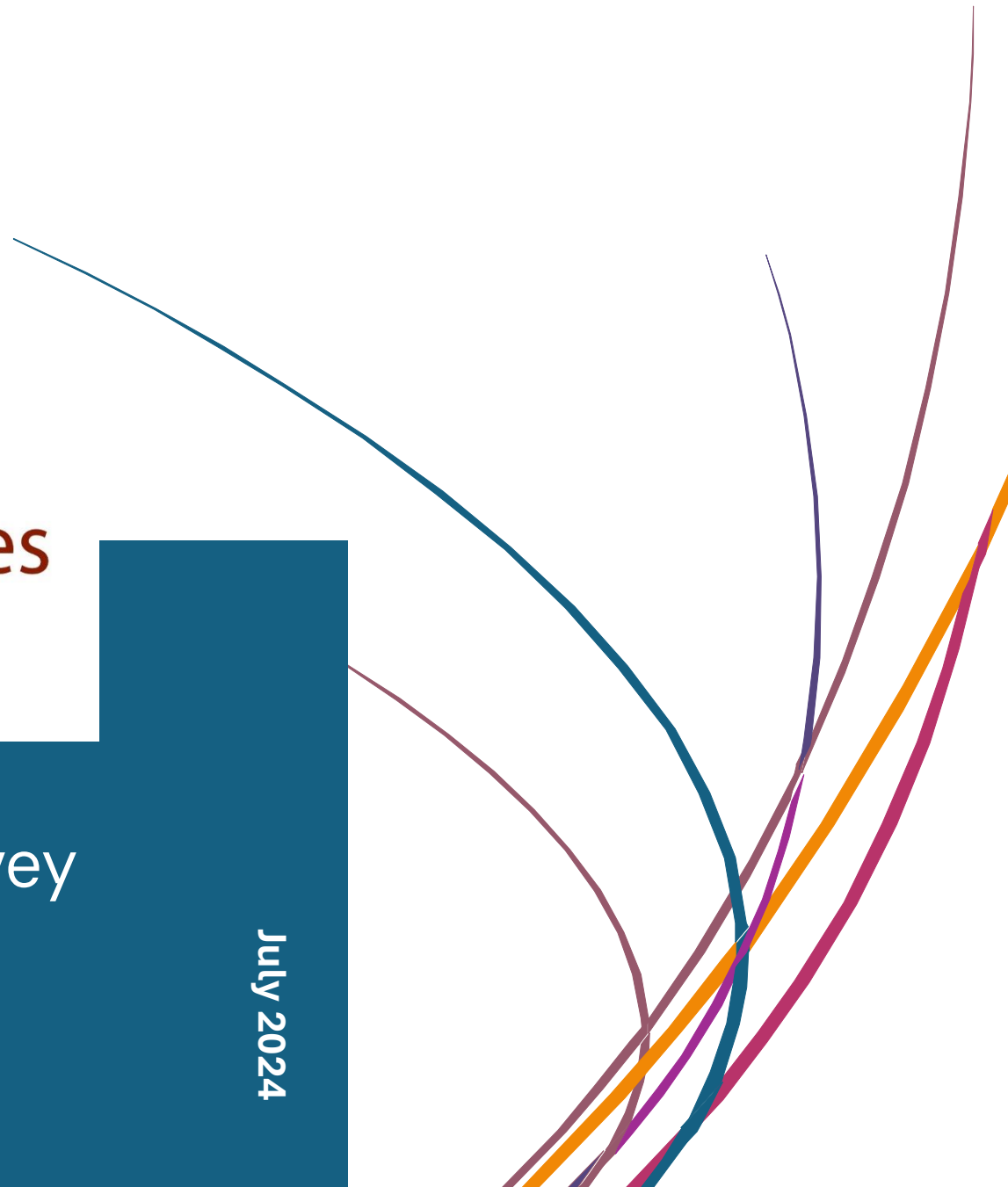




KGC associates

12<sup>th</sup> Administration Survey

July 2024



# Foreword

We think this report is really timely, given the many pressures administrators find themselves under. While the often repeated quote of 'administration being the shop window to a pension scheme' is true, it seems a lot of these windows need a good clean and their window dressing needs an update!

Administrators are the professionals who engage with members. We rarely see actuaries, accountants or lawyers talking directly with them. But, for administrators to do their job well, they need modern systems, good data, clear benefit specifications and – importantly – the time to do their job well.

What's been happening in this particularly hard couple of years following on from the pandemic? Key areas outside normal day to day administration have included preparation for the pensions dashboards, various GMP and de-risking exercises, and this is just for starters....There are further changes in the pipeline, all of which require additional work from administrators. How are they coping, what do they think about it, what are their concerns? Should we care?

The stiff upper lip approach of 'we'll manage' is slipping. At KGC we've been talking about the capacity crunch for years, the lack of investment in people and technology has finally come home to roost. Throwing people at a problem which technology should solve is no longer possible, they simply don't exist anymore.

Administration still isn't being valued, by the industry, their clients and often by their own c-suite leaders. Tightened margins can only be loosened by creating efficiencies, these same efficiencies need modern technology working on good data to be delivered. Clients need to invest in their data and administration business leaders need to invest in their technologies. Either way, we expect to see fees going up!

We hope you find the results and insights from our research as interesting as we do.

**Hayley Mudge**  
Report Author



# Table of Contents

<b>1</b> Introduction 1			
<b>2</b> Administration Fees 5	<b>3</b> Pensioner Payroll 8	<b>4</b> Treasury & Accounts 11	
<b>5</b> Implementation 14	<b>6</b> Year One 17	<b>7</b> Online 22	
<b>8</b> Trustee Engagement 26	<b>9</b> Core vs Non-Core 29	<b>10</b> Industry Perspective 34	<b>11</b> Summary 43

1

Introduction

# Introduction

In Q1 2024, 17 administrators participated in our 12<sup>th</sup> Administration Survey. Each firm provided information on fees, services, engagement and the sector. This is based on a model scheme and a set of core services we consider central to successfully administering a scheme (see Appendix A).

The bases of the scheme scenarios are reviewed regularly to make sure they reflect the types of schemes and services administrators offer. This year we updated the schemes, membership profiles and core services.

What hasn't changed is the four main components we consider when looking at fees:



Administration



Pensioner Payroll



Treasury & Accounts



Implementation

For each of these components we highlight the lowest, highest and average fees across each scheme size. We then focus on Year One Costs and how these compare on a Unit Cost per Member (UCM) basis.

Technology is playing a bigger part in the service provision to members. We've focused on web functionality and analyse these costs for each scheme size.

We look at how often administrators are engaging with trustees from a board level and at an operational level.

Next we look at the core services administrators include and compare these to their associated costs – raising the important question of value for money. We compare activity triggers and the pricing mechanisms used when these activity limits are exceeded. We all know administration shouldn't just be about cost, so we explore different types of non-core tasks and how these are billed.

Our final section gives a wider sector view from the perspective of administrators themselves. This provides an insight into what schemes are focusing on and what the current administration world looks like for them right now.

# Scenario Assumptions

Firms cost for seven different scheme membership sizes; no account is made for asset size.

