



LOCAL PENSIONS BOARD

Wednesday, 31 March 2021

REPORT TITLE:	CEM BENCHMARKING REPORT
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

MPF is a founder member of a group of LGPS Funds who have supported the expansion of CEM Benchmarking services from the investment arena into the pension administration functions.

The outcomes of the benchmarking exercise undertaken for the year ending March 2020 is summarised in the attached Appendix, and John Simmonds, Principal of CEM Benchmarking UK will attend the meeting to provide a brief presentation and respond to questions.

RECOMMENDATION/S

That Board Members note the report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

1.1 Undertaking external assessment is vital to help drive service improvement and assess value for money. The aim is to provide independent assurance on the service the Fund provides by measuring a range of functions and comparing performance to similar organisations and best practice standards; to identify areas of strength and those areas that would benefit from review and improvement.

2.0 OTHER OPTIONS CONSIDERED

2.1 This is a unique service. No other comparable options available.

3.0 BACKGROUND INFORMATION

- 3.1 The benchmarking of LGPS administration services has always been fraught with difficulty due to the subjective nature of some assessments and differences in the way in which services are delivered. Nonetheless, benchmarking can be a value tool in identifying areas of good and poor practice and enabling management to prioritise the allocation of resources.
- 3.2 CEM is an organisation that benchmarks public and private pension funds internationally and is well-placed to provide rigour and context to the benchmarking of pensions administration services.

Key Observations

- 3.3 The Fund's peer group for CEM benchmarking comprised 14 Pension Schemes and was selected based on scheme size and membership mix, all of which are administered in house. The peer group consists of 8 large local government pension funds, and a selection of larger UK private sector defined benefit schemes.
- 3.4 The benchmarking report compares headline costs and the levels of service provided, but also takes a broader look at how services are delivered and provide a measure of value added. Overall and in general, key drivers of lower cost include third party fees, spending less per member on IT and direct cost such as accommodation.
- 3.5 Benchmarking a service on cost in isolation provides very limited insight, and further context is required to enable a measure for value for money. CEM measures Funds on "member service" which is defined from a member's perspective; with a higher scoring for service based on the provision of more communication channels, faster turnaround times, and more availability of tools and choice.
- 3.6 Overall, the Fund's member service score was in-line with the peer median and showed an increase from 2018/19. The Fund saw an improvement and scored higher than its peers in the following areas.
- A higher volume of face-to-face support to members via the counter service.
 - Direct access to knowledgeable administrators when telephoning with no menu layers or redirection by a contact centre operator.
 - Provision of detailed bespoke information in response to member telephone enquiries
 - The average turnaround times on common tasks were generally faster.

Conclusion

- 3.7 The benchmarking exercise demonstrates that the Fund continues to provide a value for money service within pension administration, with improvements in service standards over the last year. Work continues to develop services to deliver an efficient administration function and responding to increasing demands for services.

4.0 FINANCIAL IMPLICATIONS

4.1 MPF has collaborated with other LGPS funds to develop this benchmarking service at a standard cost.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 There are none arising directly from this report.

8.0 ENGAGEMENT/CONSULTATION

8.1 Not applicable.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none arising from this report.

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APPENDICES

CEM Report on Merseyside Pension Administration Benchmarking Results

BACKGROUND PAPERS

SUBJECT HISTORY (last 3 years)

Council Meeting

Date