 9.7 The Contractor shall give as much notice as is reasonably practicable to the Department's Representative prior to carrying out any Emergency Maintenance.

PART 2
OUTCOMES

1. PRINCIPAL POINTS

- 1.1 The objectives of the Outcomes and Outcome Charges are to:
- 1.1.1 ensure that the Services are of a consistently high quality and meet the requirements of the Department;
 - 1.1.2 provide a mechanism whereby the Department can reward the Contractor for meeting set levels of achievement in relation to Outcomes which it has contracted to deliver; and
 - 1.1.3 incentivise the Contractor to meet the Outcomes and to remedy any failure to meet the Outcomes expeditiously.

2. OUTCOMES

- 2.1 Table 1 of Appendix 2 sets out the list of Outcomes that will apply with effect from the Operational Services Commencement Date until the expiry of the Term, unless and to the extent that any changes to the Outcomes are agreed between the Parties in accordance with the terms of this Agreement using the Change Control Procedure.

3. OUTCOME TARGETS

- 3.1 Each Outcome will have a target performance level ("**Target Performance Level**") that the Contractor shall achieve by the end of each Contract Year commencing with Contract Year 1 and ending at the expiry of the Term.
- 3.2 Subject to Paragraph 4 below, the list of Outcomes and their Target Performance Levels are set out in Table 2 of Appendix 2.
- 3.3 In respect of Outcomes 1 to 6 and 8 to 11, the Target Performance Levels shown in Table 2 of Appendix 2 for Contract Years 0, 1 and 2 are indicative figures only, based on the output from an initial survey conducted by the Contractor prior to the Effective Date. These Target Performance Levels shall be updated prior to the Operational Services Commencement Date using the procedure set out in Paragraph 4 below.
- 3.4 In respect of Outcomes 1 to 6 and 8 to 11, the Target Performance Levels shown in Table 2 of Appendix 2 for Contract Years 3 to 7 shall remain fixed unless or until amended in accordance with the terms of this Agreement using the Change Control Procedure.
- 3.5 In respect of Outcomes 12 and 13, the Target Performance Levels shown in Table 2 of Appendix 2 for Contract Years 1 to 7 shall remain fixed unless or until amended in accordance with the terms of this Agreement using the Change Control Procedure.

4. SETTING TARGET PERFORMANCE LEVELS FOR CONTRACT YEARS 1 AND 2

- 4.1 The provisions of Paragraphs 4.2 to 4.5 shall apply to Outcomes 1 to 6 and 8 to 11 only.
- 4.2 No later than three (3) months prior to the Operational Services Commencement Date, the Contractor shall conduct a Quantitative Survey of each of Outcomes 1 to 6 and 8 to 11 to measure the current performance against each of the Outcomes.
- 4.3 No later than two (2) weeks prior to the Operational Services Commencement Date, the Contractor shall forward the results of the Quantitative Survey to the Department. Prior to this two (2) week deadline, the Contractor shall have made the Department aware of the initial findings of the Quantitative Survey and given the Department a reasonable opportunity to comment on such findings.

- 4.4 The Contractor and the Department shall meet to discuss the findings of the Quantitative Survey and to agree the amendments that need to be made to Table 2 of Appendix 2 to reflect the following (which shall be formalised using the Change Control Procedure):
- 4.4.1 the results of the Quantitative Survey shall replace the Target Performance Levels shown for Contract Year 0; and
 - 4.4.2 the Contract Year 1 Target Performance Levels shall, unless otherwise agreed between the Parties, be replaced with targets that are equal to the new Contract Year 0 targets (as determined under Paragraph 4.4.1 above) plus twenty percent (20%) of the difference between the Contract Year 3 target and the new Contract Year 0 target; and
 - 4.4.3 the Contract Year 2 Target Performance Levels shall unless otherwise agreed between the Parties, be replaced with targets that are equal to the new Contract Year 0 targets (as determined under Paragraph 4.4.1 above) plus fifty five percent (55%) of the difference between the Contract Year 3 target and the new Contract Year 0 target.

By way of an example, if the new Contract Year 0 target for Outcome 1 is twenty percent (20%) and the Contract Year 3 Target for Outcome 1 is eighty percent (80%), the difference is sixty percent (60%). Accordingly, the Contract Year 1 Target Performance Level for Outcome 1 will be thirty two percent (32%) (being twenty percent (20%) plus twenty percent (20%) of sixty (60)) and the Contract Year 2 Target Performance Level for Outcome 1 will be fifty three percent (53%) (being twenty percent (20%) plus fifty five percent (55%) of 60).

- 4.5 During the discussions between the Contractor and the Department referred to in Paragraph 4.4 above, the Parties may agree to vary the Target Performance Level for all or any of Outcomes 1 to 6 and 8 to 11, for Contract Years 1 and 2, but in the absence of any such agreement, the approach outlined in Paragraph 4.4 shall prevail.
- 4.6 The Contractor shall perform a survey of Outcome 7 in September 2011 to measure the current performance against this Outcome. The survey shall be conducted on Members who have retired in the twelve (12) months prior to September 2011. The survey shall be performed using electronic questionnaires, where electronic contact details are available, or paper based questionnaires where electronic contact detail are not available. The list of questions to be asked is as detailed for Outcome 7 in Paragraph 1.6 of Appendix 2 to this Schedule 2.2. The results of the survey for Outcome 7 shall be analysed by the Contractor and reported to the Department in October 2011.
- 4.7 The Contractor and the Department shall meet to discuss the findings of the survey for Outcome 7 and to agree the Target Performance Levels to be inserted into Table 2 of Appendix 2 for each Contract Year of the Initial Term (which shall be formalised using the Change Control Procedure).

5. REVIEW OF OUTCOMES AND TARGETS POST CONTRACT YEAR 3

- 5.1 At the end of Contract Year 3 the Parties shall review all of the Outcomes to determine whether they are still applicable for the remainder of the Initial Term or whether alternative Outcomes should be introduced in place of some or all of the existing Outcomes.
- 5.2 Where new Outcomes are agreed these shall be inserted into Table 2 of Appendix 2 in place of the Outcomes that they are intended to replace using the Change Control Procedure.
- 5.3 The Target Performance Levels for any new Outcomes shall be set by agreement between the Parties, acting reasonably, following the Contractor conducting an initial Quantitative Survey (or such other validating technique(s) as the Parties shall agree) to determine the then current achievement levels for the new Outcomes. The Target Performance Levels for all subsequent Contract Years shall reflect a reasonable increase in performance over the remaining period of the Initial Term taking into account all relevant factors, including the Contractor's knowledge of and ability to influence the new Outcomes, the effects of known market and/or other external factors on the Contractor's ability to improve upon the results achieved through the initial Quantitative Survey (or alternative agreed validation approach) the level of payment being made by the Department for such activities, and any other relevant factors that either party, acting reasonably, may raise.

5.4 Where the existing Outcomes are retained the Parties will, acting reasonably, review the Target Performance Levels for the remaining years of the Initial Term and agree any amendments to the Target Performance Levels documented in Table 2 to Appendix 2 to reflect the level of achievement that has been reached up to that point and any reasonable incremental increases for the remainder of the Initial Term. As a result the targets set for the remainder of the Initial Term may be increased or decreased from the level set at the Effective Date. Any such changes shall be recorded using the Change Control Procedure. In the absence of any other agreement the targets in Table 2 to Appendix 2 shall remain unchanged.

6. OUTCOME WEIGHTINGS

6.1 Each of the Outcomes has been assigned a weighting to reflect its relative importance compared to the other Outcomes. These weightings are shown in Table 3 of Appendix 2 (and shall be referred to as the "**Weightings**").

6.2 The Weightings shown in Table 3 of Appendix 2 are used to determine the level of the Outcome Charges applicable to each Outcome. This is described in more detail in Paragraph 7 below.

7. OUTCOME CHARGES

7.1 The aggregate value of the Outcome Charges in any Contract Year shall equate to the Outcome Charge At Risk Amount.

7.2 The Outcome Charge At Risk Amount shall be apportioned across each of the Outcomes to create an Outcome Charge for each Outcome by multiplying the Outcome Charge At Risk Amount for the relevant Contract Year by the Weighting percentage for that Outcome. The resulting Outcome Charge for each Outcome is shown in Table 4 of Appendix 2 and is expressed as a percentage of the Relevant Fixed Charges for the applicable Contract Year ("**Outcome Charge**").

8. AMENDMENTS TO OUTCOME CHARGES

8.1 In the event that the Parties wish to amend all or any of the Outcome Charges, the following principles shall apply:

8.1.1 the aggregate value of the Outcome Charges in any Contract Year shall not exceed the Outcome Charge At Risk Amount;

8.1.2 the Outcome Charges payable for the achievement of each individual Outcome will be set to reflect the relative importance attached to each Outcome using the Weightings applied to that Outcome;

8.1.3 no single Outcome will carry more than twenty percent (20%) of the Outcome Charge At Risk Amount; and

8.1.4 the number of Outcomes in any Contract Year shall never be less than six (6). This is required to ensure a good level of performance monitoring is achieved for the Department across a wide range of Outcomes.

8.2 As part of the review conducted following the end of Contract Year 3 (as set out in Paragraph 5 above), the Parties may elect to review the Outcome Charge At Risk Amount allocated to the remaining years of the Initial Term and consider whether a higher or lower Outcome Charge At Risk Amount may be applied to the Outcome Charges PROVIDED THAT if an amended Outcome Charge At Risk Amount is to be applied to the Outcome Charges an immediate and commensurate amendment is made to the Service Credit At Risk Amount so that the combined total of the Outcome Charge At Risk Amount and the Service Credit At Risk Amount in any Contract Year does not exceed twelve percent (12%) of the Relevant Fixed Charges for that Contract Year. From Contract Year 8 onwards: the Service Credit At Risk amount in any Contract Year thereafter shall not exceed 4% of the Monthly Relevant Fixed Charges and Outcome Charge At Risk Amount in any Contract Year thereafter shall not exceed 8% of the Relevant Fixed Charges.

8.3 If the Parties do not agree a revised Outcome Charge At Risk Amount then no alterations shall be made to the then existing apportionment between the Service Credit At Risk Amount and the Outcome Charge At Risk Amount.

9. **MEASUREMENT OF PERFORMANCE AGAINST OUTCOMES**

Measurement of Outcomes 1 to 11 and 14 to 16

9.1 The Contractor shall monitor its performance against each of Outcomes 1 to 11 and 14 and 15 and the Department will monitor the Contractor's performance against Outcome 16 each on an annual basis at the end of each Contract Year commencing from Contract Year 1 until the end of the Term.

9.2 The measurement of the Contractor's performance against each of Outcomes 1 to 11 will be conducted by an independent external research agency ("**Agency**") who shall be appointed, each year, by the Contractor to act as an independent expert to review the Contractor's performance against the Target Performance Levels.

9.3 The Contractor will run a competitive tendering process to appoint a suitable Agency and such appointment shall be at the Contractor's cost.

9.4 The appointed Agency shall be an independent and appropriately experienced research agency who has experience in undertaking similar surveys and is appropriately quality assured. The Contractor will ensure that the selected Agency is registered under the Data Protection Act 1998 and all data processing, verification and accumulation performed by the Agency is conducted within the terms of the Data Protection Act.

9.5 The Contractor will ensure that the Agency conducts its research and performs the surveys in compliance with Market Research Society (MRS) guidelines.

10. **METHOD OF MEASURING PERFORMANCE AGAINST TARGET PERFORMANCE LEVELS**

Measurement of Outcomes 1 to 6 and 8 to 11

10.1 In order to reduce the inherent risks associated with the reliability and variability of the results of the Quantitative Survey conducted for Outcomes 1 to 6 and 8 to 11, the Contractor (via its appointed Agency) will ask a series of pre-determined questions relating to such Outcomes. The responses to each of these pre-determined questions shall be scored and used to assess the Contractor's level of performance against the relevant Target Performance Levels for Outcomes 1 to 6 and 8 to 11.

10.2 The list of pre-determined questions for each of Outcomes 1 to 6 and 8 to 11 are shown in Table 5 of Appendix 2.

10.3 In order to measure the Contractor's performance against Outcomes 1 to 6 (relating to Active Members), the Agency will use the questionnaire shown in Paragraph 1.6 of Appendix 2, which, prior to commencing the Quantitative Survey will be developed further for online administration, as the Contractor believes that an online methodology is most suitable for Active Members as it allows for a large representative sample of Active Members to be interviewed in an efficient and cost effective manner. Answers to the questions in the questionnaire in Paragraph 1.6 of Appendix 2 will be used by the Agency to compute the scores for each of the Outcomes, which shall be expressed as a percentage. In order to give confidence that an online methodology is suitable for Member related Outcomes the Contractor will split the Baseline Survey for Active Member related Outcomes and run half of the survey using an on-line approach and the other half using a telephone based survey. The surveys will be performed by the Agency and once they are completed the Agency will compare the resulting scores (by Outcome) to see if there are any material differences in the responses. It is recognised that some level of difference is only to be expected but this should not be material. If the Agency believes that the differences are not material then the Contractor will operate all future surveys using an online survey, without amending its surveying approach. However, if the Agency believes the differences for any one or

more Outcome are material then the Contractor will work with the Department to agree how to overcome the differences for the affected Outcomes for future surveys or how it will normalise future on line survey results to eliminate the difference between the two survey approaches for each affected Outcome (e.g. by applying a suitable weighting to the online results or continuing to use some degree of telephone surveying). In agreeing how to deal with any such anomalies, the Contractor will take due account of its commitment in Paragraph 10.5 to achieve a Confidence Level of 95% with a Confidence Interval of +/- 3%."

- 10.4 In respect of the Teachers' Pension Scheme, there are three groups of Members, namely:
- 10.4.1 "**Active Members**" (who are Teachers in work),
 - 10.4.2 "**Deferred Members**" (who are Teachers who have either left the profession or are no longer contributing to the Teachers' Pension Scheme); and
 - 10.4.3 "**Pensioner Members**" (who are those ex-Teachers who are drawing their pension and no longer working as a Teacher).
- 10.5 The Quantitative Survey will be limited to Active Members only. In order to meet an appropriate level of accuracy for the Quantitative Survey to be performed on Active Members (being a Confidence Level of 95% with a Confidence Interval of +/- 3%) the sample size for each Quantitative Survey will be at least 1,250 Active Members. The Contractor will work with the Agency to profile all Active Members (by variables such as age, gender, length of service, job role etc) and to ensure that the Quantitative Survey data is corrected for any non-response bias (i.e. the phenomenon where certain respondent types are more or less likely to respond to the survey) by weighting the survey results to ensure they are representative of the overall population.
- 10.6 In order to measure the Employer related Outcomes (namely Outcomes 8 to 11) the Quantitative Survey questioning will be conducted via telephone. Answers to the questions will be used to compute the scores for each Employer related Outcome, which will be expressed as a percentage.
- 10.7 The sample used for the survey of Employers will take into account the range of Employer types, the composition of which are dynamic and cover a variety of potential job functions that could be included. In total, at the Effective Date, there were approximately 2,400 Employers across England and Wales, but even more individuals were involved in the Teachers' Pension Scheme, as some Employers may have a team of people working on the TPS. In addition, as at the Effective Date, there were approximately 174 local authorities, which employ over 75% of all Active Members and these need to be reflected correctly in the Quantitative Survey sample.
- 10.8 The results of the Quantitative Survey for Employer related Outcomes will be measured across all Employer types and there will be no sub-group analysis by individual employer types (e.g. local authorities, further education colleges, higher education institutes etc). The measurement will have an accuracy of +/- 3% at the 95% Confidence Interval. This will require a sample of at least 650 Employers for each Quantitative Survey.
- 10.9 Taking into account all of the points documented in Paragraphs 10.6 to 10.8 above, the Contractor will organise the target sample and minimum achieved sample for Employer related Outcomes by establishment type to broadly reflect the relative importance of each establishment in terms of the number of Employees that apply to each such establishment. The Contractor will review and update this sample structure on an annual basis to ensure that it continues to broadly reflect the relative importance of each such establishment in terms of the number of Employees. The volumes to be achieved for each Quantitative Survey sample, as at the Effective Date, are as shown in Table 1 below. These figures will be updated appropriately prior to the commencement of each Quantitative Survey to achieve the Confidence Interval and Confidence Levels documented in paragraphs 10.5 and 10.8 above. Furthermore, the Contractor has agreed to use its reasonable endeavours to achieve a minimum number of 115 interviews with local authorities as a result of targeting 150 local authorities. Notwithstanding the Contractor's commitment to use reasonable endeavours to achieve these numbers, the Department acknowledges that it may not be possible to achieve the full 115 interviews. Accordingly, if the actual number of interviews achieved is less than 115, then provided the Contractor can demonstrate to the Department that it has properly

targeted 150 local authorities, the Department shall accept the lower number of actual interviews achieved and the minimum number of interviews documented in Table 1 below shall be amended accordingly.

Table 1

Establishment type	Number of Employers available for interview (by Employer type)	Target number of interviews to be achieved for each Employer type Note 1*	Minimum number of interviews to be achieved for each Employer type
Local Authority	174	150	115
Further Education College	401	100	80
Higher Education Institution	81	50	25
Others including: Independent establishments (including Independent Schools, Academies, Technical Colleges and Grant Aided Voluntary Organisations)	1,766	350	350
Total	2,422	650	Note 2*

Source: TPS 2009-10 annual accounts

Note 1* notwithstanding that the Contractor will target 150 Local Authorities each year, the Contractor will write to all 174 Local Authorities, each year, to encourage them to take part in the Quantitative Survey.

Note 2* notwithstanding the minimum numbers quoted in the column above, the aggregate total sample to be interviewed must always add up to 650

- 10.10 Each Quantitative Survey for Outcomes 1 to 6 and 8 to 11 will be carried out promptly following the end of each Contract Year commencing with the first Quantitative Survey being conducted following the end of Contract Year 1.

Measurement of Outcomes 12 and 13

- 10.11 In order to measure the Contractor's performance against Outcomes 12 and 13 a different approach will be taken than described above for Outcomes 1 to 6 and 8 to 11. This different approach is as follows:

- 10.11.1 In respect of Data quality in Outcome 12, the Data encompasses both Common Data and Conditional Data, these will each be put through the following assurance procedure:

Common Data – The Contractor will assure the quality of Common Data fields using its Data+ Tool to assess and validate the information to check the presence, format and logical consistency of the Data.

Conditional Data – The Contractor will assure the quality of Conditional Data using the Data+ Tool to check the presence, format and logical consistency of the Data.

All of the above assurance activities will be performed in accordance with the data assurance process detailed in Section 08 (entitled Data Management) of the Contractor Solution and in particular, responses to questions DM2, 4, 5 and 9 of the Statement of Service Requirements. Where assurance activity and the Data+ Tool identifies inconsistencies or errors in either Common Data or Conditional Data, corrective action will be taken in accordance with the processes set out in Section 08 (entitled Data Management) of the Contractor Solution.

- 10.11.2 In respect of the Spring Supplementary in Outcome 13, the Contractor will measure the accuracy of the Teachers' Pension Scheme income and expenditure estimates that it has provided to the Department against the relevant target Spring Supplementary stipulated

by HM Treasury. Commentary will be provided by the Contractor to the Department in the relevant monthly Finance Reports on any income or expenditure account where there is a variance greater than one million pounds. Where factors occur which either (a) were unknown to the Contractor at the time the estimate was prepared or (b) arise after the date the estimate was prepared and are outside the control of the Contractor; and either or both of these factors cause the tolerance levels to be breached, then the Contractor will detail these factors in the relevant monthly Finance Report. The Contractor and the Department shall discuss the content of the monthly Finance Report and provided the Contractor can demonstrate that the tolerance was breached due to either or both of the reasons detailed in (a) and (b) above, then the Contractor shall be deemed to have met the agreed tolerance levels.

Measurement of Outcome 7

- 10.12 The Contractor will measure Outcome 7 relating to recently retired Members (i.e. Members who have retired within the previous twelve months) using a separate survey to that described above for Active Members. In order to achieve a Confidence Level of 95% and a Confidence Interval of +/- 3% (as committed to for Active Members) the Contractor will use all reasonable endeavours to achieve a minimum of 1,030 interviews per year (assuming the number of Members retiring each year remains at 30,000 or more). Where this is not possible, the Contractor will raise the matter with the Department and the Parties will work together in good faith to agree a suitable amendment to the sample size and Confidence Level. The survey for Outcome 7 will be performed as described in Paragraph 10.13 below.

The survey for Outcome 7 will be performed throughout each Contract Year such that a Member is asked to provide a response to each of the questions listed for Outcome 7 in the questionnaire shown in Paragraph 1.6 of Appendix 2 to this Schedule soon after they have retired and whilst the recollection of the service they have received from the Teachers' Pension Scheme is still 'fresh in their mind'. Where possible, recently retired Members will be surveyed as part of the normal 'retirement process' operated by the Teachers' Pension Scheme such that the survey will be sent to each recently retired Member (along with other correspondence that is being issued to them relating to retirement) within a reasonable period after the Member has started to receive their pension payments. The survey will be performed electronically where current email addresses are available and using a paper based approach where current email addresses are not available. The responses will be gathered throughout the Contract Year by the Contractor and will be collated and analysed by the Agency who will include them in a report before they are provided to the Department each October alongside the Active Member and Employer surveys detailed above.

Measurement of Outcome 14

- 10.13 The Contractor will measure Outcome 14 immediately prior to the expiry of each Contract Year (being 30 September) using a percentage calculation. The calculation will be the percentage of active and pensioner scheme Members who have an active MyPension Online (MPO) account on that date. The figure to be used for the total population of active and pensioner members will be the data extracted for GAD in each Contract Year.

Measurement of Outcome 15

- 10.14 The Contractor will measure Outcome 15 immediately prior to the expiry of each Contract Year (being 30 September) on the basis of the number of digital transactions conducted as a percentage of the total number of transactions conducted which fall within the agreed list of potential digital transactions:

- Payroll Changes
- Death Grant Nomination Forms
- Re-employment Certificates
- Transfers
- Retirements
- Opt In

Opt Out
TR8
TR6
Partner Nominations
Complaints
Emails (STU/Support/Hartlink/Data)
Employer Portal Registrations
Barred List Registrations/Renewals
Change to Teacher Details/Address - calls
Password/PIN resets
EOYC
Monthly Contribution Slips
POD Applications
Additional Pension Elections
Webmail - Secure MPO
Change of PIN password

Measurement of Outcome 16

10.15 Outcome 16 will measure five aspects of the Operational Service and the Contractor's behaviours which demonstrate partnership working.

1. Flexibility – The Contractor adapts to changing conditions, requirements and priorities, and makes changes to solutions and delivery to meet those challenges.
2. Supportive – The Contractor understands and responds to the challenges, political drivers and parameters that the Department and the Teachers' Pension Scheme operate within.
3. Technically expert partner – the Contractor provides people and resources demonstrating expert, relevant and thorough knowledge of the Teachers' Pension Scheme, public and private sector pension schemes and the wider pension landscape.
4. Forward thinking – the Contractor considers future challenges, is progressive in planning for any future changes that may make a difference to the scheme and presents analysis to the Department ahead of the challenge.
5. Client Relationship – the Contractor continually improves by recognising the wider landscape and consulting with the Department to deliver effective, value for money services.

The five behaviours will be rated from 1 to 5, on the following basis:

- 1 = Poor – the relevant Operational Service or behaviours consistently fails to meet expectations.
- 2 = Unsatisfactory – the relevant Operational Service or behaviours are occasionally adequate but regularly fail to meet expectations.
- 3 = Adequate – the relevant Operational Service and behaviours consistently meet the minimum expected standard.
- 4 = Good - the relevant Operational Service and behaviours are consistently adequate and regularly exceed expectations.
- 5 = Excellent - the relevant Operational Service and behaviours consistently exceed expectations.

How and when will scores be determined:

At each QSB the Department will give an indication of its assessment at that stage of the year of the contractor's performance against each of the five behaviours. The QSB will provide an opportunity for the parties to discuss the evidence used in the assessment and hear the Department's views. Any issues may be addressed or alternatively the Department may re-assess its views, in light of evidence provided by the Contractor.

The assessment will be provided by the Department's senior contract manager or representative on behalf of the Department, primarily taking account of views provided by other members of the Department's pensions team, but also reflecting views of the Employer and Member representatives through Teachers' Pension Action Forum (TPAF) Group. The assessment will only reflect evidence-based views, which clearly set out the basis of the opinion and the supporting rationale. The assessment will also take account of any evidence that the contractor provide in advance of the assessment (although there will be no obligation on them to do so).

This is not intended to be a lengthy process, but will ensure that the Contractor is aware of any concerns from the Department, in order that it can address the issues before the expiry of each Contract Year. At the expiry of each Contract Year end (being 30 September), the Department will provide final scores against the behaviours, based on performance throughout the Contract Year, which will be used to calculate the Outcome Charges.

How the total score will be calculated:

Each of the five questions will be scored 1 – 5, giving a maximum score of 25. This score will be multiplied by four, to give a percentage score, e.g. scores of 3, 3, 3, 4 and 5 is a total of 18, which is 72%, scores of 2, 3, 4, 5 and 5 is a total of 19, which is a total of 76% and 4, 4, 4, 5 and 5 is 22, which is 88%.

11. REPORTING PERFORMANCE AGAINST ALL OUTCOMES

- 11.1 The results of the annual Quantitative Surveys for Outcomes 1 to 11 shall be collated, analysed and documented in a report that shall be delivered by the Contractor to the Department within two (2) months following the end of each Contract Year throughout the Term.
- 11.2 The report referred to in Paragraph 11.1 shall include a summary of the Quantitative Survey findings and a calculation of the Contractor's performance against the Target Performance Levels for each of Outcomes 1 to 11. It shall also include a calculation of the Outcome Charges payable by the Department to the Contractor (using the methodology described in Paragraph 12 below).
- 11.3 The results for Outcome 12 will be collated and included in a report that will be delivered to the Department by the tenth (10th) Working Day of October each Contract Year. The report shall include a calculation of the Outcome Charges payable by the Department to the Contractor (using the methodology described in Paragraph 12.5 below).
- 11.4 The results for Outcome 13 will be collated and included in a report that will be delivered to the Department by the tenth (10th) Working Day of May each Contract Year. The report shall include a calculation of the Outcome Charges payable by the Department to the Contractor (using the methodology described in Paragraph 12.6 below).
- 11.5 The final results for Outcomes 14, 15 and 16 will be collated and included in a report that will be delivered to the Department by the tenth Working Day of October each Contract Year. The report shall include a calculation of the Outcome Charges payable by the Department to the Contractor (using the methodology described in Paragraph 12.7 below).

12. CALCULATION OF OUTCOME CHARGES

Outcomes 1 to 11

- 12.1 If the level of performance of the Contractor in relation to Outcomes 1 to 11 during the Contract Year under review achieves the levels shown in column one of Table 2 below, then the percentage

of the relevant Outcome Charge shown in column two of Table 2 below shall be payable by the Department to the Contractor.

Table 2

Achievement of Target Increase	Percentage of Outcome Charge Payable
100%	100%
95% or above	90%
90% or above	80%
85% or above	70%
80% or above	60%
75% or above	50%
Less than 75%	Zero

12.2 For the purposes of Paragraph 12.1 above, the target increases shown in column one of Table 2 above shall be determined by reference to the increase for each individual Outcome from the baseline target level for that Outcome in Contract Year 0 to the target set for the same Outcome in the Contract Year under review. By way of an example:

Assuming:

- the baseline target for Outcome "n" was 15%, and
- the target for Outcome "n" at the end of Contract Year 1 was 20%, and
- the target for Outcome "n" at the end of Contract Year 2 was 50%,

if the Contractor only achieves a target level of 45% by the end of Contract Year 2 then it has only achieved 86% of the target increase between the baseline and the end of Contract Year 2 (i.e. 86% of (50 minus 15)).

In this example the Contractor should be paid 70% of the Outcome Charge for Outcome "n".

12.3 Where the Contractor fails to achieve the Target Performance Level for any Outcome by the end of the relevant Contract Year, then such under performance shall need to be rectified when assessing the Contractor's performance against the same Outcome in the following Contract Year in order to incentivise the Contractor to achieve the full target for that Contract Year. By way of an example:

if

- the baseline target for Outcome "n" was 15%, and
- the target for Outcome "n" at the end of Contract Year 1 was 20%, and
- the target for Outcome "n" at the end of Contract Year 2 was 50%; and
- the Contractor actually achieves 18% at the end of Contract Year 1 for Outcome "n"

then the Contractor must still achieve a target of 50% at the end of Contract Year 2 for Outcome "n".

Accordingly, if the Contractor only achieves 40% by the end of Contract Year 2 then it has only achieved 71.4% of the target increase between the baseline and the target level set for the end of Contract Year 2 (i.e. 71.4% of (50 minus 15)).

In this example the Contractor would not be paid any Outcome Charge for Outcome "n" because the achievement level is below 75%.

- 12.4 If the Contractor over achieves in any Contract Year then it shall be treated as if the Contractor has achieved 100% of the Target Performance Level and shall be paid the full Outcome Charge. No bonus shall be paid for over achievement and the over achievement shall not be carried forward into the following Contract Year. This will ensure that the Contractor aims to achieve or over achieve the Target Performance Levels for each Outcome in each Contract Year.

Outcome 12

- 12.5 In respect of Outcome 12, the Contractor's performance shall be assessed against each of the four (4) elements of Outcome 12 (namely Outcomes 12 (a) to 12(d)). The Contractor shall be entitled to receive a proportion of the Outcome Charge for Outcome 12 where the Contractor's performance against an individual element of Outcome 12 (namely Outcomes 12 (a) to 12 (d)) achieves the level shown in column 2 of Table 3. The Outcome Charge shown in columns 4 to 6 in table 3 below is expressed as a percentage of the Relevant Fixed Charge. For the avoidance of doubt, the Contractor's failure to perform against one (1) or more of the elements of Outcome 12 shall not impact upon its right to be paid for the remaining elements.
- 12.6 On the achievement of the 100% target associated with Common Data – Legacy, a single payment of £3557.46 (plus VAT) will be payable by the Department, this payment being deferred whilst the Contractor works towards achievement post the Year 1 assessment.

Table 3

Ref	Outcome			Outcome Charge payable as % of the Relevant Fixed Charge, on basis of 100% achievement of relevant target						
				Y2	Y3	Y4	Y5	Y6	Y7, Y8, Y9 & Y10	
12	The quality of new and legacy data is assured	Common data	Legacy	Non Nino	100%	100%	100%	100%	100%	100%
				NINO	97.3%	98.8%	100%	100%	100%	100%
			New	Non Nino	100%	100%	100%	100%	100%	100%
				Nino	88%	95%	100%	100%	100%	100%
		Conditional data (excluding	12 months before NRA, Member records	75%	100%	100%	100%	100%	100%	

		GMP Data)	% assured						
			Member record - % Assured	98.0%	100%	100%	100%	100%	100%

Outcome 13

12.7 In respect of Outcome 13, if the level of performance of the Contractor, during the Contract Year under review achieves the Target Performance Levels shown in Table 2 of Appendix 2, then the Contractor shall receive all of the applicable Outcome Charge for Outcome 13. If the level of performance does not achieve the Target Performance Levels shown in Table 2 of Appendix 2 then no Outcome charge shall be paid for Outcome 13. For the avoidance of doubt, the Contractor must achieve the Target Performance Levels for both Outcomes 13(a) and 13(b) in order to achieve payment of the Outcome Charge applicable to Outcome 13.

Outcomes 14 and 15

12.8 In respect of Outcomes 14 and 15, the same rationale applies for both Outcomes; achievement is measured as set out in the targets in Table 2 of Appendix 2.

12.9 Outcome 16

In respect of Outcome 16, provided the Contractor achieves a minimum score of three in all five behaviours, the percentage achievement figure in Table 4 below will be used to calculate the Outcome Charge. A score of 1 in any of the five behaviours will result in no payment against this Outcome, irrespective of performance in other areas. If a score of 2 in one of the behaviours is achieved, the Contractor will only be entitled to receive 50% of the Outcome Charge set out in Table 2 of Appendix 2. For example, if four behaviours score 5 and one behaviour scores a 2, the overall score will be 88% entitling the Contractor to 85% of the Outcome Charge for Outcome 16. However, as one of the behaviours is a score of 2, the Contractor is only entitled to receive 42.5% of the Outcome Charge for Outcome 16. In the event that two or more scores of 2 are achieved, the Contractor will receive no payment.

Table 4

Percentage Score	Percentage Payment
60%	50%
64%	55%
68%	60%
72%	65%
76%	70%
80%	75%
84%	80%
88%	85%
92%	90%
96%	95%
100%	100%

Outcomes 1 to 16

12.9 If the level of performance of the Contractor, during any Contract Year, is such that the Department is not required to make a full payment or partial payment against one or more of the Outcome Charges for Outcomes 1 to 16, then such non-payment or partial payment shall be the Department's sole and exclusive remedy for the Contractor's failure to perform against the relevant Outcomes.

13. **PAYMENT OF OUTCOME CHARGES**

- 13.1 The payment of the Outcome Charges shall be made in accordance with Paragraph 3.4 of Schedule 7.1 (Charges and Invoicing).

