

**Pension Administration  
Benchmarking Analysis**  
For the year ending March, 2019

**South Yorkshire Pensions Authority LGPS**

18/11/2019

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# South Yorkshire Pensions Authority LGPS Pension administration benchmarking results

For the year ending March 2019



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## This report compares your governance and pension administration costs and your member service with a peer group of other schemes

### Peer group for South Yorkshire

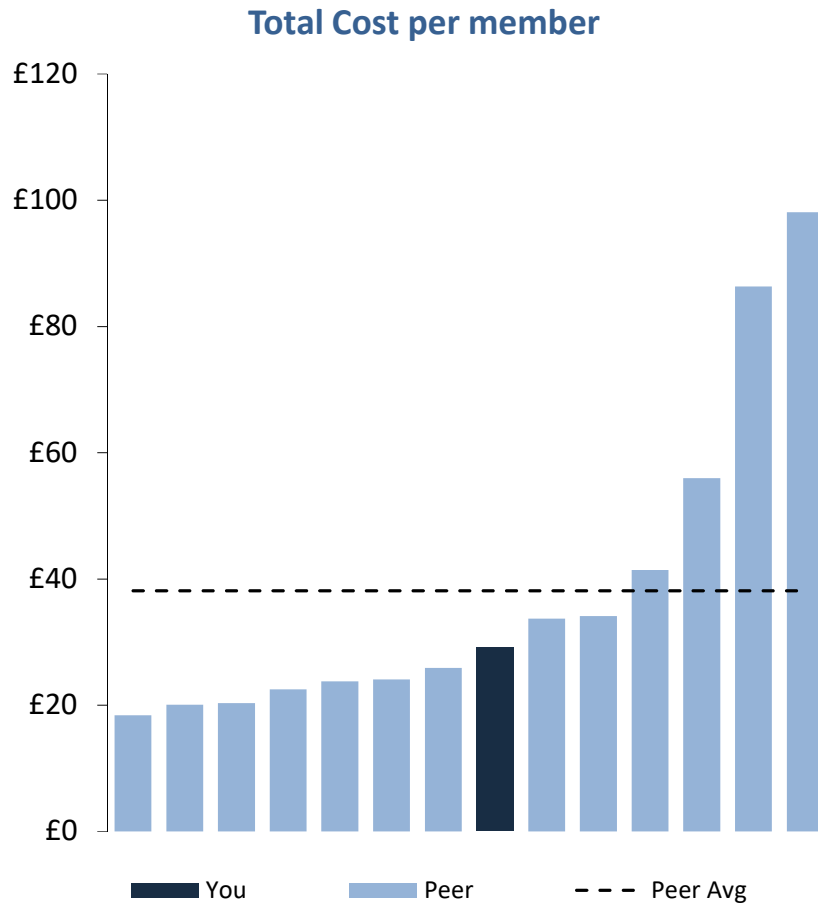
#	Scheme	# of members (000's)				% active	Administration model
		Active	Deferred	Pensioners	Total		
1	BT Pension Scheme	0	80,872	205,142	286,014	0%	In-house
2	Greater Manchester	111,618	136,466	129,140	377,224	30%	In-house
3	Lothian	34,569	20,685	30,623	85,877	40%	In-house
4	LPP (Local Pensions Partnership)*	169,827	220,273	172,475	562,575	30%	In-house
5	Merseyside	46,726	40,259	51,585	138,570	34%	In-house
6	Royal Mail	84,643	17,378	35,065	137,086	62%	In-house
7	RPMI (Railway Pension Scheme)*	93,045	106,750	147,643	347,438	27%	In-house
8	South Yorkshire Pensions Authority LGPS	49,145	51,877	45,915	146,937	33%	In-house
9	SPPA (Scottish Public Pensions Agency)	272,362	88,883	210,204	571,449	48%	In-house
10	Tesco	0	293,349	64,072	357,421	0%	In-house
11	Tyne and Wear	45,934	41,476	49,551	136,961	34%	In-house
12	USS (Universities Superannuation Scheme)	202,165	165,075	84,704	451,944	45%	In-house
13	West Midlands	123,734	105,355	95,679	324,768	38%	In-house
	Average	96,044	103,433	100,823	300,300	33%	14 out of 14 in-house
	Median	88,844	84,878	87,216	305,391	34%	

Your peer group comprised 13 pension schemes between 85,877 and 571,449 members. The peer median was 305,391 members, compared with your own 146,937 members. The peer group has been selected based on the availability of data, scheme size and membership mix.

Peer data is the most up-to-date available. In most instances it is for the year to March 2019 though some peers have different year ends. We have rolled forward data from prior years for some peers, increasing costs in line with National Average Earnings where no updated data was available and substituting current year membership data from publicly available documents.

\* LPP and RPMI operate administration platforms serving multiple clients. We are benchmarking their operating costs rather than the fees they charge to their clients.

