

Report to: **Pension Committee**

Date: **22 February 2016**

By: **Chief Operating Officer**

Title of report: **East Sussex Pension Fund - CIPFA Benchmarking report**

Purpose of report: **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 Committee is recommended to note the CIPFA Benchmarking report

1. Introduction

1.1 This report provides a summary of how the administration of the East Sussex Pension Fund's membership fared against other Councils of a similar size and structure to itself across a range of factors. The report has 4 main sections focusing on the administrative performance, i.e., Cost Measures, Staffing Measures, Workload Measures, and the Authorities Response).

1.2 This year 42 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 East Sussex Pension Fund bar is highlighted in black and under the letter 'a', the group average is shown by a black horizontal line. The benchmarking relates to the membership administration function of the Fund and does not cover investments.

1.3 The summary results detailed in Appendix 1 compare the ESPF with eight funds of similar size and structure. The East Sussex Pension Fund compares favourably to the group average. The Fund's net administration cost of £16.36 per member is £2.01 below the group average, as a percentage this represents 11%.

2. Executive Summary

2.1 The comparison with the eight funds of similar size/structure identified two particular areas where the Fund is significantly far away from the group average on cost. The Fund performs strongly in terms of staff costs however the fund performs poorly in terms of pension's administration software costs, the current software provider is Heywood who also provide software to over 90% of LGPS administration services

2.2 **Cost per member** - The ESPF cost per member is £16.36 per annum, compared to the group average of £18.37. This equates to paying £138,887 less per annum for administration of the fund relative to the similar size fund average.

2.3 **Members per FTE (excluding payroll) – Each full time member of staff in the Pensions Administration team administers 5,572 pension scheme members, compared**

with group average of 4,320. This productivity measure is 29% higher than the average which would appear to indicate a highly efficient service, however when this figure is viewed alongside the staff turnover figure of 28.6% (against an average figure of 18.0%) it seems to indicate that the department is not coping with the volume of work they are presented with.

2.4 Staff pay - Overall, staff costs per member are in the lowest quartile. The Fund has 61% of the pensions administration staff (more than double the group average) in the lower pay bracket of £15,000 - £20,000, the Fund also has 32% of its staff in the next pay bracket up of £20,000 - £25,000 this pay bracket is still below the group average.

3. Staffing Measures and staffing cost

3.1 The data illustrates that the Fund as a whole pays substantially above the group average per FTE (£36,506 vs. £31,279), substantially less for payroll services (£0.36 vs. £2.08) and substantially more or less for other key measured statistics (eg Audit, Communications, “other running costs” and “other central charges”). Viewing any one of these statistics in isolation can give the impression that the service is either highly effective or highly ineffective depending on the figure chosen. The authors of this report would recommend that the following three headline figures from page 5 are used for comparative purposes due to the variations in the ways local authorities choose to calculate some of the more detailed submitted figures. The three headline comparators would be

Direct costs	ESPF £10.92 vs. Average £12.69
Indirect Costs	ESPF £5.48 vs. Average £5.76
Income	ESPF £0.04 vs. Average £0.08

4. Workload Measures

4.1 On the whole, the workload measures, (the volume of work that the fund's members generate) of the report did not highlight any areas where the East Sussex Pension Fund is significantly above or significantly below the group average. The number of people retiring is one of the key indicators of workload and the East Sussex Pension Fund was slightly above the group average on this task.

4.2 The number of joiners and leavers is another key indicator of workload and again the East Sussex Pension Fund is almost exactly in line with the group average. An area we hope to see some change on in the near future is the efficient use of technology by the pension's administration.

4.3 What does create concern however is the volume of work being undertaken by each FTE in the Pensions Administration Team with each team member handling 5,575 pension fund members against an average of 4,320 (29% increase). This level of workload could create a lowering in the quality of service and an increase in staff turnover.

5. Response to the Report

5.1 The Fund is performing above the group average in some areas and below in others. It should be noted however that these industry standard KPI's are not identical to the KPI's the administration are currently working to. A project is currently underway within the Orbis Pensions teams to rationalise the KPIs to an industry standard suite of figures that can be presented to the Pensions Committee if agreed.

5.2 On further investigation the higher than expected IT costs seem to have been generated by ESPF utilising the Heywood IT Hosting Service. Orbis has now completed a detailed re-Procurement exercise of the pensions software across all of the six funds administered which would produce a cost saving on IT and has made a recommendation to the Committee for consideration.

5.3 The East Sussex Pension Fund invested in a new technology in June 2015, PensionsWEB, this software was rolled out to 8 of the largest employers in the Fund including ESCC employer. This software enables employers to submit data online which will then be automatically uploaded to the pension's administration system. As part of the business case for the Fund bringing in this software it was recognised that this will lead to more efficient processing by modernisation and a reduction in transactional tasks for the pensions administration which in turn will free up resource.

5.4 Although the benchmarking report makes no reference to the quality of the service there are indicators that suggest some of the reasons behind the current situation. Orbis are currently undertaking a major review of its Pensions Administration Service and making changes that should raise the operational quality. The figures in the report are welcomed by Orbis as important empirical evidence to help inform management actions.

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Local Member(s):

All

Background Documents

None