## Assumptions

- DB closed to new members
- DC open to new members, pensioners all annuitised or transferred out on retirement to take advantage of DC freedoms
- No DC freedoms available within the scheme
- Data is in a 'normal' state i.e. no material issues, just the normal missing data field here and there
- Quarterly stewardship reporting (including cashflow analysis)

## Treasury

- Separate bank accounts (virtual or physical) where DB/DC
- Treasury and preparation of Report & Accounts to audit

## DB Section

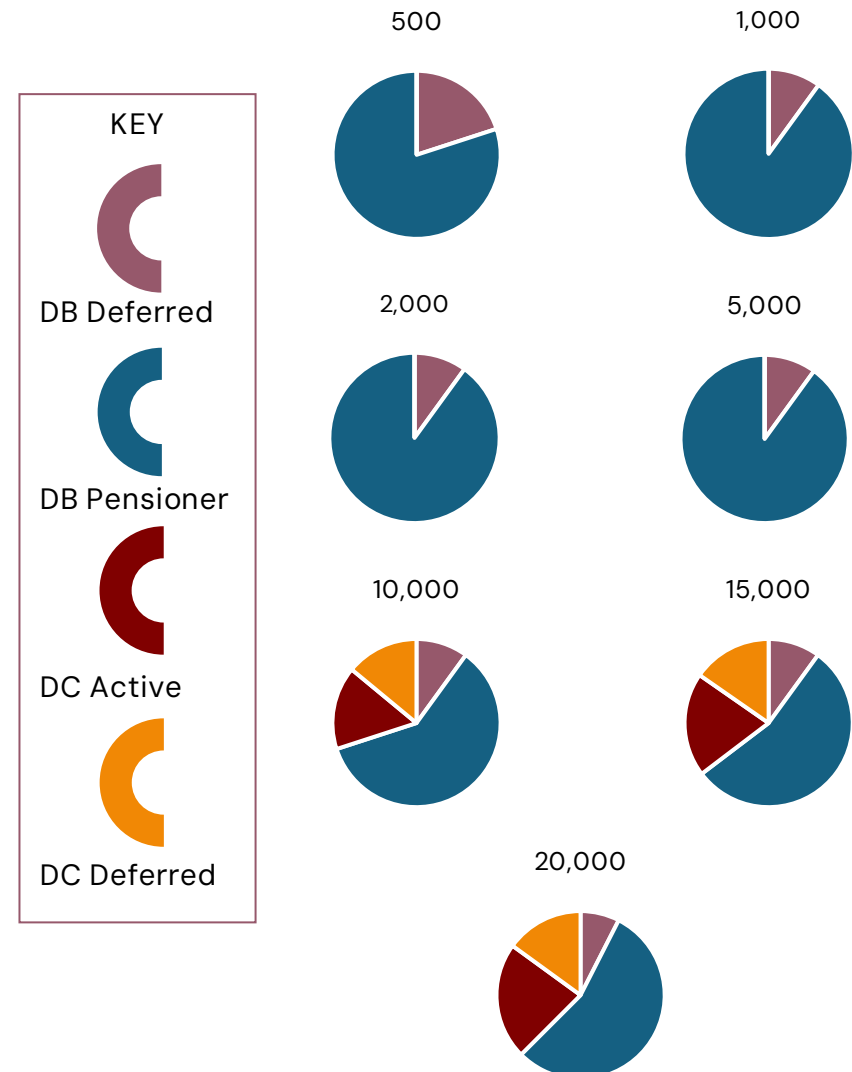
- 1 pensioner payroll
- 1 payslip per annum, unless pension changes by more than £10
- Increases paid as at a common date

## DC Section

- Lifestyle – 3 pathway options (defaults)
- DC Fund Platform with access up to 10 funds

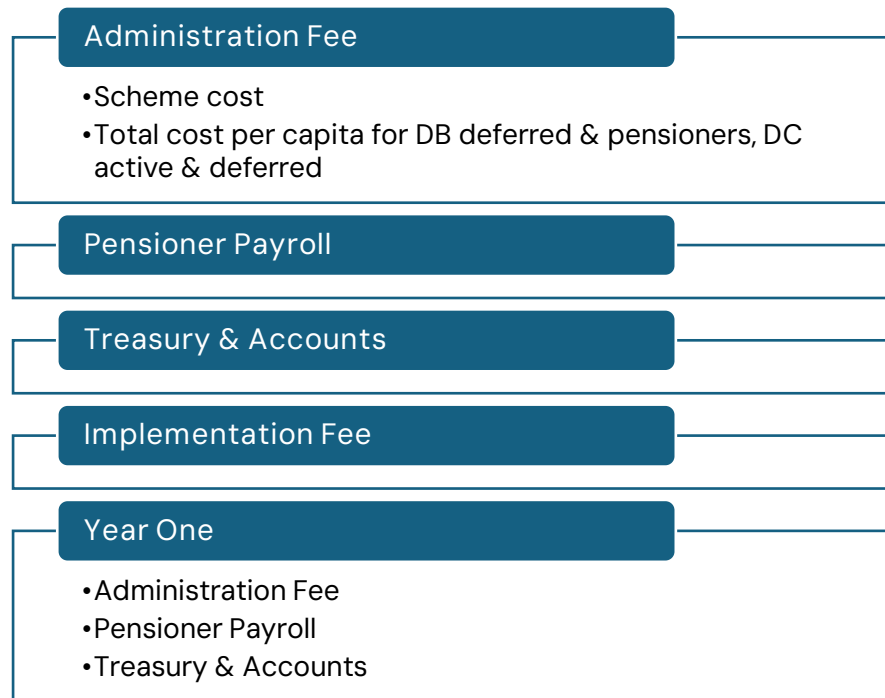
# Membership

The membership of each scheme is broken down by:



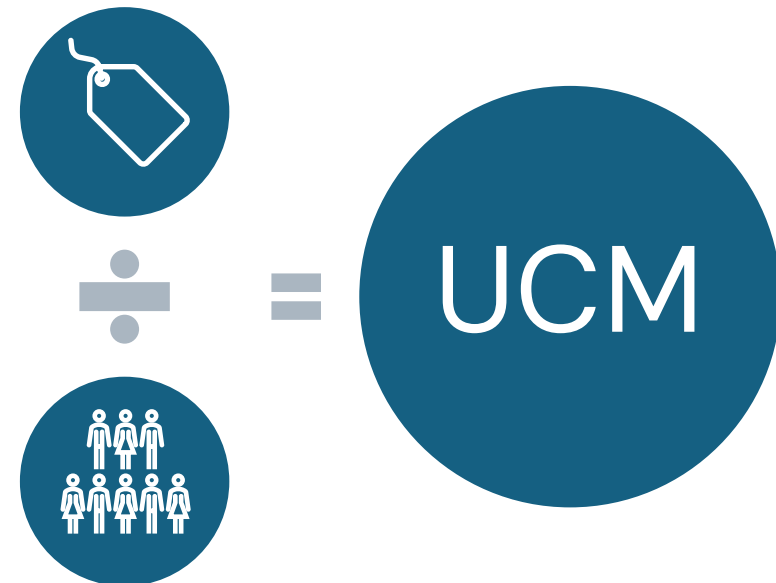
# Fee Analysis

Fees are segmented into five different categories for each scheme size, with the average fee highlighted. Administrators are asked to complete responses only where they deliver services for a particular scheme size. Fees are then broken down into the following five sections:



# Unit Cost per Member

In the Year One Costs section we include a UCM for the highest, average and lowest fee. This is derived by dividing the total cost by the total number of members and yields a straightforward measure for comparison.