## Your total cost of £29.16 per member was £8.96 below the peer average of £38.12.



	£ 000s		£ per member		
	You 2019	You 2018	Peer Avg	You 2019	You 2018
Governance	737		6.68	5.01	
Projects	112		3.72	0.76	
Administration	3,435		27.72 <sup>1</sup>	23.38	
<b>Total cost</b>	<b>4,284</b>		<b>38.12</b>	<b>29.16</b>	

We include costs that are directly related (e.g., staff costs or an outsourced provider's fee) plus attributions of IT, accommodation, HR, support services and professional fees.

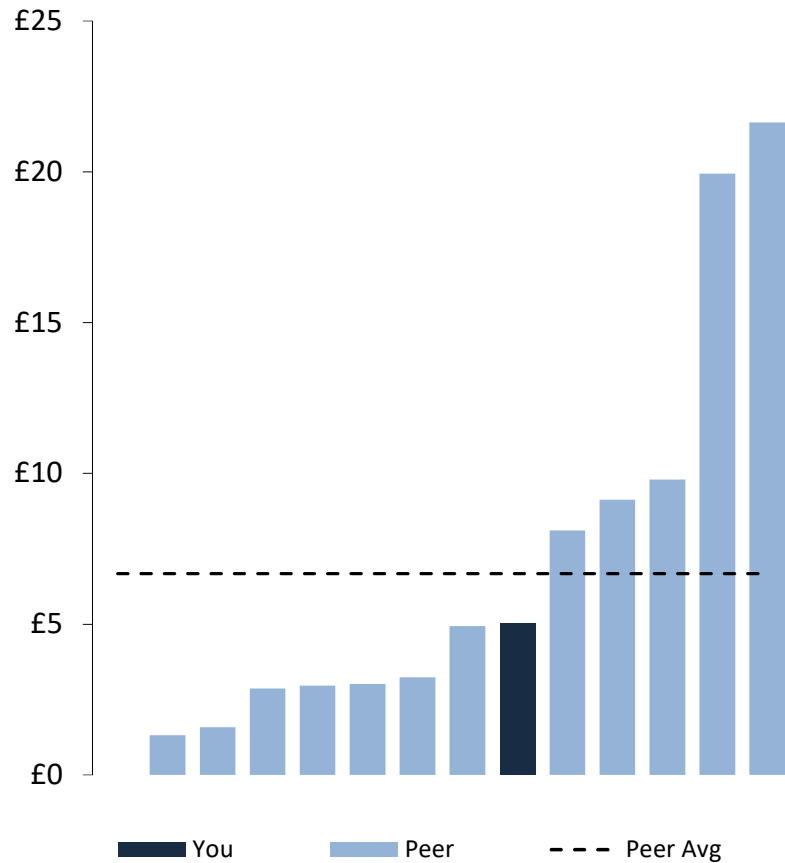
The costs associated with investment operations, investment management and oversight/governance relating to investments are specifically excluded.

In the pages that follow we illustrate how you compare in each of the three areas and highlight the factors that influence your relative positioning.

<sup>1</sup> Adjusted for scale - refer to page 6.

Your governance, strategy and policy cost of £5.01 per member was £1.67 below the peer average of £6.68.

Governance, strategy and policy cost per member



Components of governance, strategy and policy cost

	£ 000s			£ per member		
	Peer Avg	You 2019	You 2018	Peer Avg	You 2019	You 2018
Board/Trustee fees and expenses	294	65		0.95	0.44	
CEO, secretariat, strategy, policy <sup>1</sup>	813	506		2.61	3.44	
Legal	302	17		0.99	0.12	
Actuarial valuation <sup>2</sup>	199	7		0.73	0.05	
Actuarial other	325	142		1.13	0.97	
External audit	71	0		0.27	0.00	
<b>Total</b>	<b>2,003</b>	<b>737</b>		<b>6.68</b>	<b>5.01</b>	

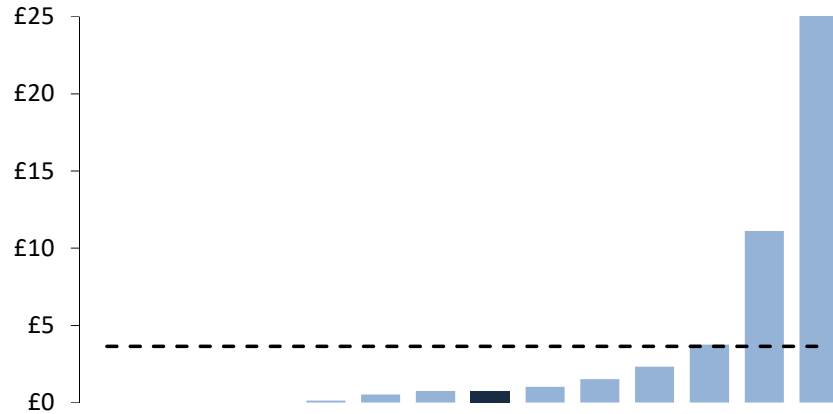
<sup>1</sup> Includes attributions of accommodation, HR and other support costs.

<sup>2</sup> The peer average is the average amongst those schemes that have a valuation cost in the year.

