

Pension Fund Committee

30 April 2007



Pensions Administration Benchmarking Exercise

Report of Stuart Crowe, County Treasurer

Purpose of the Report

- 1 The purpose of the report is to inform Members of the outcome of the recent pensions administration benchmarking exercise in which the County Council took part.

Background

- 2 For several years now Durham County Council has participated in an annual pension administration benchmarking exercise. This involves comparing the costs and features of pensions administration performed by Durham County Council with those at other participating local authorities who also administer the Local Government Pension Scheme.
- 3 In 2006 fifty-five different administering authorities participated in the benchmarking exercise, these authorities ranged in total membership size from 7,600 to 232,800 (Durham had 40,600 at the time the exercise was carried out), and the exercise included counties, unitary authorities (London, metropolitan, Welsh and other) and Scottish authorities.

The benchmarking report

- 4 The report produced by the benchmarking exercise covers a range of areas including cost measures, workload measures, staff related measures, industry standard performance indicators and comparison with the private sector. A full copy of the report is available on request, a summary of the main measures reported on is included in the following table:

	<i>Durham County Council</i>	<i>Benchmarking group average</i>
Cost Measures		
Staff costs (excluding payroll)	£10.16	£9.78
Payroll costs (including staff)	£8.43	£4.06
Direct costs	£3.30	£3.35
Overheads	£7.17	£5.34
Income	£0.00	£0.27
Total cost per member	£29.06	£22.80
Workload Measures		
Percentage of total membership active members	46%	46%
Percentage of total membership deferred	17%	21%
Percentage of total membership pensioners	34%	27%
Percentage of total membership 'frozen refunds'	2%	4%
Percentage of total membership undecided leavers	1%	2%
Retirement estimates per 1000 members	60	50
Retirement calculations per 1000 members	35	27
Percentage of membership paying AVCs	5.4%	3.7%
Percentage of membership buying added years	0.5%	1.3%
Staff related measures		
Percentage of staff paid over £35K	5%	9%
Percentage of staff paid under £15K	32%	19%
Sickness absence (days lost per employee)	6.9	6.9
Industry standard performance indicators		
Achieving target for transfers-in quote	91.8%	77.5%
Achieving target for transfer-out quote	94.2%	80.1%
Achieving target for retirement estimate	83.7%	91.2%
Achieving target for actual retirement letter	92.5%	88.8%
Achieving target for notifying deferred benefits	88.8%	74.8%
Comparison with private sector		
<i>Admin cost per member (excluding payroll costs):</i>		
Private sector (in-house)		£42.55
Private sector (outsourced)		£32.61
Durham County Council		£20.63

- 5 Each benchmarking exercise is followed up with a regional meeting with other authorities involved in the comparison. This was held in December 2006 and was a useful opportunity to compare cost pressures and work methods and to investigate the issues highlighted in the report.
- 6 Members will note from the cost measures summary that Durham County Council's overall cost per member of £29.06 exceeds the group average of £22.80. Staff costs are only marginally higher than for the group average.
- 7 The latest benchmarking report includes information on industry standard performance indicators – recording how many of each particular transaction were processed within a specific timescale. Durham County Council performed at or above average on all except one of these indicators. The December meeting discussed ways the benchmarking report could in future focus on measures of quality as well as cost and quantity, and it was agreed

that the 2007 exercise should aim to include more quality-related measurement.

- 8 Durham County Council will be participating in the 2007 CIPFA pension administration benchmarking exercise, with preliminary results expected in October 2007.

Recommendation

- 9 Members are asked to note this report.

Contact: Nick Orton Tel: 0191 383 4429

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