14. **EFFECT OF EXTERNAL IMPACTS ON OUTCOMES AND OUTCOME CHARGES**

- 14.1 The Outcomes, Outcome Target Performance Levels and Outcome Weightings for Outcomes 1 to 11, have been designed to measure the Contractor's success in implementing an Employer and Member Engagement Strategy that will bring about a clear, positive and measurable change in the attitude of both teachers and employers towards the Teachers' Pension Scheme, including, in particular the Teachers' Pension Scheme's value and the way it is administered. Accordingly, the Contractor shall not be penalised for any failure to achieve these Outcomes and/or Outcome Target Performance Levels where such failure is due to factor(s) which are outside the Contractor's control and could not be overcome by the Contractor making reasonable adjustments to the Employer and Member Engagement Strategy, where there is sufficient time and/or scope to do so before the relevant Outcome achievement is next measured. For the avoidance of doubt, factors which are outside the Contractor's control shall include any adverse change to the Teachers' Pension Scheme or the benefits that will or may be received by some or all of the Members of the Teachers' Pension Scheme or the Government and/or any applicable pension regulator making a material adverse statement about the Teachers' Pension Scheme (each an "**Adverse Event**").
- 14.2 Where an Adverse Event occurs which could not be overcome by the Contractor making reasonable adjustments to the Contractor's Employer and Member Engagement Strategy, as referred to in Paragraph 14.1 above, then the Contractor shall raise the matter with the Department and, at the request of either Party, the Parties shall promptly meet to agree the impact on the Outcomes and Outcome Target Performance Levels, including but not limited to making amendments to the scope and/or Target Performance Levels for each affected Outcome. Where it is agreed that an Adverse Event will have such a significant impact on an Outcome and/or the Contractor's ability to achieve the Outcome Target Performance Levels rendering the Outcome unreasonable or of little value, then such Outcome shall be removed from the Outcome regime and, at the agreement of the Parties, either replaced with a suitable alternative Outcome (along with suitable revised Target Performance Levels) or where the Outcome is not replaced the Outcome Charge At Risk Amount shall be re-apportioned over the remaining Outcomes such that the overall Outcome Charge At Risk Amount remains unchanged.
- 14.3 In the event that the Parties cannot agree upon the impact of an Adverse Event within thirty (30) days of a Party requesting the initial meeting referred to in Paragraph 14.2, the matter shall be referred for resolution to the Dispute Resolution Procedure. If the impact of an Adverse Event is referred to the Dispute Resolution Procedure for resolution, then part of the findings from such referral shall be a ruling on both the impact of the Adverse Event on the Contractor's ability to meet the Outcomes and Outcome Target Performance Levels and also the impact of any delays caused to the Contractor (including its ability to meet the Outcomes and Outcome Target Performance Levels) whilst it awaits the findings from the referral to the Dispute Resolution Procedure.

PART 3

MONTHLY DATA COLLECTION PERFORMANCE MEASURE

1. The Contractor shall ensure that 60% of Member data is collected via MDC by 1 October 2017 ("**MDC Target**"). If the MDC Target is not achieved, the Department shall be entitled to a deduction of the amounts payable in respect of the Services which are invoiced to the Department in November 2017. Such deduction shall be an amount equivalent to a commensurate proportion of £100,000 for example, if the MDC Target is missed by 10% such that 50% of data is collected, then £16,668 will be deducted from the amounts payable in respect of the Services i.e. $10/60 \times £100k = £16,668$. This will be a one-off deduction at the point it is measured. Such deduction shall not include VAT and the Contractor shall set-off the value of such deduction against the invoice for November 2017.

2. The Department agrees that the Contractor may advise Employers that MDC will be mandatory from 1 April 2018, however, the Department shall not be obliged to require the Contractor to proceed with such mandate. The Department shall have no liability to the Contractor if it does not require the Contractor to proceed with such mandate. This provision is without prejudice to Paragraph 1 of this Part 3.

PART 4

PERFORMANCE MONITORING

This Part 4 is to be read in conjunction with Schedule 8.1 (Governance).

1. PRINCIPAL POINTS

1.1 This Part 4 provides the methodology for monitoring the Services:

1.1.1 to ensure that the Contractor is complying with the Service Levels, KPIs and Outcomes; and

1.1.2 for identifying any Service Failures in the performance of the Contractor and/or delivery of the Services ("**Performance Monitoring System**").

1.2 Within eighty (80) Working Days of the Effective Date the Contractor shall provide the Department with a draft Performance Monitoring System which shall, as a minimum, include details of the Contractor's processes in respect of the following:

1.2.1 notifications to the Department of Service Failures and other defects in the Contractor's performance and/or delivery of the Services;

1.2.2 performance reviews;

1.2.3 Department audits;

1.2.4 the processes and systems the Contractor will put in place to monitor effectively its performance of the Services;

1.2.5 the format and content of the Performance Monitoring Report; and

1.2.6 how the Contractor will comply with the obligations set out in Part 4 of this Schedule.

1.3 The Department shall notify the Contractor within ten (10) Working Days of its receipt of the draft Performance Monitoring System and of its response (approval or rejection) to it. The draft Performance Monitoring System shall not be deemed to have been approved if no notice of approval is given during such period. If the draft Performance Monitoring System is approved by the Department it shall be adopted immediately.

1.4 If the Department gives notice of its rejection of the draft Performance Monitoring System, it shall in such notice identify the reasonable changes it requires to be made to it. The Contractor shall amend the draft Performance Monitoring System so as to incorporate the changes required by the Department and re-submit the amended draft Performance Monitoring System to the Department for approval within five (5) Working Days of receipt of the Department's rejection notice. If the Department does not approve the draft Performance Monitoring System following its resubmission to the Department pursuant to the provisions of this Paragraph 1.4, the matter shall be resolved in accordance with the Dispute Resolution Procedure.

1.5 An Outline Performance Monitoring System ("**Outline Performance Monitoring System**") has been agreed between the Department and the Contractor and is set out in Appendix 3 to this Schedule. The Outline Performance Monitoring System shall be binding upon the Contractor from the Effective Date until the Performance Monitoring System is agreed between the Parties.

1.6 The Contractor shall ensure that the Performance Monitoring System shall be maintained and updated on a monthly basis by the Contractor as may be necessary to reflect the then current state of the Services. Any updated Performance Monitoring System shall be forwarded to the Department for approval within five (5) Working Days of receipt by the Contractor of the request from the Department for the update. The Department shall be entitled to require reasonable amendments to the updated Performance Monitoring System and the Contractor shall make such

amendments and re-submit a further updated Performance Monitoring System to the Department for approval. Until such time as the updated Performance Monitoring System is approved by the Department the Performance Monitoring System then existing (that is to say prior to the update) shall continue to apply.

- 1.7 Without prejudice to the obligations imposed upon the Contractor and the rights afforded to the Department pursuant to Paragraph 1.3 of this Part 4 the Parties shall consider and review the Performance Monitoring System at the Operations Board meetings pursuant to Schedule 8.1 (Governance).
- 1.8 The Department shall be entitled to reasonably require, and the Contractor must comply with such reasonable requests for, routine changes to the Performance Monitoring System.
- 1.9 Without prejudice to the provisions of Paragraphs 1.6 to 1.8 of this Part 4 each of the Department and the Contractor shall have the right to propose any Changes to the Performance Monitoring System in accordance with the Change Control Procedure. For the avoidance of doubt, any requests for Changes to the Performance Monitoring System shall be dealt with via the Change Control Procedure.

2. **REPORTING OF SERVICE FAILURES**

- 2.1 If there is a Service Failure or if the Contractor believes that there will be a Service Failure the Contractor shall promptly:
 - 2.1.1 notify the Department in accordance with the procedure documented in Paragraph 1.19 of Part 1 of Appendix 1; and
 - 2.1.2 record full details of the Service Failure in the Service Failure Log.
- 2.2 The Department shall have the right to request copies of the full, or parts of, the Service Failure Log.
- 2.3 The Contractor shall ensure that, as a minimum, the following details are recorded by the Contractor in the Service Failure Log in respect of each Service Failure:
 - 2.3.1 a unique report number (report numbers shall be applied sequentially);
 - 2.3.2 the date and time the Service Failure occurred and is logged;
 - 2.3.3 the nature and location of the Service Failure;
 - 2.3.4 the person making the report;
 - 2.3.5 the level assigned to the Service Failure (in accordance with Paragraph 1.18 of Part 1 of Appendix 1 of this Schedule);
 - 2.3.6 the action intended to be taken or which has been taken to rectify the Service Failure;
 - 2.3.7 details of any communication with the Department's Representative in connection with the Service Failure;
 - 2.3.8 notes/comments regarding any mitigating circumstances with regard to the Service Failure;
 - 2.3.9 the Contractor's plans for remedying the Service Failure and/or for preventing the Service Failure from re-occurring including details, where applicable, of the estimated time within which such Service Failure will be remedied; and
 - 2.3.10 the reasons for any inability of the Contractor to meet the Service Level so as to resolve the Service Failure.

3. PERFORMANCE MONITORING AND PERFORMANCE REVIEW

- 3.1 Within ten (10) Working Days of the end of each Service Period, the Contractor shall provide a Performance Monitoring Report to the Department's Representative.
- 3.2 The Performance Monitoring Report shall be in the format agreed between the Department and the Contractor in writing and shall contain, as a minimum, the following information in respect of the Service Period just ended:
- 3.2.1 the monitoring which has been performed in accordance with the Performance Monitoring System with a summary of any issues identified by such monitoring;
 - 3.2.2 for each Service Level, the actual performance achieved over the Service Period, and that achieved over the previous six (6) Service Periods (or all Service Periods in the case where there has been less than six (6) Service Periods after the Operational Services Commencement Date);
 - 3.2.3 a summary of all Service Failures that occurred during the Service Period;
 - 3.2.4 the level of each Service Failure which occurred;
 - 3.2.5 which Service Failures remain outstanding and progress in resolving them;
 - 3.2.6 the cause of the Service Failure and any action being taken to reduce the likelihood of recurrence and/or to resolve the underlying cause;
 - 3.2.7 the number of Service Points awarded to each Service Failure in that Service Period;
 - 3.2.8 the Service Credits to be applied in respect of that Service Period indicating the Service Failure(s) to which the Service Credits relate;
 - 3.2.9 a rolling total of the number of Service Failures that have occurred and the amount of Service Credits that have been incurred by the Contractor over the past six (6) Service Periods (or all Service Periods in the case where there has been less than six (6) Service Periods after the Operational Services Commencement Date);
 - 3.2.10 within two (2) months following the end of each Contract Year, the actual performance achieved in the relevant Contract Year for Outcomes 1 to 10 and that achieved over the all previous Contract Years in which Outcomes 1 to 10 were measured;
 - 3.2.11 within the first ten (10) Working Days of October each year, the actual performance achieved in the relevant Contract Year for Outcome 11 and that achieved over the all previous Contract Years in which Outcome 11 was measured;
 - 3.2.12 within the first ten (10) Working Days of May each year, the actual performance achieved in the relevant Contract Year for Outcome 12 and that achieved over all previous Contract Years in which Outcome 12 was measured;
 - 3.2.13 within the first ten (10) Working Days of October each year, the actual performance achieved in the relevant Contract Year for Outcome 14, 15 and 16 and that achieved over all previous Contract Years in which Outcome 14, 15 and 16 was measured;
 - 3.2.14 relevant particulars of any aspects of the performance by the Contractor which fail to meet the requirements of the Agreement; and
 - 3.2.15 such other details as the Department may reasonably require from time to time.
- 3.3 The draft Performance Monitoring Report shall be reviewed and its contents agreed by the Parties at the Performance Review Meeting which immediately follows the issue of such report in accordance with Paragraph 3.5 of this Part 2.

- 3.4 The Contractor shall provide the Department's Representative with a quarterly written summary of the monthly Performance Monitoring Reports that have been prepared during that Quarter ("**Quarterly Summary**"). The Quarterly Summary shall be provided by the Contractor to the Department within ten (10) Working Days of the end of each Quarter, and shall be reviewed at the Performance Review Meeting which immediately follows its issue. The Quarterly Summary shall contain such details as the Department shall reasonably require.
- 3.5 The Parties shall attend Performance Review Meetings on a monthly basis (unless otherwise agreed). The Performance Review Meetings will be the forum for the review by the Contractor and the Department of the Performance Monitoring Reports and Quarterly Summaries (where relevant). The Performance Review Meetings shall (unless otherwise agreed):
- 3.5.1 take place within one (1) week of the Performance Monitoring Report being issued by the Contractor;
 - 3.5.2 take place at such location and time (within normal business hours) as the Department shall reasonably require unless otherwise agreed in advance;
 - 3.5.3 be attended by the Contractor's Representative and the Department's Representative; and
 - 3.5.4 be conducted in accordance with the general procedures for meetings set out in Schedule 8.1 (Governance).
- 3.6 The Department shall be entitled to raise any additional questions and/or request any further information regarding any Service Failure.
- 3.7 The Contractor shall provide to the Department such supporting documentation as the Department may reasonably require in order to verify the level of the performance by the Contractor and the calculations of the amount of Service Credits for any specified period.

4. **RECORDS**

- 4.1 The Contractor shall keep appropriate documents and records (e.g. Service Failure Log, Contractor Personnel records, timesheets, training programmes, queries and complaints logs etc) in relation to the Services being delivered and the other requirements to be satisfied. Without prejudice to the generality of the foregoing, the Contractor shall maintain accurate records of call histories for a minimum of twelve (12) months and provide prompt access to such records to the Department upon the Department's request. The records and documents of the Contractor shall be available for inspection by the Department and/or its nominee at any time and the Department and/or its nominee may make copies of any such records and documents.
- 4.2 The Contractor shall provide to the Department such supporting documentation as the Department may reasonably require in order to verify the level of the performance of the Contractor both before and after the Operational Service Commencement Date and the calculations of the amount of Service Credits for any specified period.
- 4.3 The Contractor shall ensure that the Performance Monitoring System and any variations or amendments thereto, Performance Monitoring Reports, Quarterly Summaries, the Service Failure Log, any other reports and summaries produced in accordance with this Schedule and any other document or record reasonably required by the Department are available to the Department on-line and capable of being printed.

APPENDIX 1

SERVICE LEVELS AND KPIS

PART 1 – SERVICE LEVELS

Service Level Descriptions

1.1 Table 3 of this Appendix 1 contains a list of the Service Levels that will apply with effect from the Operational Services Commencement Date.

1.2 Table 3 of this Appendix 1 includes the following information under each of the headings in the table:

- | | | |
|-------|---------------|--------------------------------------------------------------------------------------------|
| 1.2.1 | Number | The unique reference number for each Service Level |
| 1.2.2 | Name | The name of the Service Level |
| 1.2.3 | Service Level | A description of the Service Level |
| 1.2.4 | Target | The level of performance to be achieved |
| 1.2.5 | Frequency | The period over which the Service Level will be measured |
| 1.2.6 | Lets | The number of cases the Contractor can fail before being deemed to have failed the Target. |

By way of an example, if the Service Level Target is set at 100% and there are 5 "Lets" and the volume of cases in a particular Service Period is 1000, then provided the Contractor has met the Target for 995 cases it will be deemed to have met the 100% Target.

- | | | |
|-------|----------------|-------------------------------------------------------------------------------------|
| 1.2.7 | Service Points | The points that will accrue if the Contractor fails to achieve the relevant Target. |
|-------|----------------|-------------------------------------------------------------------------------------|

Service Level Measurement

1.3 Table 4 of this Appendix 1 contains information in respect of the measurement of the Service Levels that are listed in Table 3 of this Appendix 1 and includes the following information under each of the headings in the table.

- | | | |
|-------|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.3.1 | Service Level | A description of the Service Level, which should be identical to the corresponding Service Level description in Table 3 of this Appendix 1. |
| 1.3.2 | Tasks to be Measured | The activities to be measured in order to determine whether the Service Level Target has been met. |
| 1.3.3 | Source of Measurement Data | The source of the data and/or information to be measured to determine whether the Service Level target has been met. |
| 1.3.4 | Measurement Criteria | Clarification about how performance will be measured against the Service Level target and any issues or peculiarities that need to be taken account of. |
| 1.3.5 | Normal Hand Off Events | A summary of the normal hand off events where the Contractor will need to request information, decisions or actions from the Department and/or a third party. |

1.3.6	Justification	Provided for background information only, this explains why the Service Level was considered important enough to be included in the Service Level regime.
1.3.7	Associated KPIs	Details the KPIs which are associated with the particular Service Level.

1.4 The information in Table 4 of this Appendix 1 is intended to supplement and clarify the information in Table 3 of this Appendix 1. In the event of any conflict or inconsistency between the two tables, Table 3 shall take precedence.

1.5 Each Service Level will be measured at the frequency shown in Table 3.

1.6 The start point for the measurement of each Service Level will be the receipt of the relevant work item, which provided it is received on or before 12 noon shall be treated as 'Day 1'. Items received after 12 noon shall be treated as being received on the next Working Day which shall be treated as 'Day 1'. Hence, if a Service Level is for a 5 Working Day time period, and the trigger item (to start the measurement) is received on or before 12 noon on a Monday, the activity must be completed by close of business on Friday. However, if the trigger item (to start the measurement) is received after 12 noon on a Monday then the activity must be completed by close of business on the following Monday.

1.7 Not Used

1.8 Only Working Days will be included in the calculation of elapsed time and hence weekends and public holidays in England and Wales will be removed from any calculation of Service Level elapsed time.

1.9 The measurement of elapsed time will also take into account any Service Level relief pursuant to Paragraphs 5 and 6 of Part 1 of this Schedule.

Service Level Performance Calculation

1.10 Performance against Service Levels will be calculated as follows:

1.10.1 Information on performance will be extracted from the measurement source shown in Table 4 under the heading of "Source of Measurement Date" taking into account any case Lets shown in Table 3.

1.10.2 The performance level will then be computed in accordance with the following formula and limited to a maximum achieved level of 100%:

$$\frac{(A+B)}{C} = \text{achieved level}$$

Where:

- A = Volume of cases completed within turnaround time during the relevant measurement period
- B = The number of Service Lets applicable during the measurement period
- C = The total number of cases completed during the relevant measurement period

Service Level Points

1.11 Service Points will accrue to the Contractor where the expected Service Level Target has not been achieved. The number of Service Points will vary depending on the severity of the failure, as shown in Table 3.

Service Level Points Multiplier for Repeat Failures

- 1.12 In addition to the Service Points shown in Table 3 a ratcheting mechanism will apply to increase the number of Service Points that accrue to the Contractor in respect of each Service Level where there has been repeated or persistent failures, in accordance with Paragraph 4 of Part 1 of this Schedule.
- 1.13 The ratcheting mechanism for repeated or persistent failures (Repeat Failures) shall operate by applying a multiplier to the number of Service Points that would normally accrue to the Contractor in respect of an initial failure to meet a Service Level, as follows:

Table 1 - Multipliers for Repeat Failures

Number of Repeat Failures	Multiplier
0	1
1 st Repeat Failure	1.2
2 nd Repeat Failure	1.4
3 rd Repeat Failure	1.6
4 th Repeat Failure	1.8
5 th and each subsequent Repeat Failure	2.0

Conversion of Service Points into Service Credits

- 1.14 The total number of Service Points that accrue for all Service Levels in each Service Period shall be calculated in accordance with this Part 1 of Appendix 1 and used to determine the level of Service Credits (if any) to be paid by the Contractor to the Department for that Service Period in accordance with the following table:

Table 2 - Service Points to Service Credits

Aggregate Service Points	Service Credit Payable (as % of monthly Relevant Fixed Charge) Contract Year 1	Service Credit Payable (as % of monthly Relevant Fixed Charge) Contract Year 2	Service Credit Payable (as % of monthly Relevant Fixed Charge) Contract Years 3 - 7	Service Credit Payable (as % of monthly Relevant Fixed Charge) Contract Years 8 - 10
Less than 45	0	0	0	0
46 - 114	0.24	0.23	0.22	0.15
115 - 204	1.0	0.93	0.85	0.56
205 - 259	1.5	1.39	1.28	0.84
260 - 334	2.0	1.85	1.72	1.13
335 - 449	3.0	2.79	2.57	1.69

450 - 554	4.0	3.71	3.43	2.26
555 - 644	5.0	4.64	4.28	2.82
645 - 724	6.0	5.57	5.15	3.40
725 or Greater	7%	6.5%	6%	4%

1.15 The payment of Service Credits shall be made in accordance with Paragraph 5 of Schedule 7.1 (Charges and Invoicing).

1.16 Table 3 below documents the Service Levels to be met by the Contractor. For the avoidance of doubt the Target timescales documented in column 4 reflect the processing time to be taken by the Contractor and exclude any time taken by the Department and/or a third party to provide information, actions or decisions requested by the Contractor that are needed to complete the processing of the case:

Table 3

Service Levels

No	Name	Service Level	Target	Freq	Lets	Service Points
1	Retirement Benefit Payments	Accurately calculate and pay retirement benefits, including any appropriate lump sum payment in accordance with statutory entitlements	100% by payable date, or if a late application 100% within 10 Working Days of receiving an application form	Monthly	5	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 50 <90% = 100
2	Pension Payments	Create and operate a pension payroll schedule to ensure that pensions are paid each Working Day	100% on the due date	Monthly	0	<100% = 100
3	Change of Entitlement	Where a change of entitlement occurs, all benefits are accurately recalculated and paid to reflect statutory entitlement, including as appropriate abatement or suspension of payment	100% within 10 Working Days of notification received or becoming aware through other means.	Monthly	5	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 50 <90% = 100
4	Death Benefit Payments	The accurate and timely payment of benefits under the Teachers' Pension Scheme following the death of a Member or Pensioner	100% within 8 Working Days of receipt of the bereavement application form.	Monthly	5	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 50 <90% = 100
5	Transfers In	On receipt of all the information relevant to a transfer into the TPS, notify the Member of the service credit and issue instructions on how to proceed	a) 100% within 8 Working Days	Monthly	2	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 25 <90% = 50
		On receipt of payment, accurately update the Member record and inform the Member	b) 100% within 5 Working Days	Monthly	2	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 25 <90% = 50

6	Transfers Out	On receipt of all necessary requirements, notify the receiving scheme of the estimated transfer value	a) 100% within 8 Working Days or as required by legislation, whichever is sooner	Monthly	2	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 25 <90% = 50
		On receipt of acceptance of the estimate from the Receiving Scheme, pay the transfer value and notify them of the payment	b) 100% within 3 Working Days	Monthly	2	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 25 <90% = 50
7	Scheme Elections	The accurate and timely updating of records following an election made by the Member which will impact their membership of the Teachers' Pension Scheme and the benefits they are accruing.	100% within 5 Working Days	Monthly	5	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 50 <90% = 100
8	Employer Debt/Arrears	<p>Following the identification by TPS that arrears of pension contributions exist, obtain agreement from the Employer on:</p> <ul style="list-style-type: none"> • the level of the arrears • the arrears they are responsible for • the interest that has accrued on the arrears to an agreed relevant date • an agreed or completed payment plan <p>or</p> <ul style="list-style-type: none"> • Where the Employer is unwilling or unable as a result of insolvency to pay the arrears the case will be handed off to the Department 	a) 50% within 30 calendar days of TPS identifying the arrears	Monthly	0	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 25 <90% = 50
			b) 100% within 60 calendar days of TPS identifying the arrears	Monthly	0	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 25 <90% = 50

9	Member Debt/Arrears	Where a Member debt has been identified, recover that debt or where financial hardship is proven, agree a debt recovery plan with the Member in accordance with the Discretions Document. Where the debtor cannot be traced, refuses to repay the debt, is insolvent or in the case of a deceased Member, has left no estate, the case will be referred to the Department	a) 100% within 90 calendar days of TPS identifying the debt	Monthly	5	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 25 <90% = 50
		Where a debt recovery plan is in place, actively monitor and manage the receipt of debt payments	b) 100% within 30 calendar days of each payment due date	Monthly	0	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 25 <90% = 50
10	Contribution Reconciliation	Reconcile all monthly contributions and correctly notify the Employer of any issues that have been identified	100% within 5 Working Days	Monthly	2	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 50 <90% = 100
11	Benefit Statements	Provide complete and accurate annual benefit statements to all active Members	100% by 31 st March each year	Annual	0	<100% = 1 <99% = 5 <98% = 10 <97% = 15 <96% = 20 <95% = 50 <90% = 100

1.17 Table 4 below documents the Service Level measurement approach to be used by the Contractor for each of the Service Levels:

Table 4

Service Level Measurement

SLA No 1	Retirement Benefit Payment
Description	Accurately calculate and pay retirement benefits, including any appropriate lump sum payment in accordance with statutory entitlements
Tasks to be Measured	<ul style="list-style-type: none"> ▪ Validation and processing of the retirement application form ▪ Issue of appropriate retirement benefits
Source of Measurement Data	<ul style="list-style-type: none"> • HartLink • Workflow • Quality Assurance Reporting
Measurement Criteria	<p>Measurement will commence on the earlier of either:</p> <ul style="list-style-type: none"> a) the day of receipt of the Employer's monthly contributions and associated "Breakdown Slip"; or b) the 16th of the month (where the 16th of the month falls on a non-working day the measurement will commence on the previous Working Day). <p>The activity will be deemed as completed on the day that the payment has been reconciled to the average of the last three months Employer contributions, and for any case where an unexplained variance is identified, the Employer is contacted either by telephone, post or electronic methods.</p>
Normal Hand Off Events	<p>The normal hand off events where the Contractor will need to request information, decisions or actions are:</p> <ul style="list-style-type: none"> ▪ The collection of any information required from the Member to support and/or complete the retirement application ▪ The collection of any information required from the Employer to support and/or complete the retirement application ▪ The collection of any information required from any third party to support and/or complete the retirement application ▪ The provision of guidance from the Department in circumstances where the Contractor is required to seek this in order to complete the payment of retirement benefits
Justification	<p>The retirement application process is the most important event in the Member's pension lifecycle. A TPS pension is an important element of a Members reward package and, as such Teachers' Pension Scheme Members should be able to plan their retirement with confidence that their application will be processed accurately, and within stated timescales - regardless of the reason for their retirement. Failure to deliver in this area will potentially cause financial hardship for Members as well as reputational damage to the Teachers' Pension Scheme.</p> <p>It is important for the financial management of the Teachers' Pension Scheme to</p>

	be able to understand the nature of retirements, i.e. timing, retirement types and the value of payments.
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SLA No 2	Pension Payments
Description	Create and operate a pension payroll schedule to ensure that pensions are paid each Working Day and those payments fall within the agreed levels of tolerance*note 1
Tasks to be Measured	<ul style="list-style-type: none"> • The operation and processing of the payroll scheduler • Individual and overall payroll tolerance checks
Source of Measurement Data	<ul style="list-style-type: none"> • HartLink
Measurement Criteria	The measurement will be based on the total number of pension payment runs during the measurement period successfully completed compared with the total number of occasions when a pension payment run was scheduled for completion during the relevant period. The accuracy will be measured through the ongoing tolerance checks that are run against each payroll at both Member and payroll run level.
Normal Hand Off Events	Not Applicable
Justification	The timely and accurate payment of a pension is something a Pensioner depends upon. Failure to provide this service level may cause financial difficulties and stress for as well as reputational damage to the Teachers' Pension Scheme.

Note 1: The level of tolerance for this Service Level 2 will be agreed between the Contractor and the Department prior to Service Commencement Date as part of the process described in Paragraph 1.1 of Part 2 of Appendix 1 to this Schedule 2.2.

SLA No 3	Change of Entitlement
Description	Where a change of entitlement occurs, all benefits are accurately recalculated and paid to reflect statutory entitlement, including as appropriate abatement or suspension of payment
Tasks to be Measured	<ul style="list-style-type: none"> • Updating of HartLink record • Output to Member
Source of Measurement Data	<ul style="list-style-type: none"> • HartLink • Workflow • Quality Assurance Reporting
Measurement Criteria	<p>The measurement will commence from either:</p> <ul style="list-style-type: none"> ▪ the day of receipt by the Contractor of a notification of a change of entitlement or ▪ the Contractor becoming aware, through any other means, of a change of entitlement <p>The process will be deemed complete on the day that the change of details has been processed and confirmation of the change of entitlement issued to, or sent via electronic transfer to the relevant party.</p> <p>Accuracy of all manual updates will be assured, before confirmation is issued and the proceeds are released, through 100% quality checking and validated further through quality sampling.</p>
Normal Hand Off Events	<p>The normal hand off events where the Contractor will need to request information, decisions or actions are:</p> <ul style="list-style-type: none"> ▪ The collection of any information required from the Member to support and/or complete the change of entitlement ▪ The collection of any information required from the Employer to support and/or complete the change of entitlement ▪ The collection of any information required from any third party to support and/or complete the change of entitlement
Justification	<p>Maintaining the accuracy of Member/Pensioner benefit entitlements in the Teachers' Pension Scheme in our processes is a high priority to ensure that</p> <ul style="list-style-type: none"> • the Member receives accurate information regarding their benefit entitlements (which may influence crucial life decisions such as when to retire) • correct payments are received by the Teachers' Pension Scheme Member • assurances are provided to the Department of the consistency in the application of Teachers' Pension Scheme policies • protection of the Teachers' Pension Scheme funds/public monies are properly managed and protected • accurate statistical data is available to the Department • the good reputation of the Teachers' Pension Scheme is maintained

SLA No 4	Death Benefit Payments
Description	The accurate and timely payment of benefits under the Teachers' Pension Scheme following the death of a Member or Pensioner.
Tasks to be Measured	<ul style="list-style-type: none"> • Validation and processing of the bereavement application form • Issue of any appropriate payments
Source of Measurement Data	<ul style="list-style-type: none"> • HartLink • Workflow • Quality Assurance Reporting
Measurement Criteria	<p>The activity will be measured from the day of receipt by the Teachers' Pension Scheme of the bereavement application form and will be deemed completed on the day that the payment is released into the payment cycle by the Teachers' Pension Scheme to the claimant(s).</p> <p>Accuracy of the payment will be assured, before the proceeds are released, through 100% quality checking and validated further through quality sampling.</p>
Normal Hand Off Events	<p>The normal hand off events where the Contractor will need to request information, decisions or actions are:</p> <ul style="list-style-type: none"> ▪ The collection of any information required from the Member's dependents or personal representatives to support and/or complete the payment of death benefits ▪ The collection of any information required from the Employer to support and/or complete the payment of death benefits ▪ The collection of any information required from any third party to support and/or complete the payment of death benefits ▪ The provision of guidance from the Department in circumstances where the Contractor is required to seek this in order to complete the payment of death benefits
Justification	<p>Payment of benefits under the Teachers' Pension Scheme is a key process and errors and delays may cause financial hardship to a Member's/Pensioner's family and dependants and, at a very emotional time, it may also cause reputational damage to the Teachers' Pension Scheme. Paying these benefits in a timely and accurate manner is crucial.</p> <p>It is important for the financial management of the Teachers' Pension Scheme to be able to understand the number of deaths types and the value of associated payments.</p>

SLA No 5	Transfers In
<p>Description</p>	<p>SLA 5 a) On receipt of all the information relevant to a transfer into the TPS, notify the Member of the service credit and issue instructions on how to proceed or notify the Member that they do not satisfy the eligibility criteria SLA 5 b) On receipt of payment, accurately update the Member record and inform the Member</p>
<p>Tasks to be Measured</p>	<ul style="list-style-type: none"> • Calculation of service credit and issue of documentation to the Member • Updating of Member's record on HartLink • Issue of rejection letter where appropriate
<p>Source of Measurement Data</p>	<ul style="list-style-type: none"> • HartLink • Accounting system • Workflow • Quality Assurance Reporting
<p>Measurement Criteria</p>	<p>SLA 5 a) Measurement of timeliness will commence on the day of receipt by Teachers' Pensions of a Transfer In application and be deemed complete once the Transfer Quotation, which incorporate the Members service credit, has been issued to the Member or confirmation that the request is invalid is issued.</p> <p>SLA 5 b) Measurement of timeliness will commence on the day of receipt by Teachers' Pensions of a Transfer In payment. The activity will be deemed complete on the day that the Member's record has been updated to include the transferred service, and the notification of the update to the service record issued to the Member</p> <p>Accuracy of the payment will be assured, before the proceeds are released, through 100% quality checking and validated further through quality sampling.</p>
<p>Normal Hand Off Events</p>	<p>The normal hand off events where the Contractor will need to request information, decisions or actions are:</p> <ul style="list-style-type: none"> ▪ The collection of any information required from the Member to support and/or complete the transfer in ▪ The collection of any information required from any third party to support and/or complete the transfer in
<p>Justification</p>	<p>The decision by a Member to transfer service credits from other eligible pension schemes should be based on a clear and accurate quotation which is provided by in a timely manner.</p> <p>It is important for the financial management of the Teachers' Pension Scheme to be able to understand the nature of transfer into the TPS, i.e. timing, type of previous pension scheme and value of payments.</p>

SLA No 6	Transfers Out
Description	<p>SLA 6 a) On receipt of a Transfer out request, notify the receiving scheme of the estimated transfer value where the Member is eligible to transfer their TPS benefits to the new scheme. Where the Member is not eligible to transfer their TPS benefits notify the new scheme.</p> <p>SLA 6 b) On receipt of acceptance of the estimate from the Receiving Scheme, pay the transfer value and notify them of the payment</p>
Tasks to be Measured	<ul style="list-style-type: none"> • Collection of any missing data, e.g. service or GMP • Processing of estimate • Issue of the transfer value payment
Source of Measurement Data	<ul style="list-style-type: none"> • HartLink • Accounting system • Workflow • Quality Assurance Reporting
Measurement Criteria	<p>a) The time taken to process this activity will commence from the day of receipt by Teachers' Pensions of a request/application for a Transfer Out from the Receiving Scheme. The case will be deemed complete on the day that the transfer estimate has been issued to the Receiving Scheme. In the event that an application is received and the Receiving Scheme does not meet the required criteria for the transfer, the process will be deemed as complete on the day that a letter is issued informing the Receiving Scheme that the transfer cannot proceed.</p> <p>Accuracy of the transfer estimate will be assured, before the estimate is issued, through 100% quality checking and validated further through quality sampling.</p> <p>b) Timeliness for this measure will commence once the authorised acceptance of the estimate for the Transfer Out is received, and be deemed complete once the payment is released into the payment cycle and the transferred out service record for the Member is updated. In the event that a request is received outside the guarantee period of the estimate, the process will be deemed complete on the day that a letter, outlining the reasons why the transfer cannot be progressed, is issued to the Receiving Scheme by, including but not exclusive to, post or an electronic communication</p> <p>Accuracy of the payment will be assured, before the proceeds are released, through 100% quality checking and validated further through quality sampling.</p>
Normal Hand Off Events	<p>The normal hand off events where the Contractor will need to request information, decisions or actions are:</p> <ul style="list-style-type: none"> ▪ The collection of any information required and/or confirmation required from the Member to support and/or complete the payment of the transfer out ▪ The collection of any information required from the Employer to support and/or complete the payment of the transfer out ▪ The collection of any information required from any third party to support and/or complete the payment of the transfer out ▪ The provision of guidance from the Department in circumstances where the Contractor is required to seek this in order to complete the transfer out
Justification	<p>The decision for a Member to transfer their pension to another scheme is an important one, and can have a major impact upon the pension they receive. It is very important that TPS deal with requests in a timely and accurate manner as the Member's future</p>

benefit being adversely affected by any delay to the transfer caused by the TPS.

