

How do you judge what's good value or not?

Trying to decipher fees, service schedules, service level agreements etc. is time consuming and often tricky. Particularly if you're trying to compare two or more firms which invariably use different terminology and scales. Our Administration Survey is a great starting point to work out what it is you want from your administrator.

Let's use our model 2,000 life scheme as an example. It's a dual sectioned scheme with two bank accounts (DB and DC) for transparency purposes and data is in a normal state – the usual odd missing fields here and there. The sections are:

DB Section

- closed to members and future accrual
- one pensioner payroll
- one payslip issued per annum
- increases are paid as at a common date

DC Section

- open to new members who are either annuitised or transferred out to take advantage of DC freedoms
- lifestyle investment strategy with three choices
- fund platform has access to 10 funds
- open market option annuity purchase facility through a broker



The highest fee for a 2,000 life scheme is **£120,000** and for this, a scheme will get **100%** of core admin tasks. BUT the lowest fee is **£57,854** and this firm also offers **100%** of core tasks! Both offer the same service yet at a huge price difference. This is just for the standard service, so trustees have to look beyond this and find out what else is and isn't included within the fee.



Let's take online functionality. Some providers offer this for free, whilst others charge an explicit additional fee. Even here, what's included can vary. We recommend you assess what online functionality you and your members need at the outset and then the affect this has on your fees.



The number of trustee meetings or pure administration meetings your administrator will attend could also be a contributing factor to the price you pay. Using the numbers above, **the firm with the highest fee offers attendance at four trustee meetings and four administration meetings in their fee. The firm with the lowest fee also offers four trustee meetings, but only two administration meetings.** Our recommendation would be to assess what level of face to face interaction you and your scheme needs – do you need four meetings or two? Is it worth the difference in fees?



Finally, you should also look at whether the firm includes anything considered non-core as part of their standard offering and whether this would be a benefit to you and your members. Or perhaps more importantly, look at what isn't included. Will this mean you spend more money on ad-hoc projects or paying on a time/cost basis?

The idea of value for money will not be the same for every scheme and every trustee. However, you should spend time reflecting on the scope of service your scheme needs before looking at price and go from there.

Here at KGC, we are well placed to help you determine what level of service would suit your scheme. We spend a lot of time researching the market and use our accumulated knowledge and experience in our benchmarking and market reviews. If you would like any further information regarding our Administration & Actuarial Surveys our how KGC can help you then please get in touch.

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Our Services:



Benchmarking & Market Reviews

Our in-depth market knowledge and experience means we are well placed to guide you on getting your scheme on track. We ensure you can demonstrate good governance and due diligence through our detailed Benchmarking & Market Reviews of service providers: administration, actuarial, investment consulting, fiduciary management, secretarial services and independent trustees



Process & Relationship Management

TPR's 21st Century Trustee needs to provide the good governance necessary for a well-run scheme. There are many different operational elements to a scheme which must work harmoniously. A KGC Scheme MOT, results in improved relationships and reduced risk. We review scheme operations across service providers, re-designing processes, recommending improvements and redefining roles, ensuring value for money across all service providers.



Fiduciary Management Governance

Fiduciary Management is coming to the forefront of investment solutions for today's pension schemes. The KGC FM Framework[®] assesses whether the service delivered is in line with your expectations and good practice, ensuring due diligence is evidenced. We assess whether your Fiduciary Manager adheres to its agreement, demonstrates its own internal due diligence, manages risk and operates robust procedures.



Trustee Effectiveness

A trustee's job is multi-faceted and difficult, effective trusteeship is vital in a well-run scheme. A balanced trustee board benefits from having a good mix of skills and experience. KGC supports trustees in evaluating skill as a whole, identifying how individual attributes fit within the Board dynamics. We detect gaps and highlight expertise to recommend improvements to support good governance, with greater focus on scheme strategy.



DC Consulting

DC is finally the norm, it is even more important for trustees and employers to understand and meet their regulatory responsibilities. An expert with a long-standing DC heritage KGC provides practical, operational or strategic support helping you demonstrate a high degree of due diligence and regulatory compliance. We work with schemes and Master Trusts helping to either simply remain compliant, or prepare for assurance audit. We also provide real life practical experience to IGCs.



Management Consulting

As an independent management consultancy, we can provide an external objective market view to aid market understanding and help strategic development. This is complementary to our governance services. Our pool of market research enables us to combine insights, create value and communicate practical and suitable solutions, as well as improving business performance.