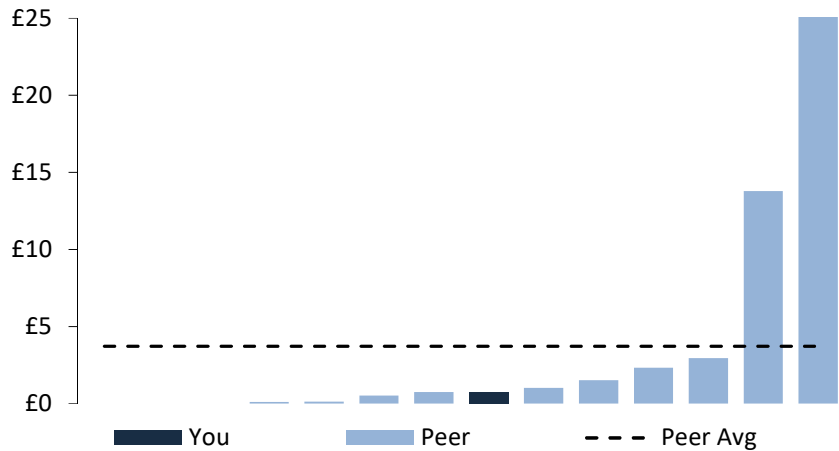
The scope of work and activities of the Board and executive team vary substantially from scheme to scheme and are difficult to compare. The type of scheme, complexity, propensity to outsource, M&A activity etc., are all factors that affect an individual scheme's positioning.

Your project costs of £0.76 per member for 2018/2019 were £2.88 below the peer average of £3.64.

### 2018/19 Project Costs



### Multi-Year Average Project Costs



	£ per member	
	You	Peer Avg
Single year 2018/2019	£0.76	£3.64
Multi-year average	£0.76	£3.72

What is included:

- One-off costs that were not capitalised, including fees paid to external administration providers for one-off projects or irregular work. These costs are averaged over as many years as possible based on the scheme's participation record, with a maximum of 5 years.
- The attribution of accommodation and HR costs based on FTEs dedicated to major projects in the current year, if any.
- Current year amortisation on capitalised costs.

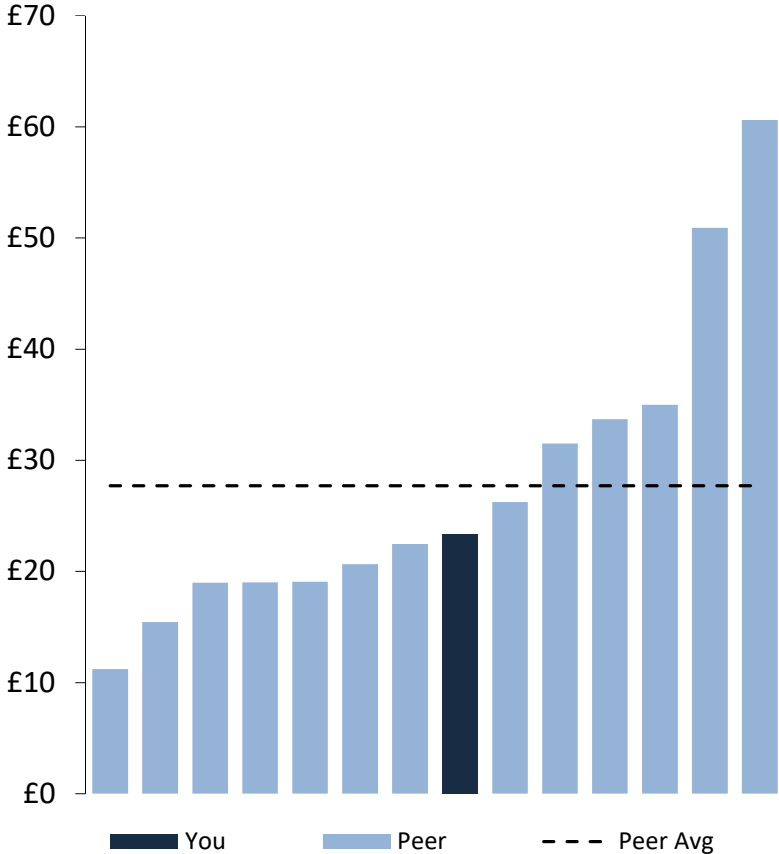
Project costs reported this year by you:

- 2019 Member Web and Automation Modules - £ 83,000
- 2019 GMP Reconciliation - £ 29,000

Note that some schemes have submitted less than 5 years of data. Where this is the case that the costs are averaged over the number of years where data has been available. Some schemes have reported no capital expenditure.

Your business-as-usual (BAU) administration cost of £23.38 per member was £4.34 below the adjusted<sup>1</sup> peer average of £27.72.

Adjusted regular administration cost



	£ per member		
	Adjusted <sup>1</sup> peer avg	You 2019	You 2018
Administration costs	27.72	23.38	

The following BAU tasks were included:

- Processing leavers, joiners, retirees, deaths, etc.
- Maintenance of the membership database
- Dealing with incoming and outgoing post, e-mails and phone calls
- Finance and accounting (excluding investment accounting)
- Mass communication including member statements, newsletters, websites, etc.
- Pensioner payroll
- Serving employers
- Collecting data and contributions.
- Communication strategy, print and design
- Business integrity: quality, risk management, technical support, etc.
- Internal oversight of any outsourcing contract.

