



Independent Trustees



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Pension reforms: will your administrators meet the challenge?

Alongside investment, funding, de-risking and employer covenant issues, it would be easy for trustees to treat the recent pensions reforms as just another item on the to-do list.

The reality is that dealing with the new pension freedoms, combined with GMP reconciliation, could be enough to take pension scheme **administrators close to breaking point**.



PSIT opinion by:
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Be aware of the issues

As highlighted by the Pensions Administration Standards Association (PASA) last week, we need to see the draft regulations before actions can be implemented. However, it is **imperative for trustees to start planning now** so they can move quickly once the regulations are issued to take final decisions and instruct their administrators.

The issues that we, as trustees, are considering around pension reforms include:

- Will the scheme need to offer a flexible drawdown option, or can the trustees insist members transfer out to another arrangement?
- If need be, are the administrators geared up to deal with flexible drawdown?
- Should transfer values automatically be issued alongside retirement quotes?
- What are our responsibilities around ensuring members take independent advice when considering a transfer from a defined benefit (DB) to a defined contribution (DC) scheme?
- Will the proportion of transfers out increase?

This last point is an excellent example of how the new flexibilities could have a wider impact. For many schemes, DB transfers are currently relatively few and far between. **If transfers are likely to increase in future, trustees may need to reconsider the scheme's investment strategy, as well as the impact on administration turnaround and costs.**

An opportunity to improve efficiency

Trustees will need patience and understanding over the coming year, as their administration team will be extremely busy dealing with all the new regulations. That said, trustees need to be **satisfied administrators are gearing up to be prepared** and are up to the challenge.

The sheer volume of changes and increase in activity this is likely to involve may lead to administrators passing on genuine additional costs. Trustees need to be sure they **achieve value for money** by working with the administration team to ensure the changes being made will **make scheme administration more efficient** in future.

An example

In the 'new world' **data quality and automation of calculations** become even more important. If your scheme data is good, automation should be perfectly achievable.

You may need to pay to have that automation set up but, in future, it should lead to **reduced errors, improved efficiency and a reduction in ongoing costs**.

I don't think now is a time to make do and mend. The pensions world is always shifting and, as highlighted in the example above, it will pay to think strategically about future-proofing administration when we take the operational decisions facing us over the coming months.

What do you think?

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