

ITEM NO: 13

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| Report To: | Pension Fund Management/Advisory Panel |
| Date: | 18 November 2011 |
| 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 |
| Background Papers: | <p>The background papers used in this report are listed below. These reports contain data supplied by other administering authorities which cannot be disclosed.</p> <ul style="list-style-type: none">• CIPFA Pensions Administration Benchmarking Club 2011: All Members Report.• CIPFA Pensions Administration Benchmarking Club 2011: Comparative Report. <p>Panel members can obtain copies of these documents from: Stephen Budd, Corporate Manager on 0161 301 7270 or via email: stephen.budd@gmpf.org.uk.</p> |

1. INTRODUCTION AND BACKGROUND

- 1.1 This year 59 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 110,000 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 £13.72 per annum, compared to the all fund average of £22.14 and the large fund average of £19.80. This equates to a saving of £1.6m per annum relative to the large fund average.

Staff per member (excluding payroll)

- 3.2 We have 3663 members per full time member of staff in the Pensions Office, compared with the all-funds average of 3484 and large funds average of 3365.

Cost per member of staff

- 3.3 The average annual cost per member of staff is £27,623, compared with the all-fund average of £32,870 and the large fund average of £32,100.

Payroll

- 3.4 Payroll costs comparisons are favourable at £2.64 per pensioner compared to the all funds £13.49 and large fund average of £7.72.

Income

- 3.5 Income is comparatively low, albeit this is not a major item. We will however check with other funds to find out what we are doing differently.

Staff pay

- 3.6 Overall, staff costs per member are at the lower end of the range. The factors that influence this include economies of scale, policies and working practices at the Pensions Office. Regarding the latter, continual improvement techniques continue to be applied. 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 | 33% | 17% |
| £20K to £30K | 59% | 50% |
| £30K + | 7% | 33% |

Sickness

- 3.7 Sickness of all types was 7.4 days per member of staff. This is above the Club average of 5.0 days and above the larger fund average of 5.9 days.

Staff turnover and experience

- 3.8 Staff turnover is comparable with other Funds with 6.8% leaving the section. The experience of staff is in line with staff at other funds, e.g. 34% have more than 15 years experience with the Fund. GMPF is in line with the average regarding the number of staff with pensions qualifications. GMPF staff tend to have the higher level of qualification.

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 | £13.00 |
| Club average | £18.85 |
| 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 some reassurance on the relative value for money.
- 3.11 Of the four LGPS funds that use outsourcing, one had above average costs, two were at the average and one was below the average.

Historical performance

- 3.12 Unit costs are slightly lower 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 2006 our annual cost per member was £14.31 and in 2011 it is £13.72. Over the same period the Club average has also remained stable, at around £22.00 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 There are significant changes in work volumes being experienced, e.g. significant increases in the number of retirements and staff in the Pension Service have demonstrated great flexibility and support for the service in responding to this very important task. It is likely that the development of the LGPS rules in 2012, the new scheme in 2015 and the impact of membership changes on employers will have a material impact on the Service. There will be a need to ensure the Fund is adequately resourced to support employers and deal in an effective and efficient way with the challenges ahead, as systems will need developing, processes reviewing and refining and training undertaken. These changes, together with maintaining resilience and preparing for potential development, are likely to require some additional support.

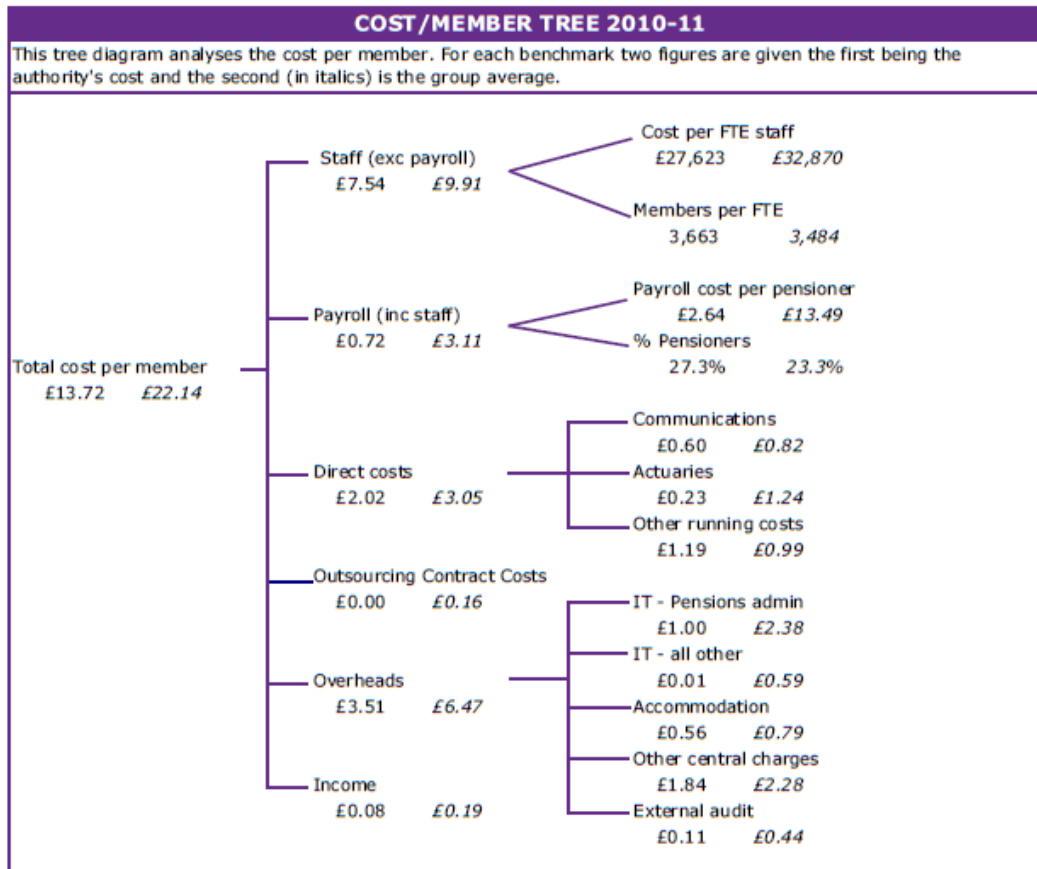
5. RECOMMENDATION

- 5.1 The Panel are recommended to note this report.

