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INSIGHT

The art of a Good Administration Report

Jo Fellowes 4 Minute Read

The reporting provided in administrator stewardship reports is often extensive, but how useful is that information?

Reporting for assurance

One of the primary functions of an administration stewardship report is to provide assurance that the controls to manage benefit administration, accounting, fraud and member experience risks are in place and operating as intended. The Pension Regulator's General Code of Practice states that Trustees must 'regularly monitor the performance of administrators', so this is not optional.

Most stewardship reports include financial information, and this typically provides assurance by demonstrating controls such as reconciliation of bank accounts and visibility of pension overpayments on death or high value member transactions are in place and working as intended.

What happens, or should happen, when the report isn't assuring?

When the reporting identifies a failure in one of your measures, ideally it:

- **should not be a surprise to your pensions management team** - for example if the administrator knows that they experienced unusual levels of team absences and/ or work volumes, this should have been flagged at the time;
- **should be understood** – for example if an item didn't reconcile, was that a timing matter or something else; and
- **should either be resolved or have a plan in place to resolve the failure(s),** after all the report is often six weeks after the quarter in which the issue occurred ended.

Failures will happen in administration, and they undoubtably happen with other advisers too as we're all human. However, other adviser's performance measures are often less tangible or mistakes are less visible in uncertain economic environments. The key with your administration relationship, where the reporting highlights areas of failure, is (and this assumes the measures are the right ones) to partner with your administrator to understand the root cause, and how it will be managed differently both to resolve the failure now, and to reduce the likelihood or impact of it happening again.

Have SLAs had their day?

SLAs measure the number of days the administrator has to respond to a member's request. The whole industry uses them, with most administrators reporting them as the primary measure of member experience.

Often SLAs don't correlate with the number of member requests, e.g. a request to retire. Instead they measure each step the administrator undertakes in that journey. X days to request documents and certificates, X more days to request any AVC disinvestment, then X days to send a confirmation letter, etc. Although some administrators manage all the steps in the same SLA, and just pause it, after each step. In all cases, SLAs exclude the time work is sat with other parties, e.g. actuarial referrals, AVC providers. So SLA attainment is not a measure of the duration from start to finish for a piece of work.

There is nothing more irritating than being told the turnaround time for your request is 10 days, and then on the 9th or 10th day, being asked to provide more information. Only for the clock to start again after you've provided it.

Pre-processing as soon as possible after the case has been received, to ensure the administrator has all the required information to work on the case, can alleviate these member frustrations and deliver an improved member experience, and more administrators are now working in this way.

SLA targets often differ by case type, with key member events usually, but not always, having quicker SLA targets than other queries. In practice though, other queries, which typically include data updates, HMRC correspondence, etc., often make up the vast majority of member cases. So overall SLA attainment figures can also provide a distorted view of the members' experience of the administrator's responsiveness.

Any member engagement that doesn't touch the administration team, may or may not be included in the reported SLA volumes and attainment (this varies by administrator, and sometimes by client). This includes data changes, retirement quotations, and in some cases settlements, which are completed online with no administrator input.

Online self service provides members with a different experience than may be implied by your SLAs. Equally, where these cases are included in the SLA performance statistics, the performance for the cases that require the administrator to undertake the work will be hidden by these automated cases being included within the same SLA measure.

However they are measured, ***persistent poor SLA attainment is usually a good early indicator that a scheme now has an increased risk of member grumbles, formal complaints and an increase in follow up emails and phone calls.***

So there is still value in measuring SLAs, albeit we'd recommend including them within a set of more holistic measures.

What other measures?

