

# ITEM NO: 12

<b>Report To:</b>	<b>Pension Fund Management/Advisory Panel</b>
<b>Date:</b>	18 November 2011
<b>Reporting Officer:</b>	Peter Morris, Executive Director of Pensions
<b>Subject:</b>	<b>MEMBERSHIP CHANGES IN 2010/11</b>
<b>Report Summary:</b>	The report outlines the continued changes in membership. It also details retirement experience and provides comparisons between local authority employers.
<b>Recommendations:</b>	The Panel is recommended to note the report.
<b>Financial Implications: (Authorised by the Borough Treasurer)</b>	Redundancy and efficiency retirements and ill health retirements generate additional liabilities, the costs of which are met through employer contributions. This monitoring report provides comparative information to employers to help assess their experience and assist in reviewing policies and procedures.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	It is important that the trustees monitor the members of the fund and ensure that there are no equality issues impacting on membership and the necessary action taken to support access to the Fund.
<b>Risk Management:</b>	Employers are now 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.
<b>Access to Information:</b>	<b>NON-CONFIDENTIAL</b>  <b>This report does not contain information that warrants its consideration in the absence of the Press or members of the public.</b>
<b>Background Papers:</b>	This Panel report is based on: <ul style="list-style-type: none"><li>• Analysis of Membership at 31 March 2011</li><li>• Analysis of Membership at 31 March 2011 - Retirements.</li></ul> For further information please contact Peter Morris, Executive Director of Pensions, Greater Manchester Pension Fund, Wellington Road, Ashton-Under-Lyne, Tel 0161 342 3438, email <a href="mailto:peter.morris@tameside.gov.uk">peter.morris@tameside.gov.uk</a>

## 1. INTRODUCTION AND BACKGROUND

1.1 The aims of the report are:

- (i) to describe membership changes in the year; and
- (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 ill health and 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 (added years) has been charged against this provision. Details of the retirement experience have 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 2010 and April 2011**

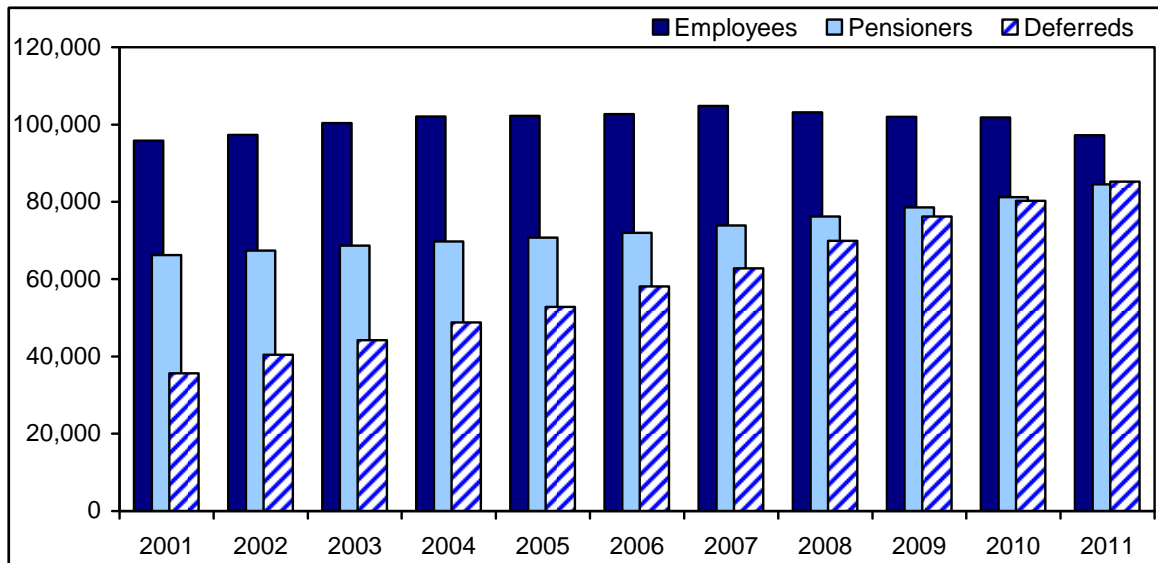
	Employees		Deferred		Pensioners	
	Apr 10	Apr 11	Apr 10	Apr 11	Apr 10	Apr 11
Local Authorities	71,553	67,899	60,968	64,315	60,899	63,152
Councillors	170	182	18	30	16	23
Higher Educ. Corporations	2,076	1,982	1,722	1,792	1,169	1,287
Further Educ. Corporations	4,990	4,546	3,323	3,862	1,562	1,765
Foundation/Vol. Schools	851	801	447	453	211	190
Other Scheme Employers	11,222	10,065	5,538	5,487	7,892	7,759
Admitted Bodies	10,989	11,743	8,269	9,332	9,456	10,335
Sub Total	<b>101,851</b>	<b>97,218</b>	<b>80,285</b>	<b>85,271</b>	<b>81,205</b>	<b>84,511</b>
Pre 74 Employers	0	0	0	0	25	23
<b>Totals</b>	<b>101,851</b>	<b>97,218</b>	<b>80,285</b>	<b>85,271</b>	<b>81,230</b>	<b>84,534</b>