<sup>1</sup> To make a fairer comparison we adjust (or 'normalise') costs to eliminate the effect of economies of scale. On average, peer costs have been increased by £4.24 per member. Before the adjustment the peer average cost was £23.47.



## Some reasons why your costs were £4.34 below the adjusted peer average:

Some of the reasons why your costs were below the adjusted peer average are outlined and quantified below.

Reason	Impact £ per member	Explanation
Headcount	£3.40	You have 1 FTE for every 2,275 members, 19.5% more than the peer average of 1 FTE per 2,718 members.
Salaries and benefits	£0.09	Your average remuneration was £34,892 per FTE. This was 0.7% more than the peer average of £34,633.
Accommodation	-£0.12	Your accommodation costs were £2,466 per FTE. This was 12.2% less than the peer average of £2,809.
HR and Training	£0.15	Your HR and Training costs were £2,427 per FTE. This was 20.8% more than the peer average of £2,010.
Spending less per member on IT	-£0.08	Your IT spend (exc. major projects) was £4.26 per member. The peer average was £4.35.
Third party fees and other direct costs	-£3.53	Your third party fees and other direct costs were £1.63 per member. The peer average was £5.16.
<b>Total</b>	<b>-£0.09</b>	<b>Difference in cost before adjusting for economy of scale impact</b>
Adjustment for scale	-£4.24	You had a scale disadvantage. Your 146,937 members was below the in-house peer average of 294,333.
<b>Total</b>	<b>-£4.34</b>	<b>Difference in cost after adjusting for economy of scale impact</b>

1. Third party fees and other direct costs includes, where relevant, fees paid to external providers for activities that are outsourced. In some schemes these outsources activities can be material, e.g. outsourcing pension payroll and can explain differences in other areas, e.g. headcount.

## You spend more on finance and accounting and member transactions than peers.

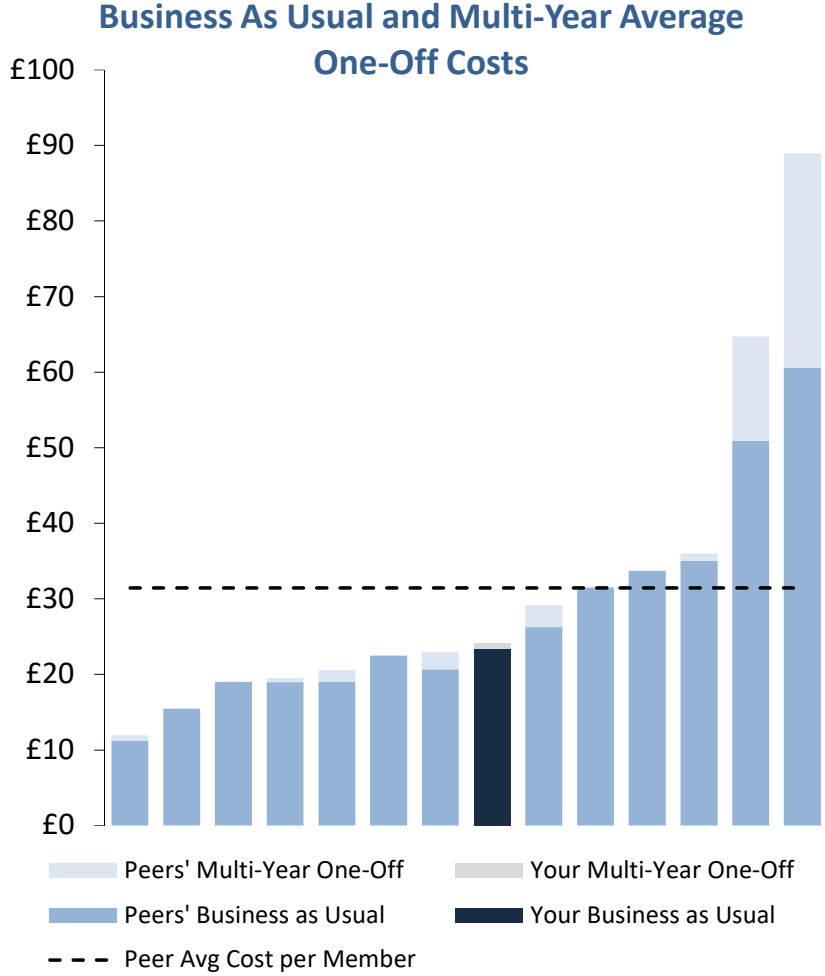
Function	Costs by function				FTE by function	
	You		Peer average		You	Peer average
	£ per member	% of total	£ per member	% of total	FTE per 10,000 members	FTE per 10,000 members
Contact centre (if you have one) <sup>1</sup>	£0.00	0%	£1.00	4%	0.00	0.32
Member transactions / interactions <sup>1</sup>	£9.38	40%	£7.91	35%	2.69	1.99
Pensioner payroll <sup>3</sup>	£0.52	2%	£0.83	4%	0.25	0.20
Mail room / imaging	£1.14	5%	£0.56	2%	0.18	0.08
Communication (strategy, design, web, etc)	£0.90	4%	£1.12	5%	0.14	0.13
Scheme-wide processes	£1.21	5%	£1.06	5%	0.41	0.27
Serving employers	£0.63	3%	£0.59	3%	0.16	0.15
Finance and accounting	£2.81	12%	£1.22	5%	0.58	0.22
Technical, risk mgt, compliance, quality	£0.37	2%	£1.27	6%	0.00	0.19
Other	£0.00	0%	£1.17	5%	0.00	0.08
IT	£3.92	17%	£4.19	18%	0.70	0.26
Accommodation	£1.26	5%	£1.08	5%	0.00	0.01
HR	£0.33	1%	£0.46	2%	0.05	0.05
Other support services	£0.91	4%	£0.31	1%	0.00	0.00
<b>Total</b>	<b>£23.38</b>		<b>£22.77</b>		<b>5.15</b>	<b>3.94</b>
Balancing amount <sup>2</sup>			£4.95			
<b>Total</b>	<b>£23.38</b>		<b>£27.72</b>	<b>Members per FTE</b>	<b>2,275</b>	<b>2,718</b>

