



## **Pensions – Administration moves centre stage**

### **Regulating pension scheme administration: an update on the current consultation**

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### **Agenda**

1. Why regulate administration?
2. What has the Pensions Regulator done so far?
3. What do we want trustees to do?

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## Why regulate administration?

1. Protecting members
2. A window into other areas of governance
3. Administration at least as important in a DC world
4. Auto-enrolment rules are likely to increase administration requirements

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## Protecting members

The number of complaints referred to us increased again this year, rising by 10% when compared to the previous 12 months. The biggest single issue was poor administration causing delays and mistakes.  
TPAS: *A Review of the Year 2008-09*

Do you or your third-party administrator provide members with web-enabled access to their individual scheme records?



If 'yes', is it:

| View Only           | View and Update             | What If? projections              |
|---------------------|-----------------------------|-----------------------------------|
| 46% (52%)           | 54% (48%)                   | 73% (69%)                         |
| Open to all members | Open to active members only | Reducing number of member queries |
| 71% (59%)           | 29% (41%)                   | 44% (48%)                         |

Source: Capita Hartshead Pension Scheme Administration Survey 2010

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### Administration is a window into other areas of scheme governance

For example:

- Scheme funding
- Winding up
- GMP reconciliation

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### DC and auto-enrolment

Trustees of DC scheme wanted to carry out investment administration in house. They found the existing manager could not provide an accurate breakdown of unit totals at a member level and that the contract was unclear as to who was responsible for this. The trustees had to commission an exercise to reconstruct records, costing in excess of £100,000

Within a scheme of approximately 20,000 members, approximately 10,000 had money purchase contributions without matching units record [data auditor]

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### Other countries are grappling with similar issues

*'...The obligation of trustees to act in the best interest of members extends to their strategic oversight of the administration function.... There is a clear need for trustees to have a more active engagement with the intricacies of administration so that they are better equipped to make strategic decisions about it. A consequence of current arrangements is that many trustees focus excessively on the costs of administration without sufficiently recognising the risks to members associated with inadequately resourced administrators...'*

Source: *Review of the governance, efficiency, structure and operation of Australia's superannuation system*, 22 March 2010 (italics added)

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### What has the regulator done so far to improve administration practice?

- Scheme record keeping
  - Raised awareness of the importance of good record keeping (in context of good administration more generally)
  - Identified key fields
  - Set specific record-keeping targets
    - *Consulted on scheme specific approach to adhering to recommended targets*

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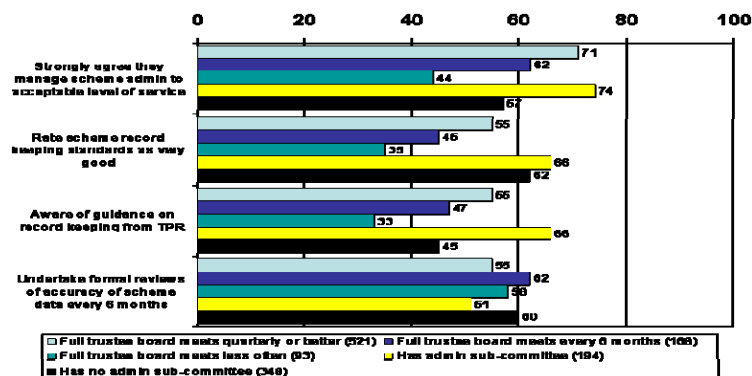
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## What do we want trustees to do?

- Member records
  - Measure
  - Plan
  - Implement
  
- Put processes and structures in place to enable better engagement with governance and administration
  - Register of risks
  - Administration sub-committee

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## The current situation



Trustees who strongly agreed both that their board “Has effective internal controls (to manage risks)” and “Has identified potential financial or governance risks to the scheme” were significantly more likely to have documented internal controls in place

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### **Conclusions**

- Administration is important: and will get more so in a world of more DC schemes and auto-enrolment
- We have placed great emphasis on member record keeping
- We expect trustees to measure, plan, implement
- We also expect trustees to engage more widely with administration and governance

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