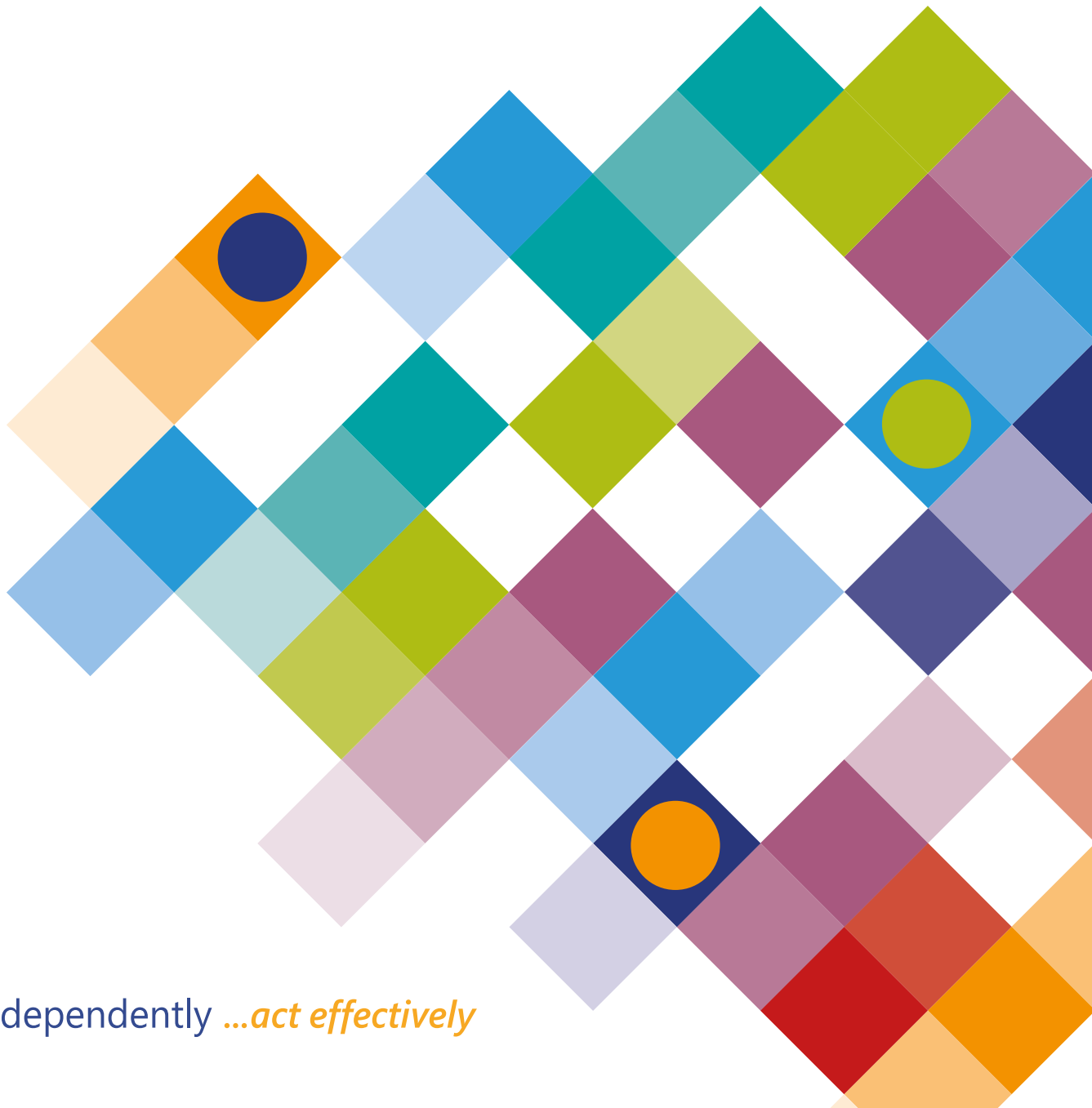


Key principles of overseeing your pension administrator



The COVID-19 pandemic has put administration under the spotlight – and back at the top of the trustee agenda. Administration is key to achieving the fundamental trustee duty of paying the right pension benefits to the right people at the right time. However, if you also want your members to have a good experience, strategic management and oversight of your administrator play a major part in good governance. Unfortunately, until now, administration has had less attention than it deserves, with risks frequently being overlooked, hidden or simply going unrecognised. Resilience is vital.