It is important for the financial management of the Teachers' Pension Scheme to be able to understand the nature of transfer out of the TPS, i.e. timing, destination and value of payments.

SLA No 7	Scheme Elections
Description	The accurate and timely updating of records following an election made by the Member which will impact their membership of the Teachers' Pension Scheme, the benefits they are accruing or their beneficiary in the event of their death
Tasks to be Measured	<ul style="list-style-type: none"> • Updating of Member record on HartLink • Output to Member and any other relevant body
Source of Measurement Data	<ul style="list-style-type: none"> • HartLink • Workflow • Quality Assurance Reporting
Measurement Criteria	<p>Measurement will commence for each election upon the day of receipt by Teachers' Pensions of an election application or nomination form. The election will be deemed as being complete on the day that the Member's record is updated and confirmation of the update issued to the Member and any other relevant party.</p> <p>Accuracy of manual updates will be assured, before confirmation of the election is issued, through 100% quality checking and validated further through quality sampling.</p>
Normal Hand Off Events	<p>The normal hand off events where the Contractor will need to request information, decisions or actions are:</p> <ul style="list-style-type: none"> ▪ The collection of any information required from the Member to support and/or complete the scheme election ▪ The collection of any information required from the Employer to support and/or complete the scheme election
Justification	<p>The inclusion of elections within the SLAs will ensure key decisions, made by the Member regarding their pension will be measured at various stages of the pension's lifecycle.</p> <p>Accurate statistical data is available to the Department to enable policy decisions to be made about the future direction of the TPS.</p>

SLA No 8	Employer Debt/Arrears
<p>Description</p>	<p>Following the identification by TPS that arrears of pension contributions exist, obtain agreement from the Employer on:</p> <ul style="list-style-type: none"> • the level of the arrears • the arrears they are responsible for • the interest that has accrued on the arrears to an agreed relevant date • an agreed or completed payment plan <p>or</p> <ul style="list-style-type: none"> • Where the Employer is unwilling or unable as a result of insolvency to pay the arrears the case will be referred to the Department with a suitable summary of the case and a recommendation on how we believe the Department should proceed.
<p>Tasks to be Measured</p>	<ul style="list-style-type: none"> • The issue of the notification to the Employer of the arrears of contributions and interest • The agreement to a recovery plan proposed by the Employer or the referral to the Department
<p>Source of Measurement Data</p>	<ul style="list-style-type: none"> • HartLink • Accounting system • Financial statement
<p>Measurement Criteria</p>	<p>SLA 8 a) & b) Measurement will commence on the day which the arrears of the contributions have been identified by Teachers' Pensions, and be deemed complete when agreement is reached with the Employer: about:</p> <ul style="list-style-type: none"> • the level of the arrears; • the arrears they are responsible for; • the interest that has accrued on the arrears to an agreed relevant date; and • an agreed or completed payment plan <p>or</p> <ul style="list-style-type: none"> • the case is handed off to the Department.
<p>Normal Hand Off Events</p>	<p>The normal hand off events where the Contractor will need to request information, decisions or actions are:</p> <ul style="list-style-type: none"> ▪ The collection of any information required from the Employer to support and/or complete the assessment and validation of the arrears ▪ The provision of guidance from the Department in circumstances where the Contractor is required to seek this in order to complete the assessment, validation and collection of arrears
<p>Justification</p>	<p>The collection of Employer contributions is vital to the on-going management of the Teachers' Pension Scheme. Identifying and then collecting arrears of contributions is a key financial control and will help reduce Teachers' Pension Scheme debt.</p>

SLA No: 9	Member Debt/Arrears
<p>Description</p>	<p>SLA 9 a) Where a Member debt has been identified, recover that debt or where financial hardship is proven, agree a debt recovery plan with the Member in accordance with the Discretions Document. Where the debtor cannot be traced, refuses to repay the debt, is insolvent or in the case of a deceased Member, has left no estate, the case will be referred to the Department with a suitable summary of the case and a recommendation on how we believe the Department should proceed.</p> <p>SLA 9 b) Where a debt recovery plan is in place, actively monitor and manage the receipt of debt payments</p>
<p>Tasks to be Measured</p>	<p>a) The measurement will start from the identification of the debt until a recovery plan is in place or the case has been referred to the Department.</p> <p>b) The bank statement is checked to confirm that the appropriate instalment has been received as a cleared payment on the appropriate date and where it is not received the debtor is contacted. Where payment is made by deduction from pension the HartLink record is checked to confirm that the pension is still in payment and, where this is not the case, appropriate action is taken.</p>
<p>Source of Measurement Data</p>	<ul style="list-style-type: none"> • HartLink • Accounting system • Financial statement
<p>Measurement Criteria</p>	<p>SLA 9 a) Measurement will commence on the day that the debt has been identified by the Contractor and will be completed when a suitable repayment plan is agreed or when the case has been referred to the Department.</p> <p>SLA 9 b) Measurement will commence on the day after the recovery plan payment is due and will be deemed as completed on the day that the funds are noted as being cleared or communication is issued to the Member, either by telephone, post or electronic methods, to request a missed instalment.</p>
<p>Normal Hand Off Events</p>	<p>The normal hand off events where the Contractor will need to request information, decisions or actions are:</p> <ul style="list-style-type: none"> ▪ The provision of guidance from the Department in circumstances where the Contractor is required to seek this in order to complete the validation and/or payment of arrears
<p>Justification</p>	<p>The collection of Employer contributions is vital to the on-going management of the Teachers' Pension Scheme. Identifying and then collecting arrears of contributions and overpayments are key financial controls and will help reduce Teachers' Pension Scheme debt.</p>

SLA No 10	Contribution Reconciliation
Description	Reconcile all monthly contributions and correctly notify the Employer of any issues that have been identified
Tasks to be Measured	<ul style="list-style-type: none"> • Reconciling that the contributions received match the remittance slip. Where these do not match the Employer is contacted for an explanation. • Validation that the contributions satisfactorily compare to those received in the previous 3 months and are within a tolerance range previously agreed with the Department. Where the contributions are not within the agreed tolerance range the Employer is contacted for an explanation of the discrepancy. • Where data returns are received on a monthly basis the contributions received are compared to the total salary bill on the data return. Where this is within a tolerance range previously agreed with the Department no further action is taken. Where the results of the comparison are outside of the agreed tolerance range the Contractor will contact the Employer to request an explanation.
Source of Measurement Data	<ul style="list-style-type: none"> • Accounting system • Financial statement
Measurement Criteria	<p>Measurement will commence on the earlier of either::</p> <ul style="list-style-type: none"> • the day of receipt of the Employer's monthly contributions and associated Breakdown slip ; or • the 16th of the month (where the 16th falls on a non-working day the measurement will commence on the previous working day) <p>The activity will be deemed as completed on the day that the payment has been reconciled to the average of the last three months. Employer contributions, and for any case where an unexplained variance is identified, the Employer is contacted by either telephone, post or electronic methods.</p>
Normal Hand Off Events	<p>The normal hand off events where the Contractor will need to request information, decisions or actions are:</p> <ul style="list-style-type: none"> ▪ The provision of guidance from the Department in circumstances where the Contractor is required to seek this in order to complete the reconciliation of contributions
Justification	<p>This measure has been included in recognition of the importance for records and payments held to be as accurate as possible, and to prevent the volume and monetary value of any arrears in contributions increasing unnecessarily. Ensuring that where discrepancies in contribution details occur, they are identified and rectified in a timely manner, providing assurances to the Department and the National Audit Office.</p>

SLA No 11	Benefit Statement
Description	Provide complete and accurate annual benefit statements to all active Members
Tasks to be Measured	<ul style="list-style-type: none"> • Loading into HartLink service and salary data • Loading into HartLink state retirement data from DWP • Creation of print files where applicable • Issue of document, either physically or electronically
Source of Measurement Data	<ul style="list-style-type: none"> • HartLink • Quality Assurance Reporting
Measurement Criteria	The measure will assess the percentage of active Members who are issued an Annual Benefit Statement, either physically or electronically, as part of the annual statement exercise or on an ad hoc basis for the calendar year ending 31st March, taking into account any changes in details that are received by the Contractor up to three weeks prior to the issuing of the statement.
Normal Hand Off Events	Not Applicable
Justification	The provision of the Annual Benefit Statement is a key process for the administration of the TPS. Not only does it provide the Member with vital information to assist them in planning their retirement, but also provides the vehicle for any service inaccuracies to be highlighted with the Employer

- 1.18 Table 5 below documents the Severity Levels applicable to each Service Failure.
- 1.19 In the event that a Service Failure arises, the Contractor will notify the Department within the timescales shown in Table 5 below in the column headed "Notification Period".
- 1.20 In addition to notifying the Department of each event of Service Failure, the Contractor shall, as part of the same notification procedure, notify the Department of each Service Notification Event, as detailed in Table 5 below.
- 1.21 In the event that the Department disagrees with the Contractor's categorisation of any Service Failure it shall promptly raise the matter with the Contractor and the Parties shall act expeditiously to resolve the difference of opinion and agree a mutually agreeable categorisation. In the event that the Parties cannot reach agreement the matter shall be referred to the Dispute Resolution Procedure. At the point that the matter is referred to the Dispute Resolution Procedure until such time as the matter is finally resolved, the Contractor shall treat the Service Failure as having the categorisation determined by the Department.

Table 5

Service Failure and Service Notification Event Severity Levels

Severity Level	Severity Categorisation	Description	Notification Period
1	Critical	<p>A Service Failure that will cause the Contractor to incur maximum Service Points on any Service Level.</p> <p>A Service Notification Event that:</p> <p>(a) has or will cause the Contractor to stop work on a number of Services; or</p> <p>(b) will or is likely to cause the Contractor to materially fail to meet more than one Service Level in the relevant Service Period; or</p> <p>(c) may or will cause embarrassment or reputational issues for the Department.</p>	<p>Department to be notified within 2 hours of the Contractor becoming aware of the Service Failure or Service Notification Event.</p> <p>The notification shall be by telephone and shall, promptly thereafter be confirmed in writing (which shall include e-mail confirmation).</p>
2	Important	<p>A Service Notification Event that is likely to have a material detrimental effect on the Contractor's ability to meet one or more Service Levels.</p>	<p>Department to be notified within 24 hours of the Contractor becoming aware of the Service Notification Event.</p> <p>The notification shall be by telephone and shall, promptly thereafter be confirmed in writing (which shall include e-mail confirmation).</p>
3	Minor	<p>All Service Failures that have not been notified under Severity Level 1 above.</p> <p>All KPI failures.</p> <p>All failures to meet the Statement of Service Requirements.</p> <p>All Service Notification Events that are not classified as Severity 1 or 2.</p>	<p>Department to be notified as part of the regular monthly reporting.</p>

PART 2 – KPIs

1.1 The KPIs detailed below will be updated following the Effective Date using the following procedure:

1.1.1 The KPIs detailed below will be updated and agreed as part of the process referred to in Paragraph 1 of Part 4 of Schedule 2.2 (which is set up to agree the Performance Monitoring System). As part of the process referred to in Paragraph 1 of Part 4 of Schedule 2.2 the Contractor will review the existing KPIs to determine whether:

- a) they remain acceptable as drafted; or
- b) they need to be amended; or
- c) new KPIs are required;

in order to ensure that the resulting list of KPIs achieves the following criteria:

- (i) the KPIs represent the key activities that support each of the Service Levels listed in Tables 3 and 4 of Part 1 of Appendix 1 of this Schedule 2.2; and
- (ii) the KPIs address the key activities that need to be performed by the Department and/or third parties in connection with each of the Service Levels, notwithstanding that such activities may be outside of the measurement period for the Contractor’s achievement of the associated Service Level.

1.1.2 Once the KPIs have been agreed in accordance with Paragraph 1.1.1 above then the list of KPIs associated with each of the Service Levels listed in Table 4 of Part 1 of Appendix 1 of this Schedule 2.2 shall also be updated to reflect the new list of KPIs. For the avoidance of doubt, the updating of these tables shall be performed as part of the activities and within the timescales referred to in Paragraph 1.1.1 above.

1.1.3 The Parties agree that if, as a result of adding KPIs or amending the timescales for measuring any KPIs in accordance with Paragraph 1.1.1 above it becomes apparent that the measurement period included in the relevant Service Level is inappropriate, then the Parties will agree a suitable amendment to the measurement period for the Service Level such that the Service Level and associated KPIs are suitably aligned in terms of measurement periods.

1.1.4 As part of the KPI review detailed in paragraphs 1.1.1 to 1.1.3 above the Contractor shall also review the KPIs that are not linked to Service Levels to ensure that they are accurate and complete. Any amendments that are required to be made to such KPIs shall be discussed and agreed with the Department.

1.1.5 The changes to the KPIs and Service Levels referred to in paragraphs 1.1.1 to 1.1.4 above shall be incorporated into the Agreement using the Change Control Procedure.

Table 1

Key Performance Indicators

No	Name	Freq.	KPI	Target
1	Complaints / Appeals	Monthly	Where all information has been received: a) All complaints to be fully completed. b) 2nd Stage IDRP review case	100% within 10 Working Days)

			and provide case summary / draft letter to Department	
2	Correspondence	Monthly	Respond to all web and paper based correspondence, and telephony enquires requiring written response.	98% within 10 Working Days
3	Telephony	Monthly	Answer all calls within 15 seconds of the IVN being selected.	80%
4.1	Quality Sampling – back office	Monthly	Sample back office activity to assess processing and quality.	97% of all cases provide quality assurance
4.2	Quality Sampling – Call Centre	Monthly	Sample call centre activity to assess handling quality.	97% of all sampled cases provide quality assurance
5	Re-employment	Monthly	Where all information has been received, calculate effect of re-employment on pension and inform Pensioner	100% within 6 Working Days

1.2 Table 2 below shows how each of the KPIs will be measured.

1.3 For the purposes of measuring individual KPIs, only Working Days will be included in the calculation of elapsed time and hence weekends and public holidays in England and Wales will be removed from any calculation of KPI elapsed time.

1.4 The measurement of elapsed time will also take into account any KPI relief pursuant to Paragraph 6 of Part 1 of this Schedule.

Table 2**KPI – Measurement**

KPI No. 1a	Complaints
Activity Description	Action complaint
Measurement Criteria	Measurement commences from the receipt of the complaint until the updated decision is issued.
KPI No. 1b	IDRP
Activity Description	Review case and provide case summary / draft letter to Department
Measurement Criteria	Measurement commences the day after the dispute is logged and ends when the case has been passed to the Department.
KPI No. 2	Correspondence
Activity Description	Issue responses to correspondence both web and paper based, and those telephony cases that require written response
Measurement Criteria	Measurement commences on receipt of the query and end with the issue of a response.
KPI No. 3	Telephony
Activity Description	Answer 80% of all calls within 15 seconds of the IVN being selected
Measurement Criteria	Measurement commences after the IVN has been selected and ends when the caller speaks to an operator.
KPI No. 4.1	Quality Sampling – Back Office
Activity Description	Sample back office activity to assess processing and quality
Measurement Criteria	Measurement is based upon the number cases accurately and correctly processed in relation to the overall population of the preceding month.
KPI No. 4.2	Quality Sampling – Call Centre
Activity Description	Sample call centre activity to assess call handling quality
Measurement Criteria	Measurement is based upon the score achieved by call centre staff against the TP Call Monitoring standard.
KPI No. 5	Re-employment
Activity Description	Calculating effect of re-employment on pension and inform Pensioner
Measurement	The measurement will commence when all the information required to

Criteria	reassess the pension has been received and will end following the issue of the reassessment letter to the retired Member together with details of any overpayment. The time taken in obtaining any additional information will be excluded from the measurement period, e.g. further information about salary or service from an Employer. The time taken in obtaining the tax position will be excluded from the measurement period
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APPENDIX 2

OUTCOMES

1.1 Table 1 below lists the Outcomes.

Table 1

Outcomes

Ref	Outcome
Members	
1	Not used
2	Members understand the value of their pension
3	Members are actively planning for their retirement
4	The teachers' pension is an important factor when Members make a decision to stay in teaching
5	Members regularly receive information about their pension and are satisfied with the quality
6	Members who contact Teachers' Pensions about their pension are satisfied with the timeliness and quality of the response
7	Recently retired members are satisfied with the support they received from Teachers' Pensions as they planned for their retirement
Employers	
8	Employers use the TPS as a form of incentive or encouragement in teacher recruitment and retention
9	Employers are satisfied with the service and the information that they receive from Teachers' Pensions
10	When employers contact Teachers' Pensions they receive a timely and accurate response to enquiries
11	Employers engage with Teachers' Pensions
Miscellaneous	
12	The Quality of new and legacy data is assured
13	The Spring Supplementary income/expenditure exercise is completed on time and the accuracy of the exercise is within the agreed target ranges.
Delivered as part of contract extension	

14	Percentage of active and pensioner members who have an MPO account
15	Percentage of transactions that could potentially be conducted digitally, which have been conducted digitally
16	Partnership working

*Note 1: subject to change with effect from the Operational Services Commencement Date in accordance with the process set out in Paragraph 4 of Part 2 of this Schedule.

**Note 2: the annual increases to the Target Performance Levels for Outcomes 1 6 and 8 to 11 in Years 4 to 7 are set at a more modest level than for years 1 to 3. This is because the Contractor has planned to achieve a high Target Performance Level within the first three (3) years and thereafter a considerable amount of effort will be required just to sustain such high levels of performance and hence any increase would not be practicable or represent good value for money.

***Note 3: this excludes Members captured in 12 (C) and those above normal retirement age.

****Note 4: the assurance process being measured for the purposes of Outcome 12 is as detailed in Paragraph 10.11 of Part 2 of this Schedule 2.2.

*****Note 5: The Target Performance Levels for Outcome 7 will be agreed prior to the Service commencement Date in accordance with the process set out in Paragraphs 4.6 and 4.7 of Part 2 of this Schedule.

1.2 Table 3 below shows the Weightings applicable to each of the Outcomes.

Table 3

Outcome Weightings

Ref	Outcomes Year 0 to Year 3	Weighting
1	Not used	n/a
2	Members understand the value of their pension	12%
3	Members are actively planning for their retirement.	12%
4	The teachers' pension is an important factor when Members make a decision to stay in teaching	5%
5	Members regularly receive information about their pension and are satisfied with the quality	5%
6	Members who contact Teachers' Pensions about their pension are satisfied with the timeliness and quality of the response	5%
7	Recently retired members are satisfied with the support they received from Teachers' Pensions as they planned for their retirement	6%

			Subtotal : 45%
8	Employers use the Teachers' Pension Scheme as a form of incentive or encouragement in Teacher recruitment and retention		10%
9	Employers are satisfied with the service that they receive from the Teachers' Pension Scheme		12.5%
10	Employers receive timely and accurate responses from the Teachers' Pension Scheme		12.5%
11	Employers engage with the Teachers' Pension Scheme		10%
			Subtotal: 45%
12	The quality of new and legacy data is assured		6%
13	The Spring Supplementary income/expenditure exercise is completed on time and the accuracy of the exercise is within the agreed target ranges		4%
		Total:	100%

Ref	Outcomes Year 4 to Year 10	Weighting
1	Not used	
2	Members understand the value of their Teachers' Pension	11%
3	Members are actively planning for their retirement (including pensions and other investments)	11%
4	Not used	
5	Members regularly receive information about their pension and are satisfied with its quality	4%
6	Members who contact the Teachers' Pension Scheme about their pension are satisfied with the timeliness and quality of the response	4%
7	Recently retired Members are satisfied with the support they received from Teachers' Pension Scheme as they planned for their retirement	5%

			Subtotal : 35%
8	Not used		
9	Employers are satisfied with the service that they receive from the Teachers' Pension Scheme		12.5%
10	Employers receive timely and accurate responses from the Teachers' Pension Scheme		12.5%
11	Employers engage with the Teachers' Pension Scheme		10%
			Subtotal : 35%
12	The quality of new and legacy data is assured		6%
13	The Spring Supplementary income/expenditure exercise is completed on time and the accuracy of the exercise is within the agreed target ranges		4%
			Subtotal 10%
14	Percentage of active and pensioner members who have an MPO account		6.5% (plus 1% of the Fixed Charge from 2018)
15	Percentage of transactions that could potentially be conducted digitally, which have been conducted digitally		6.5% (plus 1% of the Fixed Charge from 2018)
16	Partnership working		7%
		Total:	100%

1.4 Table 5 below shows the list of pre-determined questions for each of Outcomes 1 to 11.

Table 5

Outcome Questions

Ref	Outcome (showing pre-determined questions for each Outcome)
1	Not used
2	<p>Members understand the value of their pension.</p> <p>Sub-questions comprising the measure:</p> <p>2.1 If you wanted to check the current value of your pension, which of the following would be the best place to go for this information?</p> <p>2.2 And if you wanted to forecast or model the amount of pension you're likely to receive on retirement, which of the following would be the best place for you to go for this information?</p> <p>2.3 Before today, which of these options (if any) did you know were available to members of the Teachers' Pension Scheme?</p> <p>i) Buying Additional Pension</p> <p>ii) Making Additional Voluntary Contributions (AVCs)</p> <p>iii) Taking phase retirement</p> <p>2.4 How much if anything, would you say you understand about these options?</p>
3	<p>Members are actively planning for their retirement.</p> <p>Sub-questions comprising the measure:</p> <p>3.1 In relation to your Teachers' Pension, which of the following actions, if any, have you taken or thought about taking over the past 12 months with a view to planning for your retirement?</p>
4	<p>The teachers' pension is an important factor when Members make a decision to stay in teaching.</p> <p>To what extent do you agree or disagree with the following statements:</p> <p>4.1 The Teachers' Pension Scheme is a valuable benefit to me as a Teacher.</p> <p>4.2 The Teachers' Pension Scheme is one of the factors that discourages me from leaving the teaching profession.</p> <p>4.3 In the last 12 months have you considered opting out of the Teachers' Pension Scheme?</p> <p>4.4 Why have you considered opting out of the Teachers' Pension Scheme?</p>
5	<p>Members regularly receive information about their pension and are satisfied with the quality.</p> <p>Sub-questions comprising the measure:</p> <p>5.1 Over the past 12 months, which of the following communications, if any, have you received from the Teachers' Pension Scheme?</p> <p>5.2 How satisfied or dissatisfied were you with the communication?</p>
6	<p>Members who contact Teachers' Pensions about their pension are satisfied with the timeliness and quality of the response.</p> <p>Sub-questions comprising the measure:</p> <p>6.1 Have you contacted TP over the last 12 months?</p> <p>6.2 Over the past 12 months, which of the following methods have you used to contact the Teachers' Pension Scheme?</p> <p>6.3 Thinking about when you contacted the Teachers' Pension Scheme in the past 12 months</p>

	<p>by <contact type> was this for/to:</p> <p>6.4 On balance, when you contacted the Teachers' Pension Scheme by <contact type> do you receive responses that are timely, or not?</p> <p>6.5 On balance, when you contacted the Teachers' Pension Scheme by <contact type> do you receive responses that are relevant, or not?</p> <p>6.6 On balance, when you contacted the Teachers' Pension Scheme by <contact type> do you receive responses that are useful, or not?</p> <p>6.7 When you contacted the Teachers' Pension Scheme by <contact type>, on balance how satisfied or dissatisfied are you with their response?</p>
7	<p>Recently retired members are satisfied with the support they received from Teachers' Pensions as they planned for their retirement.</p> <p>Sub-questions comprising the measure:</p> <p>7.1 Were you contacted by, or did you receive any information from, Teachers' Pensions in the 12 months before you retired?</p> <p>7.2 Which of the following things, if any, did Teachers' Pensions contact you with in the 12 months before you retired?</p> <p>7.3 How satisfied or dissatisfied were you with the relevance and usefulness of the information that you received?</p> <p>7.4 To what extent do you agree or disagree with the following statement? I understood enough about the Teachers' Pension Scheme to make an informed decision about how and when to retire</p> <p>7.5 And to what extent do you agree or disagree with the following statement? When I applied for my retirement benefits I understood the level of pension benefit I would receive</p> <p>7.6 Did you contact Teachers' Pensions in the 12 months before you retired?</p> <p>7.7 What did you contact the Teachers' Pensions about in the 12 months prior to retirement?</p> <p>7.8 Thinking about when you contacted Teachers' Pensions, how satisfied or dissatisfied were you with the content of the response?</p> <p>7.9 And again thinking about when you contacted Teachers' Pensions, how satisfied or dissatisfied were you with the timeliness of the response?</p>
8	<p>Employers use the TPS as a form of incentive or encouragement in teacher recruitment and retention</p> <p>Sub-questions comprising the measure:</p> <p>8.1 How often, if at all, do you highlight the Teachers' Pension Scheme as a benefit during the recruitment and/or retention of teaching staff?</p> <p>8.2 Does your organisation employ anyone who is eligible to be a member of the Teachers' Pension Scheme, but has chosen to opt out?</p> <p>8.3 In the last twelve months, have you promoted Teachers' Pensions services to staff who have previously opted out of the Teachers' Pension Scheme?</p> <p>8.4 As an employer, do you provide alternative pension scheme arrangements for staff who have previously opted out of the Teachers' Pension Scheme?</p>
9	<p>Employers are satisfied with the service and the information that they receive from Teachers' Pensions</p> <p>Sub-questions comprising the measure:</p> <p>9.1 Over the past 12 months, have you received any information from the following services provided by Teachers' Pensions?</p> <p>9.2 Overall, how satisfied or dissatisfied are you with the information you have received from these services provided by Teachers' Pensions over the past 12 months?</p> <p>9.3 How satisfied or dissatisfied are you with the overall service you have received from Teachers' Pensions over the last twelve months?</p> <p>9.4 In your opinion, how easy or difficult has it been to do business with Teachers' Pensions</p>

	over the last 12 months?
10	<p>When employers contact Teachers' Pensions they receive a timely and accurate response to enquiries</p> <p>Sub-questions comprising the measure:</p> <p>10.1 Have you made any enquiries to Teachers' Pensions over the past twelve months?</p> <p>10.2 On balance, Teachers' Pensions has given accurate responses to my enquiries</p> <p>10.3 Given the nature of my enquiries to Teachers' Pensions, I received a timely response</p> <p>10.4 I am able to access the Teachers' Pensions service when I need it through my preferred channel (phone, web, etc.).</p>
11	<p>Employers engage with Teachers' Pensions</p> <p>Sub-questions comprising the measure:</p> <p>11.1 Over the last 12 months, how frequently, if at all, have you used Teachers' Pensions online services?</p> <p>11.2 Which, if any, of the following Teachers' Pensions events and services are you aware of?</p> <p>11.3 Teachers' Pensions <event> are relevant for my needs</p> <p>11.4 Teachers' Pensions <event> are easily accessible for me</p> <p>11.5 And have you participated in a Teachers' Pensions <event> in the last 12 months?</p> <p>11.6 In your opinion, how good or poor was the Teachers' Pensions <event>?</p> <p>11.7 Why have you not participated in a Teachers' Pensions <event> in the past 12 months?</p>

1.6 Below is the measurement questionnaire to be used to measure the performance of Outcomes 1 to 11 as described in Paragraph 10.3 of Part 2 of this Schedule 2.2.

**TPS Member & Employer Outcome Measure
Questionnaires**

Part 1 - Derivation of Member Outcome Measures

- A Are you currently a Member of the Teachers' Pension Scheme?
Yes – continue
No – close
Don't know – close

Background details to be captured:

- B Respondent's Gender
- C Respondent's Age group:
30 or under
31 – 39
40 – 49
50 – 60
61 or over
- D Respondent's Region
- E Respondent's Length of teaching service
- F Current job role

Measure 1: Members understand the make up of their pension contributions and the future pension they will receive

Calculation of score: add scores across all respondents and derive average to get an overall value, the maximum for which would be 100

- 1.1 To what extent do you know the annual income level you will receive from your Teachers' Pension upon retirement?

I have a very good knowledge of the income I can expect to receive (50)

Good knowledge (45)

Some knowledge (30)

Poor knowledge (10)

Very poor knowledge (0)

- 1.2 What percentage of your monthly salary does your employer currently contribute to your Teachers' Pension? Please write in the percentage figure. (Asked as a free choice question with 2 possible multiple choice answers)

I am aware of the approximate contribution and think it is....please write in % contribution in the box.

NB: Any answer starting with 14% (i.e. 14.0% to 14.9% is correct) (25)

NB: Any answer 15% or above (15)

NB: Any answer below 14% (0)

I don't Know percentage contribution (0)

I don't Know, but I believe it is generous (15)

- 1.3 What percentage of your monthly salary do you personally currently contribute to your Teachers' Pension? (Asked as a free choice question with 2 possible multiple choice answers)

I am aware of the approximate contribution and think it is....please write in % contribution in the box.

NB: any answer starting with 6% (i.e. 6.0% to 6.9% is correct) (25)

NB: any answer above 7% (15)

NB: any answer below 6% (0)

NB: any other answer (0)

I don't know percentage contribution (0)

I don't Know, but I believe it is not a high proportion of my salary (15)

Measure 2: Members understand the value of their Teachers' Pension

Calculation of score: add scores across all respondents and derive average to get an overall value, the maximum for which would be 100

- 2.1 Given your understanding of the value of your Teachers Pension how likely are you to continue to pay in to it for the rest of your career as a Teacher?
Very likely (25)
Likely (20)
Unlikely due to my personal circumstances or situation (20)
Unlikely because I do not believe it is value for money (0)
- 2.2 How well do you understand the options open to you to maximise the value of your Teachers' Pension?
I feel I have a very good understanding of the options (25)
Good understanding (25)
Some understanding (5)
Poor understanding (0)
Very poor understanding (0)
- 2.3 How would you describe your awareness of the options available to you through the Teachers Pensions Scheme, such as phased retirement, paying for additional pension, AVCs, etc...?

I have a good understanding of my Teachers pension options (25)
I have a reasonable understanding (20)
I have some understanding (5)
I don't have any understanding (0)
- 2.4 If you wanted to find an estimate of what your pension income might be when you retire, which of the following would be the best place to go?
TPS – Online / Website (25)
TPS – Telephone contact centre (25)
Employer / School (25)
Financial Adviser / IFA (10)
Union (0)
Friend / Relative (0)
Other Teacher (10)
Other (0)
Wouldn't know where to go (0)

Measure 3: Members are actively planning for their retirement (Including pensions and other investments)

Calculation of score: one or more coded in 3.2 results in 50 being scored, one or more in 3.3 results in 25 being scored; add scores across all respondents and derive average to get an overall value, the maximum for which would be 100.

There will be an age-related skew in the profile of those actively planning for their retirement; however this has not currently been taken into account when scoring the responses.

- 3.1 Which of the following actions, if any, have you done or considered doing with your Teachers' Pension over the past 12 months with a view to planning for your retirement? One or more coded in 3.1 (those options more in the control of TPS) results in 70 being scored
- Paid into AVCs
 - Purchased additional Pension
 - Spoken with an advisor about my Teachers' Pension
 - Spoken to a colleague about my Teachers' Pension
 - Undertaken research on the TPS website
 - None of above actions, I am satisfied with my retirement plans at present
 - Have not done or considered doing any of the above in the past 12 months
- 3.2 Given your understanding of the value of your Teachers Pension, which of the following actions, if any, have you done or considered doing over the past 12 months with a view to planning for your retirement? One or more coded in 3.2 results in 30 being scored
- Paid into another pension scheme (not the Teachers' Pension)
 - Invested in shares
 - Purchased unit trusts
 - Purchased property for the purpose of investment income
 - Purchased ISAs
 - Started/added to savings
 - Made another form of investment
 - Spoken with an advisor about options and investments for retirement
 - Cleared current debt
 - Undertaken other research about options and investments for retirement
 - None of the above, I am satisfied with my retirement plans at present
 - Have not done or considered doing any of the above in the past 12 months

Measure 4: The Teachers' Pension is an important factor when Members make a decision to stay within the teaching profession

Calculation of score: add scores across all respondents and derive average to get an overall value, the maximum for which would be 100. Note that at 4.4, those that have considered opting out at 4.3 could still score 10 at 4.3 if they give one or more of the reasons that shows a score of 10 (those beyond the control of Capita).