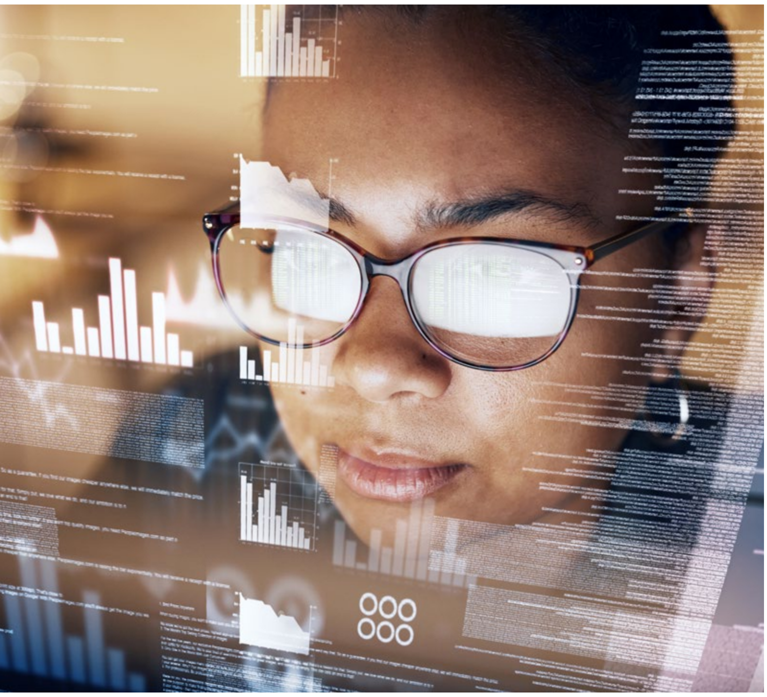
Your member engagement strategy will influence which measures will be most informative about the administration service and the members experience of that service. We've shared some examples below:

- **A technology led strategy,** which actively develops and encourages self-service, may benefit from measures that distinguish how many members transacted online and how many dropped out of the online process and where. Shown alongside the number of the same transaction processed via contact centre or administration team, this would provide a holistic picture of how members are engaging and would allow you to focus communications accordingly.
- For those still in the process of moving towards digital engagement, **measures that illustrate whether or not you're on the path to achieve that objective,** such as tracking the average number of retirements quotes an administration team processes per member before retirement, with the expectation that you will be able to track the average being processed on the team trending down as members' use of self-service online retirement modelling tools increases.
- Other measures which consider members experience over timescales include **member feedback via surveys, and also via complaints.** We recognise surveys often receive poor response rates, and often only from the happiest and most unhappy of members. On their own they aren't a balanced representation of experience either, but they can still provide useful insight where comments are provided and themes shared. Additionally, as the use of AI in contact centres increases, member sentiment analysis, and trends explaining why members are engaging should increasingly become available and be shared.
- **And insight as to why, and for how long, cases are being placed on 'pend' or 'stop clock'** will help you oversee and manage those areas outside of your administrator's control, including AVC providers, the actuarial team, or even your own HR team. We often see member grumbles where more than one provider has a role in providing the service, but only one of those providers is reporting and being managed on their service delivery.

Reporting for **insight**

This is where the stewardship reporting itself, and how those reports are discussed in Trustee or Committee meetings can start to add strategic value.

Sadly it's often the area where either the content included limits the conclusions that can be drawn, or the explanation and discussion about the 'so what' is missing.



So what makes for meaningful administration insight?

For example, membership statistics can be used to highlight any changes in the scheme demography. But they are rarely provided in a format to identify any longer term demographic trends, or to forecast future trends, such as peak periods for retirement, or ageing pensioner populations. This insight would allow the administrator and scheme to plan resourcing, and manage other activities accordingly. Some Trustees receive this information from the actuary, which likely incurs additional actuarial fees, and at the same time diminishes the administrators ability to support the strategic direction as it evolves.

Another example is case volumes. We've all heard that there has been an increase in member case work across the industry, but rarely have we been given, nor sought, a deeper explanation. Most stewardship reports show case volumes over the past 12 months, and perhaps a comparison with the same quarter the prior year. Member needs fluctuate quarter to quarter, pensioners engage more around pension increase time, active members engage more following benefit statements, and volumes may be impacted by other one off project communications.

Very few reports include data to illustrate a longer term trend over years. And even if they do include the longer term trend, you can only take meaningful action if you know which types of work have increased. An address collection or member data verification exercise, where all the member responses have been logged as cases, will appear like an overall increase in work volumes. And if you knew you had a trending increase in general enquiries, with new themes or questions arising, you can take action to build the answers into standard letters or other scheme communications.

Does any of this matter when administrators are already 'capacity constrained'?

Administrator capacity constraints are often banded about by the industry as the reason why service is not where the Trustees or their members expect, or why key projects are delayed. Whilst this is partly true, there is limited capacity and a huge raft of work being required of administration firms at the moment, meaningful insight and proactive discussion can help to mitigate the impact.

The administrator and Trustee dialogue needs to change, and both parties have a role in making those changes.

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