1. Not all peers have a contact centre so care needs to be taken in interpreting the data in this area. Combining contact centre and member transactions may provide a better measure of relative spend and FTEs.

2. The 'balancing' amount includes outsourced costs, scale adjustment (for peers), and the impact of peers that do not provide a functional cost breakdown.

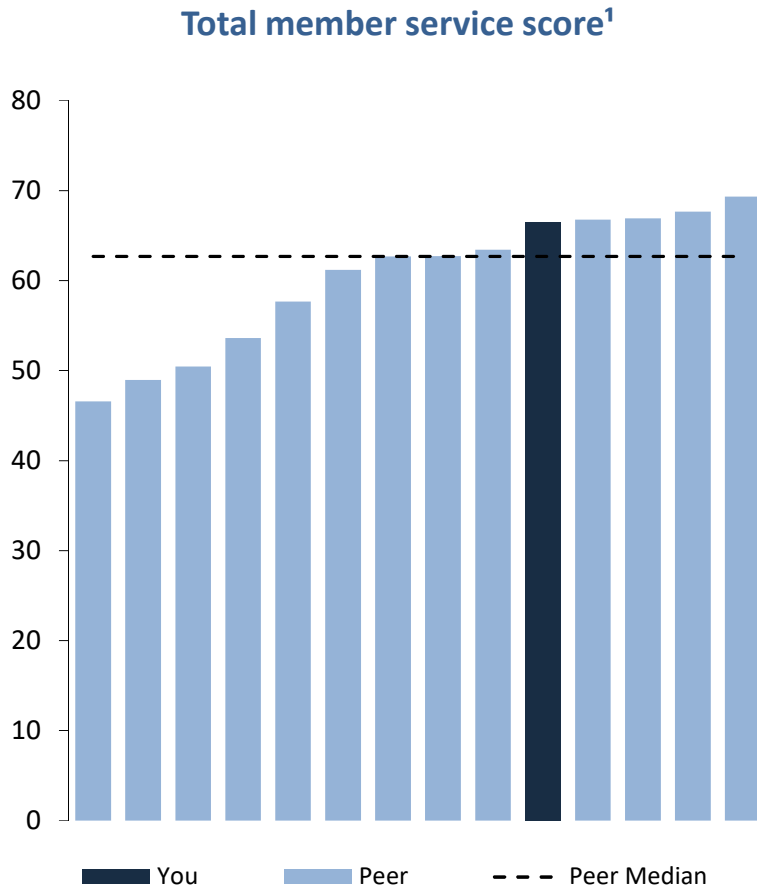
3. Your cost for pensioner payroll on a per pensioner basis was £1.66. The peer average was £2.82.

**Your combined business-as-usual administration and multi-year project costs of £24.14 per member were £7.30 below the peer average of £31.44.**



	£ 000s		£ per member		
	You 2019	You 2018	Peer Avg	You 2019	You 2018
Multi-year project costs	112		3.72	0.76	
Business-as-usual costs	3,435		27.72	23.38	
<b>Total cost</b>	<b>3,547</b>		<b>31.44</b>	<b>24.14</b>	

## Your total member service score was 67 out of 100. This was above the peer median of 63.



Looking at cost in isolation is unhelpful. Context is required, as is a means to measure value for money. CEM believes the right measure is member service, hence the service score.

Service is defined from a member's perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality.