Prompted agreement with following statements:

- 4.1 The Teachers' Pension Scheme is a valuable benefit to me as a teacher
 Scale: strongly agree, agree, disagree, strongly disagree
 Scoring as follows:

4.1	
Strongly agree	40
Agree	40
Disagree	0
Strongly disagree	

- 4.2 The Teachers' Pension Scheme is one of the factors that discourages me from leaving the teaching profession
 Scale: strongly agree, agree, disagree, strongly disagree
 Scoring as follows:

4.2	
Strongly agree	50
Agree	50
Disagree	0
Strongly disagree	

- 4.3 In the last 12 months have you considered opting out or transferring out of the Teachers' Pension Scheme?

No - (10)
 Yes - ask 4.4

- 4.4 Why have you considered opting or transferring out of the Teachers' Pension Scheme? **Which of the following best describes your reason?**

Personal circumstances (10)
 Concerned about the long term viability of the Teachers' Pension Scheme (5)
 Due to poor service received from Teachers' Pensions Scheme (0)
 Considered moving out of teaching to an alternative career (10)
 None of these - please write in the reason(s) (10)

Measure 5: Members regularly receive information about their pension and are satisfied with the quality of the information

Calculation of score: Maximum score of 100, averaged across all respondents.

- 5.1 Have you been contacted by the TPS over the last 12 months?
 Yes – ask 5.2
 No – ask 6.1

- 5.2 What have you been contacted about in the past 12 months? Please tick the relevant boxes to show what you have been contacted about and how. Score: 50 if been contacted by any method at 5.2

	Phone	Post	Fax	SMS/ text	E-mail	In person
An annual benefit statement						
Promotional materials about the Teachers' Pension Scheme						
Promotional materials about Additional Voluntary Contributions (AVCs)						
Payslips						
P60						
Other						

Ask for each method received

- 5.3 And how satisfied or otherwise were you with the communication you received by each method? Score: 50 if satisfied with any form of communication at 5.3

	Phone	Post	Fax	SMS/ text	E-mail	In person
Very satisfied						
Satisfied						
Dissatisfied						
Very dissatisfied						

Measure 6: Members who contact the Scheme about their pension are satisfied with the timeliness and quality of the response

Ask all

6.1 Have you contacted TPS over the last 12 months?

Yes – ask 6.2

No – close

6.2 What have you contacted TPS about in the past 12 months? Please tick the relevant boxes to show what you have contacted them about and how.

	Phone	Post	Fax	SMS/ text	E-mail	In person
Help completing forms						
To find out what my pension will be worth at retirement						
To help plan for my retirement						
To complain about the Teachers' Pension Scheme						
To complain about the Service						
Other matter						

Ask for each method received

6.3 Would you consider the response timely and suitable? Score: 50 is given at 6.3 for each of the queries that were handled in a timely and efficient manner, with 0 where they were not handled in a timely and efficient manner and then take an average of the scores (ignoring any non-responses).

	Phone	Post	Fax	SMS/ text	E-mail	In person
Yes						
No						

6.4 Generally, how satisfied or otherwise were you with the response you received by each method? Please choose one answer for each method of contact.

Score 50 for each form of contact used for which you were satisfied and Score 0 for each form of contact used for which you were dissatisfied and then take an average of the scores (ignoring any forms of contact that do not apply)

	Phone	Post	Fax	SMS/ text	E-mail	In person
Very satisfied						
Satisfied						
Dissatisfied						
Very dissatisfied						

Measure 7: Recently retired Members are satisfied with the support they received from the Teachers' Pension Scheme as they planned for their retirement

The following questions will only be asked of 'recently retired' Members. 'recently retired' Members for the purposes of this outcome measurement are Members who have retired within the last twelve months. This will allow the Contractor to monitor service levels and engagement on a yearly basis whilst the process of retirement planning is relatively fresh in the minds of the retired Members.

Calculation of score: add scores across all respondents and derive an average to get an overall value, the maximum for which would be 100

7.1 Were you contacted by the Teachers' Pension Scheme in the 12 months prior to retirement?

Yes – ask 7.2	N/A
No – ask 7.6	0

7.2 What were you contacted about in the 12 months prior to retirement? Please tick the relevant boxes to show what you have been contacted about. Score: 15 if Member has been contacted about any of the items listed at 7.2

An annual benefit statement	15
Promotional materials about the Teachers' Pension Scheme	15
Relevant information about Member's pension	15
Useful information about Member's retirement options	15

7.3 How satisfied or otherwise were you with the relevance and usefulness of the information that you received from the Teachers' Pension Scheme? Score: 10 if Member is very satisfied or satisfied, score 5 if the Member is neither satisfied nor dissatisfied and score 0 if the Member is either dissatisfied or Very dissatisfied.

Very satisfied	10
Satisfied	10
Neither satisfied nor dissatisfied	5
Dissatisfied	0
Very dissatisfied	0

7.4 How satisfied or otherwise were you that your understanding of the Teachers' Pension Scheme enabled you to make informed decisions on how and when to retire? Score: 20 if Member is very satisfied or satisfied, score 7 if the Member is neither satisfied nor dissatisfied and score 0 if the Member is either dissatisfied or Very dissatisfied.

Very satisfied	20
Satisfied	20
Neither satisfied nor dissatisfied	10
Dissatisfied	0
Very dissatisfied	0

7.5 How satisfied or otherwise were you that when you applied for your retirement benefits you had an understanding of the level of pension benefit you would receive? Score: 30 if Member is very satisfied or satisfied, score 15 if the Member is neither satisfied nor dissatisfied and score 0 if the Member is either dissatisfied or Very dissatisfied.

Very satisfied	30
Satisfied	30
Neither satisfied nor dissatisfied	15
Dissatisfied	0
Very dissatisfied	0

7.6 Did you contact the Teachers' Pension Scheme in the 12 months prior to retirement?

Yes – ask 7.7, 7.8 & 7.9
No – close

N/A
N/A

7.7 What did you contact the Teachers' Pension Scheme about in the 12 months prior to retirement? Please tick the relevant boxes to show what you have contacted the Teachers' Pension Scheme about.

Help completing forms
To find out what my pension will be worth at retirement
To help plan for my retirement
To complain about the Scheme
To complain about the Service
Other matter

N/A
N/A
N/A
N/A
N/A
N/A

7.9 How satisfied or otherwise were you with the content of the response you received when you contacted the Teachers' Pension Scheme? Score 15 for each response to the contact listed in 7.7 above with which you were satisfied or very satisfied; score 7 if you were neither satisfied or dissatisfied with the response; and score 0 for each response with which you were dissatisfied or very dissatisfied with the response and then take an average of the scores (ignoring any forms of contact that do not apply)

Very satisfied
Satisfied
Neither satisfied nor dissatisfied
Dissatisfied
Very dissatisfied

15
15
7
0
0

7.10 How satisfied or otherwise were you with the timeliness of the response you received from the Teachers' Pension Scheme? Score 10 for each of the queries listed in 7.7 above for which you were satisfied or very satisfied with the timeliness of the response, score 5 for each response to a query listed in 7.7 for which you were neither satisfied nor dissatisfied with the timeliness of the response; and score 0 where you were dissatisfied or very dissatisfied with the timeliness of the response to a query listed in 7.7 and then take an average of the scores (ignoring any non-responses)

Very satisfied
Satisfied
Neither satisfied nor dissatisfied
Dissatisfied
Very dissatisfied

10
10
5
0
0

Derivation of Employer Outcome Descriptions

Needs a question to ascertain number of current Members of the TPS employed by their organisation and the role of the respondent (i.e. LA Administrator, LA Director or Head Teacher, Bursar) so that the scores can be weighted by employment size and role:

- A Approximately how many Members of the Teachers' Pension Scheme are you responsible for the administration of
Write in number
- B Job title
- C Whether responsible or not for recruitment

For the current round of pre-baseline interviews we asked both 8.1 and 8.2 of all employers, but appreciate that it may be necessary to skip 8.1 in the baseline proper and subsequent measurements if we are not speaking to someone responsible for recruitment.

Measure 8: Employers use the Teachers' Pension Scheme as a form of incentive or encouragement in teacher recruitment and retention

Calculation of score: add score from 8.1 to highest score from 8.2 across all respondents and derive average to get an overall value, the maximum for which would be 100

- 8.1 How often do you actively use the Teachers' Pension Scheme as a form of incentive in recruitment and retention activities (regardless of the level of relative importance you place on it against other incentives)? Would you say that you use it
- in all recruitment and retention activities (50)
 - in most (35)
 - in some (20)
 - hardly ever (5)
 - or do you never use it in recruitment and retention activities (0)
- 8.2 Do you promote TPS services to Members when the opportunity arises? The services we are thinking about include FAQs, change of personal details, the pension calculator and online registration etc. **Code all that apply**
- Yes, as part of a planned campaign initiated by the Department (50)
 - Yes, as the opportunity arises in communications with Members (50)
 - Yes, in conjunction with the Teachers' Pensions Scheme (50)
 - Yes, in another way (50)
 - No, do not promote even if the opportunity arises (0)

Measure 9: Employers are satisfied with the service and the information that they receive from the Teachers' Pension Scheme

Calculation of score: add scores across all respondents and derive average to get at overall value, the maximum for which would be 100

9.1 From which of the following TPS services have you received information from over the last 12 Months?

8.1	
TP online	Yes / No
TPS helpline / contact centre	Yes / No
Secure Transfer Utility (STU)	Yes / No
Employer Relationship Manager	Yes / No

9.2 How satisfied were you with the information you received from these TPS services over the past 12 months?

Scale: very satisfied, satisfied, dissatisfied and very dissatisfied
Scoring as follows:

8.2	
Very satisfied	40
Satisfied	35
Dissatisfied	0
Very dissatisfied	0

9.3 How satisfied were you with the overall service received from TPS over last twelve months?

Scale: very satisfied, satisfied, dissatisfied and very dissatisfied
Scoring as follows:

8.3	
Very satisfied	30
Satisfied	25
Dissatisfied	0
Very dissatisfied	0

Prompted agreement with following statement:

9.4 How would you rate the overall ease of doing business with TPS over the last 12 months?

Scale: easy, neither easy nor difficult, difficult and very difficult.
Scoring as follows:

8.4	
Easy	30
Neither easy nor difficult	25
Difficult	0
Very difficult	0

Measure 10: When employers contact TPS they receive a timely and accurate response to enquiries

Calculation of score: add scores across all respondents and derive average to get at overall value, the maximum for which would be 100

Prompted agreement with following statements:

Calculation of score: add scores across all respondents and derive average to get at overall value, the maximum for which would be 100

Prompted agreement with following statements:

10.1 Given the nature of your enquiries to TPS you have received an accurate response from TPS?

Scale: agree, disagree

Scoring as follows:

10.1	
Agree	40
Disagree	0

10.2 Given the nature of your enquiries to TPS you have received a timely response from TPS?

Scale: agree, disagree

Scoring as follows:

10.2	
Agree	10
Disagree	0

10.3 I am able to access the TPS service when I need it through my preferred channel (phone, web, etc)

Scale: agree, disagree

Scoring as follows:

10.3	
Agree	50
Disagree	0

Measure 11: Employers engage with the Teachers' Pension Scheme

Calculation of score: Score up to 20 depending on frequency of using TP online services in last 12 months at 11.1. Score 15 if aware of any event at 10.2 and an additional 25 if any event felt to be relevant and accessible at 11.3 and 11.4. Score 15 if been to any event at 11.5 and an additional 25 if any event felt to be good at 11.6. Note that 15 can still be scored by those that haven't been to an event at 11.5 if the reason given at 11.7 is anything other than 'Not felt the need'.

Add scores across all respondents and derive average to get an overall value, the maximum for which would be 100

11.1 Frequency of using TP online services in last 12 months?

- Daily (20)
- Weekly (20)
- Fortnightly (20)
- Monthly (20)
- Quarterly (5)
- Twice a year (5)
- Yearly (5)
- Less often (0)

11.2 Which of the following TPS events are you aware of? Score 15 if aware of any event at 11.2.

- Webinars
- Seminars
- Personal visits
- School visits
- Forums
- Online Video

Ask about each aware of:

11.3 Do you feel <event> is relevant to your needs? Score 25 if any event felt to be relevant.

	Webinars	Seminars	Personal visits	School visits	Forums
Yes					
No					

11.4 Is <event> available or easily accessible for you? Score 25 if any event felt to be accessible

	Webinars	Seminars	Personal visits	School visits	Forums
Yes					
No					

11.5 And have you participated in an <event> in the last 12 months? Score 15 if participated in an event.

	Webinars	Seminars	Personal visits	School visits	Forums
Yes – ask 10.6					
No – go to 10.7					

11.6 How did you rate the quality of the <event>? Score 25 if any event felt to be good or very good at 11.6

	Webinars	Seminars	Personal visits	School visits	Forums
Very good					
Good					
Neither/nor					
Poor					
Very poor					

11.6 Why have you not participated in an <event> in the past 12 months? 15 can still be scored by those that have not been to an event at 11.5 if the reason given at 11.7 is anything other than 'Unhappy with the quality or usefulness of TP events'.

	Webinars	Seminars	Personal visits	School visits	Forums
Been before					
Not required					
No time to spare					
Unhappy with the quality or usefulness of TP events					

APPENDIX 3

OUTLINE PERFORMANCE MONITORING SYSTEM

1. Process and Measuring Tools

- 1.1 The Supplier will primarily use the Contractor System and Microsoft Excel to record service failures and evidence performance under the Performance Monitoring System. This system is designed to enable the Contractor to add new reports or amend existing reports from time to time throughout the Term, as agreed with the Department.
- 1.2 The reports produced using the system referred to in Paragraph 1.1 above shall be converted into Portable Document Format (PDF) before being placed onto eShare and shared with the Department.
- 1.3 The Contractor will provide performance monitoring documents to the Department by posting the information on eShare by the tenth (10th) Working Day following the end of the appropriate Service Period for Service Levels and KPI's.
- 1.4 The results for the Outcomes will be available to the Department within the timescales detailed in Paragraph 11 of Part 2 of this Schedule.
- 1.5 The performance monitoring documents will concentrate on activities in three key areas, as follows:
- 1.5.1 Service Level and KPI reporting, which will detail performance against Service Levels and KPI's.
 - 1.5.2 Service reporting, which will produce a series of Dashboards focusing on key areas of the Service as shown in the table in paragraph 3.1 below.
 - 1.5.3 Outcome reporting which will provide a series of Dashboards giving an overview of performance against the Outcomes.

2. Service Level & KPI Performance

- 2.1 Performance against all Service Levels will be shown using a colour coded report such as the sample extract provided below which will be updated and agreed using the process outlined in Part 4 of this Schedule 2.2:

No.	Description	Performance Target	Service Lets	Oct-11		Nov-11		Dec-11	
				Achieved	Service Points	Achieved	Service Points	Achieved	Service Points
1	Retirement Benefit Payments	100% by payable date, or if a late application 100% within 10 Working Days of receiving all fully completed documentation	5		0		0		0
2	Pension Payments	100% on the due date	0	99.00%	100		0		0
3	Change of Entitlement	100% within 10 Working Days of notification and (where appropriate) all fully completed documentation received	5		0	99.00%	1		0
4	Death Benefit Payments	100% within 5 Working Days	5		0	99.50%	0	99.00%	5
5a	Transfers In	100% within 8 Working Days	2		0		0		0
5b		100% within 5 Working Days	2		0		0		0

- 2.2 Performance against KPI's will be shown by adopting an approach that is similar to the Service Level reporting approach by using a colour coded report such as the sample extract provided below

which will be updated and agreed using the process outlined in Part 4 of this Schedule 2.2:

No	Name	Sub No	Freq.	KPI	Target	Oct:11	Nov:11	Dec:11
						Achieved	Achieved	Achieved
1	Retirements	1.1	Monthly	Input data and acknowledge receipt of retirement application form	99% within 2 Working Days			
		1.2	Monthly	Validate claim	99% within 3 Working Days			
		1.3	Monthly	Calculate Benefits	98% within 3 Working Days			
		1.4	Monthly	Check and authorise benefits	98% within 2 Working Days			
2	Revised Benefits	2.1	Monthly	Calculate revised benefits	99% in 2 Working Days			
		2.2	Monthly	Check and authorise revised benefits	98% in 2 Working Days			
		2.3	Monthly	Calculate overpayment and issue letter or issue payment of arrears	100% within 3 Working Days			

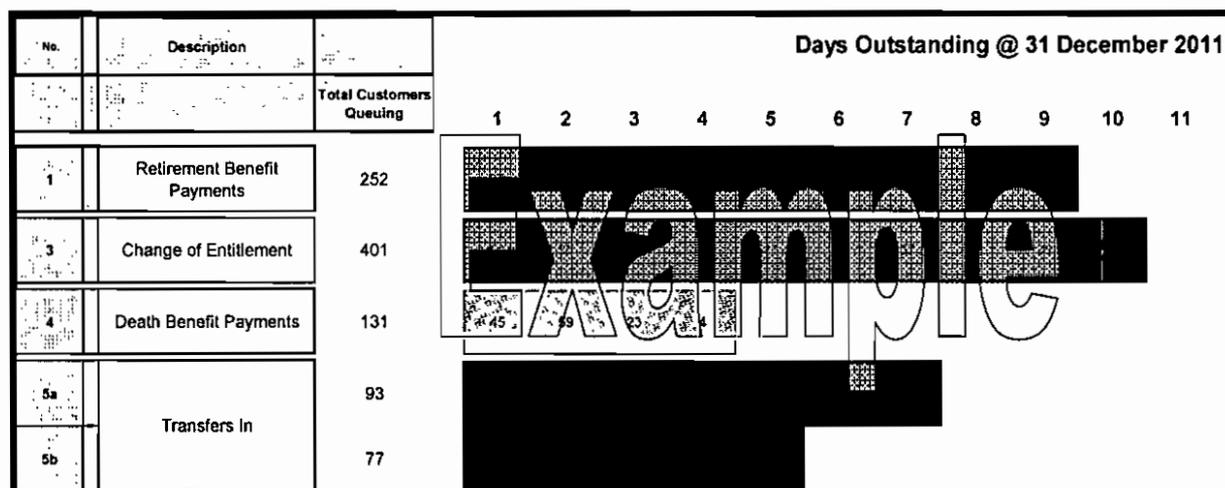
3. Service Reporting

3.1 Service reporting will be provided through a number of Dashboards that focus on key areas of the Service. The sample extract provided below will be updated and agreed using the process outlined in Part 4 of this Schedule 2.2. The final version will give an holistic overview of the operational performance.

Dashboard	Definition	Justification	Content
Operational Performance	Focus on service performance, providing details on service failures and trends/issues as well as service point and KPI trend analysis	Operational performance is at the heart of the contract and this will provide a further level of granularity in terms of performance	<ul style="list-style-type: none"> Service failures Service Point analysis KPI analysis
Age Analysis	An overview of customers waiting to be serviced	This will support data on SLA and KPI performance, evidencing how many customers are waiting to be serviced and how long they have been waiting	<ul style="list-style-type: none"> Breakdown of outstanding customer requests split by SLA and KPI tasks Details on oldest outstanding work
People	Key people related metrics in terms of staffing levels, development and satisfaction	There are a number of people related metrics within the contract that need to be reported and this will satisfy that requirement	<ul style="list-style-type: none"> Staff satisfaction surveys % of apprentices Number of people employed on contract Time spent training
Scheme Finance	Measures will focus on elements of finance that are linked to operational activity	These will provide oversight of the success of our debt avoidance and recovery processes	<ul style="list-style-type: none"> Volume of overpayments Breakdown by overpayment type Value of overpayments

Dashboard	Definition	Justification	Content
Risk & Business Assurance	An overview of the risk and business assurance position in respect of operations	A snapshot of operational risks and issues enabling oversight of a key indicator of the customer experience	<ul style="list-style-type: none"> • Audit actions outstanding • Overdue audit points • Operational risks • Breaches
Information Technology	Details on the availability of the website, IT and telephony	The availability of the contact channels and system are key to the delivery of the service	<ul style="list-style-type: none"> • Web availability • IT availability • Telephony availability
Complaints	Information regarding the level and breakdown of complaints	Complaints are an important indicator of the customer experience and this will provide oversight both in terms of the level and nature of complaints being received	<ul style="list-style-type: none"> • Volume of complaints • Breakdown of complaints by source, process and type • Root cause analysis and actions

3.2 Some example snapshots of the proposed Dashboards can be seen below, these will be updated and agreed using the process outlined in Part 4 of this Schedule 2.2.

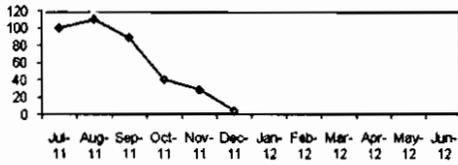


Age Analysis

Operations - Dec 2011

Summary: Whilst the historic trend for Christmas retirements has continued, volumes are lower than the last two years. The shorter working month and holiday period have also contributed to lower volumes of Member and Employer enquiries which have seen improved performance against SLAs and a reduction in customer waiting times. The cold spell saw an increase in death claims and the high volumes over the holiday period saw 10 cases fail the SLA

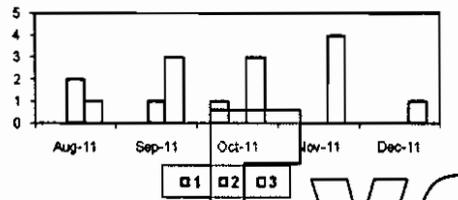
Monthly Service Points



Commentary: A reduction in work in has seen an improvement in performance against SLA's with service points this month at 5, down from 29 last month. Forecasted position for next 3 months shows a continuing trend of improvements with 0 service points

Actions: None this month

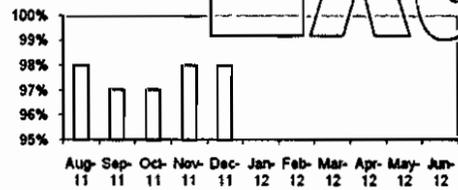
Service Failures



Commentary: There was 1 SLA failure during the month, SLA 4. 10 cases missed SLA due to increased volumes following a bout of cold weather which led to increased death claims

Actions: None this month

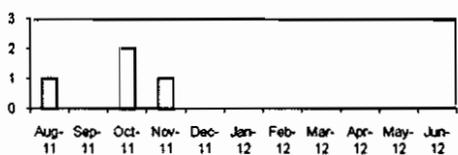
% of KPI's Achieved



Commentary: 1 KPI below target this month, number 12.2. Achieved 76.5% against target of 80%. Large volume of calls following article in press on potential changes to occupational pensions which create large volume of queries

Actions: Q&A added to website and IVN updated. Call volumes subsided within 1 week so no long term action taken at this stage

Volume of KPI's That Have Failed For 3 Consecutive Months



Commentary: Following the actions that were put in place last month, no KPI's have failed for 3 consecutive months

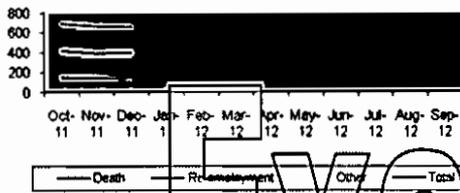
Actions: None this period

Operational Performance

Scheme Finance - Dec 2012

Summary: The overall picture is positive with a reduction in both the total and value of overpayments. Re-employment continues to account for the largest proportion of overpayments in terms of value however this figure reduced by in excess of £100k in the last month. Activity continues to focus on stopping overpayments occurring and the key indicators show this is continuing to have an impact

Volume of Overpayments



Commentary: Greater use of the telephone and the ability to take payments over the phone has seen a continued reduction in the volume of overpayments. As Employer engagement strategies commence we are also starting to see an impact in terms of re-employment where increased awareness is starting to reduce the volume of overpayments

Actions: Continue with planned activity around monthly returns which will significantly impact the volume and value of re-employment cases

Re-employment Overpayments



Commentary: The decrease in new cases, coupled with improved debt collection procedures has seen the value of overpayments decrease by in excess of £120k. The biggest reduction is in respect of re-employment related cases where increased Member and Employer awareness is reducing new overpayment cases

Actions: Continue with planned activity around monthly returns which will significantly impact the volume and value of re-employment cases

Scheme Finance

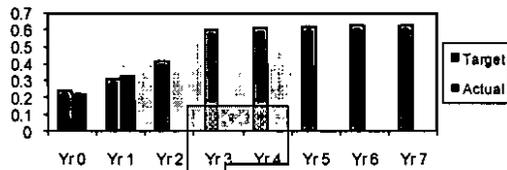
4. Outcomes

- 4.1 Performance against the Outcomes will be shown using Dashboards which will provide a high level overview of the Outcomes split between Member related Outcomes (Outcomes 1 - 7) and Employer related Outcomes (Outcomes 8 - 11) and the miscellaneous Outcomes (Outcomes 12 and 13). The Dashboards will focus on the performance achieved by the Contractor against each of the targets for each of the Outcomes, together with details of the calculations that have been performed by the Contractor to determine the level of Outcome Charges it can claim from the Department. This information will all be made available to the Department on eShare.
- 4.2 An example of an Outcome Dashboard can be seen below. This will be updated and agreed using the process outlined in Part 4 of this Schedule 2.2.

Employer Outcomes (8-11) - Dec 2012

Summary: Performance against targets has been strong with all four outcomes met or exceeded. The feedback Employers have provided indicate that our transformation plans are well aligned to their requirements. We have also had the opportunity to start working on some additional elements that will provide quick win for both the Employer and the Department in terms of helping to highlight the benefit of the Scheme

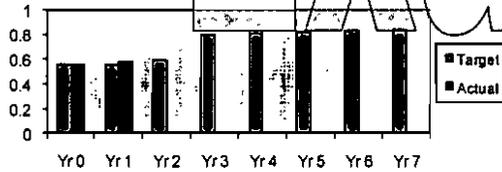
Outcome 7 - Actual v Target



Commentary: Following last years exercise, where the initial result was below expectations, the work we have done to date has seen a positive swing and the target has been exceeded by 2%.

Actions: Following feedback received during the data gathering process we are pulling together an updated 'Benefits of the Scheme' leaflet that Employers can use as part of their recruitment process

Outcome 8 Target v Actual



Commentary: Actual exceed target by 1%. The focus on service and innovation is starting to have a real impact on the service employers receive. The role out of monthly data collection has been commenced and this is starting to bring real benefits for employers who have onboarded to date

Actions: None off the back of the exercise - opportunities identified as part of this activity are already in our transformation plans

Commentary:

Actions:

APPENDIX 2

CHANGES TO SCHEDULE 4.1 (CONTRACTOR SOLUTION)

COMMERCIAL IN CONFIDENCE

CONTRACT EXTENSION PROPOSAL

TP Teachers' Pensions

**Author: Ian Butcher
Document Version: 1.4
Date: 20th November 2015**

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1 Introduction

Legal Introduction

This document is included only for background information and interpretation purposes in respect of Change Authorisation Note 29 ("CAN 29"). The document is intended to provide context and to be an aid to Capita and the Department for Education (DfE) in interpreting the provisions of CAN 29 in the event of any ambiguity or conflict arising under CAN 29.

Document Purpose

This document, together with the updated Financial Model 'Capita Teachers' Pension Scheme Financial Model Extension Final - with Termination update 181114 v2.xlsx, confirm Capita's contract extension offer (referred to as the Financial Model, within this proposal).

Context

In September 2013 Capita met with the DfE to discuss the closure of Mowden Hall. This discussion cumulated in the creation of an extension business case, comprised of two documents: a financial model and a supporting document which described Capita's approach. These two documents offer useful context to Capita's extension proposal.

Please see Appendix D for the DfE Extension Business Case: 'DfE Extension Business Case - Supporting Documentation V2.docx', dated 24th December 2013. Due to its complexity, the associated financial model is not included within an appendix. To review, please source 'Contract Extension - Financial Model v3.1.xlsx' dated 4th December 2013.

From this business case the DfE produced its own business case, and submitted an extension request to the Cabinet Office. On the 12th May 2014 the Cabinet Office authorised an extension.

2 Background

The Teachers' Pension Scheme with Capita was renewed in 2011 after a full procurement exercise. In the period since 2011 two major changes have occurred:

1. A decision to move Department staff from the current Mowden Hall site and
2. A programme of Pensions Reform to public sector pension benefits.

Both of these developments do not sit neatly with the current contract term, creating material risks and increased costs to the Teachers' Pension Scheme, because:

- The site chosen for the DfE relocation is not suitable to accommodate Capita staff
- The remaining contract term of less than four years, from the date of the move, makes an office move for Capita staff prohibitively expensive
- Implementing the Pensions Reform programme within the current contract term involves material cost to the DfE and the remaining contract term does not allow it to adequately recoup the benefits

of that expenditure. In addition a new bidder, from Oct 2018, would incur additional Reform implementation costs.

3 Financial Model

Both this document and the updated Financial Model, assume a closure of Mowden Hall, a relocation of Capita's services within Darlington and a three year extension.

The updated Financial Model includes a number of new tabs (to the right of the BAFO tabs) defining changes to Capita's cost base, detail behind our new service offerings, capital and operational increases related to the new property.

4 Relocation

Two suitable properties have been identified within Darlington: AMEC House, Yarm Road, Darlington and Unit 11b, Lingfield Point, Darlington. After negotiating with both landlords, Unit 11b, Lingfield Point provides the best value.

Lingfield Point was originally built as the Patons and Baldwins wool factory and is now home to a number of businesses including Student Loans, Darlington Borough Council, NHS, Faulkner Browns, Four Seasons Health Care, NFU Mutual, NAAFI and AMEC.

Please see Appendix A for Capita's property relocation proposal.

Technology

Within Appendix B we have detailed the technology that will be implemented at the new property. At this stage, no other technology, other than that defined through our BAFO, within any agreed change programmes or through continuous improvement, is being considered.

5 Pension Board

From April 2015, Reform requires a number of trustee/governance type services. Within our Cabinet Office submission we provided discounted Pension Board services as part of our extension offer.

The DfE do not require Pension Board services from Capita and therefore the equivalent value is available to the DfE. The value of Capita's Pension Board services offer is £621,876 spread evenly over six years, starting in 2015.

Capita have agreed to apply the Pension Board discount to Reform IT, which is valued at £741k and a different (negative) cash flow profile. Capita do not propose to charge the DfE for the delta in capital funding or the financial engineering required to fund Reform IT.

Please see our Financial Model for further detail.

6 Deferred Members

Currently we are undertaking an exercise in relation to Deferred Member records and processes. The future process element of this is delivered within the current contract under continuous improvement, however an historical element falls outside of the current contract costs. The Deferred proposal in Appendix C, describes our approach to addressing this historical element.

The costs of delivering this service are included within our extension offer, please see the Financial Model for further detail.

7 Growth in Employers

With the growth in popularity of Academies and Free Schools, we have seen the Employer base increase from just under 4,000 in 2011 to over 6,000 today.

Current estimates forecast there to be over 11,000 Employers in 2019 and possibly up to a circa 14,700 when we include Fair Deal, approaching a fourfold increase since 2011. The financial impact of this increase is provided within the Financial Model.

As part of the contract agreed through the last rebid, there is a change control process in place with respect to the growth in Employers. The discount referenced within the Financial Model will be applied to the growth agreed through the change control process.

Please refer to the Financial Model to review our resourcing expectations against a profile of increasing Employers and the yearly discount applied.

8 Service Charge

We have sought to understand the impact of continuous improvement on the type, availability and cost of the services we provide to the Stakeholders. Whilst we see improvements to the cost base with the take up of digital services, we also see increased costs for the services we have outlined above. That said, we believe it is possible that gain share will apply in the extension years. We can estimate the gain to the DfE, but this lacks commitment. It is clear to us that moving from Mowden Hall, through an extension, has benefits for both the DfE and Capita and we feel a stronger commitment is appropriate. We therefore propose to reduce the service charge by £500k per annum for the additional period arising from the extension.

Please refer to the Financial Model for further detail.

9 Commercial

Discounts

As a general point - all free of charge services / discounts offered by Capita are only available as a monthly pro rata in the year that that the service / discount has been defined (see discount profiling within the Financial Model). This profile also applies to any discounts that are not taken as intended and are instead applied to other services from Capita, referenced below as a Qualifying Discount (see below for detail of Qualifying Discounts).

Discounts are aligned to costs and therefore will be indexed (along with costs) – please see the embedded financial model in Section 1 for indexed examples.

Deferred Programme – Qualifying Discount¹

Should the Deferred Programme not deliver the outcomes expected, the DfE can, should they wish, stop the programme. Note that once an extract has been issued to Capita Tracing Services (CTS), all returns for that particular extract will need to be processed before the programme can be halted and no further

¹ Only a qualifying discount once the programme has come to an early and orderly end.

CTS costs incurred. Any unallocated funds can then be applied to additional services from Capita - please see 'Qualifying Discounts' below.

Operational Reform Costs

With the exception of delays in laying the Reform Regulations or where there has been lack of certainty/clarity in requirements², we believe Capita understand the risks to the service and therefore any over spend will be Capita's risk. Any under spend will only be assessed through gain share.

Growth in Employers – Qualifying Discount

Capita is unable to affect the growth in Employers and has therefore capped the discount offered. Should the discount not be applied to the growth in Employers it can be used against other additional services from Capita - please see 'Qualifying Discounts' below.

Qualifying Discounts

All unspent discounts can be applied to additional Capita resources (on a per day basis). The choice of additional services is at the discretion of the DfE and can be made after contract signature of this extension.

