

ITEM NO: 15(b)

Report To: Pension Fund Management Panel

Date: 18 September 2009

Reporting Officer: Peter Morris, Director of Pensions

Subject: **MEMBERSHIP CHANGES IN 2008/09**

Report Summary: The report outlines the continued changes in membership. It also details retirement experience and provides comparisons between local authority employers. Overall the number of ill health and early retirements continues to fall.

Recommendations: To note the report

Policy Implications: There are no policy implications for the Fund.

**Financial Implications:
(Authorised by the Borough
Treasurer)** Redundancy and efficiency retirements and ill health retirements generate additional liabilities, the costs of which are generally met through the employer contribution rate. This monitoring report provides comparative information to employers to help assess their performance and assist in reviewing policies and procedures.

**Legal Implications:
(Authorised by the Solicitor to
the Fund)** There are no direct legal implications arising from this monitoring report.

Risk Management: Employers are now very aware of the financial implications of early retirements and continue to develop their procedures to contain such costs whilst operating within the Scheme's regulations and their own circumstances.

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: This Panel report is based on the included data:

- a. Analysis of Membership @ 31 March 2009
- b. Analysis of Membership @ 31 March 2009 - Retirements.

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1. INTRODUCTION AND BACKGROUND

1.1 The aims of the report are:

- (i) to describe membership changes in the year
- (ii) to highlight retirement experience amongst our local authority employers

1.2 A potential major source of additional liabilities arises from early and ill health retirements. The Actuary, in determining the employer contribution makes assumptions on the extent of such retirements, which results in major employers being advised of their "provision" for early retirement costs. For local authorities this can amount to up to 3% of pay (which is built into the employer rate). Where employers overspend their provision, additional contributions are sought. Since 2005/06 augmentation have been charged against this provision. Details of the retirement experience has been forwarded to Treasurers.

1.3 A well-developed system of monitoring has been in place for a number of years and this has contributed to significant falls in early retirement costs. It also reduces the scope for adverse surprises for employers in their actuarial valuation results.

2. CHANGES IN SCHEME MEMBERSHIP

2.1 In Table 1 below, the growth in membership across all categories of member is summarised.

Table 1 - Comparison of Membership at April 2008 and April 2009

	Employees		Deferred		Pensioners	
	Apr-08	Apr 09	Apr-08	Apr 09	Apr-08	Apr 09
Local Authorities	73,798	72,322	52,902	58,002	57,712	59,182
Councillors	168	170	9	17	3	9
Higher Educ. Corporations	2,190	2,187	1,533	1,618	1,021	1,086
Further Educ. Corporations	4,637	4,748	2,642	3,062	1,259	1,393
Foundation/Vol. Schools	742	814	345	385	176	190
Other Scheme Employers	10,864	10,715	5,215	5,273	7,661	7,720
Admitted Bodies	10,773	11,060	7,218	7,836	8,375	8,912
Sub Total	103,172	102,016	69,864	76,193	76,207	78,492
Pre 74 Employers	0	0	0	0	34	29
Totals	103,172	102,016	69,864	76,193	76,241	78,521