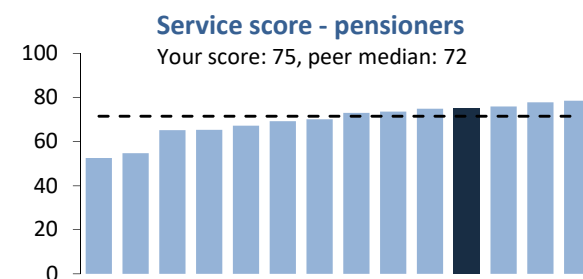
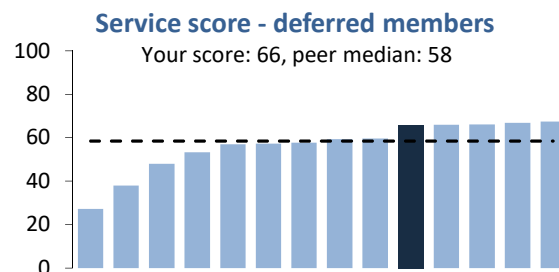
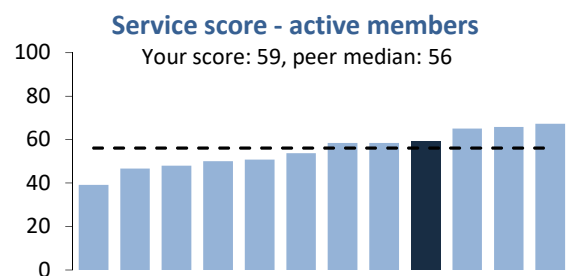
Higher service is not necessarily cost-effective. For example, the ability to answer the telephone 24 hours a day is higher service, but not cost effective.

The total service score is equal to your service scores for active members, deferred members and pensioners, weighted by your membership mix. Your membership mix is also used to weight the total scores for your peers.

	Weight	2019 score	2018 score	1 year change
Active	33%	59	-	-
Deferred	35%	66	-	-
Pensioner	31%	75	-	-
<b>Total</b>	<b>100%</b>	<b>67</b>	<b>-</b>	<b>-</b>

1. For peers with no active members we have added a default active member service score equal to your own active member service score.

## Service score by member type and activity



■ You ■ Peer - - - Peer Median

Activity	Weight	Peer med	You 2019	You 2018
Pension Set Ups	10%	56	41	
Benefit Statements	10%	68	65	
Estimates	8%	88	90	
Newsletters and Campaigns	4%	30	30	
Face-To-Face - Individuals	5%	30	88	
Face-To-Face - Groups	8%	43	41	
Telephone - Pre-Connection	10%	49	67	
Telephone - Capability	6%	84	82	
Telephone - Outcomes	4%	40	10	
Digital - Public	4%	57	76	
Digital - Secure - Use	7%	66	63	
Digital - Secure - Functionality	7%	58	72	
Digital - Social Media	4%	23	55	
SLA - Scope	3%	81	90	
SLA - Strength	5%	45	44	
Measuring What Matters	5%	30	20	
<i>Deductions</i>				
Complaints (up to 5 pts)	n/a	0	0	
<b>Weighted total</b>	<b>100%</b>	<b>56</b>	<b>59</b>	

Activity	Weight	Peer med	You 2019	You 2018
Pension Set Ups	10%	70	63	
Benefit Statements	8%	61	57	
Estimates	8%	60	95	
Newsletters and Campaigns	4%	44	59	
Tracing Members	15%	91	95	
-	-	-	-	
Telephone - Pre-Connection	10%	43	67	
Telephone - Capability	6%	84	82	
Telephone - Outcomes	4%	40	10	
Digital - Public	4%	58	70	
Digital - Secure - Use	7%	59	61	
Digital - Secure - Functionality	7%	48	65	
Digital - Social Media	4%	20	55	
SLA - Scope	3%	80	87	
SLA - Strength	5%	43	45	
Measuring What Matters	5%	37	0	
<i>Deductions</i>				
Complaints (up to 5 pts)	n/a	0	0	
<b>Weighted total</b>	<b>100%</b>	<b>58</b>	<b>66</b>	

Activity	Weight	Peer med	You 2019	You 2018
Pension Increases	22%	100	100	
P60s	17%	100	100	
-	-	-	-	
Newsletters and Campaigns	4%	40	36	
-	-	-	-	
-	-	-	-	
Telephone - Pre-Connection	11%	43	67	
Telephone - Capability	7%	75	75	
Telephone - Outcomes	4%	40	10	
Digital - Public	4%	75	80	
Digital - Secure - Use	7%	43	55	
Digital - Secure - Functionality	7%	74	83	
Digital - Social Media	4%	20	55	
SLA - Scope	3%	75	75	
SLA - Strength	5%	59	88	
Measuring What Matters	5%	38	0	
<i>Deductions</i>				
Complaints (up to 5 pts)	n/a	0	0	
Missed Payments (up to 65 pts)	n/a	0	0	
<b>Weighted total</b>	<b>100%</b>	<b>72</b>	<b>75</b>	

Notes:

1. The weighted total service score for peers is the median amongst the peer group, not the sum of the peer medians by activity x the weight.
2. The service score is not designed to be comparable across the member categories, i.e., if active members score higher than deferreds, it does not mean that active members enjoy a higher level of service per se.

