

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Board**

**Date:** 17 December 2015

**Report by:** Head of Pensions

<b>Subject:</b>	<b>CIPFA Pensions Administration Benchmarking Club 2015</b>
<b>Purpose of the Report</b>	<b>To inform the Pension Committee of the results of the Pensions Administration CIPFA Benchmarking Club for 2015.</b>
<b>Recommendations</b>	<b>The Pension Committee is asked to note the report and the results of the 2015 Benchmarking Club.</b>
<b>Enquiries to:</b>	<b>Mark Whitby, Head of LGSS Pensions Service; Tel: 01604 368502; E-mail: <a href="mailto:mwhitby@northamptonshire.gov.uk">mwhitby@northamptonshire.gov.uk</a></b>

**1. Background**

- 1.1 Cambridgeshire Pension Fund has participated in the CIPFA Pensions Administration Benchmarking Club in respect of the year ending 31 March 2015. The Benchmarking Club enables Pension Funds to measure and compare performance and associated costs to other administering authorities in the Local Government Pensions universe.
- 1.2 The final report was issued in September 2015, comparing performance to 45 other authorities, including Northamptonshire Pension Fund.
- 1.3 It should be noted that Central Government are aware that the results from the CIPFA Benchmarking are not a robust enough resource to be used in any analysis of the costs of running LGPS Pension Funds. It is generally considered that the survey questions can be ambiguous allowing for potential skewing of true results to seek favourable positioning amongst club members.
- 1.4 In addition, it should 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.

**2. Overview of the final report**

- 2.1 The final report is attached at **Appendix 1**.
- 2.2 The summary of results in Section 1 shows that staff costs and staff numbers compared to Scheme membership are significantly below average relative to other participants in the Benchmarking Club.

2.3 The summary in section 2 indicates that the net administration cost per member is £19.44 which is just above the Club average of £19.17. The net administration costs are a total of staff, payroll, overheads and direct costs.

2.4 Section 2 of the results 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.

<b>Area/Function</b>	<b>Cambridgeshire Pension Fund (per member)</b>	<b>Club average (per member)</b>
Payroll (including staff)	£4.25	£1.85
Actuaries	£2.40	£1.14
Other running costs	£1.17	£0.78
Other central charges	£1.87	£1.60
Other IT	£0.76	£0.65

2.4.1 Payroll (including staff) costs per member has in this and previous years been higher than the group average due to the high license fee for the incumbent pensioner payroll system, Oracle. Going forward, payroll costs would be expected to be lower.

2.4.2 The actuarial cost per member also appears higher than the Club average. The reason for this is because the total costs for actuarial services that were submitted to CIPFA included all rechargeable activity for areas of work including production of FRS17/IAS19 statements and admission and cessation valuations which are ultimately recharged in full back to the employer. It is expected that in next years' results these recharges will be netted off against actuarial costs per member and therefore the corresponding costs will be lower.

2.5 Conversely, the following table highlights the areas where the costs per member are lower than the Club average.

<b>Area/Function</b>	<b>Cambridgeshire Pension Fund (per member)</b>	<b>Club average (per member)</b>
Staff (excluding payroll)	£5.37	£7.83
Accommodation	£0.63	£0.65
External Audit	£0.30	£0.41
Communications	£0.60	£0.78
IT Pensions Administration	£2.09	£2.32

2.6 Section 3 (page 13) also details the numbers of joiners and leavers per '000 of active members. The number of deaths per '000 active members is below average. The number of transfers out is below average which could represent greater awareness of the LGPS and its benefits. The number of members who leave early before their benefits can be paid (referred to as deferred members) is above average and indeed the second highest in the Club. Northamptonshire Pension Fund has the highest amount out of deferred members out of the Funds that participated in the survey.

2.7 Section 4 examines staff related measures. A high proportion of staff hold no relevant qualification, however the number of staff in training for a qualification is above the group average but this information was not submitted for inclusion in the survey.

- 2.8 Section 4 also details that both the short and long term sickness absence is below the Club average.
- 2.9 For section 5, Performance Indicator data was provided for six out of the eight indicators. The results show that the Fund's performance exceeded the Club average in four areas. For the two Performance Indicators that Fund didn't meet the industry standard the underperformance was within less than 2%.
- 2.10 Section 6 shows a comparison of in-house administrators (45) and outsourced administrators (5) in terms of cost per member (including payroll costs). The details for the Fund compared with the out-sourced average and the Club average are detailed in the table below;

<b>Cambridgeshire Pension Fund</b>	<b>Club Average</b>	<b>Outsourced Average</b>
£19.44	£19.17	£21.06

- 2.11 The final section shows the Fund's costs from 2010 to date with the figures for previous years scaled up or down from the 2014 figure by the average rate of change in each year.

### **3. Relevant Pension Fund Objectives**

<b>Perspective</b>	<b>Outcome</b>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.</li> <li>• Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.</li> </ul>
<b>Communications</b>	<ul style="list-style-type: none"> <li>• Promote the Scheme as a valuable benefit.</li> <li>• Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding.</li> <li>• Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits.</li> <li>• Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately.</li> <li>• Look for efficiencies in delivering communications including through greater use of technology and partnership working.</li> </ul>

<b>Perspective</b>	<b>Outcome</b>
<b>Administration</b>	<ul style="list-style-type: none"> <li>• Provide a high quality, friendly and informative administration service to the Funds' stakeholders.</li> <li>• Administer the Funds in a cost effective and efficient manner utilising technology.</li> <li>• Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds.</li> <li>• Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary.</li> <li>• Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.</li> <li>• Maintain accurate records and ensure data is protected and has authorised use only.</li> <li>• Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.</li> </ul>
<b>Funding and Investment</b>	<ul style="list-style-type: none"> <li>• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions.</li> <li>• To ensure that sufficient resources are available to meet all liabilities as they fall due.</li> <li>• To maximise the returns from its investments within reasonable risk parameters.</li> </ul>

#### **4. Finance & Resources Implications**

- 4.1 This is a report in respect of finance and resources already expended in the previous financial year.

#### **5. Risk Implications**

a) Risk(s) associated with the proposal

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
Report for information only		

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

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
Report for information only		

## 6. Communications Implications

<b>Direct Communications</b>	Dependent on queries from CIPFA Benchmarking results
<b>Website</b>	CIPFA Benchmarking results will need to be added to the website

## 7. Legal Implications

7.1 None

## 8. Consultation with Key Advisors

8.1 None

## 9. Alternative Options Considered

9.1 None

## 10. Background Papers

10.1 None

## 11. Appendices

11.1 Appendix 1 – Cambridgeshire Pension Fund - Pensions Administration Benchmarking Club 2015 - Final Report

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	NO
Will further decisions be required? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Has this report been cleared by Director of Finance/ Section 151 Officer?	Chris Malyon – 27/11/2015
Has this report been cleared by Head of Pensions?	Mark Whitby – 19/11/2015
Has the Chairman of the Pension Committee been consulted?	Councillor Hickford – 30/11/2015 -
Has this report been cleared by Legal Services?	Copy of report sent to Quentin Baker – 30/11/2015