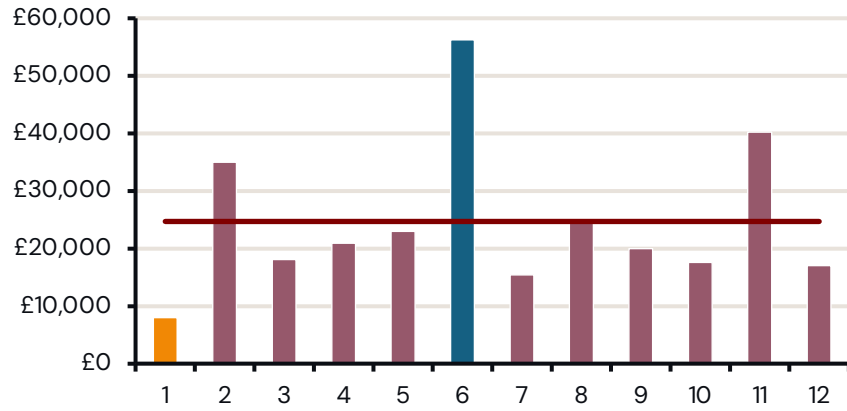


2

Administration Fees

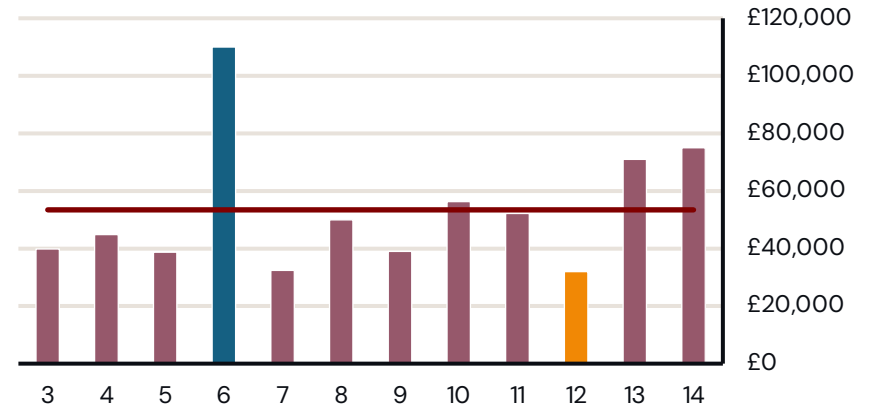


500 life scheme



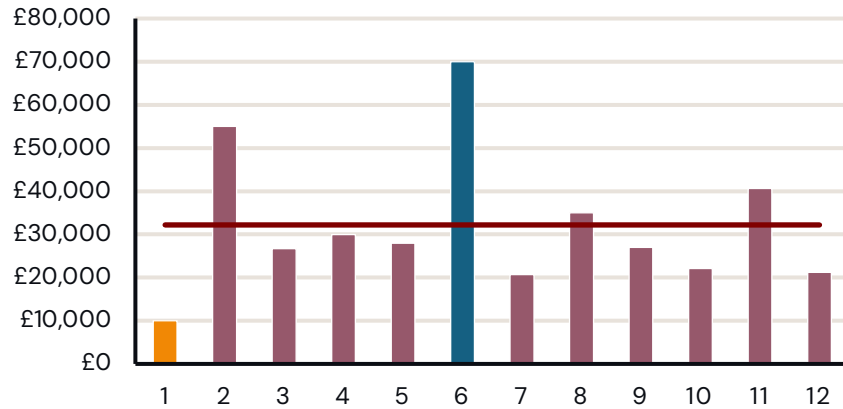
Highest Fee £56,250 | Average Fee £24,710 | Lowest Fee £8,000

2,000 life scheme



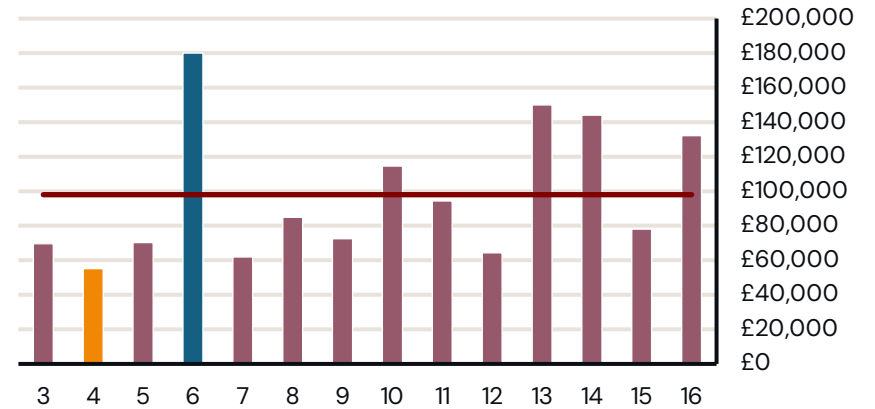
Highest Fee £110,000 | Average Fee £53,429 | Lowest Fee £31,970

1,000 life scheme



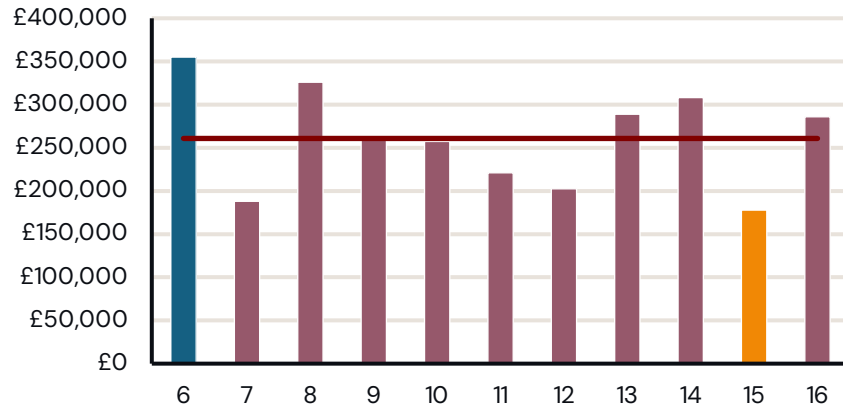
Highest Fee £70,000 | Average Fee £32,194 | Lowest Fee £10,000

5,000 life scheme



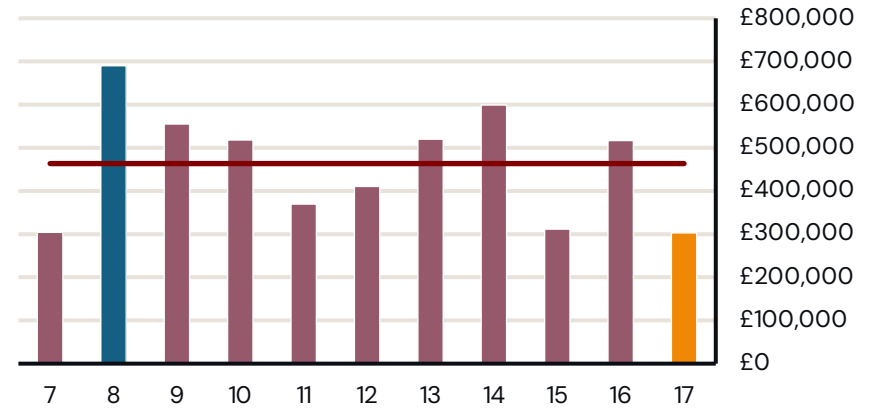
Highest Fee £180,000 | Average Fee £97,988 | Lowest Fee £55,173

10,000 life scheme



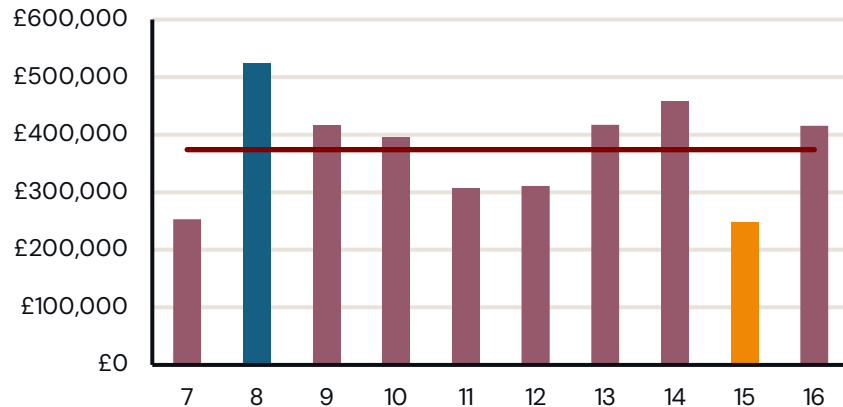
Highest Fee £355,000 | Average Fee £260,825 | Lowest Fee £177,800

20,000 life scheme



Highest Fee £690,000 | Average Fee £463,401 | Lowest Fee £302,828

15,000 life scheme



Highest Fee £523,000 | Average Fee £373,944 | Lowest Fee £247,200

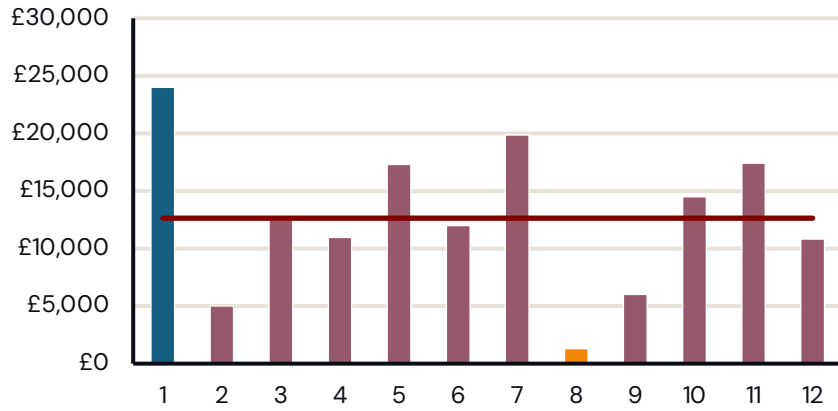
There are significant variances in how much administrators charge for straight administration across scheme sizes. But this is particularly evident for smaller schemes. Depending on their administrator, trustees could pay 7 times more for practically the same service.