2.2 The number of scheme members has increased by 3,657 (1.4%) to 267,023 members.

2.3 This is the fourth successive year that the number of employee members has reduced. Further and significant reductions are taking place because of public expenditure reductions and members opting out of the scheme - employee members have reduced to around 90,000 since April. For the same reasons, the numbers of deferred and pensioner members are increasing.

- 2.4 The longer-term historical trends are reflected in the graph below, which shows the changes over the last 10 years. Pensioners have increased by 28%, deferred members by 140%.

**Graph 1 – GMPF Membership 2010 – 2011**



### 3. RETIREMENT EXPERIENCE

- 3.1 During the year the Fund paid £108.8m in lump sum retirement grants which was 24.3% more than last year (£87.5m). A reason for this increase of £21.3m is the change in the number of retirements as illustrated in Table 2 below.

**Table 2 – Comparison of Retirements 2008/09 to 2010/11**

	2008/09		2009/10		2010/11	
	LAs	Total	LAs	Total	LAs	Total
Ill Health	184	248	157	216	184	263
Redundancy and Efficiency	339	576	659	959	1300	1686
Voluntary	749	1042	717	1077	690	1007
Normal (65+)	327	492	357	578	522	771
<b>Sub Total</b>	<b>1599</b>	<b>2358</b>	<b>1890</b>	<b>2830</b>	<b>2696</b>	<b>3727</b>
Deferred	868	1177	1090	1511	1089	1513
<b>Total Retirements</b>	<b>2467</b>	<b>3535</b>	<b>2980</b>	<b>4341</b>	<b>3785</b>	<b>5240</b>

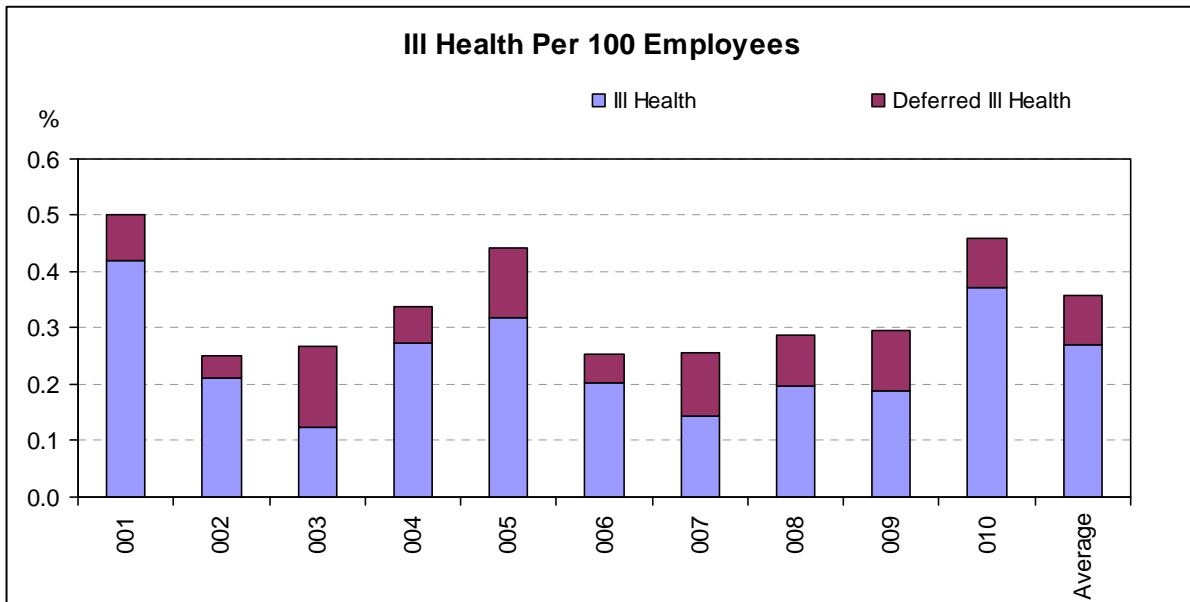
- 3.2 The following charts and tables analyse the retirement experience of the Fund's local authority employers. The comparative data is based on retirement experience per 100 employees within the Fund as at the end of March 2011. The different circumstances within an individual authority lead to different problems and different solutions but the analysis provides background information for local authorities to review.