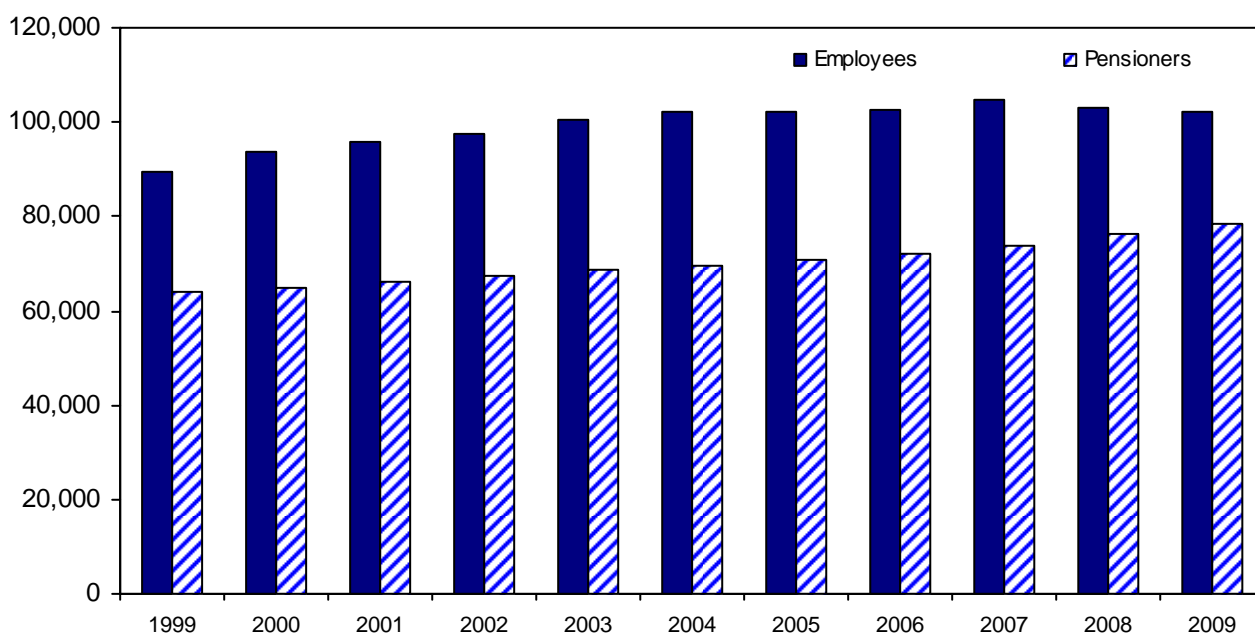
2.2 The number of scheme members has increased by 7,453 (3.0%) to 256,730 members.

2.3 There is a small decrease in employee members (1.1%) and an increase in pensioner members (3.0%), and a 9.3% increase in deferred members. A key factor in the increase in deferred members was the introduction of the 3 month time limit for refunds (from two years).

2.4 Looking forward, it is likely in the next 3-5 years that the number of employee members will decline whilst the number of deferred and pensioner members will continue to increase.

2.5 The longer-term historical trends are reflected in the graph below, which shows the growth in number of employees and increase in pensioners over the last 10 years. Employees have increased by 13.9% whilst pensioners have increased by 22.6%.

Graph 1 – GMPF Membership 1999 – 2009



3. RETIREMENT EXPERIENCE

3.1 During the year the Fund paid approximately **£66.9m (est.)** in lump sum retirement grants which was around **23%** more than last year (**£54.3m revised figure**). A reason for this increase of **£12.6m** is the increased take up of commutation facility (members converting pension to lump sum).

3.2 The analysis of retirements in Table 2 summarises the number of retirements for the 10 Greater Manchester authorities at total fund level. Experience in aggregate was similar for local authority and non-local authority employers in 2008/09.

Table 2 – Comparison of Retirements 2006/07 to 2008/09

	2006/07		2007/08		2008/09	
	LA's	Total	LA's	Total	LA's	Total
Ill Health	237	319	209	319	184	248
Redundancy and Efficiency	470	638	501	681	339	576
Voluntary	639	920	725	1006	749	1042
Normal	278	397	292	437	327	492
Sub Total	1624	2274	1727	2443	1599	2358
Deferred	692	969	836	1143	868	1177
Total Retirements	2316	3243	2563	3586	2467	3535

3.3 The following charts and tables analyse the retirement experience of the Fund's local authority employers. The comparative data is based on retirement experience per 100 employees within the pension scheme at the end of March 2009. The different circumstances in individual authorities leads to different problems and different solutions but the analysis provides useful background information for our local authorities to review.

Table 3 – LA Retirement Experience – Comparison by Type 2006/7 – 2008/9

% Of Membership						
Type of Retirement	Average			Range		
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
Ill Health	0.31	0.28	0.25	0.14 – 0.49	0.05 – 0.46	0.11 – 0.45
Redundancy & Efficiency	0.62	0.68	0.47	0.09 – 2.01	0.09 – 2.18	0.18 - 1.38
Voluntary	0.84	0.98	1.04	0.02 – 1.21	0.02 – 1.22	0.04 – 1.30
Normal	0.37	0.40	0.45	0.19 – 0.48	0.26 – 0.64	0.33 – 0.74
Total	2.14	2.34	2.21			

(Data excludes deferreds coming into payment).