**It's time to check the detail!**

3

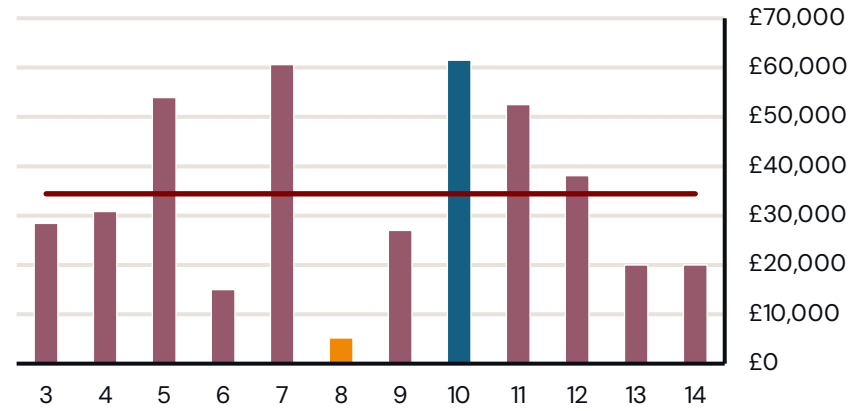
Pensioner Payroll

500 life scheme



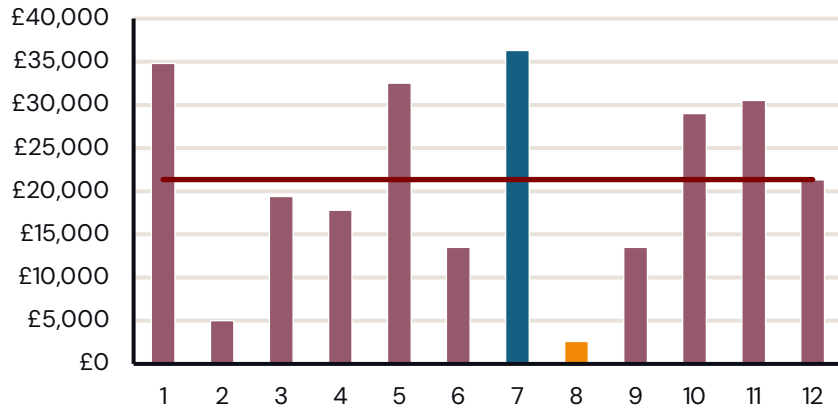
Highest Fee £24,000 | Average Fee £12,635 | Lowest Fee £1,300

2,000 life scheme



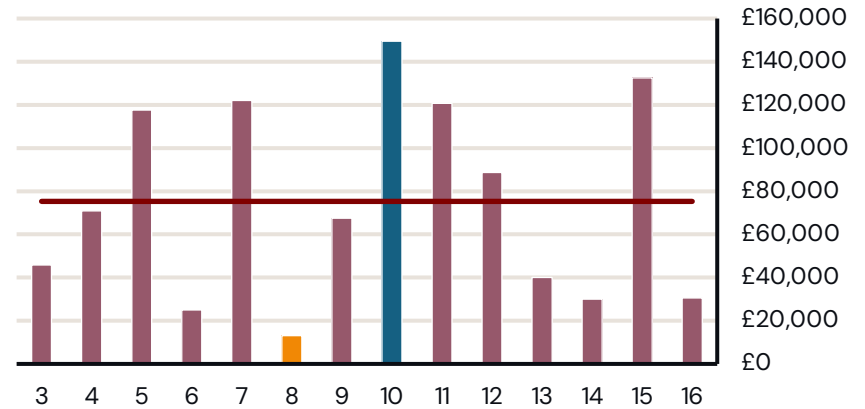
Highest Fee £61,500 | Average Fee £34,426 | Lowest Fee £5,200

1,000 life scheme



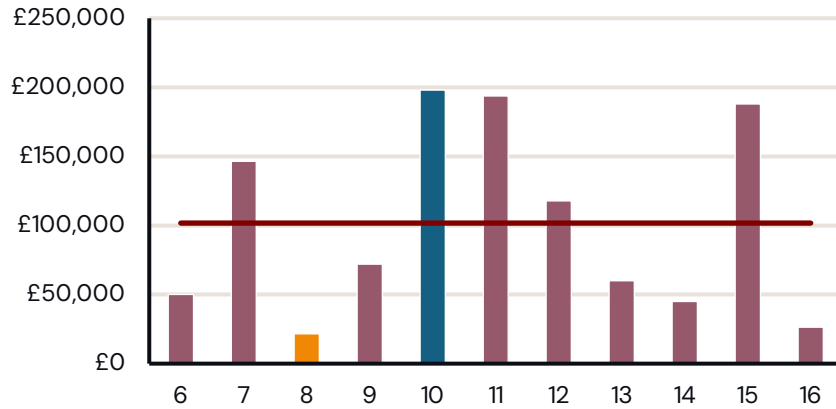
Highest Fee £36,300 | Average Fee £21,351 | Lowest Fee £2,600

5,000 life scheme



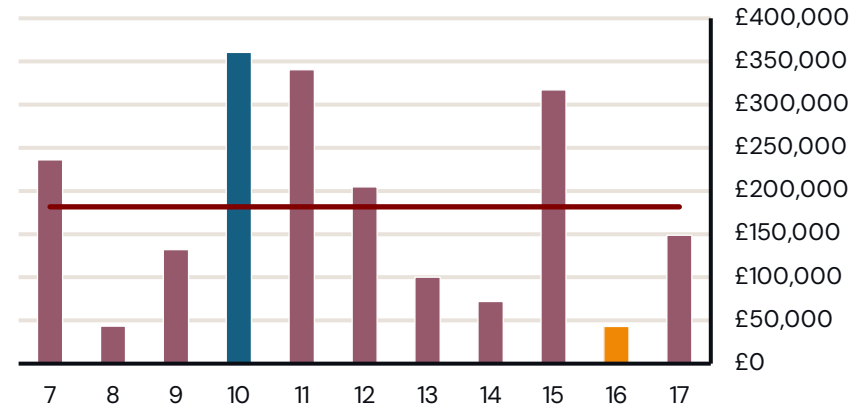
Highest Fee £149,500 | Average Fee £75,293 | Lowest Fee £13,100

10,000 life scheme



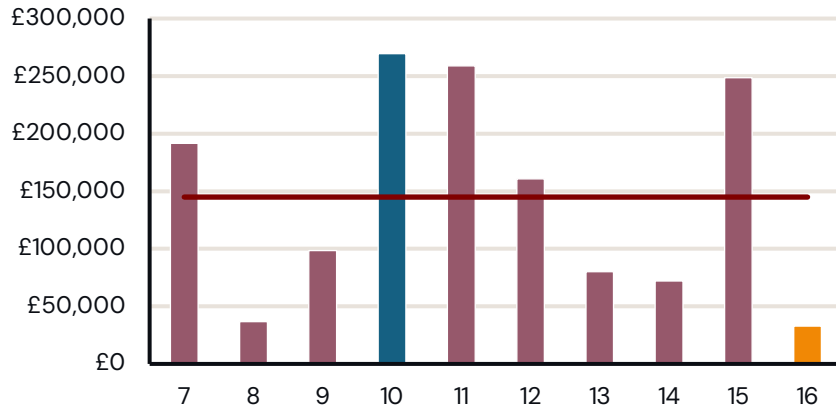
Highest Fee £198,000 | Average Fee £101,734 | Lowest Fee £21,600

20,000 life scheme



Highest Fee £360,500 | Average Fee £181,615 | Lowest Fee £43,101

15,000 life scheme



Highest Fee £269,500 | Average Fee £144,929 | Lowest Fee £32,844

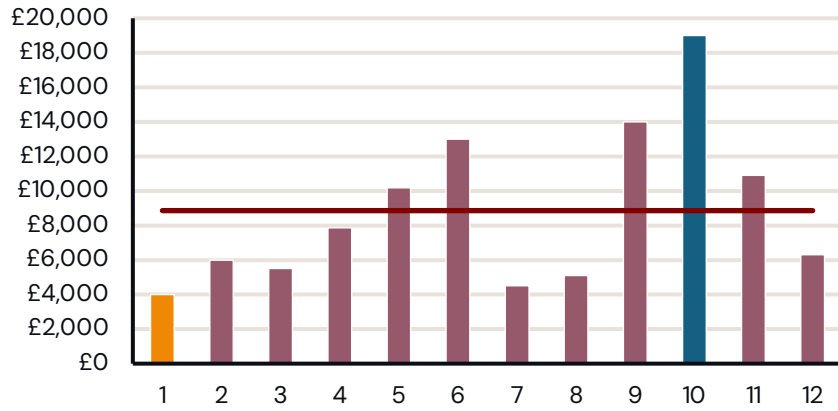
There's no consistency in paying pensions. Across all scheme sizes, trustees could pay materially more for looking after their pensioners. But again, it's the smaller scheme trustees who could end up paying on average nearly 15 times more for practically the same service.