**Table 3 – LA Retirement Experience – Comparison by Type 2008/09 – 2010/11**

% Of Membership						
Type of Retirement	Average			Range		
	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11
Ill Health	0.25	0.22	0.27	0.11 – 0.45	0.06 – 0.42	0.12 – 0.42
Redundancy & Efficiency	0.47	0.92	1.91	0.18 – 1.38	0.12 – 2.45	0.48 – 3.28
Voluntary	1.04	1.00	1.02	0.04 – 1.30	0.06 – 1.75	0.06 – 2.86
Normal (65+)	0.45	0.50	0.77	0.33 – 0.74	0.36 – 0.75	0.54 – 1.82
<b>Total</b>	<b>2.21</b>	<b>2.64</b>	<b>3.97</b>			

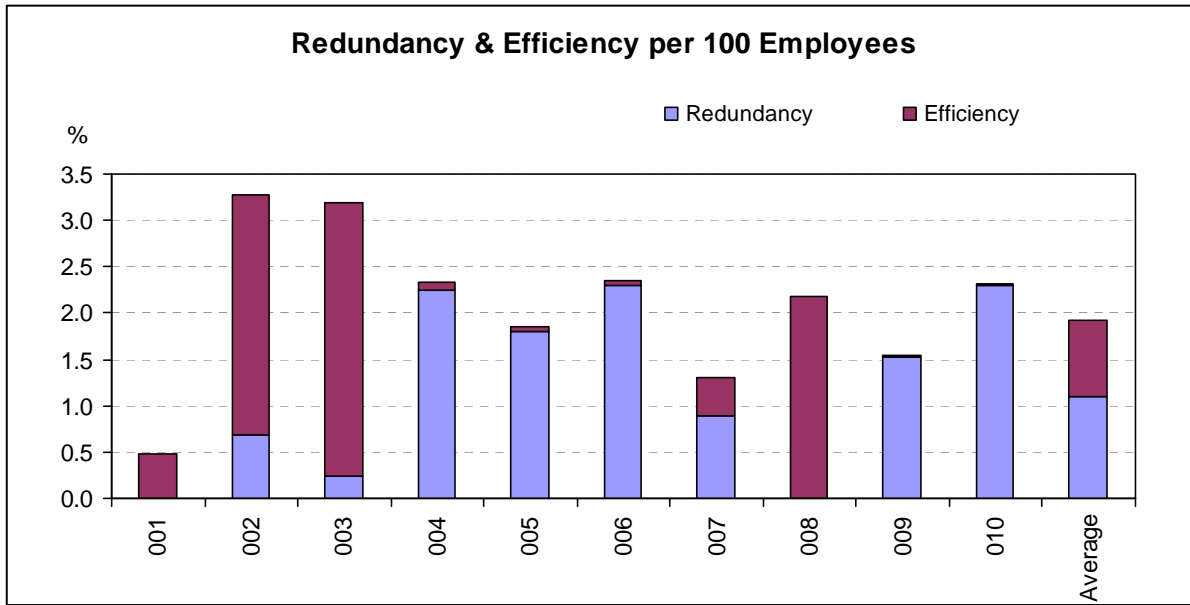
(Data excludes deferred benefits coming into payment.)