Funding / Smoothing

We have assumed that 'smoothing' will not be required and that any project payment milestones are designed so that smoothing is not required

10 Appendix A – Property Relocation Proposal

10.1 Overview

On the 24th April 2013, the Department for Education (DfE) confirmed that they are relocating their staff based at Mowden Hall to another site in Darlington. It is expected that the DfE will move to their new location around Q1 2015. As a result of Mowden Hall's closure, Capita will also have to relocate.

This document provides the detail of the property Capita will relocate to, the associated Property costs to facilitate the move and how we will manage the programme of move to ensure stakeholders are informed and engaged.

Note that this appendix does not review the IT required for the move, this is described within Appendix B.

10.2 Mowden Hall

Capita currently occupy part of the podium building on the ground floor and part of the podium lower ground floor at Mowden Hall, Darlington. The lease for this property is due to expire on 30th Sept 2018. The Landlord can serve 12 months notice any time after 1 Oct 2013³.

For Teachers' Pensions the DfE charge Capita £118,750⁴ per annum in rent and £200,337 per annum in Service Charge, which also covers rates.

² Any impact of delay in go-live is captured within the current Reform Change Programme.

³ This notice is yet to be served

⁴ Calculated at 62.5% of the total

10.3 Staff Resources

Table 1 below sets out the proposed headcount at the time of relocation. Capita will need to accommodate circa 500 people at the new location.

Resource	Overall Site	TP Element
Teachers	194	194
Teachers Reform*	10	10
Teachers Reform post Reform BAU	14	14
Teachers IT	16	16
Teachers Deferred & Governance	10	10
PPF/FAS	115	
Partnership (currently 23)	5	
Barnet Council	8	
EB&R ⁵	4	
Management Accounts	10	6
Support Services	61	37
DfE Hotdesks	4	4
Total	451	291

Table 1 : Headcount

*Note these resources will not be needed throughout the term of the contract and the allowance for growth has been adjusted to reflect this.

10.4 Space Requirements

The following points were considered when calculating the size of the property required for Capita:

- Circa 500 employees
- Meeting Rooms
- Canteen/Refectory
- Toilets
- Reception Area
- Post/Scanning Room
- Archive Storage Room
- First Aid Room
- Contemplation Room
- Allowance for up to 4 hot desks, within a private area, that DfE staff can use when visiting.

By comparing these requirements to a similar sized recent Capita project in London, Capita has estimated a minimum of 40,000 square feet of accommodation will be required. TP space allocation, as a percentage of the whole, is 64.5%. We have planned for 25,000 square feet of accommodation to be allocated to TP, a 62.5% share of the 40,000 square feet.

⁵ Employee Benefits and Rewards.

10.5 Available Properties

Within Darlington we have located only two properties that meet the space requirements:

Unit 11b, Lingfield Point, Darlington. As an old factory unit, within a business park of converted units, this space is unfit for habitation and will require CAT A⁶ and CAT B fit outs (see definition in Section 10 below). Post installation of a fire corridor (at Landlord's cost), this unit offers 41,000 square feet of space.

AMEC House, Yarm Road, Darlington. This is an existing standalone property which has been vacant for two years and requires partial CAT A (to make good the property/car park etc.) and CAT B fit outs. This property provides 45,055 square feet across 2.5 floors (the basement is considered as half a floor).

10.6 Proposed Property

Both locations are suitable for the needs of the business. We have considered the pros and cons of each property and these are listed below:

AMEC House

Pros

- Three separate floors, easier to separate in the future (for a new provider)
- Low per square foot rental
- Seven month fit out timeline.

Cons

- Standalone building, more costly to maintain and secure
- No facilities on site (canteen, crèche etc.)
- Higher partial CAT A and CAT B costs
- Higher running costs due to the age of the building.

Lingfield Point

Pros

- Part of an existing business park with shared facilities
- One large open plan space, on one level
- On site facilities include a crèche and canteen
- Lower CAT B costs (landlord will deliver both CAT A (at their cost) and CAT B. A single floor layout also helps reduce CAT A/B costs).

Cons

- Higher per square foot rental
- 8 months fit out timeline (full CAT A and B required).

⁶ CAT A to be capitalised by the Landlord and recouped from the rental charge.

From a financial perspective the table below highlights the differing costs, note these are 100% costs and not TP's percentage of the price – please see the Financial Model for further detail.

Description	Lingfield Point	AMEC House
Size (square feet)	41,000	45,055
Lease Term	10 years	10 years
Break Clause	7.5 years with 12 month rolling notice from 6.5 years	7.5 years with 12 month rolling notice from 6.5 years
Break Penalty	Six months rent penalty if the lease ends before the end of the 8 th year	None
Rental	£12.50 psf	£10 psf
Rent Free	12 months	Three years half rent
Rent Review	Heads of Terms is currently silent with respect to a rent review	Review in year five, increase in line with market rates
Service Charge	£1.34 psf	Confirmed as nil, see FM costs below
Facilities Management Costs (cleaning, security etc.)	£4.88 psf	£7.99 psf
Rates	£3.65 psf	£3.88 psf
Sublet Possible	Yes, by part or whole	Yes, by part or whole
CAT B Fit Out Costs	£1.188m	£3.110m ⁷

Table 2: Property Comparison

The annual cost for each building is:

- Lingfield Point: £917,170 per annum
- AMEC House: £985,353 per annum.

By capitalising the rent free period and CAT B⁸ fit out costs over seven years, there are additional costs per property of:

- Lingfield Point: £96,500 per annum
- AMEC House: £347,739 per annum.

Total costs for each property are:

- Lingfield Point: £1,013, 670 per annum
- AMEC House: £1,333,092 per annum.

Should the break penalty be enacted, the total costs for each property are:

- Lingfield Point: £1,044,176 per annum⁹

⁷ Includes partial CAT A costs

⁸ And partial CAT A for AMEC House.

- AMEC House: £1,333,092 per annum.

Based on cost alone, Lingfield Point is cheaper over the seven year term by £2m (inclusive of the break penalty), therefore our recommendation is Lingfield Point.

10.7 Terms of the Lease

The following lease terms have been negotiated for Lingfield Point:

- Lease Term: 10 years
- Tenant only break: 7.5 years
- Notice Period: 12 months rolling from year 6.5, with 6 month rent penalty if the lease ends before the end of the eighth year.

Note – the rolling break is an important requirement if Capita are to deliver the Exit protection that the DfE require (should a new provider be selected for the fourth term).¹⁰ Through discussion we have agreed with the DfE, a notice period of three months before the end of the contract (assuming the new provider's implementation plan is going well) and therefore the maximum theoretical penalty will be three months (circa £128k at today's costs).

10.8 Mowden Hall Lease

To terminate the lease agreement between the DfE and Capita (DfE as the Landlord) it has been agreed that DfE will issue a break notice to terminate Capita's Mowden Hall lease on 30th November 2014. This break notice provides 12 months' notice, which aligns with the Long Stop Date for Relocation Milestone 5 (RM5) as agreed in the Contract Authorisation Note.

Capita's extension offer assumes that any shared services within Mowden Hall (security, reception, mail room etc.) continue after the DfE have vacated Mowden Hall¹¹ with no change to Capita's charges for residing in Mowden Hall. Please see the Financial Model for further detail.

10.9 Structure of the Property Charges for Lingfield Point

The Financial Model details the priced apportionment for the DfE. These have been based on a 40,000 square foot property with Teachers' Pensions utilising 25,000 (62.5%). The pricing assumes the contract and lease are signed during December 2014.

10.10 Rent Free

As part of the lease, Capita have secured a 12 month rent free period from the outset of the lease. As agreed with the DfE, Capita will utilise nine months of the DfE's free rental to cover the rental exposure caused by the Exit Schedule requirements (three months notice from the end of the contract in

⁹ Note that the penalty is five months - the shortfall from eight years calculated as: 12 months from 6yrs 9 months into the lease, signed December 2014.

¹⁰ Requires changes to the Exit Schedule

¹¹ Assuming that the DfE do leave before Capita

combination with a 12 month rolling lease break). Note that should the DfE provide notice greater than three months or the new bidder is cohabiting in Lingfield Point within nine months of the end of the lease (10 years), the DfE or the new bidder will benefit from some free rental (from 1 to 9 months).

10.11 Overlapping Occupation

Overlapping term will be 10 months. This assumes eight months CAT B fit out, one month to move site and one month contingency.

DfE have agreed to not charge rental for Mowden Hall from 1st March 2015 and to not charge service charge on Mowden Hall from 1st April 2015.

Should Capita not vacate Mowden Hall on or before 30th November 2016, the DfE will cease to pay Lingfield Point charges from the 1st December until Capita vacate Mowden Hall.

Capita has assumed that should the DfE exit Mowden Hall before Capita, the shared services e.g. mailroom, security, reception etc. will continue as currently. Capita notes that there will be no access to the DfE demise, including the restaurant.

10.12 Indexation

The DfE have confirmed that they wish Capita to take the risk on all items that will increase in cost over the term of the lease. These are identified below and will be indexed as per the current contract (CPI).

The following will be subject to annual indexation of CPI: Facilities Management, Service Charge, Dilapidations, Rent and Rates.

10.13 Dilapidations

By their nature, dilapidations are negotiated with the landlord on exit. These negotiations are open and designed to ensure that any changes to the property, that need to be retrofitted by the landlord to make the property rentable, are paid for by the exiting organisation.

Capita have applied a cap to the dilapidations of £15 psf (£375k total). This cap assumes that a new bidder has leased a part of the property and substantial sub division are required. Capita suggest that a new bidder be made liable for the dilapidations for the space that they take over, in addition to any works required to subdivide the property, IT etc..

Dilapidations are assumed to be at cost and any negotiation with the Lingfield Point landlord will be inclusive and transparent to DfE Estates.

Note that in the current contract (Exit/Schedule 7.1 Section 8) there is a price for dilapidations of £395k. As the Exit pricing assumptions are already within the contract/previous Financial Model, we have not reiterated potential Exit charges within the updated section of the Financial Model.

10.14 Associated Move Charges

There will also be additional, one off, costs associated with relocation, including:

- Project Management
- Building Survey

- Quality Surveyor
- M&E Services
- Building Fabric Survey
- Move Management
- Design
- CDMC – Construction and Design Management and Control
- Category B implementation
- Comms/Server Room – air con, leak detection, suppression systems etc.
- Furniture
- IT & Telecoms (see separate IT proposal)
- Legal Fees
- Wayleaves.

Note – dilapidation costs for Mowden Hall are not included, as the site is to be redeveloped.

The associated move charges for Teachers’ Pensions are listed below:

Item	TP Charges
Project Management	£36,876
Building Survey	£5,016
Quality Surveyor	£11,230
M&E Services	£22,461
Move Management	£37,434
Design	£14,974
Construct & Design MC	£14,974
Category B implementation	£889,440
Canteen/Refectory	-
Comms/Server Room	£56,152
Furniture	£37,434
Legal Fees	£7,487
Stamp Duty	£37,434
Wayleaves	£7,487
Total	£1,178,400

Table 3: Associated Move Charges

Notes:

- Please see the Financial Model for detailed pricing, including a breakdown of the Category B Implementation and Project Management charges.
- Financial engineering (‘smoothing’) has not been included.

* Fit-out. There is no precise standard definition for fit-outs – it can vary between owners/developers. Typically, a developer provides CAT A as part of the rentable office space, which comprises the following elements:

- Raised floors
- Floor coverings

- Suspended ceilings
- Mechanical Installations
- Electrical Installations
- Finishes to the internal face of the external and core walls
- Window blinds etc.

Typically, CAT B completes the fit-out to the occupier's specific requirements, comprising of the following elements:

- Installation of cellular offices
 - Enhanced finishes
 - Conference/meeting room facilities
 - Reception area
 - Enhanced mechanical/electrical services – e.g. additional air con/lighting needs etc.**1.15**
- Pre April 2015 Charges**

Whilst Capita will incur costs before April, we have applied financial engineering, at no cost to the DfE, to produce a set of milestones that start post 31st March 2015. Please see the Contract Authorisation Note for detail of the milestones.

10.16 Capita's Other Customers

Outside of Teachers' Pensions, Capita currently delivers services to three other customers from Mowden Hall. Below is an outline of when these contracts end, Capita's ability to recoup additional property costs and any gain share agreements:

- Payment Protection Fund (PPF): 2006 to January 2015
 - o PPF is being wound down/replaced by the Financial Assistance scheme (FAS) which falls under the ownership of the PPF – see below
- Financial Assistance Scheme (FAS): September 2014 to Aug 2018
 - o The migration/extension agreement was before any property move discussion with the DfE (informed June 2012, agreed contract April 2013).
 - o There is no facility for Capita to recover office move or additional office costs under this contract
 - o There is no gain share arrangement with CEB.
- Partnership Assurance: 12 month rolling contract, ends July 2015
 - o Expecting core service to be returned in-house in August 2015
 - o There is no gain share under this contract with CEB.
- Barnet: 10 year contract, ends January 2024
 - o Contract agreed September 2012 as part of a wider BPO and IT Contract.
 - o There is no gainshare arrangement with CEB.
- Employee Benefits and Rewards: Capita own use – annual contract.

We will, where the opportunity rises, move current and new contracts to Darlington (charged at the prevailing property rate).

Appendix B – IT Requirements for the Property Relocation

1.1 Introduction

1.1.1 Requirements

Capita Employee Benefits (CEB) provides IT services for Teachers' Pensions (TP) at a facility called Mowden Hall in Darlington, which is currently owned by the Department for Education (DfE). However, the DfE have indicated they wish to re-develop Mowden Hall, requiring the move of CEB operations to a new facility in Darlington.

CEB are therefore providing a relocation service for this existing operation involving the relocation of approximately 500¹² staff to this new facility. The new building is expected to be completely unprovisioned in terms of office facilities and Capita IT Services (ITS) have been requested to provide a fixed price for relocation of all existing IT assets, along with set up of the existing service in the new building.

This fixed price proposal assumes CEB is moving to Lingfield Point, Darlington. This is a brownfield property spread across a single floor. ITS have included details of the proposed solution, along with the requisite dependencies and assumptions and a fixed price for relocation of Teachers' Pensions to Lingfield Point.

1.1.2 Solution Summary

Initial activity would see Capita ITS conduct an in depth survey of the equipment in the existing offices to enable detailed planning of the proposed move. This would include details of volumes, configurations and inter-relations between equipment and business operations.

A new network infrastructure will be implemented in the new site including the following:

- Server room fit out of up to six comms racks and six server racks together with relevant cabling
- Flood wiring to allow for four CAT6 ports per desk to accommodate network segregation requirements
- Connectivity to the Capita WAN
- Temporary local high speed connection between to Mowden Hall and the proposed new site of Lingfield Point
- Encryption devices to meet IL3 compliance requirements for data transit both across the Capita WAN and the site to site link.

Users will be migrated in two groups with TP and Other¹³ staff and their associated equipment moved separately to ensure continuity of their business operations. The server room relocation will be completed in a final third phase.

1.1.3 Reform Programme

The IT upgrade requirements associated with Reform are as follows:

1. CPU upgrades to existing servers
2. Increase in memory of existing servers
3. Increase in disk storage capacity.
4. Additional servers.

This four areas for upgrade are within our data centres in West Malling and Laindon. As this move proposal is focused on the shift of technology within Darlington, the Reform Programme does not impact, or is impacted by the move from Mowden Hall to a new site in Darlington.

¹² Minimum office requirement of 489, including other services provided from this location. See our property proposal for further detail.

¹³ FAS/PPF, Partnership etc..

1.1.4 Business Benefits

ITS currently manage a number of hosting services on behalf of CEB. As the incumbent supplier of these services, ITS will be best placed to perform the relocation exercise on behalf of CEB for the following reasons:

- Experience in multiple, successful IT relocation moves on behalf of CEB
- Understanding of the security requirements surrounding the move of IL3 equipment
- Experience in establishing network capabilities at multiple sites for CEB, including those required for IL3
- Technical expertise to install all of the necessary hardware relating to both IT infrastructure and IL3 security infrastructure.

Having performed numerous office relocation projects, ITS understand the need for adherence to best practice regimes. We have:

- Appointed a solution owner who has been involved during development of the solution and will oversee delivery of the work
- Provisioned for early engagement of a CLAS consultant to scope out the IL3 elements of the project as these tend to be time consuming parts of the project
- Ensured clarity of ownership of dependencies on the property team and end client, ensuring no confusion on who is delivering what.

We believe the strong start coupled with experience and lessons learnt from other moves will provide substantial benefits in delivery of the project.

1.2 Proposed IT Solution

1.2.1 Move Pre- Requisites

The main pre-requisites that ITS will require in preparation for the move are:

- Detailed inventory of all IT equipment, data, power and cooling requirements;
- Office plans of both sites detailing staff and equipment by client group (TP/Other)
- Test plans and baseline performance metrics.

These are required for planning purposes for the move and would be needed as soon as possible after commencement of the project.

1.2.2 Professional Services

The proposal contains all of the anticipated professional services required for the site move. Programme and project management effort and associated PMO support is included, although these will be subject to due diligence prior to project start.

An out of hours site relocation has been assumed to ensure service levels are protected¹⁴. This will see a phased move of personnel from the old site to the new site with minimum disruption during their working hours.

¹⁴There will be some controlled out of hours downtime as we switch over voice and data circuits

1.2.3 Desktops

From the recent site visit made by ITS staff to Mowden Hall, it is understood that the desktop estate, to be relocated to the new site, comprises:

- 463 non IL3 devices
- 328 IL3 devices.

Also requiring relocation are the printers and faxes associated with the business operations. These are identified in Table 1.

Desktop printer/fax	26	5	31
MFD printer/fax	11	3	14

Table 2 : Printers and Fax numbers located in the Mowden Hall Facility

It is proposed to carry out the staff and IT services relocation in three phases, following a successful pilot move¹⁵. This will reduce risk as the move will happen with manageable numbers of staff and equipment being re-located at one time. Also departments will be migrated in entirety, thus helping to maintain business operations by not having different members of the same department operating from different sites. The three phases will be:

- Phase 1 – Non TP users & associated desktop equipment
- Phase 2 – Teachers' Pensions users & associated desktop equipment
- Phase 3 – Server room equipment.

A proportional number of printers will be moved to support the relevant staff at each location in their day to day business operations.

1.2.4 Cabling

The new premises will be flood wired to provide up to four CAT6 outlets to each of the proposed 500 desks to allow for the required network segregation. The connections to each desk are shown in Table 3:

1	Capita/CEB/MVS
2	TP (IL3)
3	FAS/PPF (IL3)
4	Public/spare/3 rd party telephony

Table 3: Desk Connections

¹⁵ Moving 10 low risk devices from each user group: IL3: TP & PPF/FAS, unclassified devices: accounts, management etc..

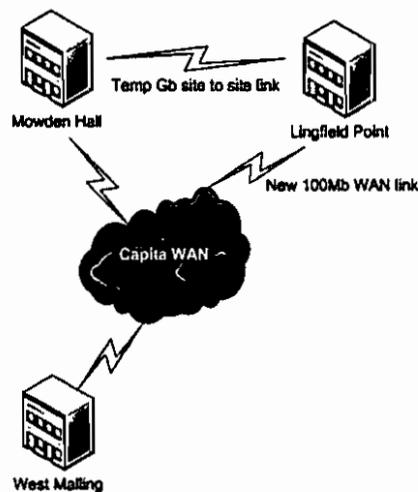
This structure will allow CEB flexibility over desk / staff layout within the new site.

1.2.5 Wide Area Network

Provision has been made for a Connect+ resilient connection (to the Capita WAN) to be installed to the new site for all data traffic. The Connect+ service comprises two 100Mb data connections (should one fail) from a service provider such as Virgin Media, that provides access to the Teachers' Pensions service hosted in our IL3 data centre. This will be ordered by ITS in time for the implementation at the new site and the existing WAN connection at Mowden Hall will be discontinued following completion of the move to the new site.

In addition a resilient pair of network encryption devices will be installed at the new site to meet the compliance requirements for connectivity into the IL3 RMH environment.

A temporary high speed link will also be used to connect Mowden Hall and Lingfield Point during the migration period¹⁶. This will be encrypted to allow the flow of IL3 classified data and voice traffic between sites and will eliminate the risk of WAN latency on any of the local services served from the onsite computer room.



1.2.6 Local Area Network

A new local area network (LAN) will be provisioned for the new site with up to four CAT6 connections to each desk location. The network will be installed and set up prior to the migrations taking place. Each department will have a self-contained LAN infrastructure within its own racking system in the data centre (TP, Other).

1.2.7 DfE Hotdesk Technology

Capita CEB will provide four 'hardened'¹⁷ laptops for DfE use. They will have Microsoft Windows version 7 or above, as an operating system and Microsoft Office 2007 or above. The four laptops will connect to

¹⁶ Due to Service Provider restrictions (BT/Virgin), this service will need to be ordered for a minimum of one year.

¹⁷ Locked down LAN and USB ports (tbc)

a Business Broadband service¹⁸ via wireless and be physically secured to the desks. CEB will install the equipment and provide basic maintenance¹⁹ at no additional cost. Should a laptop fail outside of warranty or fail due to a non-warranty claim e.g. liquid ingress, repair / replacement charges will apply.

A wireless enabled desktop printer will also be provided for DfE guests to use. Reasonable consumables will be provided at no additional cost.

1.2.8 Telephony

Capita are proposing a new telephony system for Lingfield Point, ensuring the move is derisked through having both platforms operational for a short time. The provision of any new core voice switch hardware and software will be paid for by Capita. There are additional costs for moving / reinstalling the voice services currently provided by BT into Mowden Hall. These are detailed in the pricing matrix below.

1.2.9 Out of Scope

The following are out of scope of the move proposal:

- DR testing as part of business as usual service
- Decommissioning of Mowden Hall
- Third party users e.g. ATOS - who have remote access to the IL3 environment in West Malling and will be unaffected by the move.

1.2.10 Allocation of Technology

As stated within the property move proposal, the ratio of staff defines a 64.5/35.5% split between TP and non TP, but we have held a 62.5%/37.5% split (to the benefit of the DfE) as a ratio of property costs. For IT and Telecoms we have defined a 70/30 split (TP/Other). The justification for this is the complexity/size of the TP IL3 environment²⁰, the services that TP use and the volume of work that TP generates. In some case we find that the services TP use approaches 100% but in others less. At this stage we have therefore taken 70% as a fair blend across the services.

1.2.11 Dependencies

The dependencies on Capita, DfE and the overall relocation plan are shown in Table 4 below. ITS will need to ensure delivery of these dependencies to guarantee successful delivery of the programme.

Firm dependency dates will be agreed post contract signature.

¹⁸ Only providing access to the Internet

¹⁹ Failure analysis, general 'switch on' assistance, patching and AV upgrades

²⁰ IL3 requires specific encryptors and associated security software for LAN and WAN, a different approach to cabling both in where they are placed and the type of cabling/shielding provided, all core LAN/Server hardware (even within the data centre) needs to be separately secured and each TP member of staff requires access to both IL3 and IL2 environments (through a traditional PC and an additional thin-client terminal), requiring two network ports as a minimum.

No	Dependency	Date required	Owner (s)
1	New site ready for flood wiring & data point deployment (pre-2nd fix)	18/05/2015	Cain Garnett
2	New site refurbishment complete	22/06/2015	Cain Garnett
3	Server Room and power complete	18/05/2015	Cain Garnett
4	Floor & Desk Plans agreed	26/01/2015	Paul Sturgess / Cain Garnett
5	Temporary Link in place	18/05/2015	ITS/Network TDA
6	WAN installed & commissioned	18/05/2015	ITS/Network TDA
7	Capita to provide robust assurance to the DfE Accreditor, in order for him/her to approve the IT solution in the new property	26/01/2015	ITS Design and Build Team / Pete Henderson
8	User test plans and baseline timings completed and agreed	26/01/2015	Paul Sturgess / David James

Table 4 : Key dependencies that exist in delivery of the site relocation.

Note that the dates within Table 3 are dependent on the date of the contract signature of the lease/contract extension.

1.2.12 Assumptions

ITS have agreed the following assumptions with CEB to generate the solution and costs to enable ITS to derive pricing and these are shown in Table 5 below.

No	Assumption	Phase Impacted	Owner(s)
1	TPF will be relocated to Lingfield Place, Darlington, DL1 1RW; the building will be unit 11b and will be single storey, open plan accommodation	Site Transition	Cain Garnett
2	All physical services (power, IT and aircon) will be provided into the proposed accommodation with no delays or issues to the proposed programme	Site Transition	Cain Garnett
3	Power provided into Lingfield Point will be adequate to meet the requirements for IT services, printer and server equipment for 500 staff. A single UPS unit will be provided by CEB as part of the building fit out to maintain all server room equipment for 20 minutes to allow a controlled shut down in the event of a power failure.	Site Transition	Cain Garnett
4	Server room is constructed or located centrally in the proposed building with adequate space and services to meet desired capacity. CEB is responsible for installing adequate security features for this room.	Site Transition	Cain Garnett
5	The WiFi requirements can be satisfied using a single standard BT Business Broadband service with a wireless router and this meets security requirements	Site Transition	Pete Henderson
6	DfE staff will access their network through a WiFi router on site which is open to the internet. There will be no hardwired connections available	Site Transition	Sue Crane / Pete Henderson
7	DfE and other employees or visitors with permission to access the internet using the WiFi internet service do not present any security threat to the IL3 users or systems	Site Transition	Sue Crane / Pete Henderson
8	Volumes are confirmed as: - 463 MSI Desktops on MSI network to be relocated - 328 IL3 Wyse terminals or desktops	Site Transition	Geoff Watson
9	31 desktop printers and faxes, and 14 MFDs to be relocated. More printers will incur further costs	Site Transition	Geoff Watson
10	The IT service wrap at the new site will be to the existing standards and delivered by the same providers as the old site with the exception of the LAN support which is currently self-delivered by CEB and may be transferred to ITS.	Site Transition	Ann Hird / David James
11	There is sufficient time before the required exit of Mowden Hall to migrate to the new site using a phased approach over a number of weeks	Site Transition	Cain Garnett
12	All staff performing the migration tasks only require BPSS clearance	Site Transition	Pete Henderson
13	All costs are based on work to be carried out on one level with no stairs or lifts	Site Transition	Cain Garnett

	involved.		
14	All work completed on Saturday and Sunday	Site Transition	Cain Garnett
15	4 Floor walkers for one day (the Monday) following the moves is adequate to cover support at the client site. A requirement for more resource will incur further cost.	Site Transition	David James
16	Floor walker and move resources have a six week lead time for booking - please ensure this is given	Site Transition	Cain Garnett
17	All user testing is to be carried out by CEB. A test performance report will be required before	Site Transition	David James
18	Business change which includes any business process re-design and staff communications will not be provided by ITS	Site Transition	Paul Sturgess
19	All laptops will be moved by the users, with docking station, screen, keyboard and mouse being moved by the project team. Docking stations are to be unlocked for the day of the move.	Site Transition	Geoff Watson
20	Client representatives are available during the move period to make key decisions and to provide access to required areas	Site Transition	Sue Crane
21	Any Hardware /Software will be bought by ITS division and passed through to the CEB client.	Site Transition	Ann Hird
22	Servers and end-user-devices at Mowden Hall do not store unencrypted personal-sensitive client data, which would require encryption during transport. The setting of a strong BIOS password will be sufficient.	Site Transition	Geoff Watson
23	New site is capable of providing an equivalent level of physical security to Mowden Hall.	Site Transition	Cain Garnett
24	All servers to be moved will have a successful backup done by CEB or CEB service providers prior to transport.	Site Transition	Geoff Watson
25	Capita Insurance will be informed as this involves transportation of equipment with a value of +£25k.	Site Transition	Cain Garnett
26	Existing voice service relocation will be provided by CEB	Site Transition	Geoff Watson
27	Crates for IT equipment are to be provided by CEB as part of the office move programme	Site Transition	Cain Garnett
28	Relocation of the voice services to the new site by the existing provider will not interfere with the ITS managed move of IT equipment. Any delays caused by the voice move will not be attributable to ITS and will be chargeable.	Site Transition	Geoff Watson
29	The network cabling requirement is 2000 CAT6 outlets terminated and tested	Site Transition	Cain Garnett
30	Resilient WAN links can be diversely routed into the building without the requirement to incur excess construction charges. ITS will not be responsible for any additional costs for WAN link routing	Site Transition	Cain Garnett
31	There will be no issues with CEB obtaining any required way leave agreements and any resulting delays or additional costs of	Site Transition	Cain Garnett

32	the ITS programme will be chargeable All of the equipment and cabling can be accommodated in 6 network cabinets	Site Transition	Geoff Watson
33	The LAN will be required to support 463 MSI desktops, 328 IL3 desktops or Wyse terminals and 45 printers or MFDs.	Site Transition	Geoff Watson
34	CEB will be responsible for decommissioning and secure disposal of all surplus equipment at Mowden Hall. Note: this is not dilapidations.	Site Transition	Geoff Watson
35	There are no external WAN connections to third parties that need to be retained and moved to the new site	Site Transition	Geoff Watson
36	ITS will be responsible for terminating the WAN service at Mowden Hall following move of all staff to the new site.	Site Transition	ITS Programme Manager
37	The telephony solution provider will provide and terminate extension side cabling from telephony equipment to Capita's wiring cabinets on UTP patch panels and will include the provision and installation of the patch panels.	Site Transition	Geoff Watson
38	Desktop and other furniture required to place IT equipment on is all in place at the move date.	Site Transition	Cain Garnett
39	Cabling works at the new site will be carried out during normal working hours 08:00 to 17:00 Monday to Friday	Site Transition	Cain Garnett
40	The cabling contractor will have free and uninterrupted access for the duration of our works.	Site Transition	Cain Garnett
41	There will be no requirement for the supply or installation of any new items of primary and/or secondary containment, nor support structures, and we assume any existing is adequate, accessible and suitable for use	Site Transition	Geoff Watson
42	All builders work including penetrations and make of way to be carried out by CEB	Site Transition	Cain Garnett
43	Each cable will be installed in a single continuous act from the Wiring Cabinet to the final position of the outlet. No allowance has been made for coiling cables and/or revisiting for the uncoiling of cables.	Site Transition	Cain Garnett
44	CEB will be responsible for lifting / laying floor tiles.	Site Transition	Cain Garnett
45	Floor boxes including data plates are to be supplied and fitted by CEB's electrical contractor	Site Transition	Cain Garnett
46	There will be nothing that will need to be installed over 4m above finished floor level.	Site Transition	Cain Garnett
47	All equipment associated with the cabinet office contract is out of scope for relocation	Site Transition	Paul Sturgess
48	Provision of the voice link to the existing voice service provider is on a reasonable endeavours basis. ITS will not be held accountable or responsible for service failure or service credits on this service	Site Transition	Geoff Watson
49	The relocation project is considered a single project and can be purchased as a	Site Transition	Ann Hird

50	single item only. Ongoing charges detailed in the financial section below, are considered options and may be purchased in whole, in part, or not at all. WAN and LAN server hardware is assumed to last for the seven year contract duration and no refresh is included in the costs.	Service	ITS Service Delivery Manager
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Table 5 : Technical and Commercial assumptions made by ITS in developing the solution and pricing this proposal.

1.2.13 Project and Service Charges

The programme has been priced with the core offering covering the relocation of the IL3 and non IL3 IT services, excluding the provision of a new voice platform which CEB will carry out at its own cost.

As well as the assumption detailed in Table 4 above, the following pricing terms will be applicable to the programme:

- All prices will be exclusive of VAT unless stated
- Implementation dates will be agreed once the fixed price proposal has been approved and signed off
- Any time needed to be spent over and above that outlined in the fixed price proposal will be agreed before completion and subsequently charged on a Time and Materials basis
- Financial engineering is not required by the DfE; all charges will be invoiced as per the project plan payment milestones.

Note that the hardware will be purchased quite some time after this proposal has been submitted. ITS are bearing the risk of changes to equipment pricing through inflation and the Dollar / Sterling exchange rate fluctuations.

1.2.14 Project Charges for the Site Relocation

The pricing for the IT relocation programme is shown in Table 5 below.

