

ITEM NO: 8

Report To:	Pension Fund Management Panel and Advisory Panel
Date:	3 December 2010
Reporting Officer:	Peter Morris, Executive Director of Pensions
Subject:	CIPFA BENCHMARKING REPORTS
Report Summary:	This report provides information about the costs of the Fund's pensions administration service, and compares those costs with other LGPS funds via the CIPFA Benchmarking Club.
Recommendations:	The Panel and Advisory Panel are recommended to note this report.
Financial Implications: (Authorised by the Borough Treasurer)	Efficiencies regarding pensions administration reduce its cost, thereby placing a lesser demand on employer contributions. The comparisons illustrate that the Fund continues to be a low cost provider.
Legal Implications: (Authorised by the Solicitor to the Fund)	The desire to provide Best Value recognises the statutory functions of the Council as the administering authority for the Fund and the need for services to be delivered effectively and efficiently, eg. pensions need to be paid accurately and promptly.
Risk Management:	The administering authority needs to deliver an effective service. In pursuing efficiency and economies, it is important to assess the impact on the quality of service.
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:	The background papers used in this report are listed below. These reports contain data supplied by other administering authorities which cannot be disclosed. <ul style="list-style-type: none">• CIPFA Pensions Administration Benchmarking Club 2010: All Members Report.• CIPFA Pensions Administration Benchmarking Club 2010: Comparative Report. Copies of these documents can be obtained from: Stephen Budd, Business Support Manager on 0161 301 7270 or via email: Stephen.budd@gmpf.org.uk.

1. INTRODUCTION AND BACKGROUND

- 1.1 This year 63 LGPS funds reported their administration costs, membership details, workload and staff movements to CIPFA who analysed and reported on the data in comparative tables and graphs. The benchmarking relates to the membership administration function of the Fund and does not cover investments. Officers from the Fund also meet representatives from the other metropolitan funds to exchange information, share best practice and develop next year's survey.

2 OVERVIEW

- 2.1 The summary results detailed in **Appendix 1** compare the Greater Manchester Pension Fund with all members of the benchmarking club. The Fund has the second lowest annual cost per member. **Appendix 2** compares GMPF to other large funds. The Fund continues to have the lowest annual cost per member amongst larger funds (over 100,000 members).
- 2.2 The administration costs are in line with the lowest cost quartile target and meet our Local Performance Indicator set by the Panel.

3. KEY POINTS OF INTEREST

Cost per member

- 3.1 The GMPF cost per member is £14.93 per annum, compared to the all fund average of £22.72 and the large fund average of £19.48. This equates to a saving of £1.2m per annum relative to the large fund average.

Staff per member (excluding payroll)

- 3.2 We have 3699 members per full time member of staff in the Pensions Office, compared with the all-funds average of 3382 and large funds average of 3276.

Cost per member of staff

- 3.3 The average annual cost per member of staff is £29,966, compared with the all-fund average of £31,556 and the large fund average of £31,079.

Payroll

- 3.4 Payroll costs comparisons are favourable at £4.03 per pensioner compared to the all funds £15.55 and large fund average of £7.61.

Income

- 3.5 Income is comparatively low. We are checking with other funds to understand how they charge for work relating to divorce etc. Some authorities administer the pension schemes for Police and Fire and this may be part of the explanation of the differences.

Staff pay

- 3.6 Overall, staff costs per member are in the lowest quartile. The factors that influence this include economies of scale, policies and working practices at the Pensions Office. Comparison by pay band with other large funds is illustrated in Table 1 below.

Table 1 – Proportion of staff by pay band

Pay Range	GMPF	Large Fund Average
Up to £20K	29%	35%
£20K to £30K	61%	43%
£30K +	10%	22%

Sickness

- 3.7 Sickness of all types at 9.4 days per member of staff is above the Club average of 6.7 days and above the larger fund average 8.2 days.

Staff turnover and experience

- 3.8 Staff turnover is above average, with 9% leaving the section. The experience of staff is in line with staff at other funds, e.g. 37% have more than 15 years experience with the Fund. GMPF is in line with the average regarding the number of staff with pensions qualifications.

Private sector comparison

- 3.9 Private sector costs were compared to the Club costs. In order to compare on a like-for-like basis payroll costs were excluded. On this basis:

Organisation	Annual cost per member
GMPF	£13.89
Club average	£18.88
Private sector out-sourced	£41.00
Private sector in-house	£47.00

- 3.10 The private sector comparisons are based on smaller funds, but the comparison provides further reassurance on the relative value for money.
- 3.11 Of the five LGPS funds that use outsourcing, two had above average costs, one was at the average and two were below the average.