Comments

- Ill health retirements have continued to reduce.
- Redundancy and efficiency have reduced in 2008/09.
- There continues to be a significantly wide range across employers.

Chart 1 - Analysis of Ill Health Retirements by Local Authority

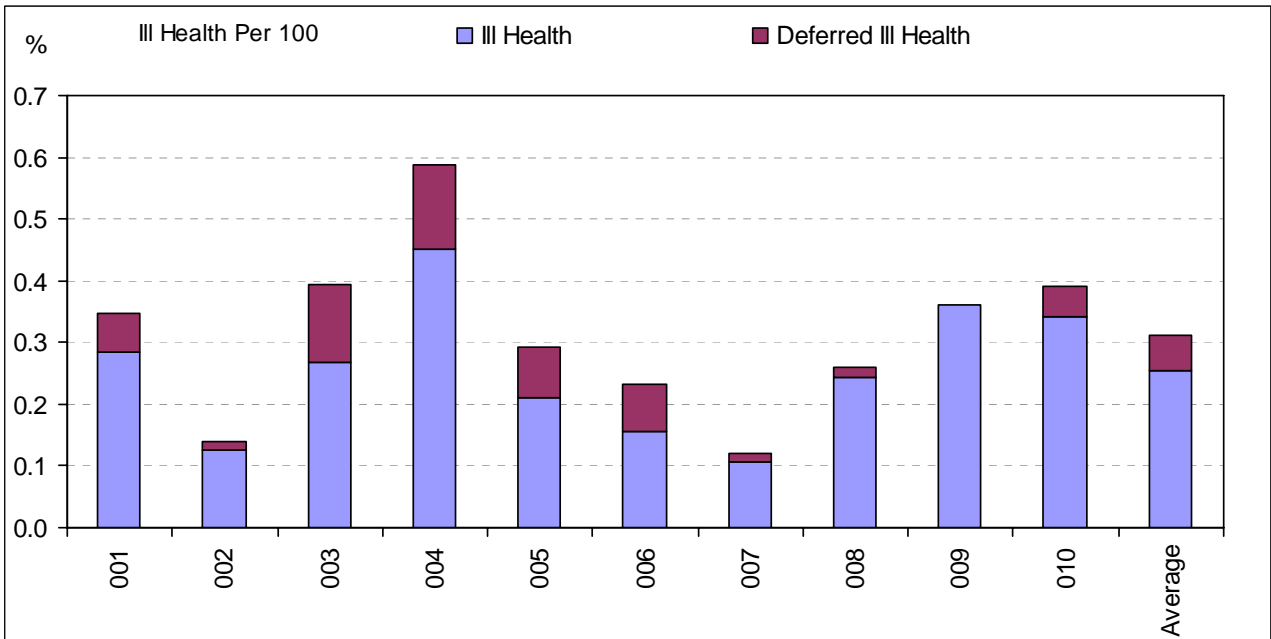


Chart 2 - Analysis of Redundancy and Efficiency Retirements

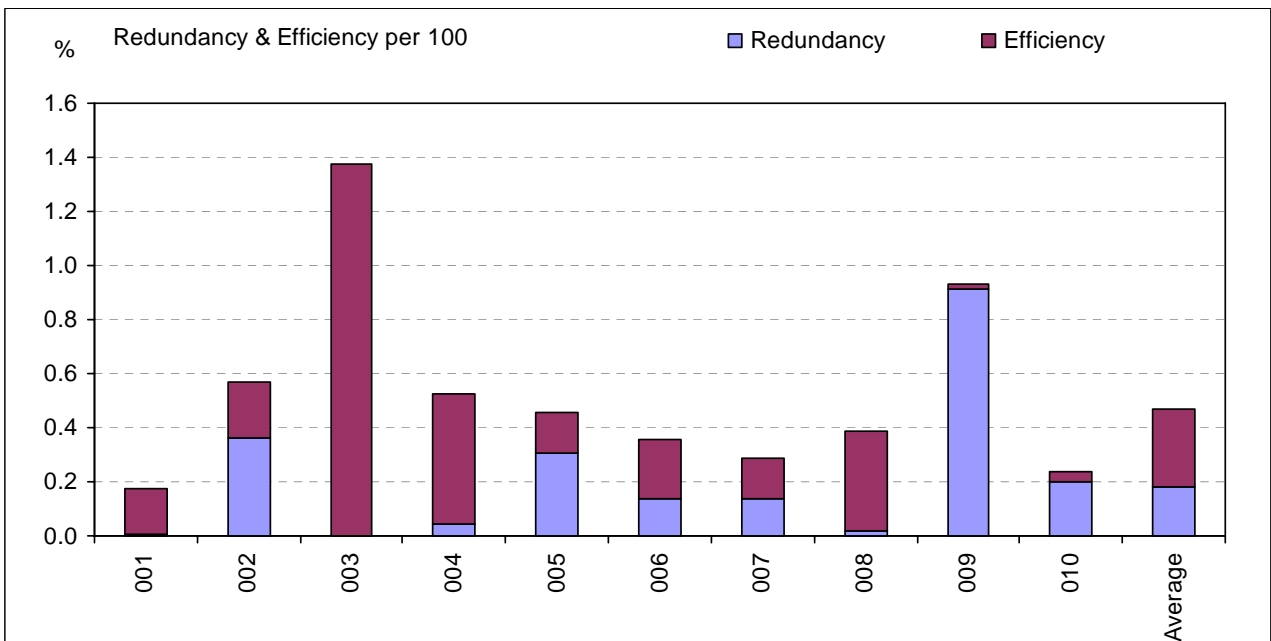
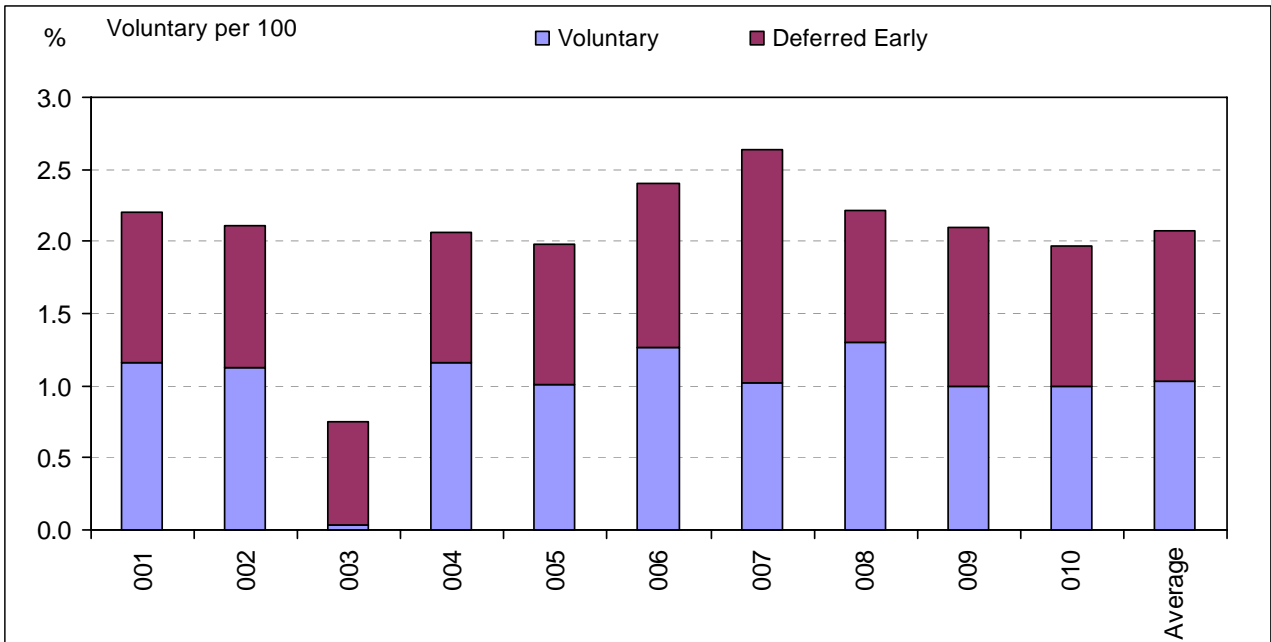


