

ITEM NO: 20

Report To:	Pension Fund Management Panel & Advisory Panel
Date:	1 July 2011
Reporting Officer:	Peter Morris, Executive Director of Pensions
Subject:	A DIGEST OF STATISTICS
Report Summary:	The current speed and scale of change in the public sector is exceptional. This report provides some statistics on the impact of these changes on the Fund's membership.
Recommendations:	<ol style="list-style-type: none">1) To note the content of this report.2) That periodic updates be submitted to the Panel of the statistics provided and the cash flow implications of such changes.
Financial Implications: (Authorised by the Borough Treasurer)	The report highlights the material changes in Fund membership and the expectation is that the trends highlighted in this report will continue leading to a rapid increase in the maturity of the Fund's liabilities. This will have an impact on the volatility of cost and over time an impact on investment strategy.
Legal Implications: (Authorised by the Borough Solicitor)	This report has no direct legal implications.
Risk Management:	Understanding how the Fund is evolving is a vital element in understanding how the risks that the Panel need to manage are evolving.
ACCESS TO INFORMATION	NON-CONFIDENTIAL
	This report does not contain information which warrants its consideration in the absence of the Press or members of the public.
Background Papers:	For a copy of the DCLG paper <i>New Contribution Yield Models</i> please contact G Dale, Greater Manchester Pension Fund, tel 0161 301 7227, email ged.dale@gmpf.org.uk

1. MEMBERSHIP STATISTICS AT 31 MARCH OVER THE LAST FIVE YEARS

1.1	Actives	Deferreds	Pensioners	Total
2011	97,218	85,271	84,534	267,023
2010	101,851	80,285	81,230	263,366
2009	102,016	76,193	78,521	256,730
2008	103,172	69,864	76,241	249,277
2007	104,823	62,806	73,893	241,522

1.2 As can be seen, the number of actives is reducing, whilst the numbers of deferreds and pensioners are rising. These trends are expected to continue for some years.

2. PROPORTION OF ACTIVES IN PAY BANDS

2.1 It is Government policy that low earners should be protected from employee contribution increases, with one illustration of possible future contribution rates from the DCLG being as follows. This illustration assumes no increases for employees with a full time equivalent pay below £24,000 pa:

Table 1

Band	FTE Salary	Current rate	2012/13	2013/14	2014/15
1	> £12,600	5.5%	5.5%	5.5%	5.5%
2	£12,601-£14,700	5.6%	5.6%	5.6%	5.6%
3	£14,701-£18,000	5.9%	5.9%	5.9%	5.9%
4	£18,001-£24,000	6.5%	6.5%	6.5%	6.5%
5	£24,001-£31,500	6.5%	7.8%	9.1%	9.7%
6	£31,501-£42,000	6.8%	8.5%	10.2%	11.0%
7	£42,001-£75,000	7.2%	9.5%	11.8%	13.0%
8	£75,001-£100,000	7.5%	10.1%	12.7%	14%
9	£100,001-£150,000	7.5%	10.3%	13.1%	14.5%
10	£150,001 >	7.5%	10.5%	13.5%	15%

2.2 The proportions of GMPF actives within these bands are as follows:

Table 2

Band	FTE Salary	%
1	> £12,600	13.1%
2	£12,601-£14,700	10.8%
3	£14,701-£18,000	18.7%
4	£18,001-£24,000	27.4%
5	£24,001-£31,500	18.2%
6	£31,501-£42,000	8.8%
7	£42,001-£75,000	2.8%
8	£75,001-£100,000	0.2%
9	£100,001-£150,000	- %
10	£150,001 >	- %

2.3 Consequently, in this illustration, 70% of actives would be protected from contribution increases. However, as the Treasury's aim is to increase employee contributions by £900 million pa from LGPS scheme members, this means that those on more than £24,000

would see material increases. At the last meeting, consideration was given to the Fund's response on this matter and the letter from the Chair of the Panel to the Chancellor.