Item	Item Category	Item Description	Number of Units	Unit Charge - £	Total Charge - £	TP Charge - £
1	Design	TDA HLD	15	496	7,440	5,208
2	Design	TD LLD	20	496	9,920	6,944
3	Site Transition	Project Manager	87	434	37,758	26,431
4	Site Transition	Programme Manager	22	432	9,504	6,653
5	Site Transition	PMO	20	435	8,700	6,090
6	Site Transition	Courier Costs	1	55,664	55,664	38,965
7	Site Transition	Staff Expenses	1	4,356	4,356	3,049
8	Site Transition	42u Rack	6	3,334	20,004	14,003
10	Site Transition	Service Architect Delivery	10	1007	10,070	7,049
11	Site Transition	Service Desk Ongoing Support	1	193	193	135

12	Site Transition	Major Incident Management ongoing support	1	93	93	65
13	Site Transition	Incident monitoring	1	742	742	519
14	Site Transition	Problem Management ongoing support	1	181	181	127
15	Site Transition	Change Management ongoing support	1	99	99	69
16	Site Transition	Saturday desktop moves (x8 Engineers two Saturdays)	2	11,935	23,870	16,709
17	Site Transition	Sunday desktop moves (x8 Engineers two Sundays)	2	15,913	31,826	22,278
18	Site Transition	Weekend Accommodation (x2 Weekends)	40	113	4,520	3,164
19	Site Transition	Weekend Travel (x2 Weekends)	40	75	3,000	2,100
20	Site Transition	Saturday Server moves (x4 Engineers one Saturday)	1	2,387	2,387	1,671
21	Site Transition	Sunday server moves (x4 Engineers one Sunday)	1	3,183	3,183	2,228
22	Site Transition	Weekend Accommodation (x1 Weekends)	8	113	904	633
23	Site Transition	Weekend Travel (x1 Weekends)	8	75	600	420
24	Site Transition	Monday Floor walker support (x3 Monday's)	1	4,774	4,774	3,342
25	Site Transition	Monday Floor walker support Accommodation (x3 Monday's)	12	113	1,356	949
26	Site Transition	Monday Floor walker support Travel (x3 Monday's)	12	75	900	630
27	Site Transition	Data Configuration/Changes to people data	5	369	1,845	1,292
28	Site Transition	CMDB data configuration updates	5	369	1,845	1,292
29	Site Transition	Project Management	2	557	1,114	780
30	Site Transition	Service readiness	26.5	551	14,602	10,221
31	Networks	WAN 30/100Mb resilient Option	1	9,474	9,474	6,632
32	Networks	EAD 1Gig	2	4,880	9,760	6,832
33	Networks	Net EDM-100M Encryptor	2	16,501	33,002	23,101
34	Networks	Net Consultancy	3	1,751	5,253	3,677
35	Networks	To the supply and installation of 6 nr floor standing 47U x 800W x 1000D cabinets c/w 1 nr 12 way vertical UK style PDU, 1 nr 4 way fan tray, 1 set of jacking feet, 1 nr earthing kit.	6	979	5,874	4,112
36	Networks	Cat 6 Data outlets	2000	49	98,000	68,600

37	Networks	2 meter RJ 45 - RJ 45 Cabinet patch leads (installed)	2000	5	10,000	7,000
38	Networks	3 meter RJ 45 - RJ 45 Desk Patch leads (installed)	2000	7	14,000	9,800
39	Networks	Project management	1	14,272	14,272	9,990
40	Networks	Fibre backbone	6	1,228	7,368	5,158
41	Networks	Cisco Catalyst 3850 48 Port Data IP Base	6	4,749	28,494	19,946
42	Networks	Cisco Catalyst 3850 4 x 1GE Network Module	28	44	1,232	862
43	Networks	1000BASE-SX SFP transceiver module MMF 850nm DOM	28	207	5,796	4,057
44	Networks	Catalyst 2960-X 48 GigE PoE 370W 4 x 1G SFP LAN Base	16	2,311	36,976	25,883
45	Networks	Catalyst 2960-X FlexStack Plus Stacking Module	16	444	7,104	4,973
46	Networks	Catalyst 2960-X 48 GigE 4 x 1G SFP LAN Base	16	1,558	24,928	17,450
47	Networks	Catalyst 2960-X FlexStack Plus Stacking Module	20	444	8,880	6,216
48	Networks	Fibre Patch leads	40	22.5	900	630
49	Networks	BT Business Broadband	1	187	187	131
50	Networks	Senior Network Engineer - Broadband install	0.5	636	318	223
51	Networks	Monitoring - Hosted 3 Year Commitment - Setup	1	9,325	9,325	6,528
52	Networks	TS - Senior Project Manager - Project Management - Setup, Ordering, Kick Off	3	1,015	3,045	2,132
53	Networks	TS - Senior Project Manager - Project Management - Resource Scheduling, Control Docs	5	1,015	5,075	3,553
54	Networks	TS - Senior Project Manager - Project Management - User Acceptance, Close Down	1	1,015	1,015	711
55	Networks	TS - TDA - Detailed Design	5	1,071	5,355	3,749
56	Networks	TS - TDA - Physical Build & Configuration	7	1,071	7,497	5,248
57	Networks	TS - TDA - Handover	1	1,071	1,071	750
58	Networks	Senior Network Engineer - Weekend Migration - Saturday	3	1,866	5,598	3,919
59	Networks	Senior Network Engineer - Weekend Migration - Sunday	3	2,154	6,462	4,523
60	Networks	Senior Network Engineer - WAN Decommissioning	2	635	1,270	889
61	Security	CLAS Consultant	18	983	17,694	12,386
62	Security	IA Lead Practitioner	1	382	382	267
63	Security	3rd Party CHECK Testing	4	1,066	4,264	2,985

		Provider				
64	Contingency	Contingency	1	84,232	84,232	58,962
65	Voice	Installation of ISDN30s	4	1,372	5,489	3,843
66	DfE	Printer for the DfE	1	152	152	152
67	DfE	Laptops for the DfE	4	1,048	4,193	4,193
TOTAL TRANSITION CHARGES					747,249	523,074

Table 6 : Fixed price Charges for relocation of the IT services from Mowden Hall to Lingfield Point

1.2.16 Ongoing Charges for WAN, LAN and hardware support

ITS will provide new data services into Lingfield Point. These services will be provided at both locations for three months (one month prior, one month for migration, one month post move, as a backup).

From month four, the new services into Lingfield Point will replace services currently provided into Mowden Hall and therefore are not presented as additional costs to the DfE. Additional cost elements are detailed in Table 7 below; bar BT Broadband (a per annum charge), the prices are 70% of the total, over a three month period.

Item	Item Category	Service Type	Item Description	Charges
1	Networks	Existing	WAN 30/100Mb resilient Option	£5,870
2	Networks	New	EAD 1Gig	£8,744
3	Networks	Existing	Net EDM-100M Encryptor maintenance	£502
4	Networks	Existing	Monitoring - Hosted 3 Year Commitment	£708
5	Networks	Existing	LAN Support Costs 1 Year	£6,002
6	Networks	Existing	Capita Support 24x7x4 Hardware Replacement	£2,389
7	Networks	New	BT Business Broadband	£437
Total Charges				£24,652

Table 7 : Ongoing service charges

Please see the Financial Model for detailed pricing.

1.2.17 Pre April 2015 Charges

Whist Capita will incur costs before April, we have applied financial engineering, at no cost to the DfE, to produce a set of milestones that start post 31st March 2015. Please see the Contract Authorisation Note for detail of the milestones.

1.2.18 Conclusion

The proposal details the programme and fixed price for relocation/provision of approximate 500 staff from Mowden Hall in Darlington to Lingfield Point.

ITS believe they have both the capability and the experience to deliver this project with minimal risk to the ongoing CEB business operations.

1 Background

A “deferred” pension relates to active unclaimed pensions, where a member has left the Scheme but has either not transferred their existing pension (only applicable to those members who have not yet reached their NPA) to a new scheme or claimed the residual funds. This could be because the member:

- Is not of pensionable age
- Is unaware that they can claim the pension if above pensionable age
- Is unaware that they can transfer the pension, (where that opportunity exists)
- Is deceased.

Once a member reaches their NPA there are two options available to them, depending on their length of service within the Teaching profession:

- The member has sufficient service to apply for retirement benefits
- The member has insufficient service to apply for retirement benefits, but can apply for a refund of contributions.

There are four elements to consider in the deferred population:

- Members who have deferred status who have reached their NPA – of which there are currently an estimated 130,000 with Teachers’ Pensions
- An additional (estimated) 70,000 further members, who are already Deferred who will reach their NPA within the next 5 years
- A residual rump of approximately 250,000 legacy deferred members below pensionable age, who are outside of the scope of this project.
- Members who become deferred going forward – TP will implement a BAU solution outside of the scope of this project to manage members who become Deferred, but currently are not deferred.

Deferred pensions have a significant impact on members as they could, potentially, have unclaimed benefits which they are not aware of. Engaging these members and facilitating payment of these benefits will be of obvious benefit to members. Deferred pensions also impact the DfE as they distort the Scheme liabilities. This in turn results in a less than accurate valuation of the Scheme.

A change is required to improve data quality for the deferred population, and ultimately mitigate the financial risk described above, by encouraging deferred members to claim a pension or claim a refund of contributions.

TP are keen that all members are offered the same level of attention and customer service – deferred members are no exception. The central drivers for pursuing a solution to tackle deferred pensions are:

- To improve the member experience.

Improving the members experience is always a TP priority. Engaging members regarding their pension will improve the member experience as they will, receive unpaid benefits. The solution below will provide the member with a modernised and efficient process to verify their information.

➤ Improve data quality.

One of the main drivers for change in TP is improving the data held on the system through data management strategies and cleansing activities. This solution will support these initiatives by providing updated member information; ensuring redundant records are archived from the system. This will in turn help ensure the Scheme valuation is as accurate as possible.

TP will also become obligated to meet the data requirements of the Pensions Regulator, specifically the common data set. The proposed solution will help meet these requirements, and support the delivery of outcome 12 - The Quality of new and legacy data is assured.

2 Project Overview/Scope

Teachers' Pensions will utilise the Capita Tracing Service (CTS) eVon based solution to verify and trace deferred members. Once verified a solution will be required to automatically match and contact members, ensuring that the right information is provided in line with their service history. The project deliverables will include:

- The build and maintenance of both the transfer mechanism (data to and from CTS/TP) and return file
- Tracing solution tailored to TP deferred member data
- The build and maintenance of the TP configured eVon tool
- Internal solution to match returned records and issue correct correspondence
- Supporting correspondence, guidance and processes to administer the solution
- Ongoing deferred processing once in live.

It is proposed that the deferred project will run for 48 months. A monthly extract has been agreed with the DfE, as opposed to a one off exercise, to reduce both the impact on Scheme forecasting and the potential resource implications of a large scale exercise.

The project carries with it an associated risk to scheme financial forecasting as a result of the benefit payments which will emerge from members that are successfully traced. This risk will be managed carefully by TP.

The approach will be supported in advance of the project go-live by high level estimates, based on the assumption that all verified members retire/apply for a refund of contributions. This will provide the Finance team with an advanced view of the expected maximum impact on the scheme from the project which will be validated by the approach described below.

There is sensitivity around the project go live date. Following go live further data will be collected from the project to understand the likely number of retirements month to month, based on actual live experience of the number of members who retire/apply for a refund of contributions and the value of their retirement/refund. The project is currently proposed to go-live in April 2015, allowing 5 to 6 months of analysis of actual experience to be undertaken before the Autumn OBR, Winter OBR and Spring supplementary forecasting cycle becomes due again (June 2015 – January 2016). If the project went live at a later point in the year the benefit of applying actual experience before key forecast points are agreed would be lost thereby increasing potential risk. This approach will aid TP when impacting the deferred project against scheme forecasting.

The risk to scheme forecasting is also included in the Teachers' Pensions risk register. Teachers' Pensions will continue to pro-actively manage this risk, in conjunction with the Deferred project. If the current

process proves to have a significant impact on scheme forecasting, Teachers' Pensions can review the criteria against which members are extracted, for example a mix of Members' with large amounts of service and those eligible for a refund of contributions only, to control the impact.

The project will go live at an agreed point following completion of the contract extension. This gives the DfE some control over the start and end date. The start date selected should also be influenced by the potential impact of Scheme forecasting. It is proposed that the 48 month period does not change at this stage to ring fence the costs described below, but if needed the duration can be extended.

For example if the project was to commence in the second half of 2015, TP would resolve 1950 member records for the remaining 6 months of 2015, 5000 records per month in the three main years of the project: 15/16, 16/17 and 17/18 and 1950 for the first 6 months of 2019 to resolve the remaining cases. This approach ensures that the IT solution is producing a consistent extract (in the three full years) and that the resulting resource can be accurately forecast and accommodated. This approach also allows the process to embed in the initial 6 months using a reduced volume.

3 Solution

The eVon solution is owned and facilitated by Capita Tracing Services (CTS). Its primary function being member validation facilitated via an online portal, supported by detailed tracing services.

Once the data is extracted by TP and issued to CTS through a secure online portal, the solution operates as follows: The member is traced using the CTS tracing facilities. The solution pulls from a number of data sources to create a "residency score" – in essence how likely is it that the member still resides at that address. The scores range from platinum to bronze. If the score is bronze a likely current address is found. A platinum score means that a trace has been achieved at the address we currently hold for that member.

The member is then contacted by post. The member will then use specific personal data to verify, via eVon that the information is correct. Should it be incorrect the individual has the option to provide updated information through the portal or by phone – supported by CTS.

Once the member is verified, CTS provide the tracing and verification outcome to TP. This will confirm those records where members have been verified, those where a member is now deceased, and those where no trace could be achieved. TP will then write to verified members to advise them of their right to benefits or a refund of contributions – for example whether to proceed with a retirement application. TP will then be required to process the incoming Retirement/Refund of Contributions applications.

This solution also provides a number of supporting activities which ensure the process is efficient and reduces the resource impact within TP:

- eVon is highly configurable and as such the verification information can easily be adapted, as can the aesthetics of the portal. This is has been included, as part of the CTS service.
- CTS will write to each member as part of the verification process and provide front line contact centre support for member queries. To clarify, the front line support will respond specifically to questions related to the verification process. CTS will then provide a "warm" hand off to TP where pension specific enquiries are received. This consists of an email containing the member's details and query. When TP provide a call back verification details will be taken to ensure they are speaking to the correct member.

- This process has been designed to align with the requirements of the IL3 Security Working Group.

TP have checked with internal Audit that the security approach taken meets the new directives around benefit payments to members who have not been in contact with TP for over 10 years. It does meet these requirements as TP not only undertake a stringent verification process, but also require 3 separate identifier questions to be met before a member can verify themselves online. Even at this point a member has only verified them self. They are still required to undertake a full retirement application/refund of contribution application.

4 Resource

The following impact assessment describes the resource required for TP to administer the deferred process.

Resource is required to support the following functions:

- The majority of resource will be required to support the retirement function. Deferred members will be advised to resolve their pension through a retirement application. An estimated 2003 additional applications could be received each month (currently around 2666 applications are received each month) – this would be a 75% increase over current volumes
- In addition the call centre will see a rise in incoming queries and resource will be required to respond to customer contact which does not follow the retirement process
- A Business Analyst resource is required to manage the project set up and delivery
- To extract and re-load the data files each month, which includes an element of error handling.

The deferred resource is calculated as follows:

Based on a monthly extract of 5000, TP expect a trace "hit rate" of 89% - which would total 4450. By applying an estimated response rate to that figure of 45% (A pilot conducted by TP this year indicated a response rate of 45%) an estimated monthly volume of 2003 emerges.

At the time we assumed that every record requires 17 minutes of administrative support the total time, per annum, 567 Hours would be required to process 2003 records.

The available time per person is essentially the number of available working hours per month, minus average annual and sick leave, multiplied by the number of hours per day (7.5).

Therefore $567/165 = 3.42$ FTE's.

As described above, TP will undertake processing over a 48 month period spread across 5 financial years.

The volume for the periods in the first and last financial years is reduced, as is the period in which processing will be undertaken. Using the same theory described above the amount of resource required to process 781 records (remaining records split equally over 12 months, 1950, with the above hit rate applied) is 1.4 FTE

A contingency percentage of 15% has previously been included. Given the approach undertaken with CTS, this contingency would only be applicable to TP. This is because CTS bear the risk of an increase in the number of people traced or verified as part of their service, which will not impact their price, but could result in an increase in the number of retirement award/refund claims received.

5 Cost

As described below, the CTS resource costs are included in the overall cost they have presented. This cost includes a number of components:

- The build and maintenance of both the transfer mechanism (data to and from CTS/TP) and return file
- The build and maintenance of the TP configured eVon tool
- The administration of the process, specifically tracing activities
- Sourcing tracing data
- The administration of file transfer activities
- Front line member support including call centre facilities
- Issuing of mail & print for at least one mailing
- Warm hand offs to the TP contact centre for pension specification queries
- Production of MI where required.

CTS have provided an overall cost which includes: the items above; resource required month to month; sourcing tracing data, and the IT solution.

It should be noted that negotiations have taken place with CTS to ensure that the DfE achieves a value for money solution. This has seen a material reduction in the overall solution cost. These negotiations used the existing relationship with CTS and the possibility of using another supplier as leverage to reduce the initial quote. These savings have been presented to the DfE. To provide further detail:

Initially CTS provided an overall cost to process all deferred records of £840,119. This figure was predicated on an assumed trace of around 89% of members, and a verification rate of 45%. Broken down this cost would be £17,502 per month, equivalent to £3.50 per deferred member.

Following negotiations, CTS reduced the overall cost to £618,600. Again, a figure was predicated on the assumed trace and verification hit rates. Broken down the cost is now £12,888 per month, equivalent to £2.58 per deferred member.

- In comparison to the current market rate offered by CTS, TP are able to present a 27% reduction to the DfE.

CTS have provided the following breakdown to expand upon the costs described above – see below.

In terms of the mortality costs, TP did consider using the DDRI solution to trace deceased members before they are then traced via the 3rd party data streams. TP concluded that applying the DDRI solution would not be the most efficient approach as it would create two data streams, which would be more time consuming and costly, whereas the proposed solution only uses one data stream. The deceased members are identified as a bi-product of the tracing work. By using the DDRI solution first and then using the tracing solution afterwards additional work is created. As outlined above this element of the deferred solution would cost a total of £9,664. It is estimated, that the DDRI approach would cost significantly more – estimated to be at least £80,000.

1 Document Purpose

This document, together with the financial model 'Contract Extension - Financial Model V3.1.xlsx', is intended to enable the Department for Education to undertake a detailed review of Capita's contract extension offer and provide the necessary detail to the Cabinet Office authorisers, should the Department agree that an extension is a justifiable course of action.

1.1 Introduction

The Teachers' Pension Service contract with Capita was renewed in 2011 after a full procurement exercise. In the period since 2011 two major changes have occurred: 1) a decision to move Department staff from the current Mowden Hall site and 2) a programme of Pensions Reform to public sector pension benefits. Both of these developments do not sit neatly with the current contract term, creating material risks and increased costs to the Teachers' Pension Scheme:

- The DfE move is to a new site which will not be suitable to accommodate Capita staff
- The remaining contract term of less than four years, from the date of the move, makes an office move for the Capita staff prohibitively expensive
- Implementing the Pensions Reform programme within the current contract term involves material cost to the DfE and the remaining contract term does not allow it to adequately recoup the benefits of that expenditure. In addition a new bidder, from Oct 2018, would incur additional Reform implementation costs.

An early extension to the contract would help to mitigate these risks and reduce costs. We believe that these benefits along with additional commitment from Capita is worth conservatively, between **£9.65 and 24.8 Million**²¹ over the extended term.

We acknowledge that these figures do not represent the total benefit of extending the contract and that the Department will include additional pension platform development costs obtained from bidders during the last contract renewal.

Whilst we understand that moving out of Mowden Hall, allowing the Department to dispose/redevelop the site, is the preferred option, we have also compared the cost of Capita staying in Mowden Hall without an extension to the benefits of an extended contract in a new location. Excluding the financial and political benefits of disposing of Mowden Hall and the avoided costs of securing another supplier etc., the minimum financial benefit to the Department of extending the contract is just under **£7 Million**.

²¹ Depending on which scenario you choose.

1.2 Excel Workbook

Both this document and the Excel Workbook assume a closure of Mowden Hall and a relocation of Capita's services within Darlington²².

Within the Workbook you will find comprehensive cost and price information for nine scenarios. These are presented in two distinct sections, 1) Client Response, which is summary information, and 2) Client Annexes, which provide inputs to the summaries.

Client Response:

In contract years (Oct-Sep) unless stated otherwise:

- Inputs tab
- DfE Summaries showing nine scenarios:
 - o Indexed and non indexed summaries²³
 - o Indexed and non indexed summaries in financial years.
- Scenario Summaries that include budgetary capital expenditure
 - o Indexed and non indexed summaries
 - o Indexed and non indexed summaries in financial years.
- Cabinet Office Summary (indexed)
- Direct Comparisons which outlines the commercial benefit of moving out and extending the contract Vs staying in Mowden Hall (excludes the benefit of selling/developing Mowden Hall, rebidding costs etc.). Note that this option, as agreed, is not present within the DfE Summaries or its indexed counterparts.
 - o Indexed and non indexed comparisons
 - o Indexed and non indexed comparisons in financial years
- P&L Forecasts, indexed and non indexed – these present the cost and profit view of an extended contract (Scenario 7). As agreed the forecast excludes capital costs for the move and previously agreed Reform costs.

Client Annexes:

- Property Operational Costs
- Office Relocation Costs
- Mowden Hall Sole Occupancy Costs – should Capita stay in Mowden Hall for the duration of a non extended contract
- Deferred – Deferred Member programme of change
- IT Cost Breakdown
- Pension Board
- Core IT Build
- Reform IT build Costs
- Reform Operational Costs
- Academies
- Channel Shift.

²² Our official line to property developers will be that we intend to move somewhere within the North East

²³ Note, where appropriate, costs presented within this document are indexed totals.

1.3 Financial Model

During the last retender exercise we made a considerable reduction to our usual margin position - from 12% to 8.59%. Throughout the financial model, including any additional services, we have applied this reduced margin.

The financial model is presented as a number of scenarios built upon one another:

1. Current contract, provided as a baseline
2. Known changes
3. New and forecast changes
4. (3a) No extension, new bidder wins rebid in 2018
5. (3b) No extension, Capita wins rebid in 2018
6. Moving out of Mowden Hall for four years²⁴
7. As above, through a full rebid, renewing with a new provider from Oct 2018 or
8. Through a full rebid, renewing with Capita from Oct 2018
9. Finally, Capita moving out of Mowden Hall with a three year extension and a 10 year property lease with a 7 year break clause.

In constructing the financial analysis, the following key elements are presented as opportunities to mitigate cost through an extension:

1. Property Lease
2. Reform
 - o Reform Risk
 - o Reform Operational Costs
 - o Pension Board
3. Deferred Members
4. The Growth in Employers
5. Service Charge
6. Other costs to be considered
 - o Cost of new platform development
 - o Cost to run a retender.

This document also touches on the additional value add services we will provide during the term of the contract (non exhaustive list). These are part of our continuous improvement programme and therefore considered business as usual. We also review the progress of the Monthly Data Collections programme and where we expect the programme to take us in the near future.

1.4 Property

Capita's intention, should we secure a three year extension, is to obtain a site within Darlington that will allow growth through the inclusion of additional pension services, both public and private. Our desire is to include both new services and services currently delivered from Capita locations across the UK²⁵. This approach will have a number of benefits for both the Stakeholders and Capita - infusion of experienced and diverse expertise, new ideas and ways of working to benefit Members and Employers, flexible staffing arrangements, greater flexibility with the lease term etc..

²⁴ Expected to be nearer 3yrs 9 months.

²⁵ This point is not widely known within Capita, your confidence is appreciated.

Comparing our requirements to a similar sized on-going Capita project, we will need circa 40,000 square feet²⁶ of accommodation. Through a third party, we have sought to understand the type and size of properties available within Darlington. We have taken this approach to allow Capita the maximum flexibility and best negotiating position when securing a new location for the services we deliver from Mowden Hall: Teachers' Pensions, FAS, PPF and Partnerships (our Cabinet Office contract will have ceased by the time of the move).

Our analysis of site suitability and availability within Darlington has exposed a number of challenges, namely: 1) When the current contract was renewed we examined a potential site move in some detail however the site we had secured is no longer available, 2) there are currently no suitable 40,000+ square feet locations available, and 3) a four year lease for a new build of 40,000+ square feet is not currently available.

Whilst our focus will be on obtaining a long term lease with a 7 year break option there is a risk that a suitable location, at a reasonable cost, will require a 10 year lease with no early break option²⁷. Should this happen and Capita fails to win a rebid, costs of £1.7m (if fully realised) will be difficult to mitigate.

1.5 Financial model

Within the financial model we have presented the increased rental and service costs for Teachers' Pensions, across four and seven year leases. As agreed with the Department, we have assumed a 10 year lease with a 7 year break option and a rent free period of 12 months.

Due to the absence of four year lease options on new builds, the four year lease costs have been calculated based on the experiences of our Group Property Director. In constructing the four year lease costs we have assumed that a structure of some kind exists, the Landlord is paid upfront for the CAT-A²⁸ fit out, a property rent at the upper band of rents is available in the region and potential long term tenants are not competing for the space. Please note: if a new build is required it is unlikely that a four year lease will be available within the costs we have provided.

As detailed within the property move document: 'Darlington Relocation-Property and IT-v1.4.1.docx', should a contract extension be awarded we will secure a potential property and provide a best and final price for both the operational and capital elements of the move.

1.6 Timescales

We understand that the Department are due to move to their new location Q1 2015. Having not secured alternative premises, we are unable, at this stage, to commit to moving by Q1 2015. On notification of a move, Capita will secure a new property and work with the Department to vacate Mowden Hall as soon as possible, whilst protecting service integrity and ensuring a successful launch of Reform in April 2015.

An element of overlapping leases will be a feature of any move. At this stage we are assuming that Mowden Hall will remain open until the last organisation has vacated and that the lease costs will be as per current. With these assumptions, we do not expect the overlapping lease costs to be a major commercial item.

²⁶ Approximate split of 25,000 for TP and 15,000 for other contracts

²⁷ Three years past any Teachers' Pensions extension

²⁸ From raw structure to something that is inhabitable.

1.7 Technology

Within the Property move document: Darlington Relocation-Property and IT-v1.4.1.docx, we have outlined the technology that we will implement into the new property to reduce the risk of the property move. At this stage, no other technology, other than that defined through our BAFO, within any agreed change programmes or through continuous improvement, is being considered.

We understand that the possibility of a three year extension has raised concern with the Cabinet Office re. the obsolescence of technology and the impact of 'disruptive technologies'. With respect to the technologies we employ, these comprise of the following key groupings (all within an IL3 environment):

- Central Server Technology
- WAN
- LAN
- Telephony
- Desktop
- Applications.

Our central server architecture is part of our IL3 platform and, as part of our service from Capita IT Services, is refreshed as and when the server architecture is outmoded. The WAN is provided by organisations such as BT and any end of life technology is replaced within the service they offer. Whilst the telephony platform has been upgraded over the past 24 months we will replace this with a new platform when we move, not due to technology obsolescence but to derisk the move. Desktops within Darlington are refreshed as part of the service we receive (desktops are being refreshed as we speak).

The key to staying on top of developments in pensions and the emergence of disruptive technologies is found within the applications we employ, both within the core platform and through the digital channels we provide. We must, as a business continue to develop these applications otherwise our market of nearly 700 managed pensions would go into rapid decline. The applications we use continue to be developed and future proofed by over 200 in-house Development and IT professionals covering all aspects of the service we offer. Reform is a recent example of a fundamental change to pensions, touching on many aspects of the service we provide. With the exception of small elements of marketing, this change will be developed and implemented in-house.

At a Teachers' Pensions level, disruptive technologies that Members and Employers may use (smart phones/tablets as an example) are picked up through the Continuous Improvement programme, something the Department were keen to get right at rebid and something we believe is far in advance of many contracts in both public and private sectors (especially within the pension arena). The Outcomes have also been designed to ensure that as the Stakeholders start to use new technologies, we respond appropriately. To not do so risks them finding the service more difficult to use, which will be reflected in our outcome achievements.

1.8 Reform

Whilst not all services for Reform are required from launch in April 2015, the delivery programme has been designed to be completed by the launch date. This approach provides contingency and allows for the Department to start a fourth rebid with Reform in place, should the current contract end in October 2018.

With respect to Reform, extending the contract provides a number of benefits:

- Mitigates what we have termed 'Reform Risk'

- Delivers reduced operational costs associated with Reform
- Delivers reduced Pension Board costs.

1.9 Reform Risk

Within the financial model we have included the additional costs that a new provider would incur, building and then delivering the Teachers' Pension service from Oct 2018, which is within the bedding down period of Reform. These costs focus on the Reform system build and therefore exclude any costs associated with the core build and implementation of a Teachers' Pension service within an IL3 environment.

In calculating the risks we have taken the recent Reform proposal and removed or apportioned the items that would be delivered as part of the core system build.

1.9 Reform Operational Costs

Capita is engaged with the DfE on a programme of Reform Change²⁹. This programme will deliver the Reform changes required for go-live, expected April 2015. Post go-live, we expect a number of additional services to be required for example: more complex reconciliations for ill health retirements and death in service, queries through the contact centre from new Members and Members who are within both Schemes, complexities around transfer calculations, changes to the regular data required from Employers etc..

Whilst we look to mitigate these costs wherever possible, we have provided an estimate of the possible costs within the financial model.

Through an extension we propose to take on the risk of any increased operational costs, a benefit to the Department, should the costs be realised, of **£3.47 Million** over the extended term.

1.10 Pension Board

From April 2015, Reform requires a number of trustee/governance type boards. These will have some similarities to governance functions that exist within private sector schemes, as outlined below:

Pensions Management:

- Management of Trustees Business Plans or Activity Plans*
- Production and management of a Scheme Secretarial document checklist*
- Producing and managing detailed Risk Registers, Conflicts of Interest Policies and Scheme Budgets~
- Presenting the draft annual report and accounts to the Trustees~
- Management of Member nomination and selection process for the nominated Board Members (similar to Member nominated Trustees in the private sector)*
- Drafting of Member Communication material such as member newsletters, summary funding statements~
- Management of tender exercise for the appointment of Scheme Advisers*

²⁹ Programme deliverables previously agreed with the DfE and outside of this extension proposal.

- Administration of the Scheme Internal Dispute Resolution Procedure (cases that are escalated to the Board).~

Meeting Management:

- Arranging and attending all meetings between trustees and third parties#
- Preparation and dispatch of agendas, and collation and dispatch of papers#
- Co-ordinating reports from and attendance of professional advisers at Trustee meetings*
- Taking detailed minutes of meetings#
- Producing a schedule of matters arising/actions needed and notifying third parties of actions agreed by Board Members#
- Monitoring actions between meetings#
- Ensuring the Board/Trustees resolutions appropriately documented*
- Acting as Secretary to any sub-committees.*

Where Capita can take on responsibility for delivering these services to the new Board we will. We acknowledge that the consultation process states that the Department is responsible for Secretariat services to the Board but this does not prohibit delegation of some elements of the responsibility.

- * New functions beyond current TP service
- ~ Changes to the scope of existing service lines
- # Functions that are similar to existing governance controls but where Board activities are assumed to be in addition rather than replacements for the existing controls.

Whilst we deliver comprehensive Trustee and Governance services to around 400 private sector schemes, the TP Pension Board will be a new service which has bespoke elements. As a guideline to costs we have assumed the following resources:

- Scheme Secretarial – a senior person, part time (50%)
- Technical consultancy resource to support Pensions Board opinion proof statements – a senior person, part time (25%)
- Admin support, full time.

Within the financial model, we have, using a typical Trustee service model, calculated an anticipated price for the Pension Board services: **£748,000** over the extended term, a price we will discount fully through an extension.

Please note that as the requirements and therefore the pricing are currently unknown, we will apply the proposed reduction to any Pension Board pricing that was above the estimate provided.

1.11 Deferred Members

Currently we are undertaking an exercise in relation to Deferred Member records and processes. The future process element of this is delivered within the current contract under continuous improvement, however a historical element falls outside of the current contract costs. Within the financial model we have outlined the price of the Deferred Mandation³⁰ - **£1.25Million**, and how that price will be fully discounted through an extension.

Please see Appendix G for further detail (proposal discussed separately with the Department).

³⁰ Through TPR regulations which come into force from April 2014

1.12 Growth in Employers

With the growth in popularity of Academies and Free Schools, we have seen the employer base increase from around 4,000³¹ in 2011 to 5,400³² today.

Current estimates expect there to be as many as 11,600 employers in 2019 and possibly up to 14,700 when we include Fair Deal, approaching a fourfold increase since 2011. The financial impact of this increase is provided within the financial model.

Through an extension we will discount the additional costs and therefore, from Oct 2015, will reduce the additional Employer charge by over **£1 Million**³³ over the extended term.

As part of the contract agreed through the last rebid, there is a change control process in place with respect to the growth in Employers. The discount referenced here will be applied to the growth agreed through the change control process.

Please refer to the financial model to review our resourcing expectations against a profile of increasing employers.

1.13 Service Charge

We have sought to understand the impact of continuous improvement on the type, availability and cost of the services we provide to the Stakeholders. Whilst we see improvements to the cost base with the take up of digital services, we also see increased costs for the services we have outlined above. That said, we believe it is possible that gain share will apply in the extension years. We can estimate the gain to the Department but this lacks commitment. It is clear to us that moving out of Mowden Hall, through an extension, has benefits for both the Department and Capita and we feel a stronger commitment is appropriate. We therefore propose to reduce the service charge by £500k per annum for the additional period arising from the extension. A reduction of **£1.7 Million** when indexation is applied.

As noted in the property section above, there are some complexities in obtaining an accurate quote for the property move and therefore we have produced a best and worst case pricing matrix which will be refined post engagement with the commercial property providers. Whilst we strive to get the best possible deal for the move to a new property, we appreciate that there is limited budget within DfE to enable this move. Should any reasonable move costs exceed available budgets, we can, should you wish, free up the service discount to be used for the move.³⁴

Note that we propose to leave the gain share clause unchanged as we expect that this amount of discount will take our margin below the threshold margin agreed at contract signature. As part of the financial model we have presented the revised open book model, providing a forecast of the likely cost/profit position and therefore any gain share that may or may not apply in the future.

³¹ 3,935

³² 5,426

³³ Indexation value

³⁴ We may need to consider impact to in year charges / of cost of money.

1.14 Other Costs to be Considered

1.14.1 Cost of new platform development

Within our financial model - Option 5: Moving out of Mowden Hall for four years, then through a full rebid, renewing with a new provider from Oct 2018, we have presented the indicative costs of a new, established pension provider, developing a Teachers' Pensions service.

Please note: we understand that the Department's financial model includes additional costs obtained from other bidders during the last contract renewal. We have therefore not refined this section further since we submitted the Outline Business Case on the 27th September 2013.

