

The importance of good scheme administration

People drawing their pension expect payments to fully reflect the record of contributions they paid during their working life. Getting the administration correct is central to any pension arrangement – member benefits are placed at risk where records or data have not been properly maintained.

Inaccurate and missing data can have serious cost implications for schemes, and ultimately members, so it is important that errors are corrected as quickly as possible. **Experian** research has shown that if records are validated, the potential savings could be as much as £20,000 per pensioner.

Last year we asked trustees to consider whether they had the right people and processes in place to help them run their scheme. We provided material to educate and enable trustees to improve governance and administration – new guidance on wind-ups, record-keeping and internal controls.

Progress has been made. Our current evidence suggests most trustees are now engaging with our record-keeping guidance and are taking steps to measure and improve data. In particular, large defined benefit (DB) schemes are more likely to exhibit higher standards of record-keeping compared to smaller schemes. 69% of large schemes had taken steps to measure and improve data. Many administrators are also responding by providing schemes with their data score in accordance with our guidance.

continued over...

The Pensions
Regulator

continued...

Responsibility and accountability

Accountability for administration in trust-based pension schemes lies with the trustees. They can choose to delegate responsibility for administration but they retain ultimate accountability. Trustees need to ensure that what they have delegated is being delivered.

Trustees should have the processes and structures in place to scrutinise their administrator. Equally, trustees cannot rely on their auditors to identify scheme data issues. Discussions with the auditing institutes have made clear that trustees cannot delegate responsibility to their auditor for drawing problems with member data to trustees' attention as part of the statutory scheme audit.

Good administrators should be proactive in meeting their responsibilities, and examples we have seen include:

- **Member record-keeping**
An increasing number of administrators are providing their clients with their common data score as recommended in our recently updated record-keeping guidance.
- **Reconciling GMPs and member record reconciliation**
An increase of 30% in the number of administrators using the **National Insurance Service to the Pensions Industry's (NISPI)** Shared Workspace tool in order to improve one of the biggest causes of delay to wind-ups; and
- **Wind-ups**
A more proactive approach by administrators, in dialogue with the regulator, has led to a significant improvement in wind-up times. A performance table will be published in due course.

'Accountability for administration in trust-based pension schemes lies with the trustees.'

continued over...

continued...

How the regulator is working to raise standards

Improving scheme administration can have long-term gains for trustees. In the life of a scheme, the chances of a wind-up, a buy-out or other de-risking exercise are fairly likely. If records are improved and validated now, it will cost less than in the future, providing members with better benefits.

In the coming weeks we will be:

- Publishing a guide to assist trustees when talking to their administrators about achieving good quality data;
- Publishing a statement detailing what trustees should expect of their auditors in relation to record-keeping;
- Highlighting to trustees and administrators how engaging with NISPI can help them complete work in relation to winding up and contracting-out more effectively;
- Publishing research on how our record-keeping guidance has been taken up and the implications for record-keeping and administration; and
- Reiterating our expectations for schemes that are winding up and setting out new examples of good practice which show that the process can be completed within 2 years.

These items will be published on our website at:

www.thepensionsregulator.gov.uk/admin to enable trustees and administrators to fully understand their roles and to ensure that schemes are run to high standards, with members receiving the benefits they rightly deserve.

'If records are improved and validated now, it will cost less than in the future, providing members with better benefits.'

How to contact us

Napier House
Trafalgar Place
Brighton
BN1 4DW

T 0870 606 3636

F 0870 241 1144

E customersupport@thepensionsregulator.gov.uk

www.thepensionsregulator.gov.uk

www.trusteetoolkit.com

Statement from The Pensions Regulator
to scheme trustees and administrators

The importance of good scheme administration

© The Pensions Regulator February 2011

You can reproduce the text in this publication as long as you quote the Pensions Regulator's name and title of the publication. Please contact us if you have any questions about this publication. We can produce it in Braille, in large print or on audio tape. We can also produce it in other languages.

The Pensions
Regulator