**Chart 1 - Analysis of Ill Health Retirements by Local Authority**



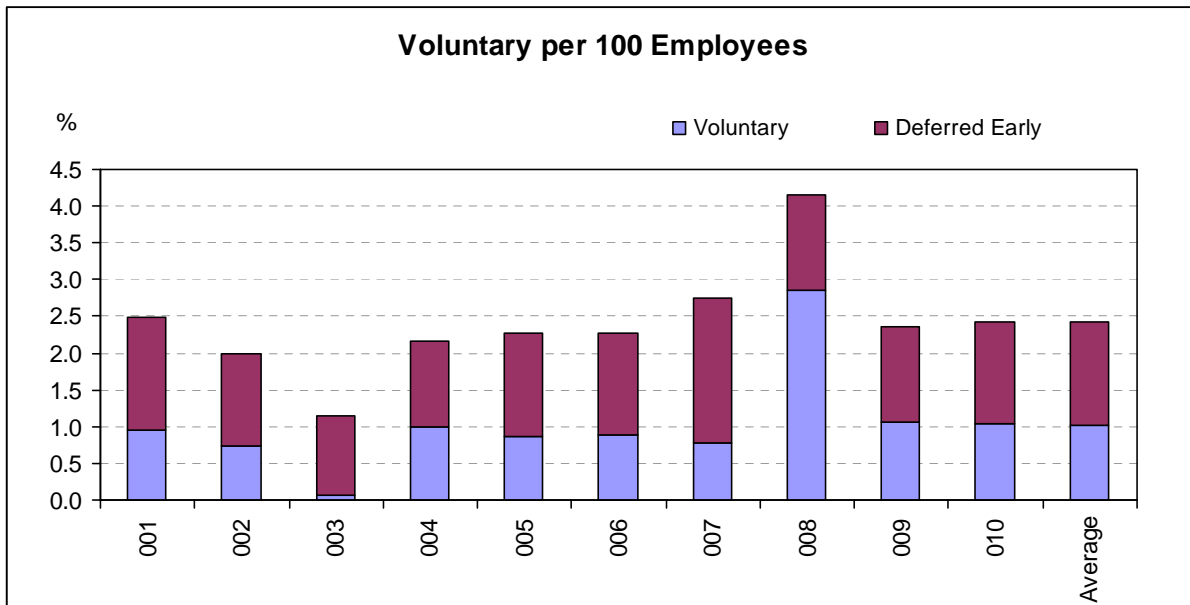
3.3 As can be seen in the above, there is a significant difference in experience at individual local authorities regarding employee members, with Employer 001 having nearly four times the incidence of ill-health retirement as Employer 003.

**Chart 2 - Analysis of Redundancy and Efficiency Retirements**



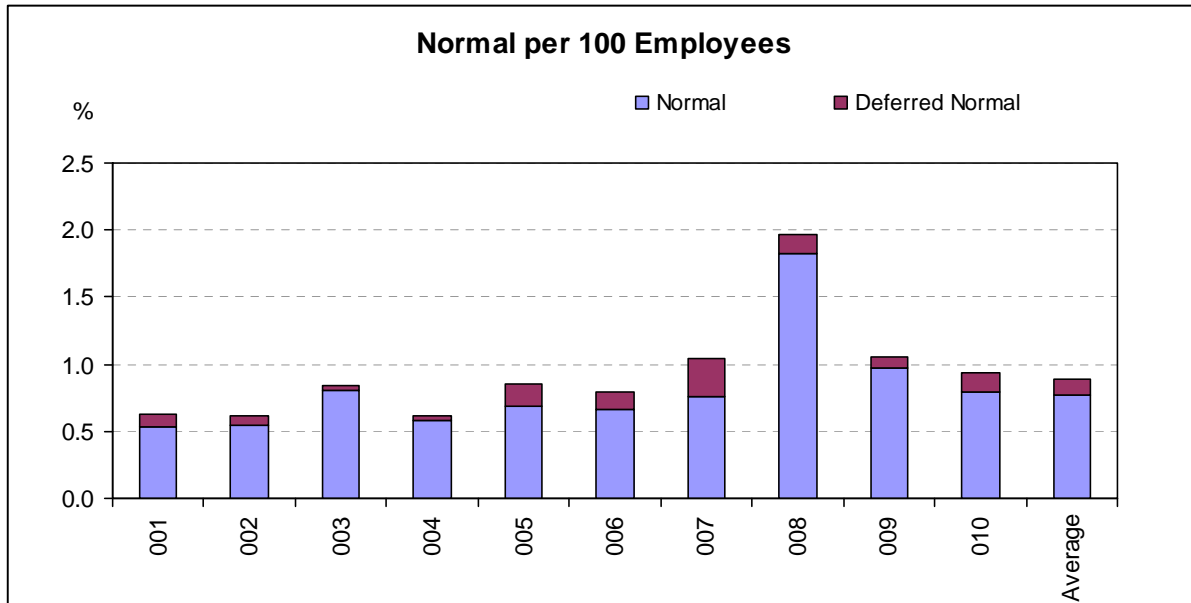
3.4 Again there is a significant difference in experience at individual local authorities, with authorities tending to have a clear preference for either redundancy or efficiency.