Good administration oversight is important not just today, but also tomorrow, next month, next year and for as long as members’ benefits need to be paid. So, what does it look like?

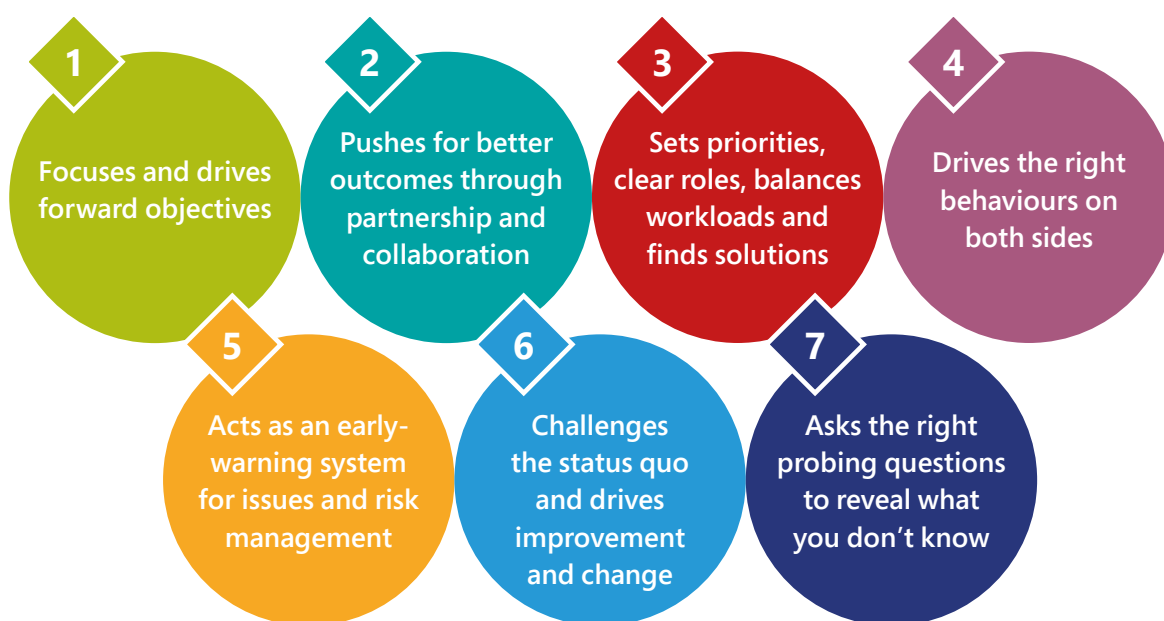
The value of good administration oversight

The best way to demonstrate the value of good administration oversight is to think about what could happen without it. What could go wrong if you had no proper oversight of your administration and didn’t think about what members needed from it?

Perhaps the team is over-reliant on a key person, or the administrator may be prioritising the wrong things, such as timeliness over accuracy.

It could be that the administrator is not pulling in the same direction: you’re targeting a partial buy-in but your administrator doesn’t yet know, so as a result you aren’t ready. The normal administration report may not even hint at these issues, so they will remain hidden and potentially become more difficult and expensive to resolve.