1.14.2 Cost to run a retender

Putting the bidder's costs aside, there is a cost for the Department to run a retender exercise, which is the alternative to an extension. Whilst these are clearly not our costs to propose, our experiences of client side costs show that a retender exercises of this nature typically costs between £1-1.5m when both internal resources and external advisor costs are considered.

Please note: we understand that the Department's financial model includes the costs of external services procured during the last rebid. We have therefore not refined this section further since we submitted the Outline Business Case on the 27th September.

1.14.3 Outcomes and Value Add Services

During the remaining term of the contract, both up to Oct 2018 and into any extension, we will continue to challenge ourselves to provide the very best service at the very best price, and our continuous improvement programme will of course run through any extension (please see Appendix E for details of our activity and achievements to date).

Some of the improvements considered recently are Reform focused, looking at the new services we believe the new trustees will want. Services such as data mining, Yearend analytical services, full data reconciliation, to name but a few.

We also see the Members changing the way they engage with the Scheme, using more digital services as a preference (Employers voiced a desire to be digital during the rebid in 2010/11). The demographic of Teachers puts them neatly into the middle of the Government's Digital by Default strategy, but we must be clear that this is about channel of choice, making the digital channel engagement as simple and available as possible and not about removing traditional channels.

Also, as we experience the growth of digital services e.g. online banking, we are seeing a growing preference for digital through our other services for example TV Licensing. TV Licensing needs to be accessible by a much wider demographic and yet are targeting 70% digital access over the next five years. Whilst it is difficult to predict accurately, we find it counter intuitive for online engagement, through simple, effective and available digital services, to not gain in popularity with Members.

We also envisage that Outcomes will be further reviewed, at the point of, and perhaps during an extension. We believe that it is important to continue to challenge ourselves to improving the service and to engage with the Stakeholders in new and exciting ways. Therefore, whilst the current Outcomes are very relevant and challenging, by October 2018 these may benefit from enhancement and

fundamental review³⁵. Whilst it is conceivable that an Outcome based contract is no longer feasible, we believe that we should base our key qualitative performance on Outcomes and therefore we see them refining and perhaps fundamentally changing, but never disappearing, and therefore always an integral part of our service offering.

1.14.4 Outcomes Post 2018

Once the aims for 2018- 2021 are established we envisage that the Outcomes will reflect the changing demands of the Scheme and indeed the environment. Whilst active engagement and excellent service to deliver strong Employer / Member satisfaction levels, will always be a key driver, we need to ensure that we strive to deliver against all the target areas of the Scheme. By 2018 the Scheme Board will have been in place for a period of three years and many of the target measures may be much more akin to those of a private sector scheme. To this extent we would expect and be receptive to Outcomes driven by the Scheme Board and that they might include targets which reflect resolution on issues such as Scheme Debtor days or numbers of Scheme contributions reconciled in a given time period.

The Outcomes can also be adapted to reflect attainment of key measures on projects or initiatives such as the conversion and collation of monthly data from Employers to specific quantitative or qualitative targets. In working together in this way over the remaining term of the contract Capita can continue to deliver on the requirements of the Scheme and the DfE can ensure that they are positioned to drive the Scheme in the appropriate direction based on the environmental and business drivers of the day. In conclusion, some may consider it foolhardy to second guess eight years into the future but if we continue to be self-critical and build upon the robust continuous improvement principles setup during the last rebid, we are confident that the service we provide in 2021 will continue to be effective and good value.

1.14.5 Monthly Data Collections

MDC was an integral part of our BAFO offer and was designed to deliver a number of benefits, for example:

- Reduced likelihood of Member and Employer debt
- Reduced burden on Employers through a single automated monthly extract, direct from their payroll system(s)
- Greater accuracy requiring fewer reworks and questions from the Teachers' Pension Service and indeed Members
- Member access to accurate and real time information of their benefits, promoting increased Member engagement with the Scheme.

The MDC programme has had a number of challenges and has therefore not progressed as quickly as we would have liked. The good news is that our earlier activity has allowed for full development of TP systems to receive and process the data, has provided useful experience for the current programme and perhaps more importantly, with the changes required for Reform, RTI and the mandation of monthly data returns by the LGPS scheme, we find ourselves in a much more conducive environment with which to progress.

Our target is to have at least 50% of employers providing monthly data by the end of 2015 however, our ambition is 100%, something we can only achieve with the support of all the Stakeholders.

³⁵ Note there is a review of Outcomes due Oct 2015.

Please see Appendix H for further detail (proposal discussed separately with the Department).

1.15 Appendix A – Contractual and Commercial Considerations

Below are the contractual considerations to facilitate a contract extension.

1.15.1 Exit / Termination Schedules:

- Revised to accommodate any additional funding agreed (currently there is an explicit end date)
 - o If additional funding is agreed, freedom to obtain funding through a Capita funding source
- Recovery of any discounts offered should the contract be terminated early.

1.15.2 Gain Share:

- Include the cost of any additional unrecovered non TP costs when calculating gain share
- Unmitigated non TP property costs to be included in the gain share calculation (see the Liabilities section below).

1.15.3 Commercial Points

Discounts:

- **Deferred Members:** we believe we understand the risk of this programme and therefore any under or overspend will be Capita's risk
- **Operational Reform Costs:** with the exception of a delay in laying the Reform Regulations³⁶, we believe we understand the risks to the service and therefore any under or over spend will be Capita's risk
- **Growth in Employers:** Capita is unable to affect the growth in Employers and has therefore capped the discount offered. Should the discount not be applied to the growth in Employers it can be used against other additional services from Capita e.g. Pension Board!
- **Pension Board:** whilst we believe we have provided a good estimate of the Pension Board costs, until we the Board is formed and understand the desires of the Board members we will not know if our estimate is accurate. Any costs over the estimate will be an additional charge to the Department, should the costs be less than the estimate, the remaining discount can be used against additional services from Capita e.g. Growth in Employers.
- **Unclaimed discounts:** all unspent discounts shall be applied to additional services within the contract year the surplus was created. Exceptions to be agreed locally between the Department and Capita.

1.15.4 Liabilities

- **Non TP Property:** should we not be able to mitigate the liability of space freed up from expiring contracts, we will present the costs within our open book model. Note that these costs will not be applied to the DfE or any other customer and will not be counted against any other open book or gain share model.

³⁶ Any impact of delay in go-live is captured within the current Reform Change Programme.

Smoothing

An example of the impact of funding has been included within the financial model. Should funding be requested by the Department, before we can commit, we must share the contract with our funding partner (under NDA), and make the agreed changes to the contract. We can then provide a revised commercial model for approval.

1.16 Appendix B – Other Customers

Please reference the property proposal (Darlington Relocation-Property and IT-v1.4.1.docx) for detail on how the staffing/space is apportioned.

Below is an outline of when the other contracts cease, our ability to recoup additional property costs and any gain share agreements:

- **Cabinet Office:**
 - o Contract is due to expire July 2014.
- **Payment Protection Fund (PPF): 2006 to Aug 2014**
 - o PPF is being replaced by the Financial Assistance scheme (FAS) which falls under the auspices of the PPF – see below
- **Financial Assistance Scheme (FAS): Sept 2014 to Aug 2018**
 - o This contract does not deliver income certainty - we believe that at best it will account for equivalent numbers of staff to that currently working on PPF
 - o The migration/extension agreement was before any property move discussion with the DfE (informed June 2012, agreed contract April 2013).
 - o There is no facility for us to recover office move or additional office costs under this contract
 - o There is no gain share arrangement.
- **Partnership Assurance: July 2009 to July 2014**
 - o Possible extension in July 2014. The period of contract extension, should we secure it, is unknown.
 - o We will make every effort to include the additional property costs if an extension is granted
 - o There is no gain share under this contract.

We will, where the opportunity rises, move current and new contracts to Darlington (charged at the prevailing property rate). Whilst small (five staff) we have already identified one such contract - Barnett LGPS. Whilst this does not represent a large staffing requirement we look forward to being able to bring other business to Darlington.

1.17 Appendix C – PATT

The intention in BAFO was that the PATT function acts as more of a consultative proactive function than has been the case historically, recognising the loss of historical skill sets from the Department. To achieve this PATT needs to be experienced in Teachers' Pensions, wider public sector schemes and private sector pensions.

Recently the PATT team has been focused almost exclusively in supporting Reform with key members of the team either working on secondment to the Department or working on the draft regulations relating to Reform. This has been agreed with the Department who have not been charged additional fees over

this period in return for an acceptance that PATT's deliveries will not fully align with the intentions set out in BAFO, for the duration of this arrangement. This arrangement also recognised that it is difficult to predict the likely requirements on PATT, post Reform, by the Pensions Board that would then be in place.

To help bring around a change in the focus of PATT and acknowledging a key resource is on secondment to the Department, a new recruit into PATT has been agreed. The recruitment will be used to secure a senior resource with technical consultancy skills and a background in private sector pensions. This mix of skills will help develop the focus and outlook of the team, balancing experience with the public sector pension skills that already rest within the team.

The Job specification for the new resource will be shared with the Department and you will be asked to be involved in the recruitment process (outline job specification included below). The focus and emphasis will be on management of the function to provide support and guidance to the DfE Pensions Team and the Pension Board in a manner similar to the support that is given to large private sector scheme governance functions. In particular the team will aim to highlight pension issues and legislative developments that the Board and DfE Pensions Team needs to consider, producing thought provoking reports and where appropriate recommendations for presentation to the Pension Board.

For the PATT function to truly act in the proactive way required, will demand a different working relationship with the Department. Specifically PATT will need to be kept informed on developments in thinking within Government which currently only the Department has access to. This will also require that PATT develop a deeper understanding of the protocols and language used within DfE and Government departments so that they can best support the Department - this will require close liaison and teamwork with the Department; we will work with the Department on the correct approach to achieving this.

1.17.1 Draft Job Specification

PURPOSE OF THE JOB

The successful applicant will work closely with the Department for Education and the Pensions Board. This will involve providing technical and pension policy guidance and support that will affect the administration and design of the Teachers' Pension Scheme. The individual will be involved in a range of projects including the 2015 reforms to the Teachers' Pension Scheme and overriding legislative changes affecting the pension arena.

The successful applicant will be required to play a key role in delivering the Teachers' Pensions administration contract for the Department for Education. They will be expected to identify how potential changes, that could affect the Scheme, are assessed so that any implications are evaluated and understood by all relevant parties. They will be responsible for proactively identifying the potential impact of regulatory and market developments from both the private and public sector which the Teachers' Pension Scheme needs to consider. They will be required to prepare and present such material to the client and wider Teachers' Pensions Team, identifying optional and required features and recommending approaches. The applicant will be involved in providing supporting and possibly attending meetings with the Pension Board that is being created as part of the reforms to the Teachers' Pension Scheme.

They will report to the Client Director and be a key member of the Client Delivery Team.

ESSENTIAL EXPERIENCE/SKILLS

- High level of pensions experience across a range of private sector customers with good technical knowledge

- Experience in a pensions technical consultative capacity to external clients
- A flexible approach to work and a commitment to ensure tasks are completed by their deadlines, is required
- The applicant should have management experience with good organisational skills
- Applicant must have good communication and presentational skills.

DESIRED EXPERIENCE/SKILLS

- Ideally the applicant should have or be working towards a professional pensions qualification
- Public Sector experience.

PERSONAL ATTRIBUTES

- Excellent communicator being able to present complex detail accurately in an accessible way
- Forward thinking
- Proactive and positive attitude
- Ability to work calmly and effectively under pressure.

1.18 Appendix D – Information Request Governance

To satisfying external data requests in a timely and accurate manner requires focus on both interpretation and ease of access to the data. This means absolute clarity of what information is being requested and an understanding of what extract reports are available, which extracts require updating and which require a baseline rebuild.

The table below identifies the key extracts currently requested:

Title	What	When and to who
DTR and Penstats	This is an extract of the entire TP database and is used for statistical analysis. Provided through two bespoke HartLink reports	Twice each year and supplied to Richard Howe (DfE)
MAG stats	Annual statistical pensioner data supplied to DfE and circulated by DfE to other third parties such as Unions	Once per year to DfE Contract Manager
Opting Information	Statistical data and graphs for internal DfE report showing Opt In and Out information	Carol Lynagh on a monthly basis
GAD reports	Extract of information relating to entire Scheme membership showing current membership as at 31/03 current year for pensioners and 31/03 prior year for active and deferred members in line with Annual Resource Account	GAD – can be requested up to three times each year – usually April and October but 2013's request was in January
Annual Resource Account	This provides a summary of the annual accounts and performance of the Scheme	Data compiled by the Finance Team and CDT on an annual basis

Her Majesty's Treasury Regional Analysis	Regional breakdown of pensions in payment for HMT	Once per year to DfE Salford
Pension Regulator Scheme Return	Overview of membership of the Scheme and breakdown thereof includes an addendum of Employers	Annual directly to the Pension Regulator via their website
Occupational Pension Scheme Survey	Questionnaire for public sector defined benefit schemes	Office on National Statistics on an annual basis via their website. In 2013 TP also provided assistance to DENI to complete their own submission.
HMRC Annual Event Report	Breakdown of any members who have: <ol style="list-style-type: none"> 1. Transferred funds overseas 2. Retired relying on either enhanced or primary support 3. Had a repayment when they have previously retired 4. Short term incapacity grant of less than 2 years but more than 1 year 5. Ill Health Pensions that ceased to be paid due to recovery or that they no longer meet the IH condition 	On an annual basis through the HMRC website

There are a number of ongoing initiatives that will aid information requests. These initiatives will be coordinated by the introduction of a Data Officer (Judith Gordon). The Data Officer will be responsible for the Information Request Process, the relevance and accuracy of 'The Book', the suitability of database extract reports and the relevance, quality and timelessness of the data extracts provided.

The Book: each month TP updates a comprehensive document called The Book. The purpose of The Book is to provide a statistical analysis of the Teachers' Pension Scheme and serves as a considered understanding of the business and an interpretation of the trends affecting the Scheme.

Database Extract Reports: Some of the extract reports are over 13 years old and recent experience (GAD reporting) has highlighted that some reports require updating. We will revisit the Extract Reports and rebaseline where appropriate. This will require the participation of the requesting organisation e.g. GAD.

1.19 Appendix E – Continuous Improvement and Innovation

We have an established track record in identifying and delivering service improvements under the contract. There is an established recording and reporting mechanism in place and update reports are made available to the Department through the Eshare facility. Since the start of the contract the summary totals of service improvements, both accepted and dismissed, are as follows:

Category	Total
Legislative	8
Channel Shift	5
Service Delivery	91
Information Quality	46
Financial Improvements	21
Declined	37
Total	208

In addition to service improvements Capita has been involved in identifying and presenting innovations to the Department for their consideration. Below are some examples of innovation initiatives identified (both discounted and taken forward):

- Eptica – an intuitive reporting tool which interrogates a knowledge base and offers ‘intelligent’ results. Initially to be used to interrogate legislative and policy information but rejected as ineffective in the circumstance. Being considered as a possible option for the contact centre/back office staff.
- Blue Prism – offered up by Karen Clements as a workflow efficiency tool which was investigated and rejected by TP staff as inappropriate to link with our complex systems
- DDRI – introducing a direct feed from the registration of Deaths database to speed up handling of death claims, enhance service to dependants by removing the need to provide Death certificates and controlling Scheme debts
- Evon – an online member tracing verification tool being used as one of the delivery tools for the Deferred Member initiative
- Cognos – an IBM reporting tool, investigated jointly by TP and the DfE but rejected as ineffective as our database is not suited to its use
- Orbit – shown to the DfE but rejected as the benefits it handles fall outside of the scope of the Departments pensions mandate
- Resource Planning and enhanced forecasting tools for staffing and transactional levels
- Reason for contact analysis tool which is now being used to inform a number of improvements
- Time tracker which has been introduced as a tool that informs resourcing and efficiencies
- A recent proposal to offer the relatives of deceased Members access to cost effective legal assistance for probate – feeding off the DDRI initiative. This has been raised with the Department and a short proposal is currently being documented.

Please find embedded below (electronic format only) the December 2013 Innovation and Service Improvement and Innovation Log.

‘removed for the purpose of the Contract Extension Contract Authorisation Note’

1.20 Appendix F – Channel Shift

Introduction

Within our proposal we have set ourselves the challenge of reducing costs through channel shift whilst protecting the service ethos and the Outcomes that we agreed at rebid. The reduced costs allow Capita to provide discounts that make the property move affordable for the Department. Whilst the savings generated are considerable, at circa £5m, we have been able to contain the additional cost to less than £300k, 5.5% of the savings generated.

Channel Shift

The channel shift included in this extension proposal is, with respect to Members, more aggressive than our BAFO proposal, where we primarily considered Employers going on line. Our approach is in line with Government strategies—Digital by Default and will ensure that more transactions than were originally envisaged will be managed and completed online. The development of these particular transactions will require greater investment in the web/HartLink than was planned under BAFO or through Continuous Improvement.

The greater volume of activity that will be carried out online will only deliver efficiency benefits if we ensure maximum practical use is made of straight through processing. BAFO includes provision of online facilities for Members and Employers and many of these have been delivered. Many elements of the web directly interface with the underlying database however this is not universal and some of these processes currently require human intervention. We will create greater automation in these areas to create straight through processing. Examples include the non automated data queries raised on Employer data, certificates of reemployment, ill health benefit payment requests and retirement applications. Continuous Improvement developments under BAFO would over time include a range of further web front end facilities including Transfer In facilities, Ill Health medical retirement applications, phased retirements Member elections, POD CETV and POD retirement facilities each of these will also be considered for straight through processing delivery.

The business case for the contract extension is based on a range of efficiencies and operational savings emerging from the channel shift to digital. However the change is targeted to specific areas of processing for example bereavement support is assumed to be more reliant on voice support on an ongoing basis than is the case for other activities such as Transfers, Employer support, payroll changes.

Below is a brief review of some of the areas we will be targeting to achieve the 30% channel shift proposed:

Contact Centre

- Increased registered members to My Pension Online (MPO) supporting year on year (YOY) reduction of telephony demand
- Reduction in Average Handling Time (AHT) of 1% YOY, through MPO increases
- Removal of web-related failure demand of up to 20% through improved online registration and web-related help through live-chat
- Changes (personal, bank, address) promoted online
- Promote requesting ABS through web
- Improvements to Awards including application, options and tracer updates – all promoted online.

Benefits

- Improvement in auto-calculation driving 15% reduction between 2015 and 2018, through automated process (online), reduction in errors and annual allowance automation
- YOY 5% improvements from 2018 driven by further enhancements to retirement application and processing of awards.

Correspondence

- Increased registered members to MPO supporting YOY reduction of email demand by 5%
- Reduction in unit time 1% YOY, through MPO increases
- Removal of web-related failure demand of up to 10%, through improved online registration and web-related help through live-chat
- Online shift of processes including estimate of benefits calculation and family benefit estimate (aligned to benefits improvement)
- Changes (personal, bank, address) promoted online.

Employer Support

- Increased volume of employers registered and active in Employer Portal supporting YOY automation from 2015
- MDC project to support improved online automation and reduction in ASR and TR6 errors – YOY reduction in volume
- Removal of STU-related failure demand of up to 10%, through improved online registration and web-related help through live-chat
- Reduction of re-employment certificates, as activity driven online through automated process

POD/Transfers

- CETV automation and live-chat contacts supports 5% YOY automation.

Based upon these activities/opportunities, the volume of processes/activities we expect online between 2014 and 2021 are circa 135k (from 708k to 573k). Note that reduction in demand includes reduction in hours of processing time, not just volume of transactions.

Within our financial model we have included an annualised view of our proposed reduction in FTE as we move services to online with straight through processing.

1.21 Appendix G – Deferred Members

Insert proposal when completed/agreed with the Department.

1.22 Appendix H – Monthly Data Collections

Insert proposal when completed/agreed with the Department.

Teachers' Pensions

Our Vision

2015 and Beyond...



Introduction...

This is Teachers' Pensions' Vision, now and beyond; it is our goals and aspirations which we will achieve over the life of the contract that will deliver our vision. This Vision document will:

"State a clear and achievable vision, underpinned by the mechanisms for successful delivery"

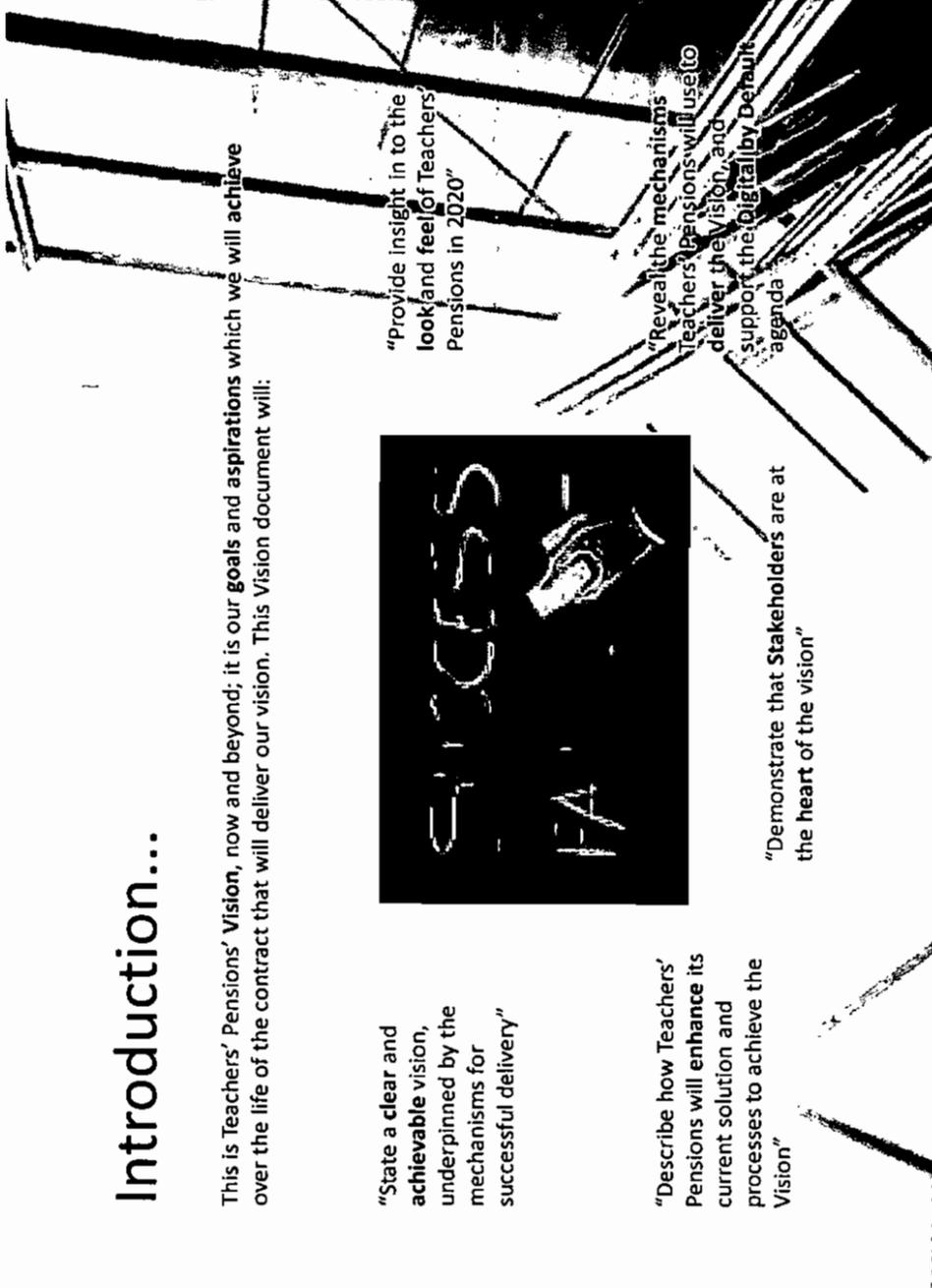
"Describe how Teachers' Pensions will enhance its current solution and processes to achieve the Vision"



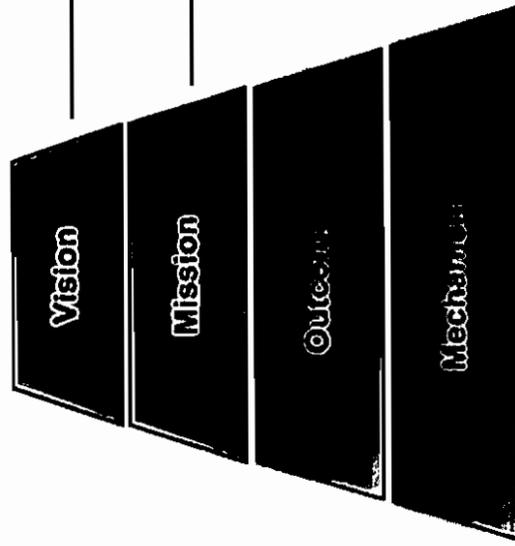
"Demonstrate that Stakeholders are at the heart of the vision"

"Provide insight in to the look and feel of Teachers' Pensions in 2020"

"Reveal the mechanisms Teachers' Pensions will use to deliver the vision, and support the Digital by Default agenda"



Teachers' Pensions - our **Vision**



"Teachers' Pensions will be the best run, most cost effective, modernised and respected public sector pension administration in the UK"

"Teachers' Pensions will continually be recognised as the exemplar within the Public Sector"

- Providing an excellent service to stakeholders.
- An innovative and modernised approach to pensions administration.
- Be a trail blazer in digital solutions.

Our Vision Explained...

Teachers Pensions has a clear direction, and it's simple – be recognised as the pension scheme to which other pension schemes compare themselves – in essence we will be **Exemplar**.

Teachers' Pensions is passionate about providing maximum benefit to its stakeholders and an exceptional customer service. Teachers' Pensions believes a Vision should be simple, strategic and exciting. It's about being clear and concise. What is our vision? As stated – it's simple, and can be defined by four statements, which when combined present a clear direction of travel.

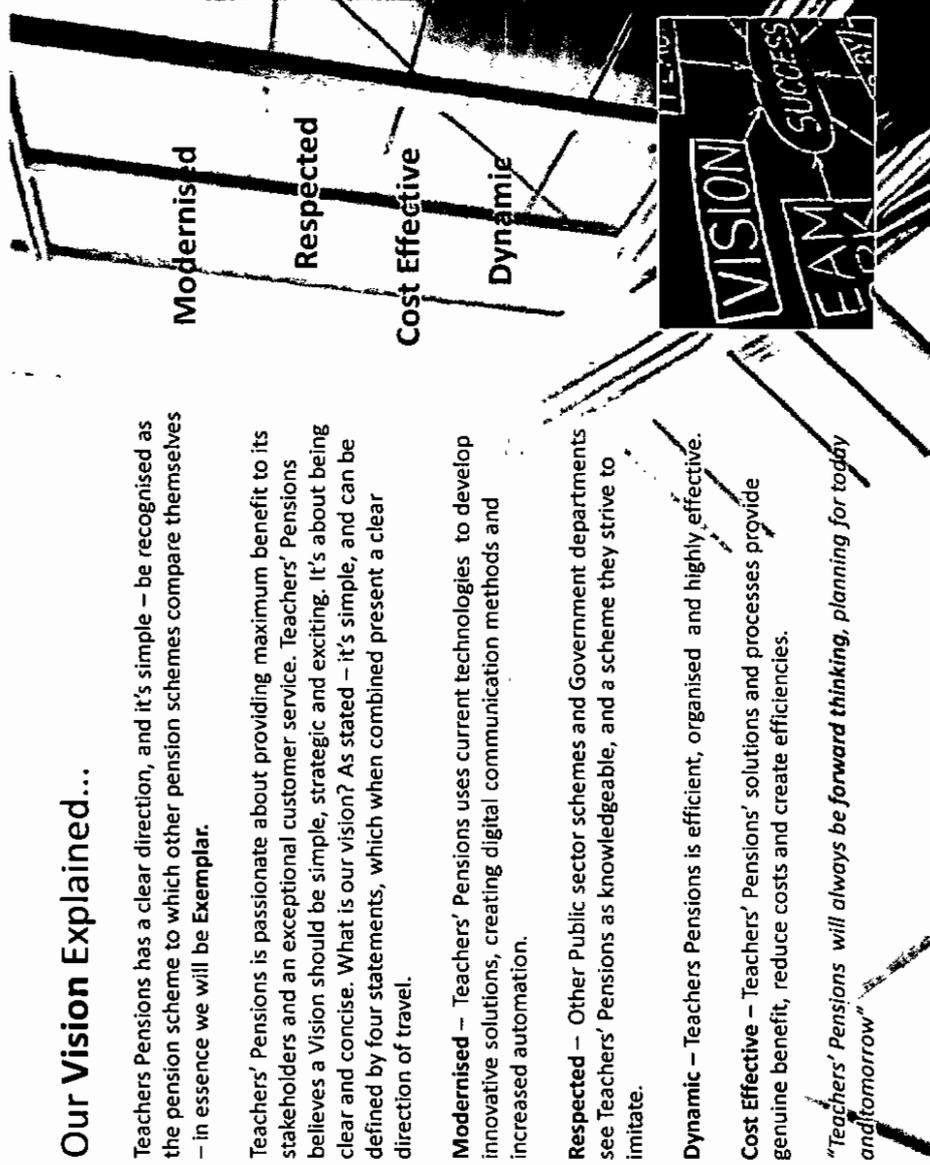
Modernised – Teachers' Pensions uses current technologies to develop innovative solutions, creating digital communication methods and increased automation.

Respected – Other Public sector schemes and Government departments see Teachers' Pensions as knowledgeable, and a scheme they strive to imitate.

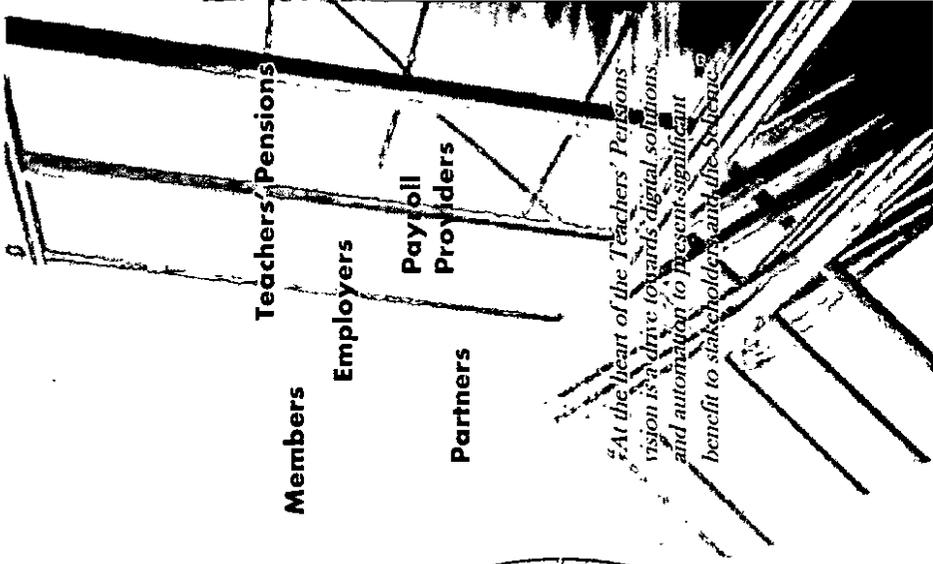
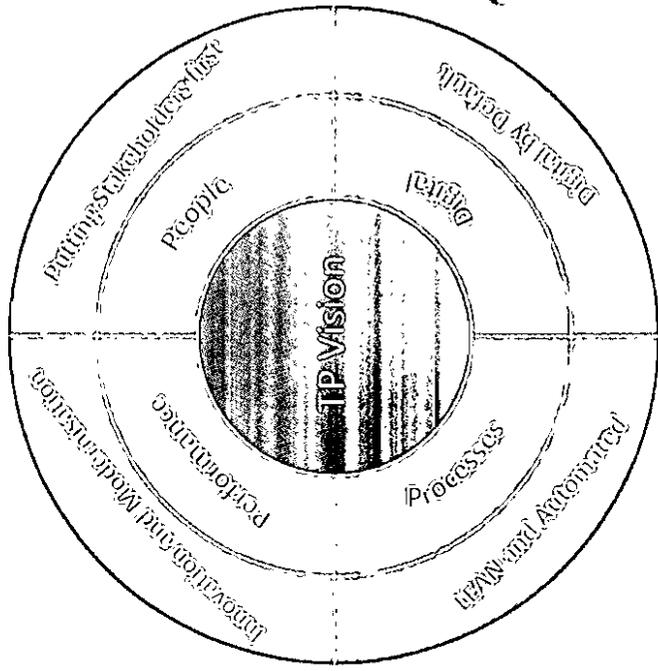
Dynamic – Teachers Pensions is efficient, organised and highly effective.

Cost Effective – Teachers' Pensions' solutions and processes provide genuine benefit, reduce costs and create efficiencies.