# Key outliers influencing your total member service score relative to peers

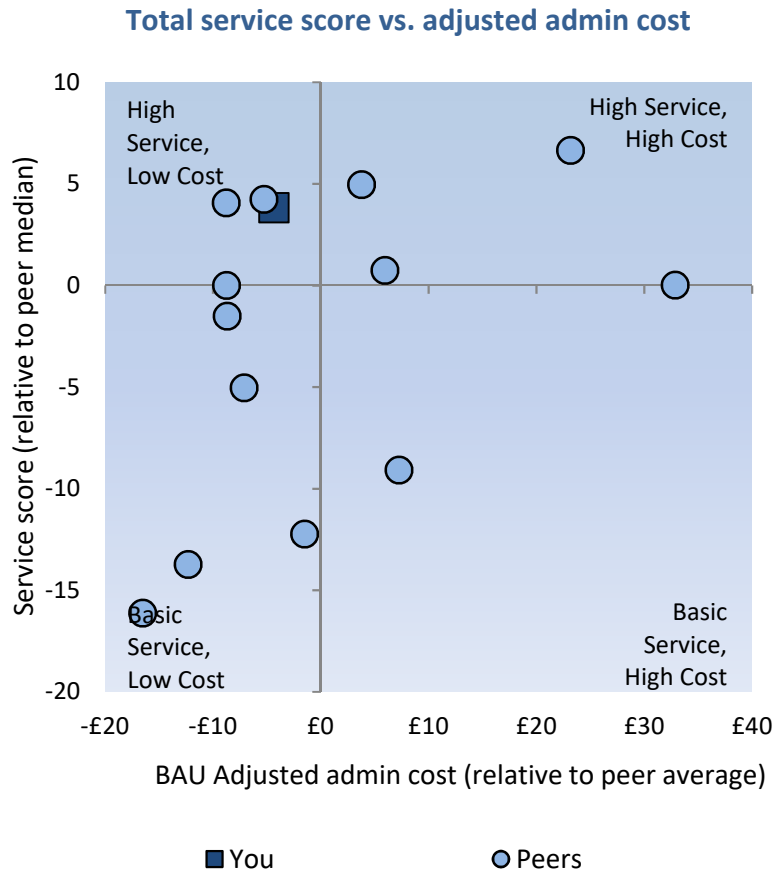
## Higher than peers

- You met with more members individually, face-to face than your peers - 1,871 members which is 3.8% of your active membership. The peer median was 0.6%. (Though your members needed to come to your offices for these meetings – many of your peers are meeting members at their place of work).
- You score well for estimates. Your members can get an estimate in the post or on-line (and the on-line calculator is linked to member data). The content of your estimates is also good.
- You also score well for the members' experience in reaching you on the telephone. This is because you don't have a contact centre and pension administrators answer all calls. (Your score is lowered however on account of not measuring some aspects of service over the telephone.)
- You have lots of helpful content in the public area of your website (member frustration grows if they have to sign in to access forms, publications and other information that is not specific to them).
- When they log on to your website, your members generally experience a higher level of functionality than peers.
- You are using three social media platforms (Facebook, Twitter and LinkedIn). This is more than most peers.
- You have more SLA measures than your peers. You generally target to deliver 100% of tasks within your targets - which is tough to achieve. Your SLAs for pensioners were particularly strong.

## Lower than peers

- 25% of your pension commencement lump sums were paid within 1 week of retirement for retiring active members. The peer median was 45%. For deferreds, you paid 55% of pension commencement lump sums within 1 week. The peer median was 86%.
- Approximately 16% of your calls didn't connect, with callers getting an engaged tone or recorded message. Also you couldn't tell us how many calls were abandoned or rang unanswered. Some of your peers can supply this data.
- You don't monitor what happens to calls after they connect (e.g., first contact resolution rates). Many of your peers are measuring what happens to calls. Neither do you complete call quality monitoring (i.e., listening in on calls to help develop the skills of staff on the phone) – most of your peers do.
- 12.8% of your active members are registered as users on your website. This is lower than the peer median of 25%. Deferred members and pensioners are also less likely to be registered users.
- You generally measure less than your peers in terms of member satisfaction, understanding and experience. Most of your peers are measuring across a wider range of tasks (e.g., phone calls, retirements).

## You were positioned as high member service, low cost on the CEM administration cost effectiveness graph.



If you pay more for pension administration, do you get more? We answer this question by positioning each peer on our signature 'cost effectiveness graph'.

Your positioning on the graph is based on:

- Your administration cost of £23.38 was £4.34 lower than the adjusted peer average of £27.72.
- Your total service score of 67 was 4 points higher than the peer median of 63.

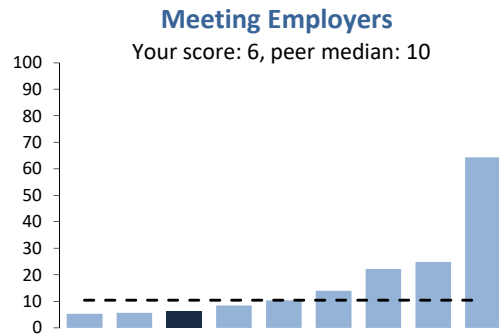
Your operational strategy should focus on delivering services that are appropriate for your members within a budget that is right for your scheme. There is therefore no right answer about where you should be positioned in the graph on this page.

