

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
10 December 2015

PENSION FUND BENCHMARKING UPDATE

Purpose of the Report

1. This report presents to the Committee the CIPFA Benchmarking club results for 2015.

Introduction & Background

2. The Wiltshire Pension Fund (WPF) joined the CIPFA benchmarking club in August 2010 with the intention to gain a better understanding of how WPF's service compares to those of its peers.
3. The club compares the Fund against the other 44 LGPS authorities within the club.
4. The results of the 2015 survey are shown in the attached report. This covers the financial year 2014/15. Results of the 2014 survey are shown in brackets for comparison. It is important to remember this survey merely reviews costs and processes but doesn't test or have a measure for 'quality' of service. Lowest cost in itself does not necessarily represent the best outcome, if this is achieved at a cost to the quality of the service.
5. These statistics do come with a health warning. The survey is based on pension administration only. All authorities are set up with different structures. The WPF moved to a single team section including administration, accounting and investment activities in 2007. Most other authorities still include administration within their payroll section with the accounting and investments functions separate within their finance teams. The allocation of costs into the categories, especially the apportionment of overheads, can also be treated differently between authorities. Nevertheless, this data remains useful as it enables officers to question and challenge areas of performance.

Main Considerations for the Committee

6. This paper highlights the main points from the reports.

Administration Costs

7. The total administration cost per member is £19.84 (£20.86 in 2014) which is slightly higher than the average (£19.17). This does provide an element of comfort that at a high level the cost of operating the scheme is in line with its peers.
8. Staff costs per member £7.79 (£7.74 in 2014) are broadly in line with the average (£7.83). WPF did however carry a number of vacancies during the year.
9. The pension payroll cost per member £2.46 (£2.59 in 2014) is slightly higher than the average (£1.85). A more meaningful metric is the cost per pensioner (which this activity relates to) of £12.67 (£13.15 in 2014) for WPF compared with £8.16 for the average. Note again this year there has been a marked decrease in the average figures for pension payroll cost per member and cost per pensioner. This will all depend on the results of the individual authorities from which the average is calculated

(there is a comparison group of 44 authorities for year ending 2015 compared to 49 authorities for the year ending 2014).

10. The survey shows that the overhead cost per member of £5.62 (£5.55 in 2014) is slightly higher than the average (£5.38). This includes IT, accommodation, central services charges and external audit.
11. The direct cost per member is £14.51 (£15.61 in 2014), slightly higher than the average (£12.59). This figure now includes staff costs (£7.79), payroll costs (£2.46) and external audit costs (£0.73) in addition to communications, actuarial and other running costs.
12. Of direct costs, communications is £1.28 (£1.06 in 2014) per member, higher than average (£0.78), but this is in line with our service plan and focus on communications. WPF has a dedicated Communications Manager and are proactive in communicating the recent changes in LGPS reforms and tax relief allowances.
13. The actuarial cost per member £1.58 (£3.06 in 2014), still higher than the average (£1.14). This is a reflection of the greater activity undertaken by WPF which includes the number of outsourcings, cessations and bulk transfers taking place along with the continued need for additional support on benefits advice due to the makeup of membership and the complexity that brings.

Membership

14. It can be seen from the membership profile that WPF has proportionately less pensioners 19.0% (20.0% in 2014) than the average (23.9%) but a significantly greater proportion of deferred members 39% (38% in 2014) than the average (31.1%). The proportion of active members is similar at around 34%, split 15% full-time/20% part-time.

Administration

15. WPF appears to be slightly higher than the average in relation to members joining the scheme, however the Fund appears to be average on the number of retirements, deaths and other leavers it processed.
16. The number of quotations provided on the whole appears in line with the average.

Staff

17. The survey suggests on an all scheme basis that WPF has an above average number of staff earning £20k-£25k but a lower than average earning £25k-30k and £15k-20k This is as a result of the team structure and overall costs remain broadly in line see paragraph 8.
18. The survey indicates that 35% (38% in 2014) of the Administration team have a relevant qualification, or are working towards a qualification, which is slightly below the average (42%). WPF have a good proportion of staff who have achieved the Institute of Pensions Professional Managers (IPPM) Foundation level. This is an area of continued focus.
19. WPF has a slightly higher than average proportion of staff with more than 10 years experience, although, the majority of the team now have between 5 to 10 years (42%)

compared to 50% the previous year) which reflects the growing level of experience within the team.

20. Sickness levels at 10.1 days (4.3 days in 2014) per employee are higher than the industry average of 5.9. However, this increase relates to long term sickness and the short term figure is 2.4 days lower than the average of 3.1.
21. WPF have this year submitted performance indicator data and appears in most instances to be achieving above average performance.

Conclusions from the CIPFA Benchmarking Survey

22. The survey does provide an element of comfort that WPF is broadly in line with other LGPS schemes in terms of work being processed. The areas where WPF is higher is a reflection of the proactive approach being taken in respect of communicating with members, improving its ICT capabilities and monitoring and managing its liability risks through its work with the actuary.

Risk Assessment

23. The CIPFA benchmarking survey identifies relatively higher costs for actuarial and communications compared to the Fund's peers. Any reduction of costs in these areas could potentially impact on PEN008: *failure to comply with LGPS and other regulations* and PEN013: *failure to communicate properly with stakeholders* highlighted in the risk register elsewhere on this agenda and would need careful consideration.

Environmental Impact of the Proposals

24. There are none.

Financial Considerations & Risk Assessment

25. The report considers the financial aspects from the CIPFA Benchmarking survey.

Safeguarding Considerations/Public Health Implications/Equalities Impact

26. There are no known implications at this time.

Proposal

27. The Committee is asked to note the report.

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Unpublished documents relied upon in the production of this report: *None*