Chart 3 - Analysis of Voluntary Retirements



3.4 Voluntary retirements are those retirements that take place before the normal retirement date (age 65) and are not redundancy, efficiency or ill health. In some cases, benefits may have been actuarially reduced but others not.

Chart 4 - Analysis of Normal Retirements

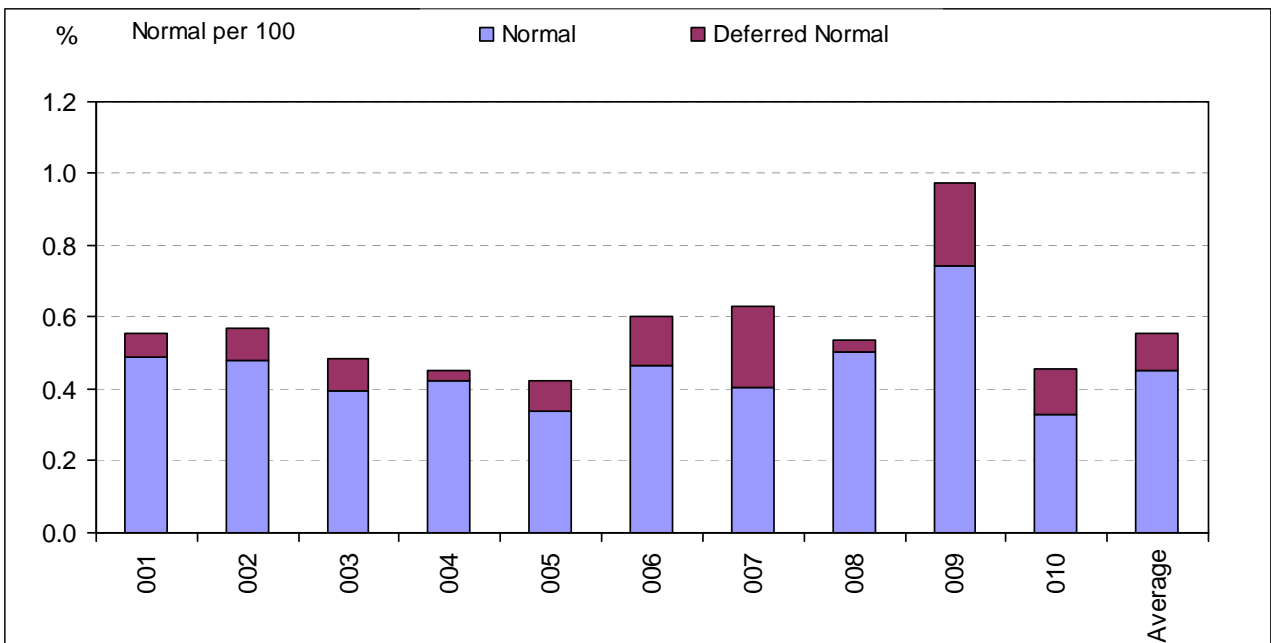


Chart 5 - Analysis of Total Retirements (excluding deferred)