Having said this, our research suggests a low correlation between cost and service (according to the CEM scale). It should therefore be possible to increase your service score without a corresponding increase in costs.

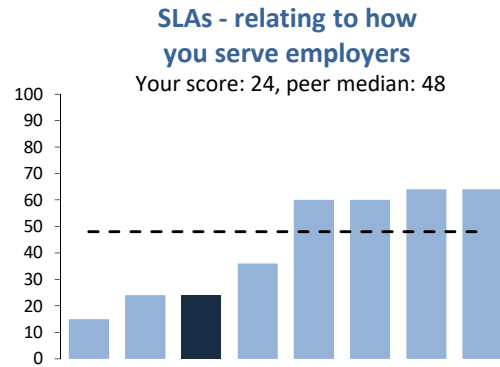
We suggest that schemes focus on service improvements that can be implemented cost effectively. We also suggest benchmarking regularly as a means to monitor progress over time.

# Employer service dashboard

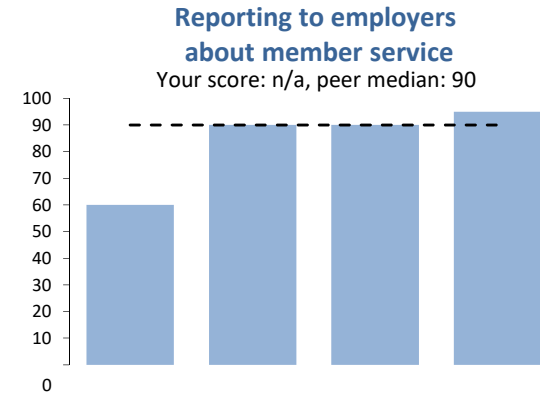
Your administration team serves two groups of 'clients' – members and employers. You serve 488 employers. On average, peers serve 430 (range 84 to 1190). 95% of your employers are small (<100 active members). On average, 80% of employers are small amongst your peers. There is no single overarching score for employer service as we believe that different employers have different needs. Here is how you compare in some areas where comparisons can be made:



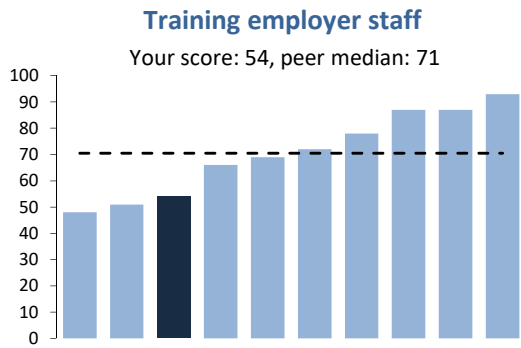
You held 31 meetings with employers, equal to 6% of your employers. The peer median was 10% (avg. 18%).



You had targets for fewer employer specific tasks (rather than member).



You don't report to employers individually about member service.



You offers some training options, including face-to-face and by posting videos online.



You have lots of functionality on your website for employers.

■ You ■ Peer - - - - Peer Median

\* Not every peer answers every question. Corporate schemes in particular are not included. The median is the median amongst those schemes that were able to answer the relevant questions.



## Selected employer service metrics

	You	Peers
<b>Data collection</b>		
How often is salary and contribution data collected?	Monthly	20% Continuously, 0% Weekly, 60% Monthly, 10% Varies By Employer
<b>Client Relationship Managers (CRMs)</b>		
# of employers (total) (A)	488	
# of employers that have an identified CRM (B)	0	
% of employers that have an identified CRM (B/A)	0.0%	Average 12% <sup>1</sup>
# of CRMs dedicated to employer service (C)	0	Average 5 <sup>1</sup>
Number of employers per CRM (B/C)	0	Average 4 <sup>1</sup>
Do CRMs complete site visits to employers?	No	78% Yes <sup>1</sup>
Total visits by CRMs (D)	0	Average 21 <sup>1</sup>
Average # of site visits per CRM (D/C)	n/a	Average 5 <sup>1</sup>
CRM visits as a % of employers (D/B)	0	Average 0 <sup>1</sup>
<b>Website</b>		
Do you have a secure area for employers?	Yes	100% Yes
Can employers upload data (e.g., salaries)?	Yes	80% Yes <sup>2</sup>
Can employers enrol new members on the website?	Yes	80% Yes <sup>2</sup>
Can employers report leavers on the website?	Yes	80% Yes <sup>2</sup>

<sup>1</sup> Amongst those that have CRMs.

<sup>2</sup> Amongst those that have a secure area website for employers.

## In summary

### Costs

- Your total costs were £4.72 per member below the peer average.
- Your governance costs were £1.67 per member lower than the peer average.
- Your BAU administration costs were £4.34 per member lower than the peer average.

### Member Service

- Your total service score was above the peer median.
- You scored well for service in these areas:
  - Telephone – pre-connection
  - Social media
  - Meeting members one-to-one
  - Estimates
- You scored below your peers in these areas:
  - Telephone - outcomes
  - Setting up new pensions

### Cost effectiveness

- You were positioned as high member service, low cost on the CEM administration cost effectiveness graph.

### Employer Service

- You scored well for your website.