**Chart 3 - Analysis of Voluntary Retirements**

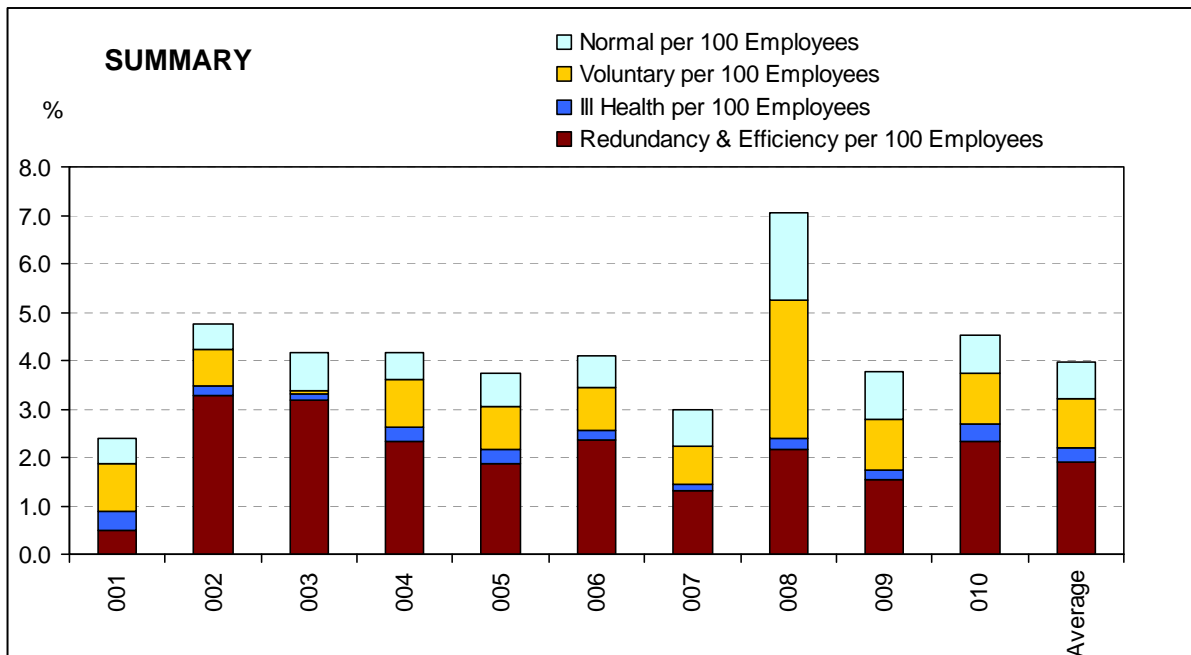


3.5 Voluntary retirements are those retirements that take place before the normal retirement date (age 65) and are not redundancy, efficiency or ill health. In some cases, benefits may have been actuarially reduced but in others not.