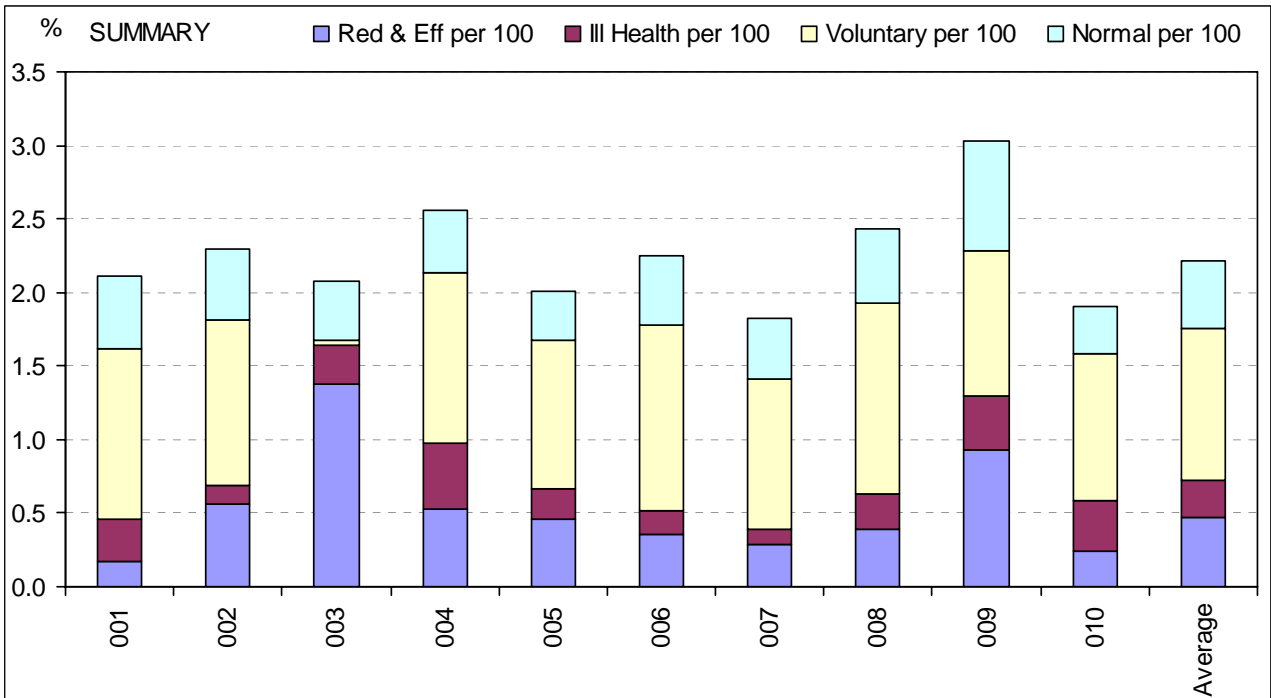
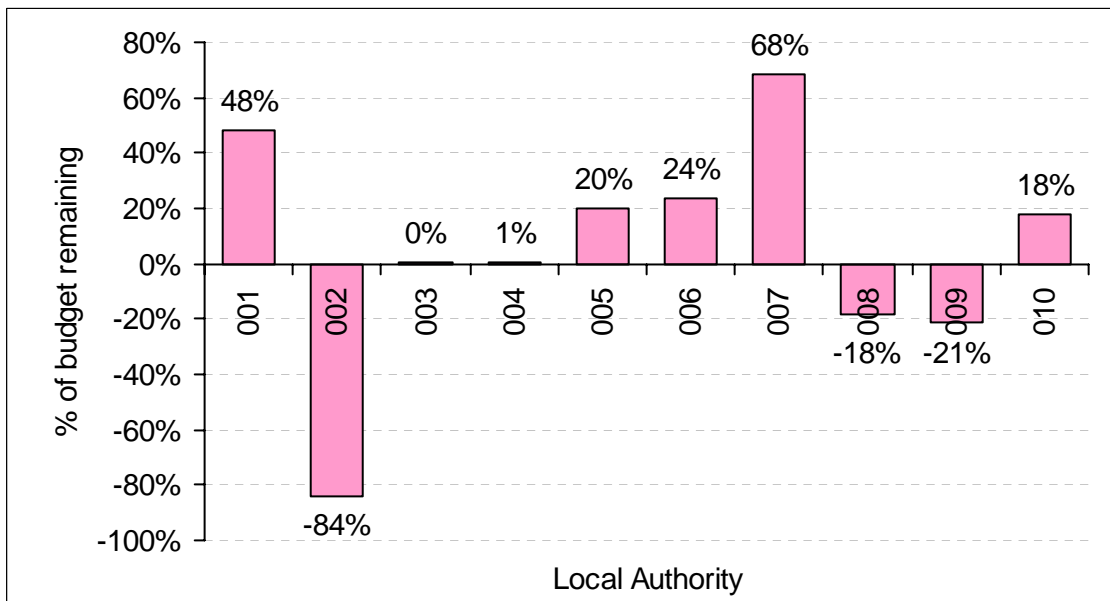
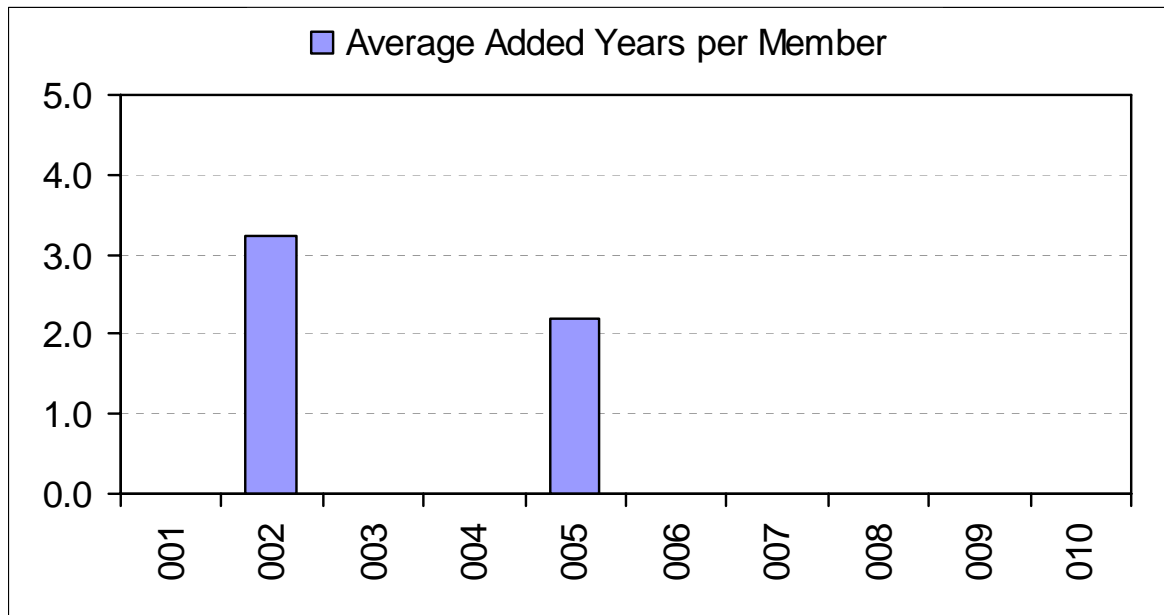


Chart 6 - Cost of Retirements v Provision 2008/09



3.5 As illustrated in Chart 6 most employers are managing their retirements within or around the provision set by the Actuary, albeit there are material variations between employers. Overall, this is a very satisfactory outcome. For those “overspending”, and just 1 has overspent by a material amount, recovery has been sought. Those authorities “within their provision” will benefit from their experience at the next actuarial valuation.

Chart 7 – Analysis of Retirements 2008/09 – Added Years



3.6 The norm is moving towards a policy of not awarding added years. Only 44 members received added years and these were at 2 authorities. The highest average awarded was 3.24 years, with the majority awarding no years.

4. SUMMARY

4.1 There continues to be material differences in the retirement experience of individual authorities/employers. This type of comparative data may help employers in any reviews of their retirement policies (and application). These charts have been forwarded to local authority employers for their information (via Treasurers).

4.2 It is important to maintain the provision of this monitoring information to help employers with their own monitoring/decision making. In addition, the Fund needs to ensure it recovers any additional costs of early retirements (compared to the provision made by the Actuary).

4.3 Overall, the trend towards later retirement is continuing and in particular the reduction in the number of ill health retirements is to be noted.