Historical performance

- 3.12 Unit costs are slightly higher than the previous year. Over the last six years our costs have been stable with increases in costs tending to be offset by increases in productivity. In 2004 our annual cost per member was £15.17 and in 2010 it is £14.93. Over the same period the Club average has also remained stable, at around £22.50 per member per annum (50% higher than GMPF).

4. CONCLUSION

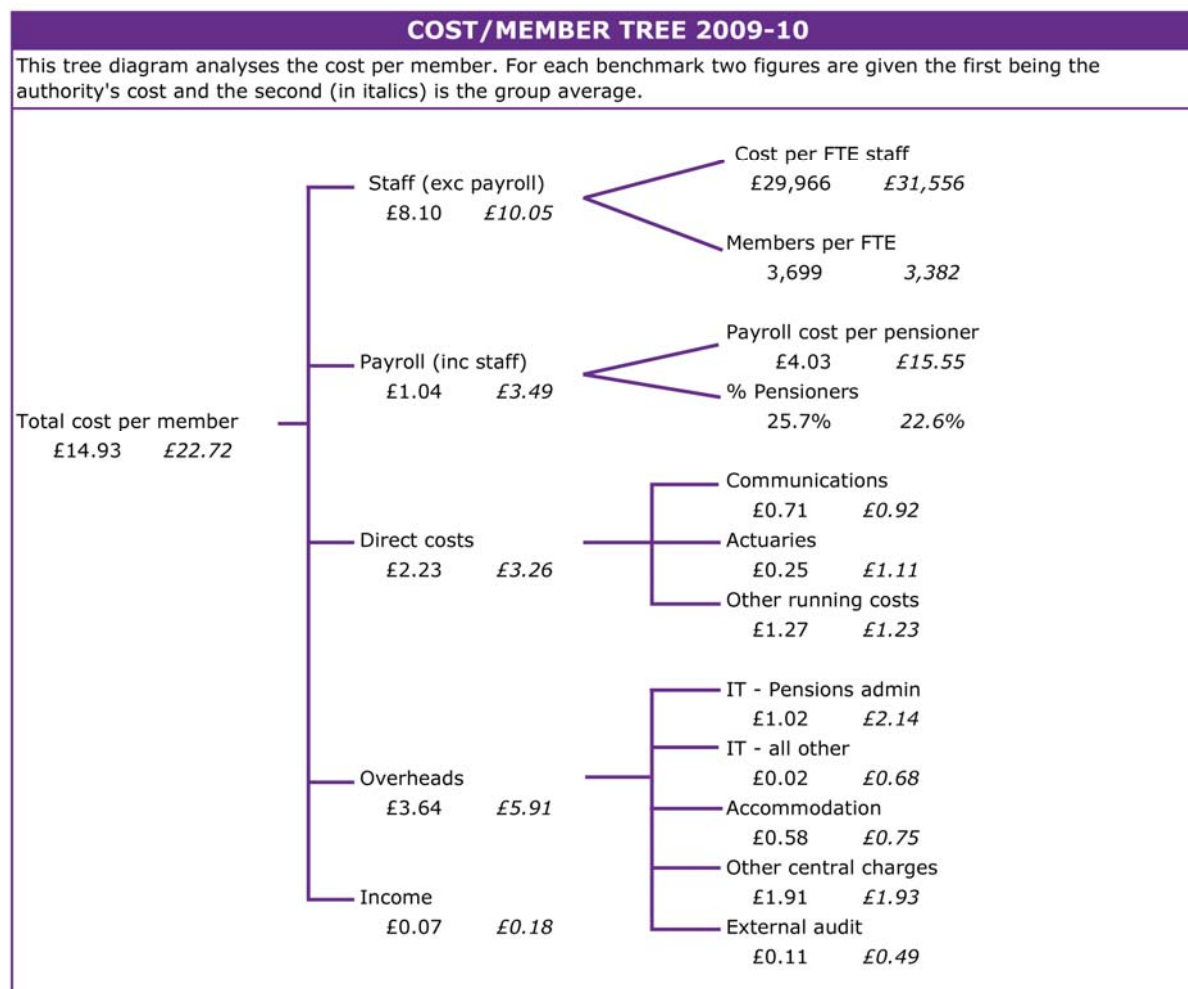
- 4.1 The Fund's unit costs are the lowest of the large funds (and the second lowest in the Club). Member surveys reveal good levels of satisfaction from different categories of members. A number of awards have been won over the years for quality of service. Overall the administration service is considered effective and low cost, and the need to continue to improve is recognised.

- 4.2 The challenges facing the Fund and potential opportunities are well documented in other items on the agenda. The Pension Service generally and Pensions Office will need to continue to respond and develop its resilience during a period of change on many different fronts.

5. RECOMMENDATION

- 5.1 The Panel are recommended to note this report.