APPENDIX 1

Pensions Administration Benchmarking Club: All Members Report

SECTION 2 - COST MEASURES



| FTE staff | |
|--------------------------|-------------|
| Pension Section total | 87.9 |
| less | |
| IT staff | 4.0 |
| Payroll staff | 6.9 |
| Communications staff | 2.0 |
| Employing authority work | 2.0 |
| Work for other schemes | - |
| Other work | - |
| Admin of LGPS | 73.0 |

| Scheme membership | |
|------------------------|----------------|
| | No. |
| Active full-time | 54,986 |
| Active part-time | 39,284 |
| Active Elected members | 183 |
| Active total | 94,453 |
| Deferred | 73,950 |
| Pensioners | 72,893 |
| Dependants | 13,738 |
| Frozen refunds | 11,984 |
| Leavers unprocessed | 362 |
| Total | 267,380 |

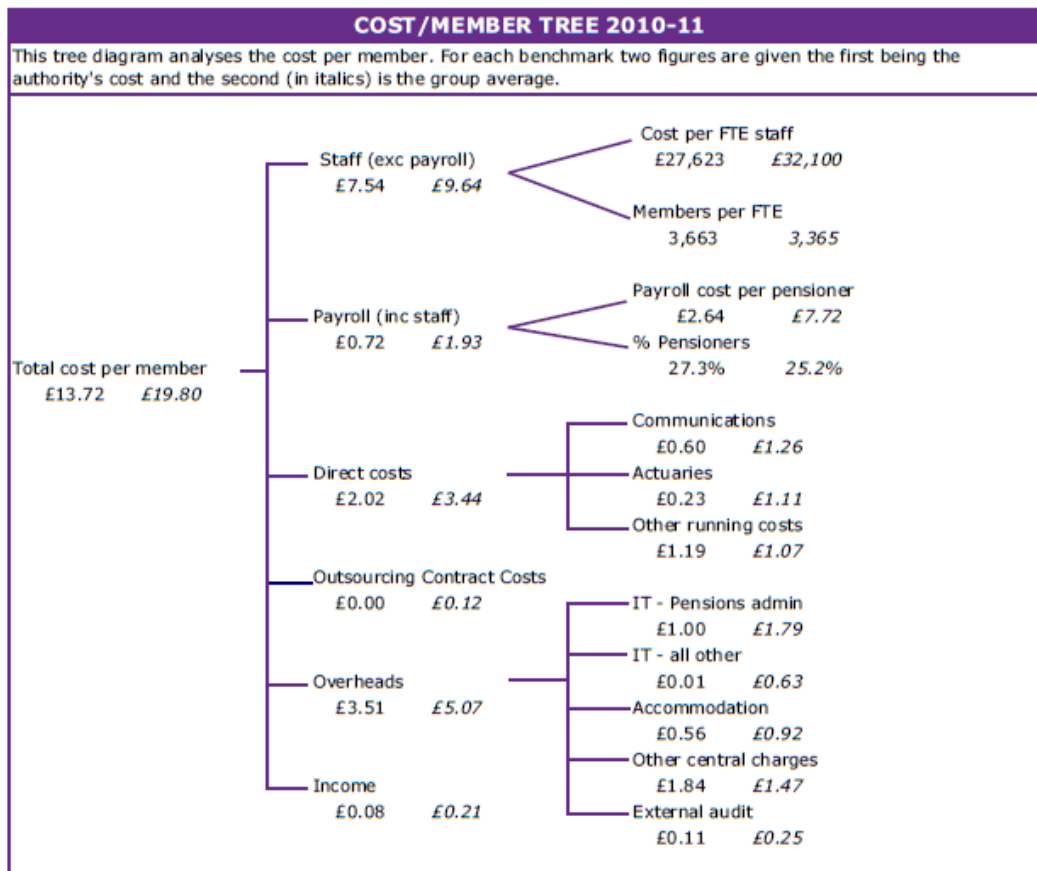
| Costs £'000 | |
|--------------------------|--------------|
| | £'000 |
| Pension Section total | 3,668 |
| less | |
| Work for other schemes | - |
| Employing authority work | - |
| Other work | - |
| Admin of LGPS | 3,668 |

| Admin of LGPS costs | |
|----------------------------|--------------|
| | £'000 |
| Staff - administration | 2,016 |
| Staff - payroll | 193 |
| Payroll | - |
| Communications | 161 |
| Actuaries | 62 |
| External audit | 28 |
| Outsourcing contract costs | - |
| Other running costs | 318 |
| IT - Pensions admin | 266 |
| IT - All other | 4 |
| Accommodation | 149 |
| Other central charges | 491 |
| Income | 21 |
| Total | 3,668 |

APPENDIX 2

Pensions Administration Benchmarking Club: Comparative Report

SECTION 2 - COST MEASURES



| FTE staff | |
|--------------------------|-------------|
| Pension Section total | 87.9 |
| <i>less</i> | |
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| Payroll staff | 6.9 |
| Communications staff | 2.0 |
| Employing authority work | 2.0 |
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