3. OPTANTS-OUT

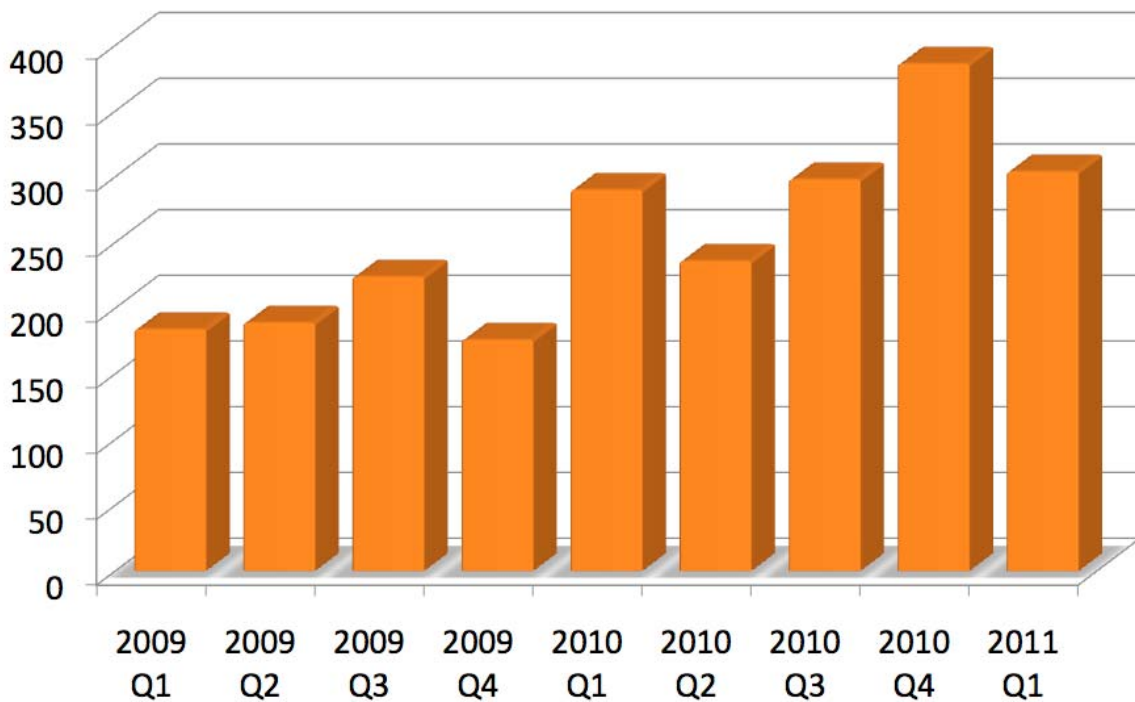
3.1 Active members can opt-out of the Fund. The numbers opting-out for recent quarters are as follows:

Table 3

Quarter	2009	2010	2011
1	184	290	304
2	189	236	
3	224	298	
4	176	386	

3.2 Expressing this data as a bar chart clearly shows the trend of increasing opt outs.

Table 4



- 3.3 Whilst opt-outs are increasing the number of actives is falling. This means that the rate of opting-out is also increasing:

Table 5

Quarter	GMPF Opting-out rate
2009 Qtr 1	0.18%
2010 Qtr 1	0.28%
2011 Qtr 1	0.31%

- 3.4 A recent survey of optants-out revealed that the most frequent reason for opting-out was that circumstances had changed. Here are some sample comments:

"In these current times, and being single with a hefty mortgage, car to run, child maintenance, salary freeze, petrol increases, I find it too much, and the extra £100 or so on my bottom line has become more important."

"Due to the cutbacks I have lost £2,500 pa. Freezing my pension is temporary until I can get something sorted."

"Due to job evaluation my salary has dropped significantly and I cannot afford to make the contributions."

- 3.5 A detailed look at the 304 optants-out during the period January to March of this year revealed as follows:

- 32% were men;
- 68% were women, being broadly in line with active membership;

- the average age was 36;
- the average membership was 6 years;

- 16% were earning up to £12,900 pa;
- 12% were earning more than £12,901 pa and up to £15,100 pa;
- 30% were earning more than £15,101 pa and up to £19,400 pa;
- 39% were earning more than £19,401 pa and up to £32,400 pa;
- 3% were earning more than £32,400 pa.

4. PAYROLL

- 4.1 May was the first full month taking into account the 2011 Pensions Increase Review and so the gross payroll was considerable larger than the amount for April - the actual total for May was £32,412,055. For the first time more than 85,000 pensioners were paid, with the headcount being 85,018. To put that figure into context, the capacity of the Bridgewater Hall is 2,341 and that of the MEN Arena 21,000. So GMPF pensioners could fill the former 36 times, or the latter four times, with a few left over.
- 4.2 Regarding the net monthly increase in pensioner headcount, this is affected by the number of pensions stopping (being usually due to death) as well as the number of new pensions coming into payment, both of which can fluctuate. The latter also takes into account the increasing number of deferreds into payment and new dependants' pensions, as well as new retirements.
- 4.3 For the six months ending in April, the net monthly headcount increases were: 406, 155, 244, 200, 309 and 332. From April to May it was 583. The number of new pensions (all

types) that were brought into payment in May was a record 909, mainly due to a sharp increase in the number of new retirements that were processed.

5. RECOMMENDATION

- 5.1 To note the content of this report.
- 5.2 That periodic updates be submitted to the Panel of the statistics provided and the cash flow implications of such changes.