"Teachers' Pensions will always be forward thinking, planning for today and tomorrow"



Key Components of our Vision

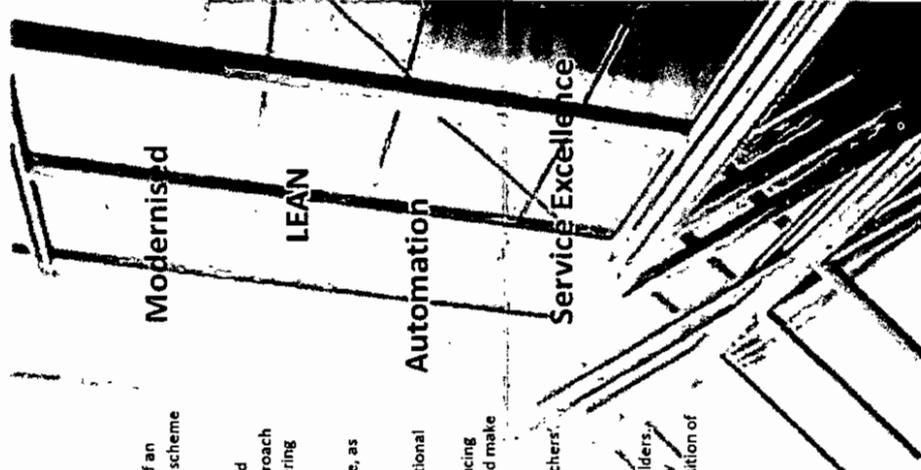


Teachers' Pensions in 2020

In 2020, by delivering the vision, Teachers' Pensions will reflect the behaviours and trademarks of an efficient organisation, where **modernised** solutions and forward thinking processes ensures the scheme is at the forefront of delivering value to all its stakeholders.

- Our online functionality and straight through processing will be at the heart of the member and employer experience, **maximising** our digital offering, whilst the introduction of a **LEAN** approach will ensure that Teachers' Pensions is underpinned by efficient and rigorous processes – delivering swifter customer responses.
- This will be evident through a smaller administration team supporting the Scheme in the future, as our members will maximise the self serve opportunities at a time **convenient** to them.
- The Teachers' Pensions administration team, whilst being smaller, will have greater multi functional skills, developed through a **structured**, well coordinated and timely approach to training and development. This will facilitate a greater level of **first contact resolution**, significantly reducing the need for hand-offs, putting the member in the position of being able to get information and make decisions in a timely manner.
- The member and employer will have confidence in the information that they receive from Teachers' Pensions, as quality is a way of life that is supported with **high levels of automation**.

In overall terms the Teachers' Pensions administration service will be less defined by its current functional teams and more by the **service excellence** it delivers to meet the need of its stakeholders. Whoever the stakeholder may engage with, they will receive the information they need in a timely manner, and have the **confidence** to make informed decisions; putting them in the powerful position of being able to actively plan for their retirement.



MECHANISMS

for Delivery...*Digital* by Default!

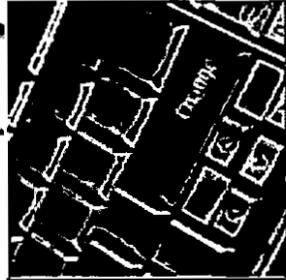
"Enhancement of our online offering to ensure members and employers think digital first"



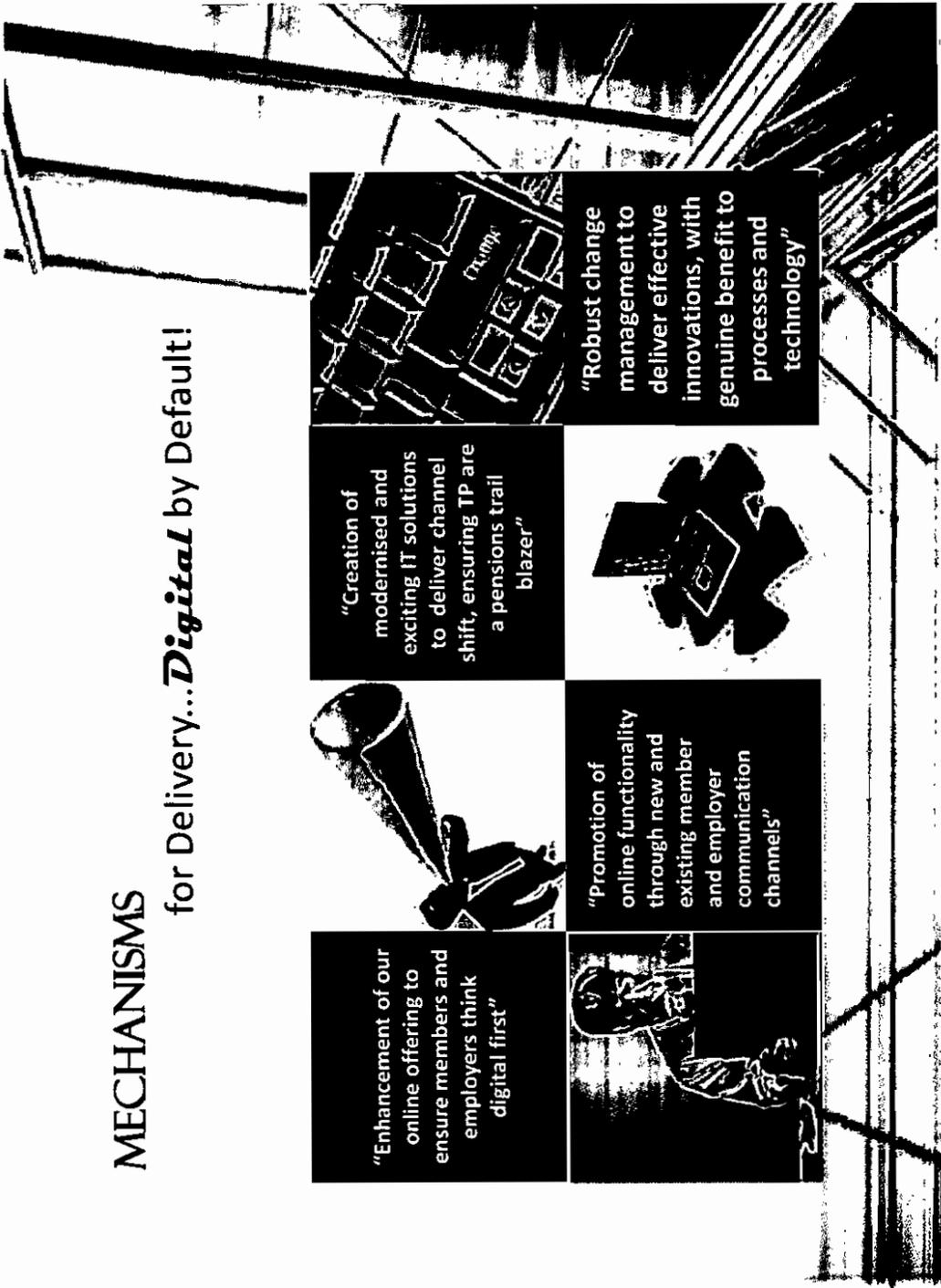
"Creation of modernised and exciting IT solutions to deliver channel shift, ensuring TP are a pensions trail blazer"



"Promotion of online functionality through new and existing member and employer communication channels"



"Robust change management to deliver effective innovations, with genuine benefit to processes and technology"



How will **WE** deliver our **Vision?**

Measures

- Outcomes
- SLA Measures
- Customer service

TP Strategies

Disciplined Performance and Cost Management

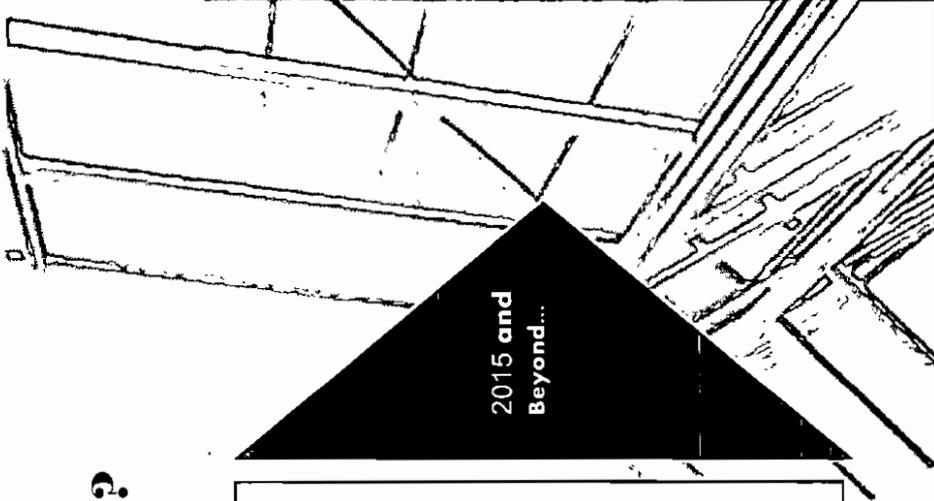
Focused Innovation and robust change management

LEAN processing

Increased Automation and Digital focus

Active stakeholder engagement and Management

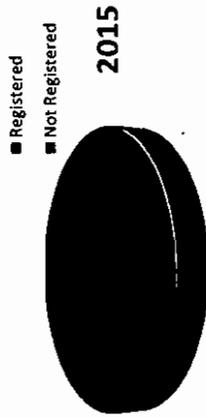
2015 and
Beyond...



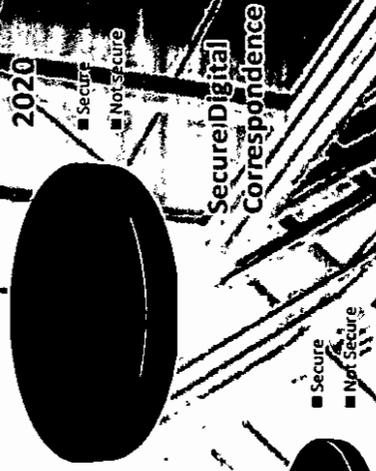
Our Roadmap – A Flavour

Teachers' Pensions are striving towards an organisation which reflects our Vision. The end goal is 2020 – and this document provides detail on what this goal looks like. Whilst the detail of our specific activities will be defined in time, and specific targets are provided as part of our outcomes measures, Teachers' Pensions want to give a flavour of where we are heading, and how the strategies described in this document support the vision. Focusing on the channel shift element, the below Pie Charts show the increase in MPO registrations and Secure mail.

MPO Registrations



2015 – 2020, and beyond...



Secure Digital Correspondence

How will we measure our Success?

The existing Outcomes will continue to measure our focus on good customer service for members and employers



Our new, Transformational, outcomes will ensure that innovation and our digital drive can be measured.

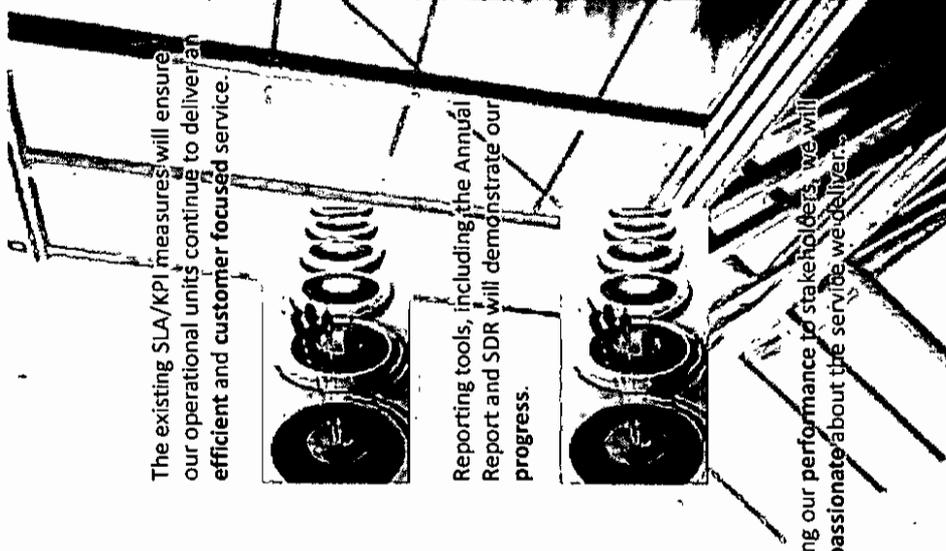


Most significantly for Teachers' Pensions is not just about evidencing our performance to stakeholders, we will continually assess our own performance, and improve, as we are passionate about the service we deliver.

The existing SLA/KPI measures will ensure our operational units continue to deliver an efficient and customer focused service.

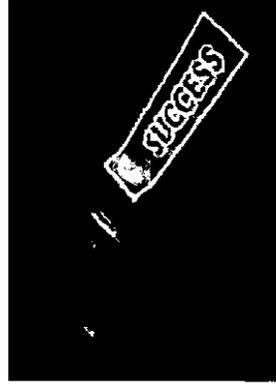


Reporting tools, including the Annual Report and SDR will demonstrate our progress.



Summary – Keys to **Success**

"Teachers' Pensions will **drive** for a modernised, future proof, service".



"Channel shift will deliver self service, swift issue resolution and efficiencies".

"We will **listen** to stakeholders; their needs are our priority".

"Robust change management will ensure the right improvements are made first"

"Continual **Improvement**, exploiting opportunities and new functionality."

APPENDIX 3

CHANGE TO SCHEDULE 6.2 (IMPLEMENTATION PLAN AND RELOCATION PLAN)

PART B

1. PURPOSE OF THIS PART B

The purpose of this Part B is:

- 1.1 to set out the Relocation Plan; and
- 1.2 to identify the Relocation Milestones (and associated Deliverables).

2. RELOCATION MILESTONES AND MILESTONE DATES

- 2.1 The Contractor shall perform its obligations so as to achieve each Relocation Milestone by the corresponding Milestone Date. For the avoidance of doubt, the Relocation Milestones are not subject to the Testing Procedures.

Relocation Milestone No.	Relocation Milestone Description	Deliverables (bullet list showing all Deliverables (and associated tasks) required for each Relocation Milestone)	Relocation Milestone Date	Longstop Date £
RM1	CAT A + B fit out commencement, WAN link ordered, detailed IT site survey completed	<ul style="list-style-type: none"> • CAT A fit out commences; • CAT B fit out commences; • WAN link ordered. 	15 May 2015	Not applicable
RM2	IT hardware received and installed	<ul style="list-style-type: none"> • Detailed IT New Property survey completed; • Hardware order received; • WAN installation/way leave. 	15 June 2015	Not applicable
RM3	Fit out mid point	<ul style="list-style-type: none"> • Cat A fit out 100% complete 	15 July 2015	Not applicable
RM4	Communications/server room complete and furniture installed	<ul style="list-style-type: none"> • Communications/server room complete; • Furniture installation 	15 August 2015	Not applicable
RM5	Fit out/office move	<ul style="list-style-type: none"> • Cat B fit out complete; 	30 September	

	complete. Provision of Operational Services commence at the New Property.	<ul style="list-style-type: none"> • Mowden Hall office move completed; • Final office move completed. 	2015	30 November 2015
RM6	Completion Fee	<ul style="list-style-type: none"> • The Contractor has issued a service delivery report to the Department confirmed that the Operational Services are being provided in accordance with this Agreement from the New Property; • The Milestone Achievement Certificate for Relocation Milestone RM5 has been issued. 	15 October 2015	Not applicable

2.2 Subject to Clause 9 of this Agreement, and, save for any amendments which are of a type identified and notified by the Department (at the Department's discretion) to the Contractor in writing as not requiring approval:

2.2.1 Changes to the Relocation Milestones and/or Relocation Plan shall only be made in accordance with the Change Control Procedure; and

2.2.2 the Department retains the absolute right to:

- (a) reject any Change Request postponing or re-scoping any Relocation Milestone or Relocation Activity; or
- (b) in the event that the Department accepts amended Relocation Milestones or Relocation Activities.

3. RELOCATION PLAN

3.1 The Relocation Plan shall be maintained and updated on a weekly basis by the Contractor as may be necessary to reflect the then current state of Relocation Activity.

3.2 In addition to maintaining and updating the Relocation Plan in accordance with Paragraph 3.2 of this Part B, the Contractor shall submit an updated Relocation Plan, the Contractor shall submit an updated Relocation Plan within ten (10) Working Days of receiving notification from the Department, or such longer period as the Parties may agree (provided that any failure to agree such longer period shall be referred to the Dispute Resolution Procedure), of being advised by the Department of an event reasonably identified by the Department as requiring a revised Relocation Plan.

3.3 The Parties shall consider and review the Relocation Plan (as updated in accordance with Paragraphs 3.1 and 3.1) and progress towards its successful implementation at the Operations Board meetings held in accordance with Schedule 8.1 (Governance). In preparation for such meeting the current Relocation Plan shall be provided by the Contractor to the Department not less than five (5) Working Days in advance of each meeting of the Operations Board.

APPENDIX 4

APPENDIX 2 TO PART 1 OF SCHEDULE 7.3 (VALUE FOR MONEY PROVISIONS)

Service Elements	Estimated Volume	Non Digital	Digital	Percentage of Volume	Impact of Gain Share
Retirements Applications	34,700	22,368	12,332	8.50%	0.13%
Re-employment Certificates	14,700	10,659	4,041	4.05%	0.06%
Change of Details	39,531	14,121	25,410	5.37%	0.08%
Change of PIN/Password	64,874	20,400	44,474	7.76%	0.12%
Death Grant Nominations	18,900	10,968	7,932	4.17%	0.06%
Partner nominations	1,400	1,400	0	0.53%	0.01%
Case Tracking - non digital	107,502	62,530	44,972	23.77%	0.36%
Quote requests - non digital	70,815	5,650	65,165	2.15%	0.03%
Transfer in/Out application	4,600	4,600	0	1.75%	0.03%
Employer delegation	2,400	2,400	0	0.91%	0.01%
EOYC returns	6,700	326	6,374	0.12%	0.002%
Opt out	12,100	6,278	5,822	2.39%	0.04%
ABS statements	17,120	17,120	0	6.51%	0.10%
Request fact sheets	8,720	8,720	0	3.32%	0.05%
P60	14,460	14,460	0	5.50%	0.08%
Pension on Divorce Application (CETV) - 3 types	6,000	6,000	0	2.28%	0.03%
Payslips	10,590	10,590	0	4.03%	0.06%
Contribution slips	80,400	12,864	67,536	4.89%	0.07%
Debt payment online	4,608	4,608	650	1.75%	0.03%

Apply for Additional contributions	2,500	1,551	949	0.59%	0.01%
Change of Teachers details	25,410	25,410	0	9.66%	0.14%
Total	548,030	263,023	285,657	100%	1.5%

APPENDIX 5

CHANGE TO ANNEX A OF SCHEDULE 9.3 (KEY PERSONNEL)

Name	Role	Responsibility/Authorities	Phase of Project during which they will be a key person
TBC	Client Director	Owner of outcome driven contractual requirements and delivery of innovation and engagement plans to the Dept and stakeholders.	The Term
Neil Brady	Head of Pensions Operations - Darlington	Day-to-day operational management of the services	The Term
Andrew Bowman	Finance Director	Financial contract management	The Term
Ian Hodgson	Head of PAT Team	Day-to-day policy and technical management	The Term
Keith Barker	Senior Finance Manager	Day-to-day finance management	The Term
Claire Boston Smithson	Head of Engagement	Employer/Member Engagement and Marketing management	The Term
Ed Watson	Project Manager	Relocation Activities project work	The duration of the Relocation Activities
Cain Garnett	Programme Manager	Relocation Activities	The duration of the Relocation Activities
David Webb	Reform Programme Manager	Reform Activities	Until 30 April 2015

APPENDIX 6

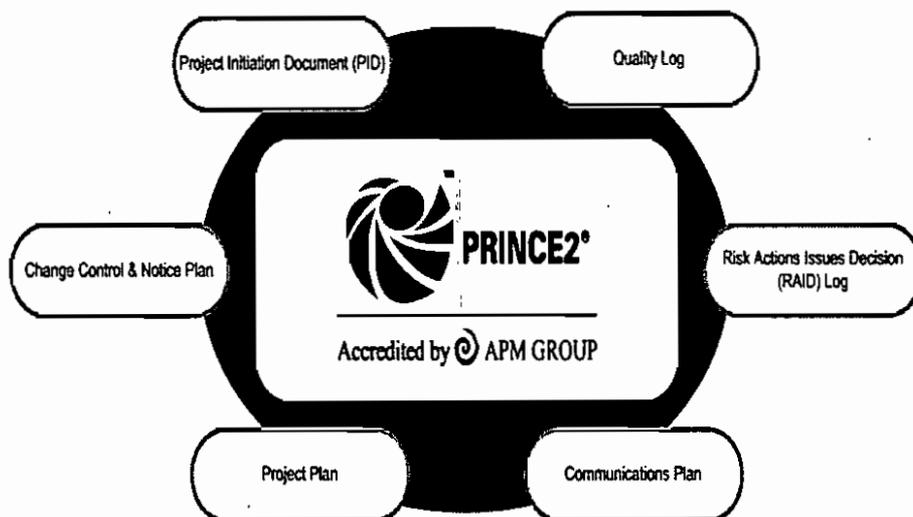
APPENDIX 2 TO SCHEDULE 8.1 (GOVERNANCE)

1. INTRODUCTION

The Contractor shall take full responsibility for the planning, management, control and delivery of the Relocation Activities. The Contractor has good experience of office re-location: in the last two (2) years it has successfully completed twelve (12) office re-locations within its organisation, including a recent move of 700 staff to a newly refurbished location in London.

2. PROJECT METHODOLOGY

- 2.1 The Relocation Activities shall be managed and controlled in accordance with Projects IN a Controlled Environment (PRINCE2) methodology – this provides an internationally recognised and proven structure. As part of the initiation process the Contractor shall produce the project control documents shown in the following diagram, which will set out the scope and objectives of the Relocation Activities and help the programme manager and all stakeholders clearly understand the objectives, deliverables and Relocation Milestone Assurance Success Criteria.



3. PROJECT BOARD

- 3.1 A project board will be appointed and will meet on a monthly basis with representatives from both the Department and the Contractor. The project board shall:

- 3.1.1 retain oversight of the overall progress of the project
- 3.1.2 agree plans and all material changes to plans, deliverables and acceptance criteria
- 3.1.3 make decisions promptly and efficiently
- 3.1.4 ratify completion of deliverables against acceptance criteria
- 3.1.5 review and manage all escalated project level risks and issue resolution.

4. PROGRAMME MANAGER

- 4.1 The Contract shall appoint a Programme Manager. Programme Manager's responsibilities include:

- 4.1.1 act as a champion for the project and steer overall direction;
- 4.1.2 obtain commitment from all key stakeholders;

- 4.1.3 lead communications with key stakeholders;
- 4.1.4 ensure governance and controls are defined, implemented and followed;
- 4.1.5 manage risks, issues and change control;
- 4.1.6 ensure the project is completed by the approved scope, timescale and quality parameters;
- 4.1.7 manage and lead the overall projects and workstream teams;
- 4.1.8 manage the overall project plan; and
- 4.1.9 manage project resources.

5. **PROJECT MANAGER**

5.1 The Contractor shall appoint a project manager. The project manager has the overall remit to ensure that the Relocation Activities are executed in accordance with agreed plans. The project manager's responsibilities include:

- 5.1.1 manage the overall project plan;
- 5.1.2 provide project progress to the Programme Manager;
- 5.1.3 prepare and produce project reports;
- 5.1.4 maintain project documentation;
- 5.1.5 liaise with any external suppliers or account managers;
- 5.1.6 advise Programme Manager of any deviations from the plan;
- 5.1.7 manage the information flows between the directing and delivering the project; and
- 5.1.8 active management of risks & issues.

6. **PROJECT INITIATION**

6.1 As soon as is practicably possible and before 31 December 2014, the first project meeting will take place. One of the outputs of these meetings is a project initiation document ("PID"), which will be prepared by the project manager, and will be agreed with the project board. The PID captures and records the basic information needed to correctly direct and manage the Relocation Activities.

6.2 Once approved, this PID will provide the baseline for the direction and management of the Relocation Activities. It will be referred to whenever a major decision is taken and used at the conclusion of the Relocation Activities to measure whether the Relocation Activities were managed successfully and delivered the required outcomes within the specified timescales.

6.3 A full project plan will also be produced before 31 December 2014.

7. **PROJECT REPORTING**

7.1 A communication and reporting strategy will be agreed at the project initiation stage. A Project Steering Committee will meet monthly throughout the period during which Relocation Activities are conducted to provide the project board with regular, formalised reports on the progress of the project and to ensure that any risks or deviations from the timetable are understood along with the corrective action being taken as required. In addition, the Contractor shall provide a fortnightly report to provide an interim update on progress. This report shall include a traffic light

system to enable easy identification of any areas requiring additional attention and shall include any issues in respect of or in connection with the Relocation Activities including the transition of Department Data and the Operational Services.

8. **COMMUNICATIONS PLAN**

8.1 The Relocation Activities require communications to various stakeholders throughout the project cycle. To ensure that all project stakeholders are kept informed of the progress of the Relocation Activities and to take part in them when appropriate, the Contractor shall produce a detailed communications plan ("**Communications Plan**") as part of the project initiation stage.

8.2 The Contractor shall ensure that the Communications Plan lists the stakeholders and their requirements for information relating to the Relocation Activities. The Contractor shall also ensure communications activities required are identified to ensure that each stakeholder receives the right information at the right time.

8.3 **RAID Log (Risks, Actions, Issues, Decisions)**

The Contractor shall create a detailed risks, actions, issues and decisions log ("**RAID Log**") which identifies the potential barriers identified in relation to the Relocation Activities. As part of the planning process the Contractor shall develop the detailed RAID Log in conjunction with all stakeholders involved in the Relocation Activities to ensure that the Contractor is able to identify all the risks to the Relocation Activities along with the relevant mitigations. During the first two (2) months of the Relocation Activities, the Contractor shall arrange a risk workshop where all stakeholders can review all known risks and potential risks and how they are to be mitigated during the period in which the Relocation Activities are being performed. The Contractor shall ensure that the project manager will be responsible for the production of the RAID Log and this will be circulated on a fortnightly basis.

9. **PROJECT MEETINGS**

9.1 Working group meetings between the Contractor and the Department will be chaired by the project manager. These will be held on a weekly basis and representation from the Department will be assigned to add meaningful updates in respect of:

9.1.1 review, progress of the Relocation Activities;

9.1.2 provide primary contract and liaison points for their respective stakeholders;

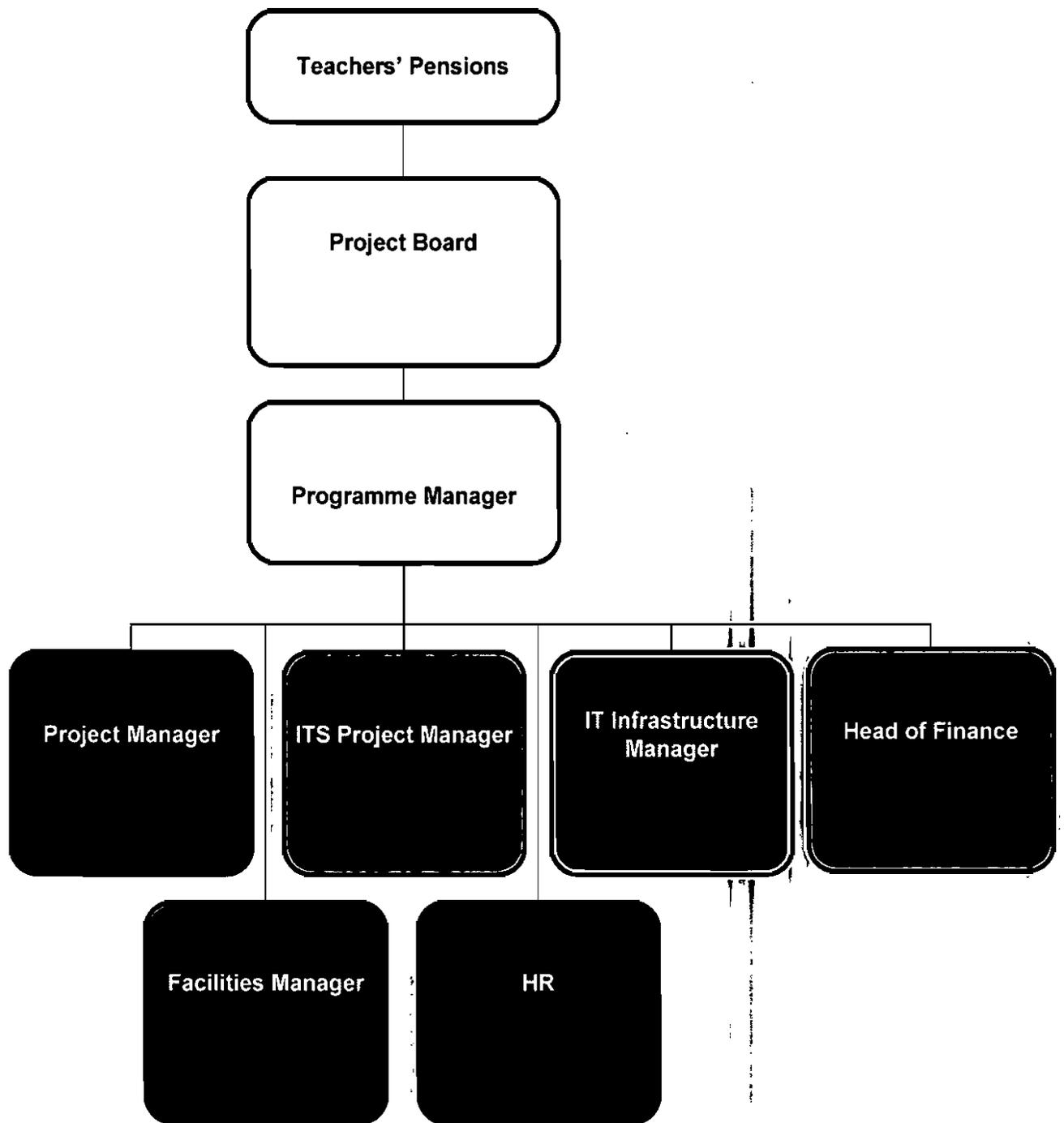
9.1.3 advise on resources in respect of the Relocation Activities;

9.1.4 make decisions promptly and effectively; and

9.1.5 manage risks and issues, escalating relevant items to the project board.

10. **PROJECT STRUCTURE**

The figure below sets out the governance structure for managing the Relocation Activities.



APPENDIX 7

PART 4 OF SCHEDULE 6.3 (TESTING PROCEDURES)

PART 4

RELOCATION ASSURANCE PROCEDURES

The Relocation Activities have six (6) Relocation Milestones, which are underpinned by a detailed project plan (to be produced by the Contractor in accordance with Appendix 2 to Schedule 8.1 (Governance) and in accordance with which the Contractor shall conduct the Relocation Activities). Many of the Relocation Milestones do not relate to traditional testing methodologies, but still deliver key activities. As such, additional assurance activities are required to provide the Department with sufficient confidence that the Relocation Activities are progressing as expected, and the each Relocation Milestone has Achieved the Relocation Milestone Assurance Criteria.

Appendix 2 to Schedule 8.1 (Governance) describes how the PRINCE 2 methodology will be used to manage the Relocation Activities. This ensures the Department is directly involved in all decisions regarding the Relocation Activities, as stakeholders. In addition, Appendix 2 to Schedule 8.1 (Governance) sets out several activities that will take place to offer project assurance to the Department including fortnightly checkpoint reports (to be provided two (2) Working Days prior to each weekly project meeting to be held pursuant to Paragraph 9 of Appendix 2 to Schedule 8.1 (Governance)) and project governance and controls in line with PRINCE 2 methodologies and in accordance with Appendix 2 to Schedule 8.1 (Governance). These activities are valid and relevant to the Relocation Assurance Procedures.

In addition the Contractor will provide, where relevant, the following products. These products are also aligned to the PRINCE 2 methodology:

Quality Management Strategy

The Quality Management Strategy ("**Quality Management Strategy**") will be created as part of the project initiation phase (such phase as set out in the project plan which is referred to above). A Quality Management Strategy is used to define the quality techniques and standards to be applied, and the various responsibilities for achieving the required quality levels, during the conducting of the Relocation Activities. The Quality Management Strategy will be applied when assessing the success of each Relocation Milestone.

The Relocation Milestone Assurance Criteria for each Relocation Milestone will be agreed by the project board (referred to in Paragraph 3 of Appendix 2 to Schedule 8.1 (Governance)) by no later than 31 December 2014.

End Stage Report

In the context of the Relocation Activities, a stage will be represented as a Relocation Milestone. An end stage report ("**End Stage Report**") is used to give a summary of progress to date and the overall project status. The End Stage Report will confirm whether the agreed deliverables for that stage have been delivered and whether they have met the Relocation Milestone Assurance Criteria, as agreed by the project board as referred to above. The detail required for this End Stage Report will vary, depending on the Relocation Milestone. For some Relocation Milestones there will not be an associated deliverable(s) – for example RM6 – in these instances the End Stage Report will provide assurance that the Relocation Activity was initiated as expected. In addition the project board will review post each Relocation Milestone as this approach may not be relevant to them all.

In addition an extended End Stage Report will be created in respect of RM5 to provide confirmation that provision of the Operational Services can commence from the New Property and the Contractor will request authority to proceed from the Department. The Department will need to be satisfied that the Contractor has provided sufficient evidence that the all deliverables have been met and all the Relocation Milestone Assurance Criteria have been Achieved.

Exception Report

An exception report ("**Exception Report**") is produced when a project plan, or phase, is forecast to exceed tolerance or, in respect of the Relocation Milestones, when a Relocation Milestone is delayed or forecast to be delayed. This product will only be used in exceptional circumstances, but is intended to offer the Department assurance that the Relocation Activities are being managed effectively. Whilst an Exception Report is generally created to inform the project board (as referred to in Paragraph 3 of Appendix 2 to Schedule 8.1 (Governance)) of any issues relating to delivery, providing recommendation/options of how to proceed, the Contractor will prepare an additional Exception Report for the Department to give early sight of any potential exceptions to the Relocation Milestones, offering assurance that these issues are being managed effectively and that communication remains active.