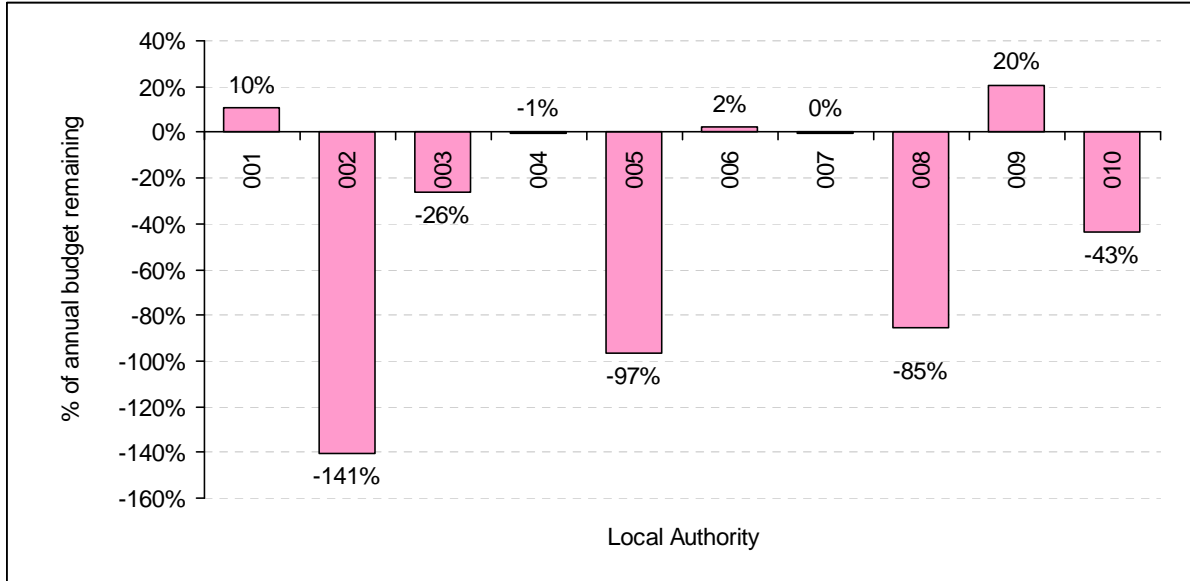
**Chart 4 - Analysis of Normal Retirements**



**Chart 5 - Analysis of Total Retirements (excluding deferred)**

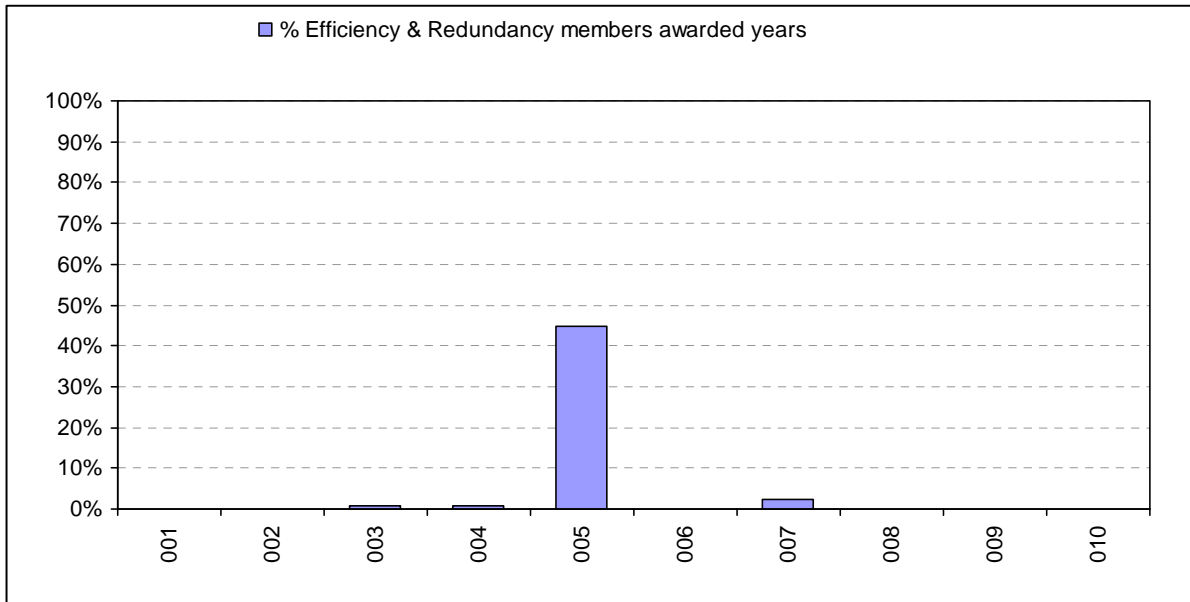


**Chart 6 - Cost of Retirements v Annual Provision**



3.6 As illustrated in Chart 6 some employers are managing their retirements within or around the provision set by the actuary, albeit there are material variations between employers. For those spending beyond the provision, recovery has been sought. Those authorities within their provision will benefit from their experience at the next actuarial valuation.

**Chart 7 – Analysis of Retirements – Added Years**



3.7 The norm has become not to award added years (augmentation). Only 51 members received added years and whilst these were at 4 authorities, 47 were at one authority.

**4. SUMMARY**

4.1 As expected, there continues to be material differences in the retirement experience of individual authorities. 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 ill health & early retirements (compared to the provision made by the actuary).

## **5. RECOMMENDATION**

- 5.1 The Panel is recommended to note the report.