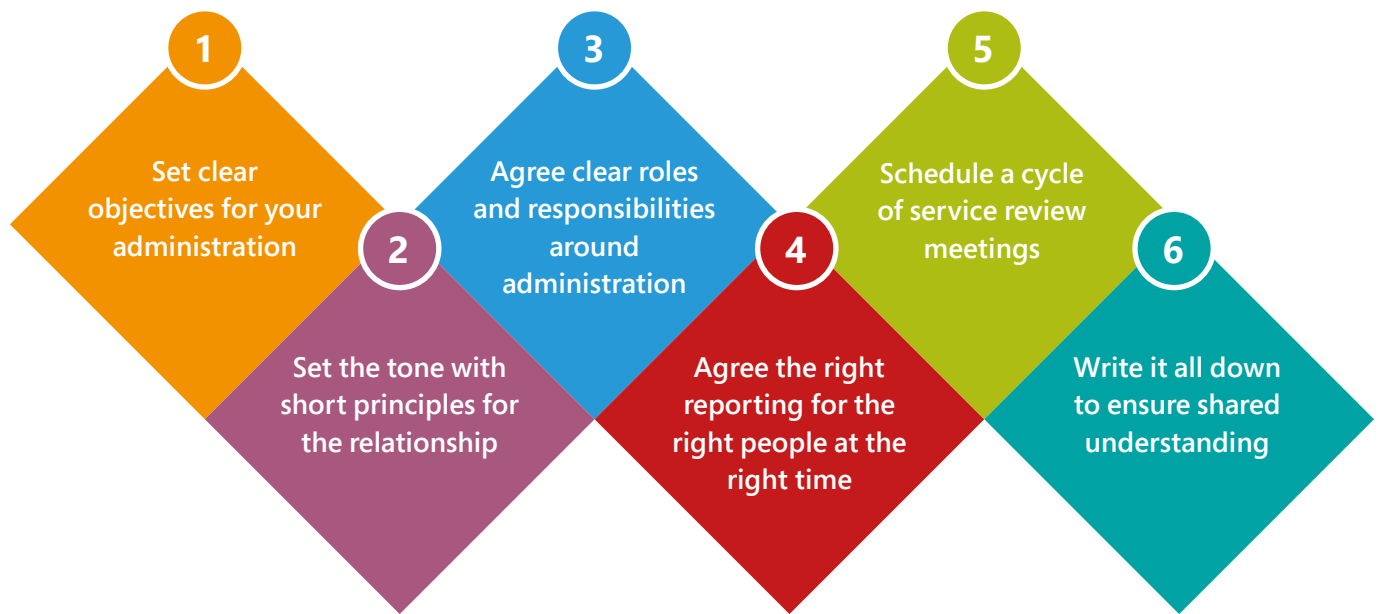
Good administration oversight:



These seven main areas bring value both to members and trustee boards. However, administration oversight works best when rooted in the way the trustee board, the trustee executive and the administrator work together. A collaborative approach is most likely to achieve the best outcome.

Key principles of overseeing your administrator

The best place to start is with the trustee objectives and how those feed through to the oversight of your administration operations and day-to-day services. Ultimately, it is about making sure that benefits are paid correctly, with good outcomes for the members, the scheme, the trustee, the sponsor and the administrator. A shared understanding of the objectives and a collaborative relationship are key to success. The following key principles outline the main areas of oversight and management that, when implemented effectively, deliver value.



1 Why set objectives?

Having a strategic partnership with your administrator (whether in-house or outsourced) and setting objectives for scheme administration support the main aim of paying members' benefits correctly. Objectives need to be agreed in the context of the scheme's overall strategy and the expected pace and direction of the endgame: what will your administration need to enable this?

On a regular basis, it is important to set and review key objectives for your administration service. During this difficult period, several trustee boards have found themselves reviewing objectives and priorities for the first time in a long time, asking:

- What is it that the administration service should be delivering?
- How should members experience the service?
- How important is technology to that service?

We think of administration as a spectrum of service requirements. Determining where you want to be on that spectrum helps clarify your objectives and expectations of administration. Examples of 'sliders' to help position yourself on the spectrum are shown below.



Once there is a shared understanding, you can assess where you are now, how you can best move forward to achieve your objectives, how you measure good outcomes, and when you should next review your objectives.

2 How do I set the tone?

Some short principles that set the tone for the relationship can be helpful in making sure expectations are set, agreed and understood. They also serve as a constant reminder and sense-check on how the relationship is going.

They don't need to be complicated or profound but simple, concise statements that encapsulate a desired behaviour or characteristic – *"the administrator and the trustee will work collaboratively to overcome challenges and issues"*.

"It's important to think about how you want to work with your administrator"

Not only should complaints be discussed and managed, but the hard work by many administrators to serve members and pay pensioners must be recognised and acknowledged. A simple thank you when things go well can go a long way.

4 Are you getting the right reporting?

Reporting serves a number of purposes. It monitors that your objectives are being met or progress made towards them; it helps identify operational issues and risks; and it can spot trends in your statistics, communication needs for members or training needs for staff.

That sounds like a lot of information, so it is important to link reporting to roles and responsibilities. Reporting needs to direct the right information to the right people at the right level.

The trustee board will want to know that the administration is supporting its strategy and meeting

3 Are roles and responsibilities clear to everyone?

Everybody needs to be clear on what their own role and responsibilities are, as well as understanding those of others involved in the relationship. This applies on both the trustee / client side and the administrator side: who is doing what? Where are issues escalated? Who is carrying out delegations?

This also means considering who is performing the role and where additional resource might be needed, such as a dedicated Contract Manager, or where there are potential conflicts. A common example of a conflict is where the Trustee Secretary has responsibility for oversight of the administration being provided by the same firm as their employer.