**It's time to have a conversation!**

4

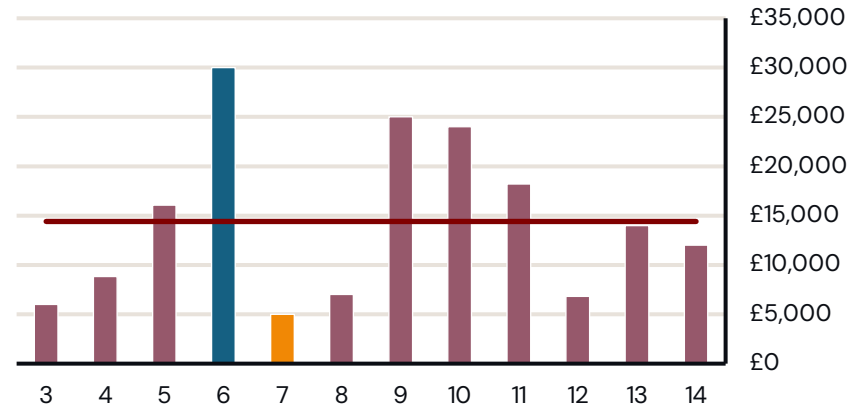
Treasury & Accounts

500 life scheme



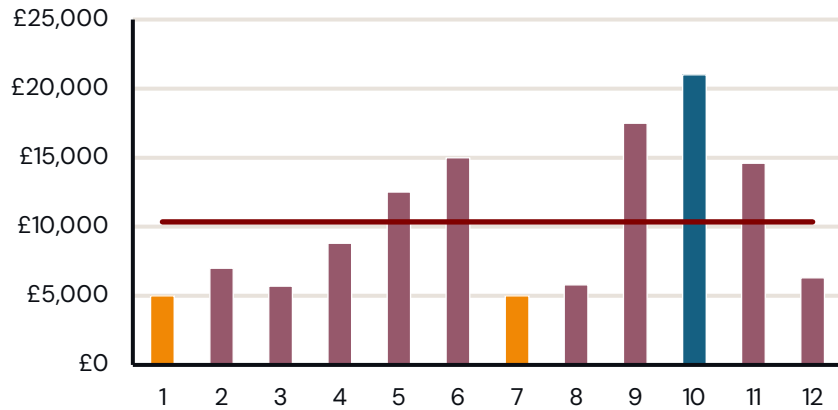
Highest Fee £19,000 | Average Fee £8,861 | Lowest Fee £4,000

2,000 life scheme



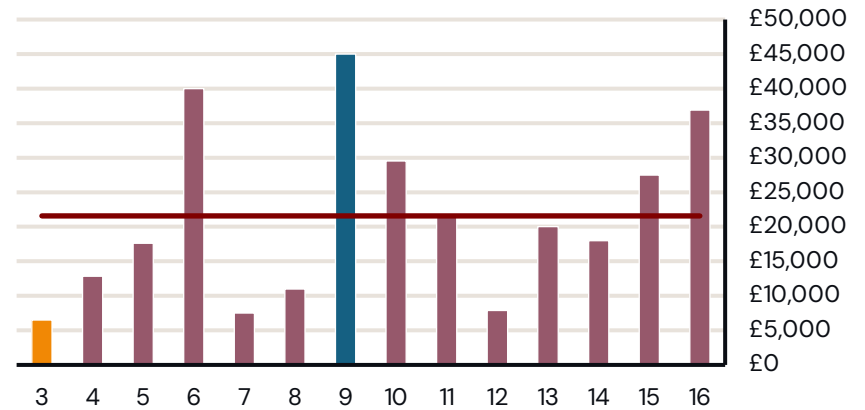
Highest Fee £30,000 | Average Fee £14,410 | Lowest Fee £5,000

1,000 life scheme



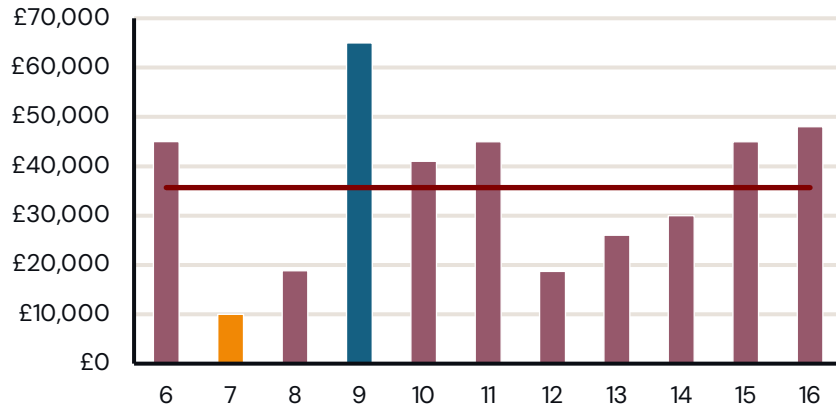
Highest Fee £21,000 | Average Fee £10,354 | Lowest Fee £5,000

5,000 life scheme



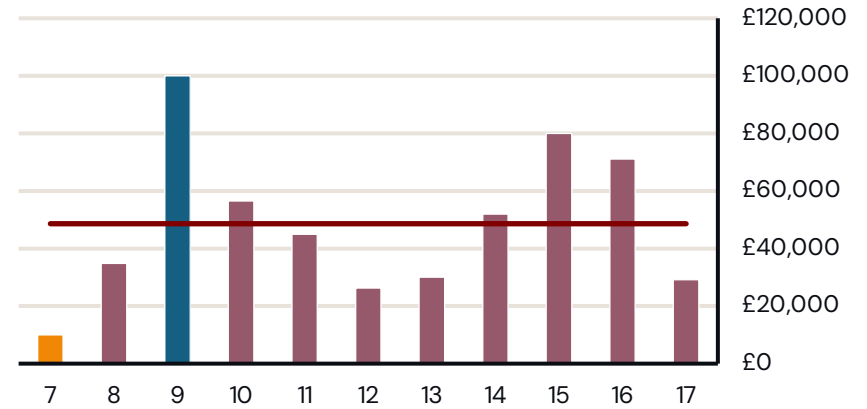
Highest Fee £45,000 | Average Fee £21,572 | Lowest Fee £6,500

10,000 life scheme



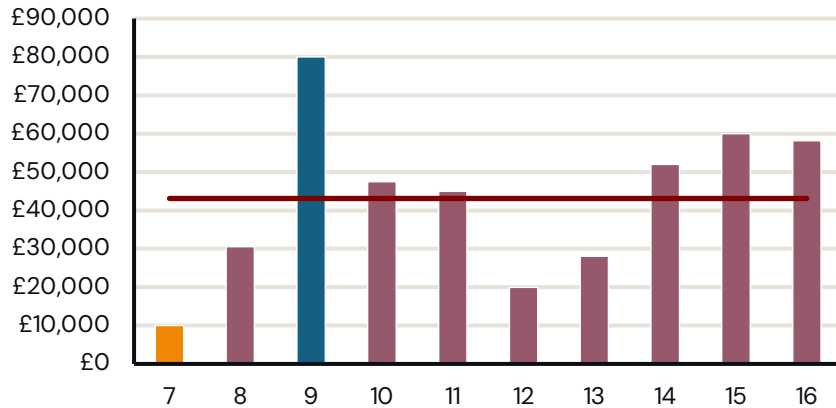
Highest Fee £65,000 | Average Fee £35,681 | Lowest Fee £10,000

20,000 life scheme



Highest Fee £100,000 | Average Fee £48,614 | Lowest Fee £10,000

15,000 life scheme



Highest Fee £80,000 | Average Fee £43,107 | Lowest Fee £10,000

Given each administrator based their fees on the same scenarios, we're surprised at the variances in what's a standard service. Here it's the larger schemes which could potentially be paying up to 13 times more for this service.