SECTION 2 - COST MEASURES



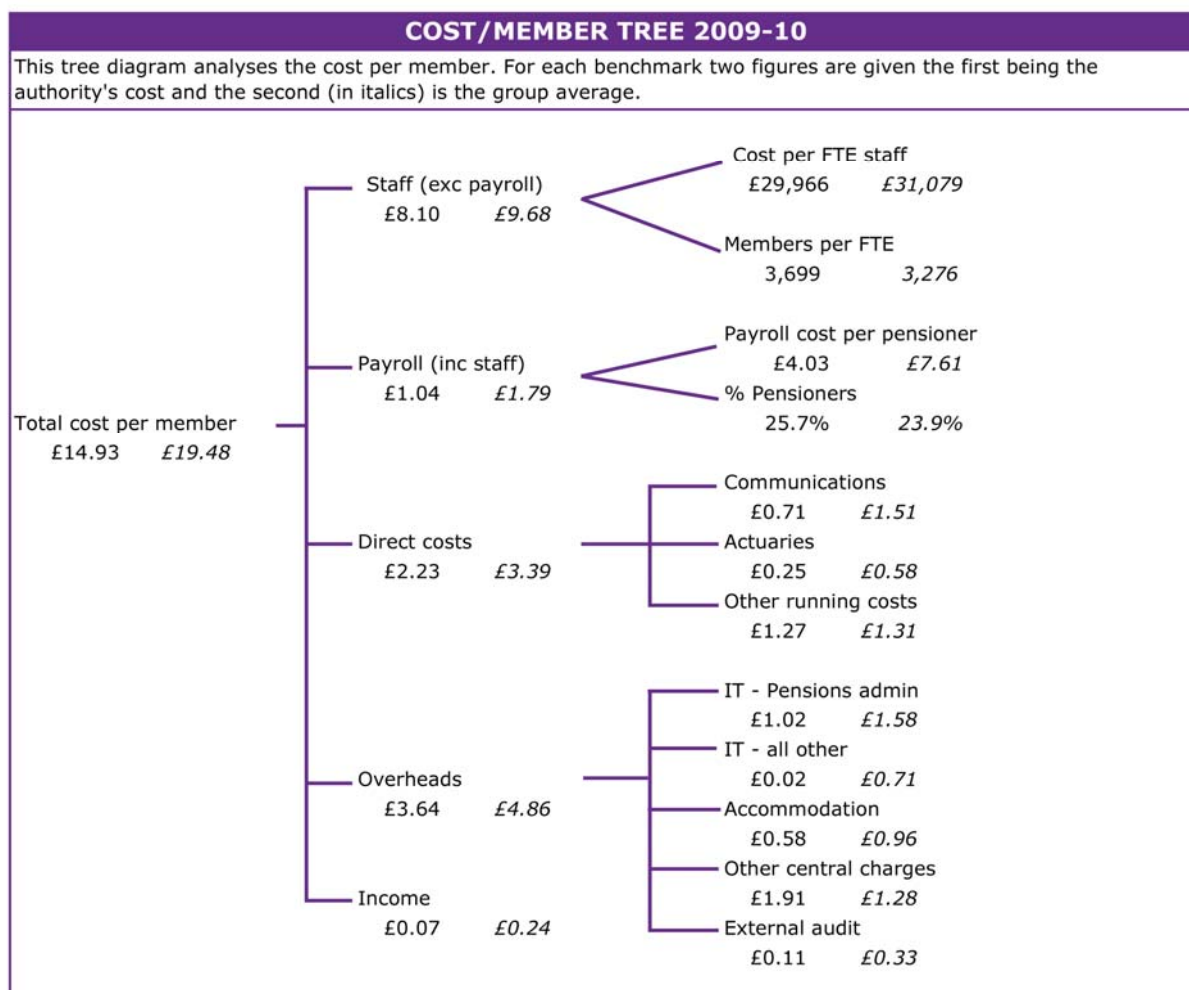
FTE staff	
Pension Section total	88.0
<i>less</i>	
IT staff	4.5
Payroll staff	9.3
Communications staff	2.0
Employing authority work	1.0
Work for other schemes	-
Other work	-
Admin of LGPS	71.2

Scheme membership	
	No.
Active full-time	61,108
Active part-time	40,743
Active total	101,851
Deferred	68,130
Pensioners	67,789
Dependants	13,441
Frozen refunds	12,155
Leavers unprocessed	-
Total	263,366

Costs £'000	
	£'000
Pension Section total	3,932
<i>less</i>	
Employing authority work	-
Work for other schemes	-
Other work	-
Admin of LGPS	3,932

Admin of LGPS costs	
	£'000
Staff - administration	2,134
Staff - payroll	273
Payroll	-
Communications	187
Actuaries	65
External audit	28
Other running costs	335
IT - Pensions admin	270
IT - All other	5
Accommodation	152
Other central charges	503
Income	19
Total	3,932

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