

pension scheme administration & effective governance

NEXT STEPS FOR EMPLOYERS AND TRUSTEES

JLT Benefit Solutions and the Pensions Management Institute (PMI) have completed their substantive research into 'The relationship between pension scheme administration and effective scheme governance'. The results from a comprehensive survey on the subject and our analysis of them have now been incorporated into a new report which can be obtained from www.pensions-pmi.org.uk

In this article, we reflect on some of the main findings and consider the implications and next steps for employers, trustees and other stakeholders.

The survey was completed by over 250 respondents and we are very grateful to everyone that took part. The support we received has produced robust intelligence covering pension scheme data quality, communication, decumulation, investments and auto-enrolment.

Taking each of these disparate, but all equally important, areas in turn, the following conclusions can be reached:

- On *data quality*, the Pensions Regulator needs to maintain a high profile in respect of its record-keeping expectations. Nearly 30% of respondents have yet to agree their targets for standards of data, notwithstanding the fact that the regulator's deadline for accurate Common Data is only around a year and a half away.

In this part of the survey, there was also the beginning of a common thread, exposing the potential for better member-engagement by pension schemes; on data quality, for instance, only 16% of schemes plan to report back to their members.

- The next topic considered in our survey was *communication* and, continuing the 'better member engagement' theme, the results show that more can be done to interact with members through the provision of online modelling facilities (with only around 50% of schemes giving members access to these). However, it is also important to ensure that members understand and value these 'tools'; otherwise, the evidence shows they will be met with general apathy.

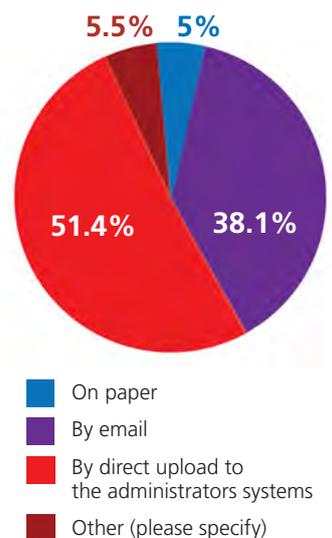
- *Decumulation* - the process of turning pension scheme assets into a retirement income is another subject that the regulator attaches a lot of importance to; it is also a key risk in their internal controls guidance. It was reassuring then that we elicited some very positive responses in this area, with two-thirds of respondents stating that they had reviewed retirement processes within the last two years. Nevertheless the scope for improved engagement is present again. In particular, more could be done to help members with the open market option (OMO) as only a third of schemes facilitate access to advice on the OMO and there is scope for better communication earlier in the pension scheme membership cycle.

- Defined contribution (DC) *investment* is particularly topical at the moment, with the recent publication of the Investment Governance Groups 'DC Principles' and the government consultation on default funds. Nearly all respondents said that they had a pension scheme default fund, but there appears to be no consensus on the appropriate frequency for their review even though most members will end up here as a result of inertia.

- Our survey concluded by considering readiness for and other administrative aspects of the *auto-enrolment requirements* which start to take effect from October 2012. Engagement with members will become all the more important if their workplace pension reforms are to succeed and, as the graph to the right shows, it is also clear that more automation of scheme processes is needed.

With thanks, again, to all those who took the time to complete our survey, we hope you find the results and our analysis to be both interesting and useful. In terms of pension scheme administration, it is clear that there is still work to do in the context of effective scheme governance. ■

How do you currently send contribution and salary data to your scheme administrator?



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