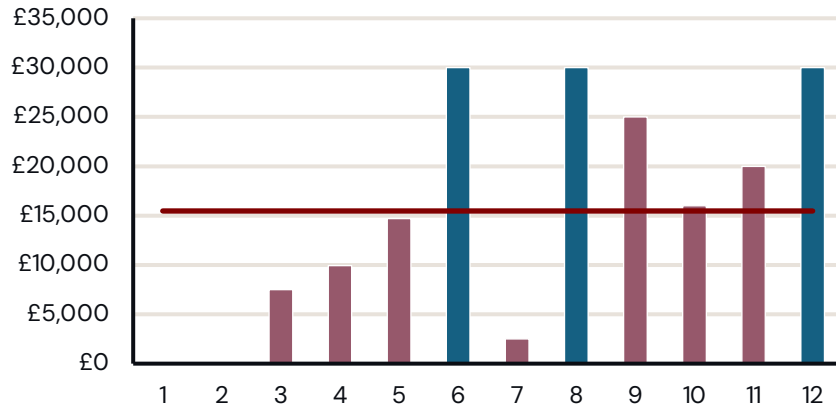
It's time to look at what's involved!



5

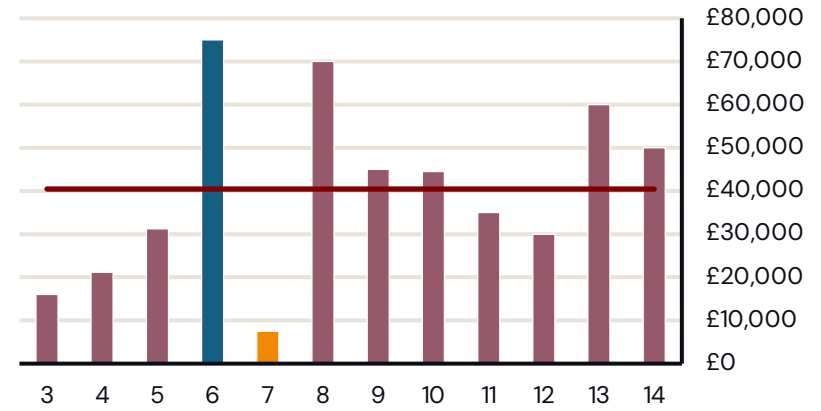
Implementation Fee

500 life scheme



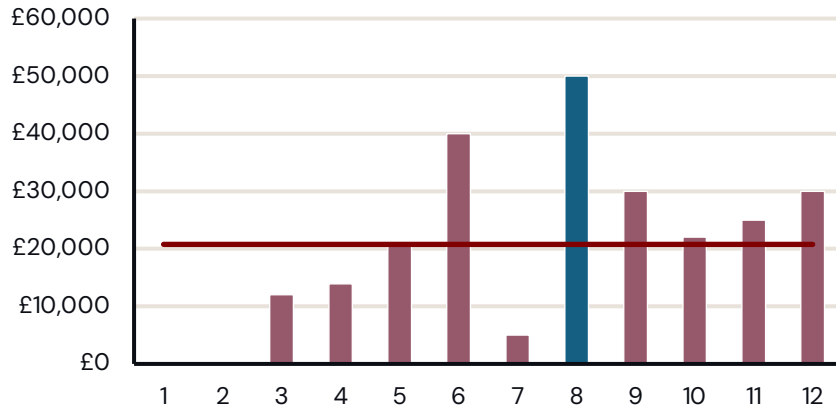
Highest Fee £30,000 | Average Fee £15,470 | Lowest Fee £0

2,000 life scheme



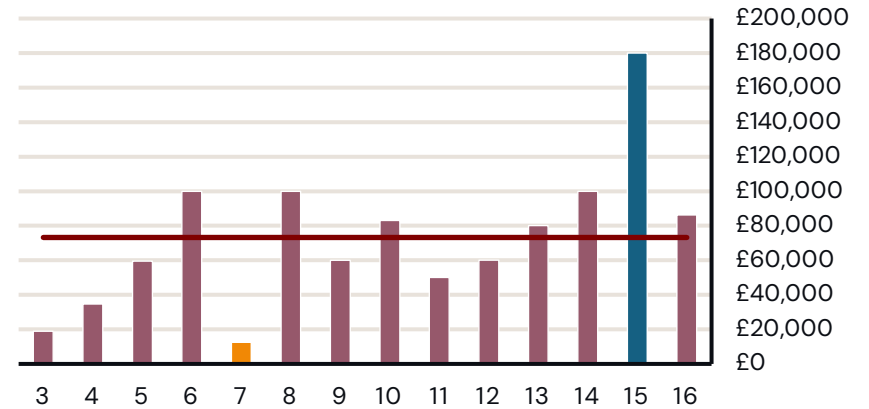
Highest Fee £75,000 | Average Fee £40,443 | Lowest Fee £7,500

1,000 life scheme



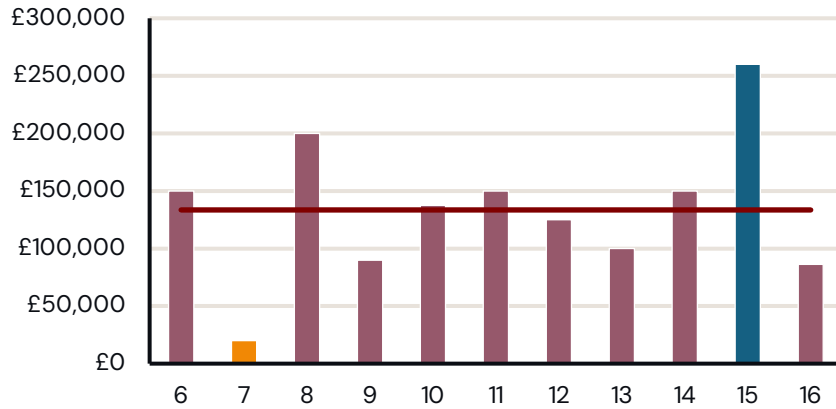
Highest Fee £50,000 | Average Fee £20,765 | Lowest Fee £0

5,000 life scheme



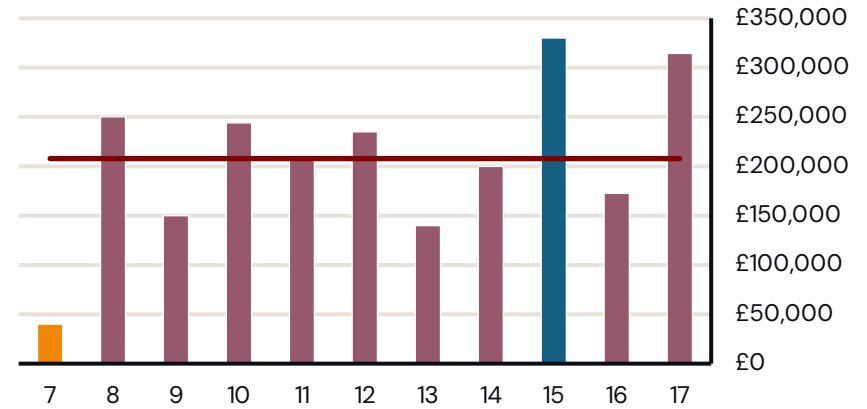
Highest Fee £180,000 | Average Fee £73,212 | Lowest Fee £12,500

