

# 5 simple steps for trustees to improve scheme administration

'Poor administration is not harmless or victimless. It can have a real impact on members. Inaccurate records might lead to people getting the wrong level of pension. The cost to the scheme of correcting data issues, or dealing with complaints, can also eat away at members' retirement pots.'

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Poor standards of administration – in particular missing or incomplete member records – put members' benefits at risk and can have great cost implications for schemes.

The Pensions Regulator ('the regulator') found that in one scheme the defined contribution (DC) scheme expenses were being paid out of the members' defined benefit (DB) fund under a hybrid arrangement. Investigations uncovered that this was a result of bad administration on the scheme administrator's part.

Trustees are accountable for administration in trust-based schemes. They should have an ongoing dialogue with their scheme administrator and employer to ensure scheme records are up to date and that any problems are rectified as soon as possible. Members can be directly affected if problems are not ironed out quickly. Putting things right will help to avoid costly delays and complex data cleansing exercises at a later date.

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## As a pension scheme trustee, you should ask yourself 2 questions...

1. Are your member records complete and accurate?
2. If you were asked to prove your records are complete, could you do this?

You have a duty to ensure that members of your scheme receive the benefits they are entitled to under the scheme. As part of this, you have a responsibility to make sure your member data is complete and accurate.

### 'But I have someone who does that for me...'

Your administration provider, adviser or other service provider can do much of the work by holding your scheme data and updating it over time. Your employer should also be providing you and the administration provider with accurate data on employees in the scheme. However, as a trustee, you may need to prompt or work with them to ensure the member data is complete and accurate.

## Why are scheme records so important?

Good scheme records are critical to the success of a number of very important events during the life of a pension scheme, including:

- Payment of benefits
- Transferring members between schemes
- Investing member funds
- Scheme buy-outs
- De-risking of investments
- Switching administrator
- Winding-up of schemes.

Any of these events can be made onerous and costly if your scheme's records are inaccurate or incomplete. If you act now, you will save valuable time and money in the future.

Keeping a check on your records doesn't need to be difficult. However, not doing so could be costly to the scheme and its members. To help you, we have outlined 5 simple steps to make sure your records are complete and accurate.

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### Step 1: Identify the gaps and errors in your member data

If you have not been offered a 'data-scoring' service by your administration provider, we recommend that you ask about one as soon as possible. They can tell you about any gaps in your scheme data and work with you on a plan to fill those gaps.

### Step 2: Understand what you can expect from your administration provider and make sure they are delivering it

Work with your administration provider to agree the scope and standard of service they will provide. These administration services should be clarified in the administration provider's contract. Everyone will then know what is expected of the administration provider. If everyone knows what they are doing, there is less chance of any confusion and problems. If your requirements are not included in existing contracts, then the administration contract should be revised.

As trustees, you need to keep track of your service providers and what they are doing on your behalf to deliver the services they are being paid for.

There is also a role for the employer to assist the administration provider. You should speak with your scheme's employer and discuss how best to share their employee data with you and the administration provider. Working together on this will be the most effective way to ensure data is complete and accurate – and stays that way.

### Step 3: Understand your administration reports

Administration reports are vital for you to be able to monitor the completeness of your member records. Agree with your administration provider what reports they will send you, the level of detail in those reports, how often, when and in what format they will be received. Some of the items which might be included are:

- Performance against the regulator's record-keeping requirements
- Delivery of the administration services
- Members joining and leaving the scheme
- Number of member complaints, the root causes and any patterns identified.

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Reports should be sent to you quarterly, if possible, or at least annually. Make sure they are available in time for each meeting of trustees if you have a large or more complicated scheme. Issues highlighted in these reports should then be discussed in trustee meetings to see how they can be resolved.

#### Consider the cost...

It is important to note that your administration provider may want to charge you for services like data scoring and administration reports. The cost of filling any gaps may be shared with the administration provider or met in full by them. Some administration providers have taken the latter approach. You should discuss this with them and decide which services are right for the size and complexity of your scheme. There may also be a role to play for the employer in covering the costs of these services.

#### Step 4: Have regular contact with your administration provider

Meeting regularly with your administration provider will allow you to discuss any data issues in depth and plan how these can be resolved. This discussion could be face-to-face or by phone. Another easy way to do this is to request that they attend some, if not all, of your trustee meetings. Put administration on the agenda for each trustee meeting and ensure it is given time for discussion. It is important that all trustees know about any problems which have been highlighted by administration reports.

Frequency of meetings with administration provider and their feedback should also be covered in the administration contract. Not all administration providers will have the ability to frequently meet with all pension schemes they administer. This will be a particular challenge if your scheme is small. If they cannot meet, ask when they can and what else they can do to input into trustee meetings.

You should also ask for a dedicated point of contact for enquiries, including a name and contact details. Remember, your administration provider is delivering a service that the scheme is paying for and it is a valuable source of information for trustees.

You could also look at the following further methods of monitoring the performance of your administration providers:

- Their report on their delivery of the administration services
- Comparison of data in their administration reports held by the employer (eg on the number of scheme members, joiners, leavers and level of contributions)
- Patterns of member complaints and/or member satisfaction surveys or feedback forms.

#### Step 5: Set up an administration committee

You should think about setting up an administration committee to monitor your scheme's data. Many schemes already do this for scheme investments. The committee would be a group of trustees who meet regularly to focus on any problems with the scheme's administration. It is also important, if possible, to involve your administration provider and scheme employer in the committee. This is not practical in all schemes but where this is possible it should be considered a very important activity.

You are perfectly entitled to pay an administration provider to keep your member records on your behalf. However, you are accountable for member data. As a trustee, you must make sure your scheme data is up-to-date and complete, and you can demonstrate this to members, or the regulator, with your administration reports.

Failure to do this could cost your scheme significant amounts of money and your members may not get the maximum retirement income they have saved all their lives for.

The steps described above will help you keep on top of things and make sure your service providers are giving you the service you should expect. And don't forget that your employer, administrators, advisers and other service providers are there to support you. They can answer many of the questions you have.

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## Further reading

For more information on administration and record-keeping, the regulator has provided the following tools for your use:

### Trustee toolkit

The regulator's Trustee toolkit includes specific learning modules on administration. You can access the toolkit at: [www.trusteetoolkit.com](http://www.trusteetoolkit.com)

### The Pensions Regulator's guidance on record-keeping

This document is a detailed guide to regulatory expectations and how these can be met. You can find it at: [www.thepensionsregulator.gov.uk/guidance/guidance-record-keeping.aspx](http://www.thepensionsregulator.gov.uk/guidance/guidance-record-keeping.aspx)

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