Having this shared understanding helps to identify and manage conflicts, be clear on who should be at which meetings and who needs to receive which reporting, especially where there is a large scheme with a lot of stakeholders interested in the service.

its objectives. This does not need a 60-page report of detailed case statistics; we recommend simple scorecards that target key metrics. Importantly, this gives the trustee the information it needs to judge the performance of the administration service as a key part of the overall strategy.

Whoever is responsible for the contract management of the administrator will need more detailed information. This is about scrutiny and evidence, challenging the administrator and ensuring that the service delivers what is required.

Here are a few pointers when thinking about reporting:

+	Make sure you get the evidence you need from your administrator.
+	Work together to agree appropriate performance metrics, not just statistics and numbers but covering quality metrics too.
+	What behaviours do you want from your administrator and how can you measure them? Think about examples that demonstrate that behavior, or a lack of it, and agree a simple RAG rating.
+	Adjust and adapt to the current issues. For example, high levels of backlog may need temporary focused reporting and oversight to drive results.
+	Align reporting to your objectives and goals. If you don't know if you're meeting your objectives, you aren't receiving the right information.
+	Report to the right places. Differentiate between strategic needs and operational needs and direct the detail and information to the right people.

5 What is the purpose of regular meetings?

The administrator should be a strategic partner, but they can't fulfil this role unless they have sight of what is on the trustee agenda. This means they need to understand the context, be ready to support the strategy and spot opportunities to help or point out the operational impact of strategic decisions; something that often comes far too late.

Regular meetings with your administrator are a chance to challenge the reporting, discuss issues and improvements and get into the detail in specific areas. Therefore, you need to make sure you have the right forums for the different topics and focus of discussions.

Again, this should link to roles, responsibilities and reporting to make sure meetings happen at the right time, with the right people and with an appropriate agenda. Each scheme will have a different approach, and this should be flexible to increase or decrease as circumstances require, e.g. if there are significant issues or a large number of projects.

Regular meetings, conducted in the right spirit, can foster transparency and partnership. It should be about working together to achieve the goals, not about constant demands, criticism and unrealistic requirements.

30-second case study

We helped a client improve their administration performance through targeted reporting and scorecards, looking at the measures that mattered to the client: qualitative and quantitative. These were discussed openly with the administrator at monthly service review meetings.

This helped to foster partnership, established shared priorities and encouraged dialogue on where the administrator was doing well and where they needed to improve.

After gradual improvement over six months, we started to see sustained change in the performance of the services and the working relationship.



6 Why write it all down?

There is a reason that meetings are minuted: to provide everyone with an agreed record of the meeting. The same principle applies to oversight. If you don't document the arrangements, you will end up with mismatched expectations and different understandings of who is doing what and when, and what is to be reported.

It sounds like a simple point but, all too often, we see issues arise in relationships because of this mismatch in understanding. Having a governance manual, which doesn't need to be an unwieldy, impenetrable tome, avoids any confusion and ensures that everybody buys into the arrangements and has a clear understanding of their role within it.

Simplicity is the watchword. Unnecessary complexity ends up focusing entirely on rules, procedures and producing reports because the governance manual says so and forgetting why they are needed. It undermines the purpose of oversight and forgets that it is about effective relationships, partnerships and driving quality administration.

What else?

We've included the most important elements of administration oversight and management here, but there is more to it. It ought to encompass the relationship and service as a whole and depending on your particular requirements and circumstances, you may look to specify, for example:

- Complaints process and management
- Data quality requirements, practices and reporting
- Management of projects, undertaking change and monitoring progress
- Escalation routes for specific topics and areas
- Defining stakeholders, their key interactions and information needs.

"Oversight presents a toolbox. There are no hard and fast rules you have to follow"

Good oversight means thinking about what works best for you and choosing the right tools to help you achieve your goals. Oversight and management are the how, what, when and why of working with your administrator; the means and processes by which you will govern, oversee, monitor and manage. The framework needs to be put into practice and evolved together with your administrator.

Strategically managing and overseeing your administrator is essential to achieving your goals. It is good governance.

If you would like to discuss this further or would like support with your administration oversight arrangements, please contact Ian McQuade or Damon Lacey.



Ian McQuade, CEO
ian@museadvisory.com
07415 383 292



Damon Lacey, Consultant
Damon@museadvisory.com
07432 490 648