10,000 life scheme



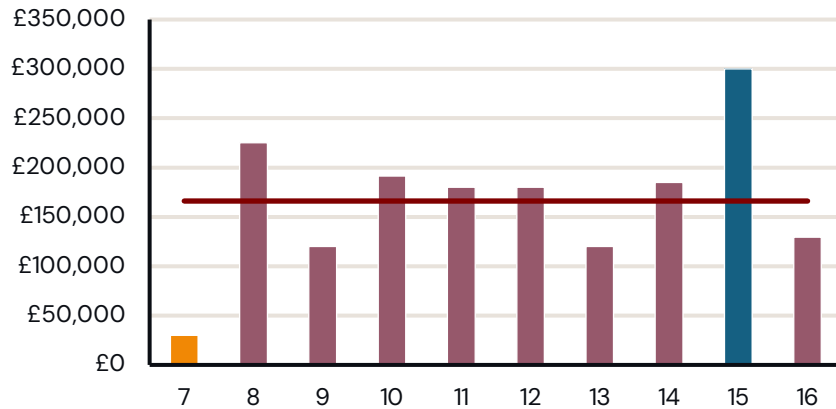
Highest Fee £260,000 | Average Fee £133,523 | Lowest Fee £20,000

20,000 life scheme



Highest Fee £330,000 | Average Fee £207,794 | Lowest Fee £40,000

15,000 life scheme



Highest Fee £300,000 | Average Fee £166,088 | Lowest Fee £30,000

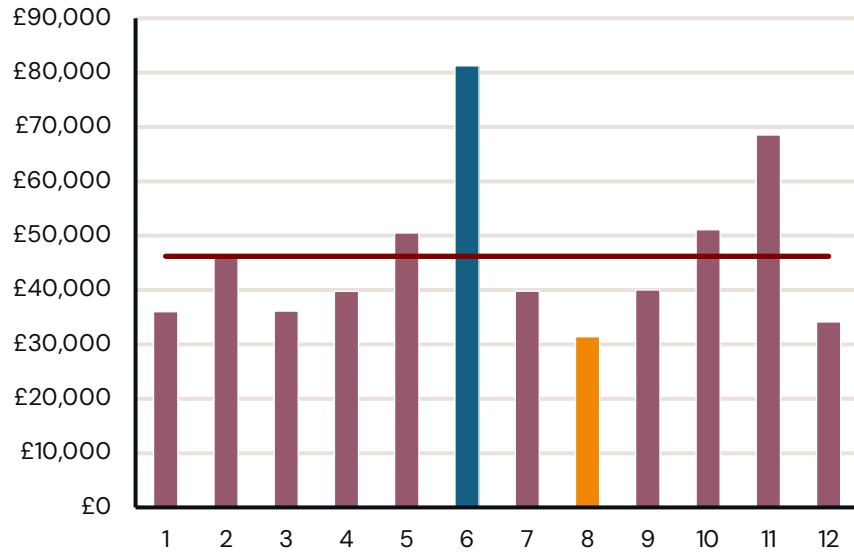
Implementing a scheme has to follow a structured process, but there's no standard approach to pricing. Some administrators don't charge or simply charge a token fee, while others charge for a proportion of the work they do.

