

**CAMBRIDGESHIRE PENSION
FUND**



Pension Committee

Date: 23 March 2017

Report by: Head of Pensions

Subject:	CIPFA Pensions Administration Benchmarking Club Report 2016
Purpose of the Report	To inform the Pension Committee of the results of the CIPFA Pensions Administration Benchmarking Club Report 2016
Recommendations	That the Pensions Committee notes the content of the report.
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1. Background

- 1.1 Cambridgeshire Pension Fund has participated in the CIPFA Pensions Administration Benchmarking Club in respect of the year ending 31 March 2016. The Benchmarking Club enables other participating LGPS administering authorities to measure and compare performance and associated costs.
- 1.2 The final report was issued on 30 November 2016, comparing performance with 43 other LGPS administering authorities, including Northamptonshire Pension Fund with whom LGSS Pensions operate joint administration with fully converged processes.
- 1.3 It should be noted that central government are aware that the results from the CIPFA Benchmarking report are not sufficiently robust as to be used in any analysis of the costs of running the LGPS by each participating administering authority. It is generally considered that the survey questions can be ambiguous allowing for potential skewing of true results to seek favourable result outcomes.
- 1.4 Participation in the benchmarking exercise is voluntary and over recent years has seen a significant decline of the number of administering authorities taking part to just under 50%.
- 1.5 It should also be noted that the costs submitted during the completion of this survey do not directly relate to that reported in the Fund's final statement of accounts.
- 1.6 The final report is attached in **appendix 1**.

2. Overview of the final report

- 2.1 The summary of results in section 1 (page 4) shows that staff costs, excluding payroll, are £8.61 per scheme member which is just above the club average of £8.58. The number of scheme members per full time equivalent member of staff is 5,125 compared with the club average of 4,025.
- 2.2 The summary in section 2 (page 5) indicates that the total net administration cost per member is £20.31 compared with the lower club average of £18.48. The net administration costs are a total of staff, payroll, overheads and direct costs. In 2015, the net cost was £19.44 per member compared with the club average of £19.17.
- 2.2.1 Section 2 of the results also provides a detailed analysis of the cost per member. The following table highlights the areas where the costs per member are higher than the club average. Results are given for 2015 and 2016.

Area/Function	Cambridgeshire Pension Fund (cost per member)		Club average (cost per member)	
	2015 (£)	2016 (£)	2015 (£)	2016 (£)
Payroll (including staff)	4.25	3.98	1.85	1.35
Other running costs	1.17	5.09	0.78	1.22
Staff (excluding payroll)	5.37	8.61	7.83	8.58

- 2.2.2 Payroll (including staff) costs per member has in this and previous years been higher than the club average due to the high license fee for the previous pension payroll system, Oracle. The pensioner payroll moved from Oracle to Altair on 1 October 2016 and so the cost of the payroll function should start to decrease in 2016-17.
- 2.2.3 Conversely, the following table highlights the areas where the costs per member are lower than the club average.

Area/Function	Cambridgeshire Pension Fund (cost per member)		Club average (cost per member)	
	2015 (£)	2016 (£)	2015 (£)	2016 (£)
Communications	0.60	0.46	0.78	0.70
IT Pensions Administration	2.09	0.36	2.32	2.26
Actuaries	2.40	0.54	1.14	0.91
Other central charges	1.87	0.72	1.60	1.27
Accommodation	0.63	0.55	0.65	0.60

- 2.3 Section 3 (page 13) details that the total number of joiners and leavers per '000 of active members is above average with 351 joiners and leavers compared with the club average of 296.

- 2.4 Section 4 (page 22) examines staff related measures. A high proportion of staff hold no relevant qualification, however since 2015 the number of staff in training for a qualification is above the club average.
- 2.5 Section 4 (page 25) also details that both the short and long term sickness absence continues to be below the club average at 2.5 full time equivalent days per member of staff compared with 6.5.
- 2.6 For section 5 (page 26), performance indicator data was provided for six out of the eight indicators. The results show that the administering authority's performance exceeded the club average in four areas. For the two areas in which the target performance was not met, namely the provision of estimates and transfer in quotations, the underperformance was within 3%.
- 2.7 Section 6 (page 27) shows a comparison of in-house administrators compared with outsourced administrators in terms of cost per member (including payroll costs). The details for Cambridgeshire Pension Fund compared with the outsourced average and the club average are as follows:

	Cambridgeshire Pension Fund (£)	Club average (£)	Outsourced average (£)
2015	19.44	19.17	21.06
2016	20.31	18.48	18.12

3. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning. <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>

4. Finance & Resources Implications

- 4.1 Not applicable

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this report		Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
This report does not contain a proposal	Red

6. Communication Implications

Website	The CIPFA Pensions Administration Benchmarking Club Report 2016 will be published on the LGSS Pensions website.
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7. Legal Implications

7.1 There are no legal implications connected to the contents of this report.

8. Consultation with Key Advisers

8.1 There has been no requirement to consult with advisers over the content of this report.

9. Alternative Options Considered

9.1 There are no alternative options to be considered.

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 - CIPFA Pensions Administration Benchmarking Club Report 2016

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 6/3/2017
Has this report been cleared by Head of Pensions?	Mark Whitby – January 2017
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 6/3/2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 3/3/2017