**It's time to negotiate!**

6

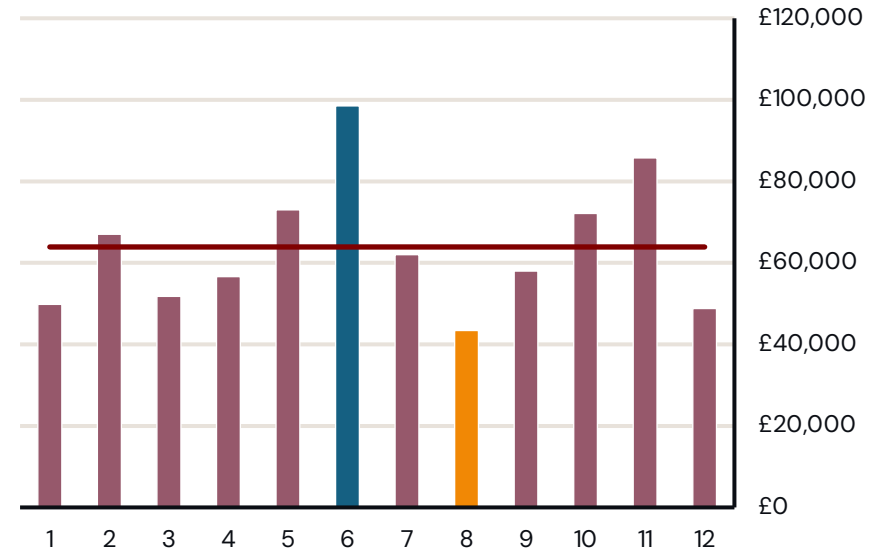
Year One

500 life scheme



Highest Fee £81,250 | Average Fee £46,206 | Lowest Fee £31,400

1,000 life scheme



Highest Fee £98,500 | Average Fee £63,898 | Lowest Fee £43,400

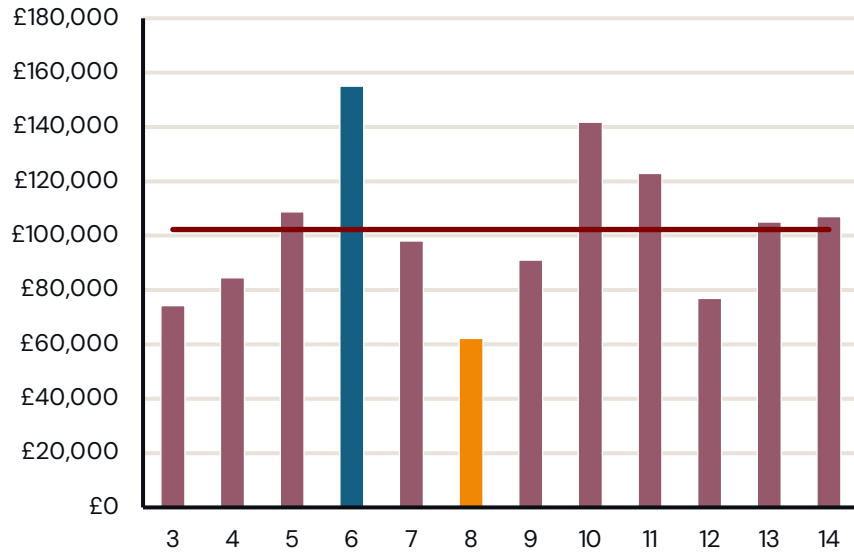
## UCM

Highest £162.50  
Average £92.41  
Lowest £62.80

## UCM

Highest £98.50  
Average £63.90  
Lowest £43.40

2,000 life scheme

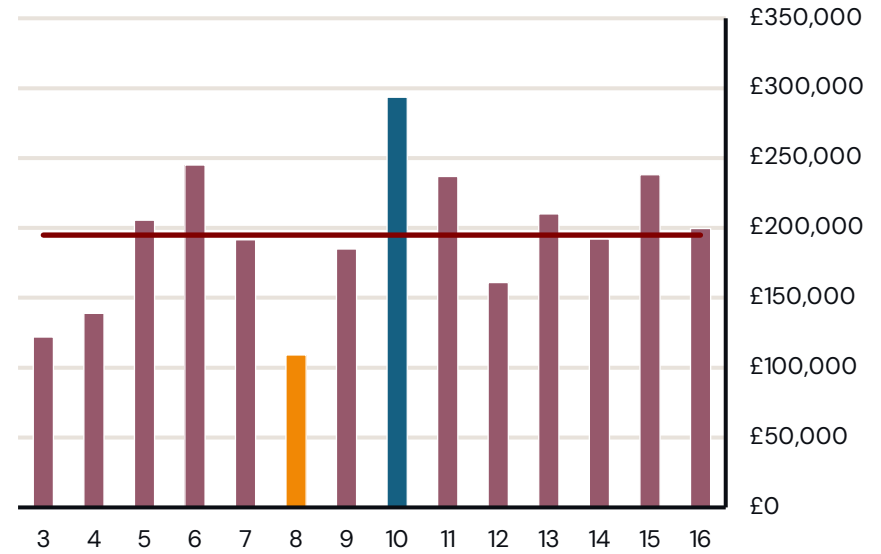


Highest Fee £155,000 | Average Fee £102,265 | Lowest Fee £62,200

**UCM**

Highest	£77.50
Average	£51.13
Lowest	£31.10

5,000 life scheme

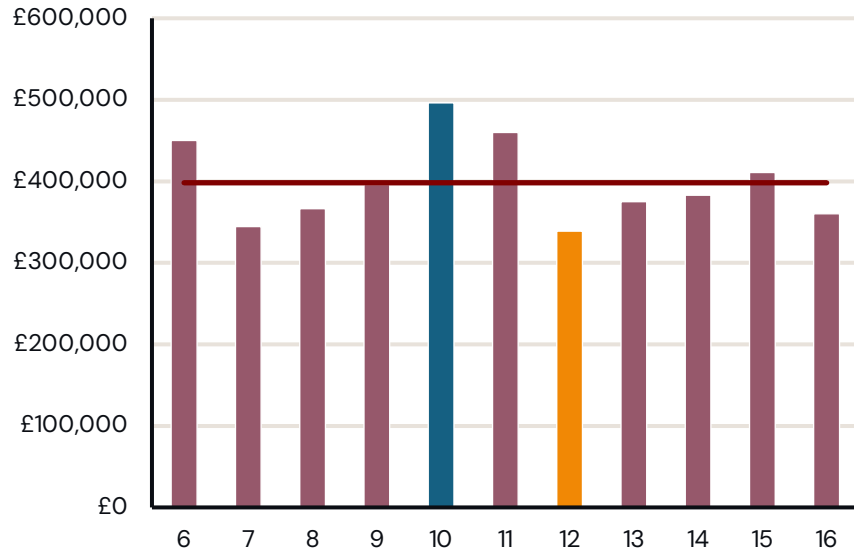


Highest Fee £293,500 | Average Fee £194,853 | Lowest Fee £109,100

**UCM**

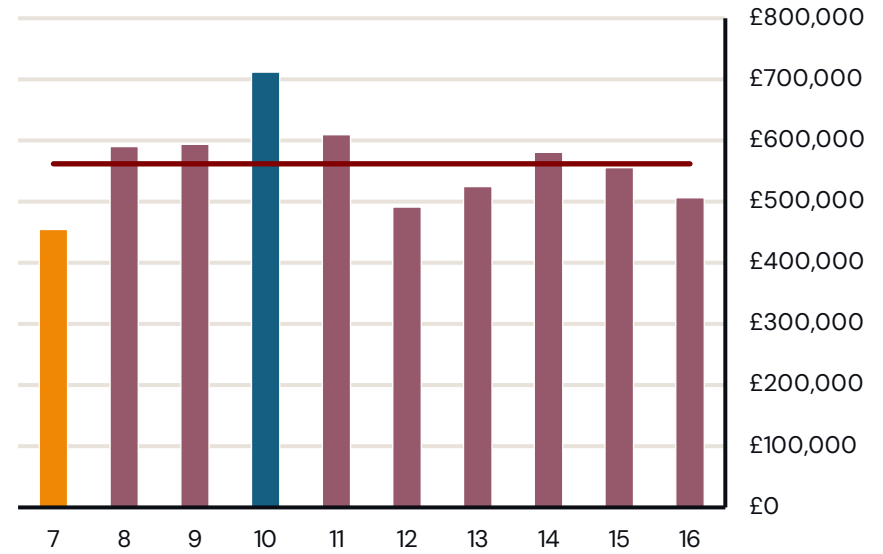
Highest	£58.70
Average	£38.97
Lowest	£24.40

10,000 life scheme



Highest Fee £496,200 | Average Fee £398,240 | Lowest Fee £338,850

15,000 life scheme



Highest Fee £711,900 | Average Fee £561,980 | Lowest Fee £454,600

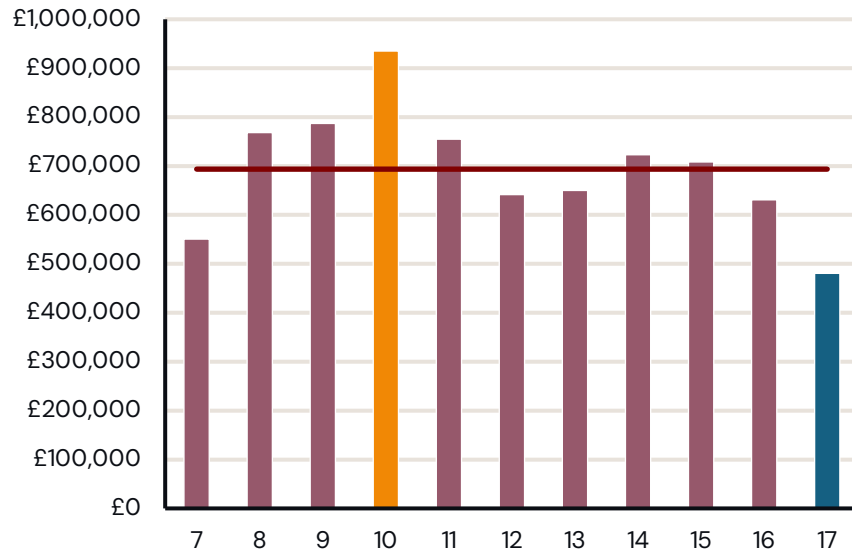
### UCM

Highest £49.62  
 Average £39.82  
 Lowest £33.89

### UCM

Highest £47.46  
 Average £37.47  
 Lowest £30.31

20,000 life scheme



Size does matter as shown by the UCM, but some administrators still believe they can provide a cost effective value for money service.

It's time to demonstrate this or small schemes will disappear!

Highest Fee £935,000 | Average Fee £693,631 | Lowest Fee £480,580

## UCM

Highest	£46.75
Average	£34.68
Lowest	£24.03



7

Online

# Web Services

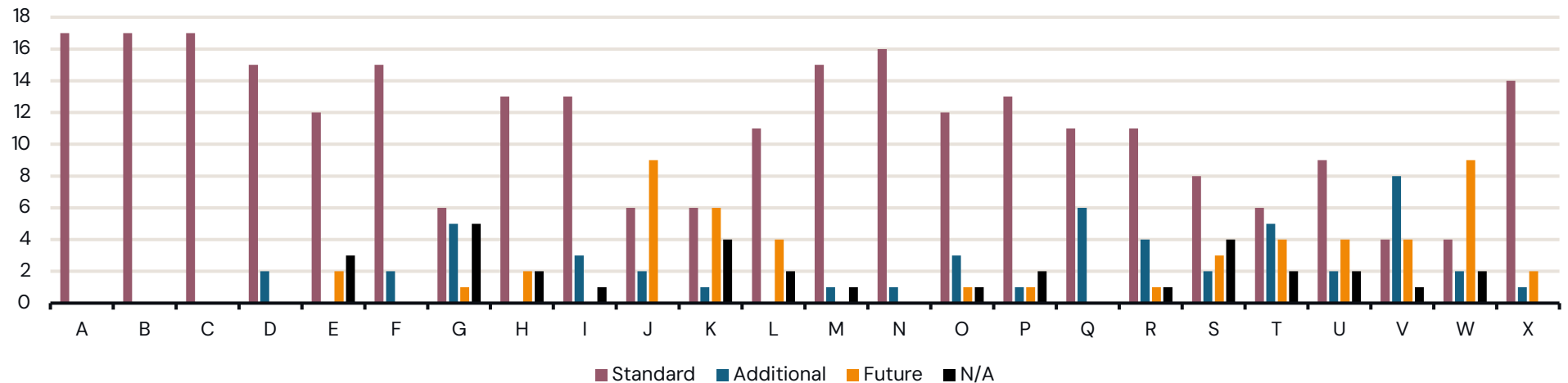
Trustees should work with their administrator to decide what functionality will suit their membership best. Just because an administrator can offer certain functionality doesn't always mean it'll be useful to everyone. Below are online services you can expect administrators to offer, some may offer all and others may still be developing their web capabilities.

Column	Functionality
A	Member Real Time Access
B	Personal Data Management
C	Expression of Wish Forms
D	What if calculations - DB
E	What if calculations - DC
F	Member Comms
G	Annuity Quotation
H	Switching
I	Online Transfer Quotes
J	Online Retirement - DB
K	Online Retirement - DC
L	Online Data Exchange

Column	Functionality
M	Standard Suite of Reports
N	Member Scheme Doc Library
O	Online SLA Reporting
P	Online Stewardship Reporting
Q	Branding
R	Third Party Real Time Access
S	Online Contribution Processing
T	Administration Link to Online Liability Modellers
U	Access to Workflow
V	Financial Education Tools
W	Interactive Online Assistance
x	Modern Communication Technologies

# Web Functionality

The graph below shows whether the firms offer the listed functionality as **standard**, **additional**, **future** or not currently considering offering to clients.



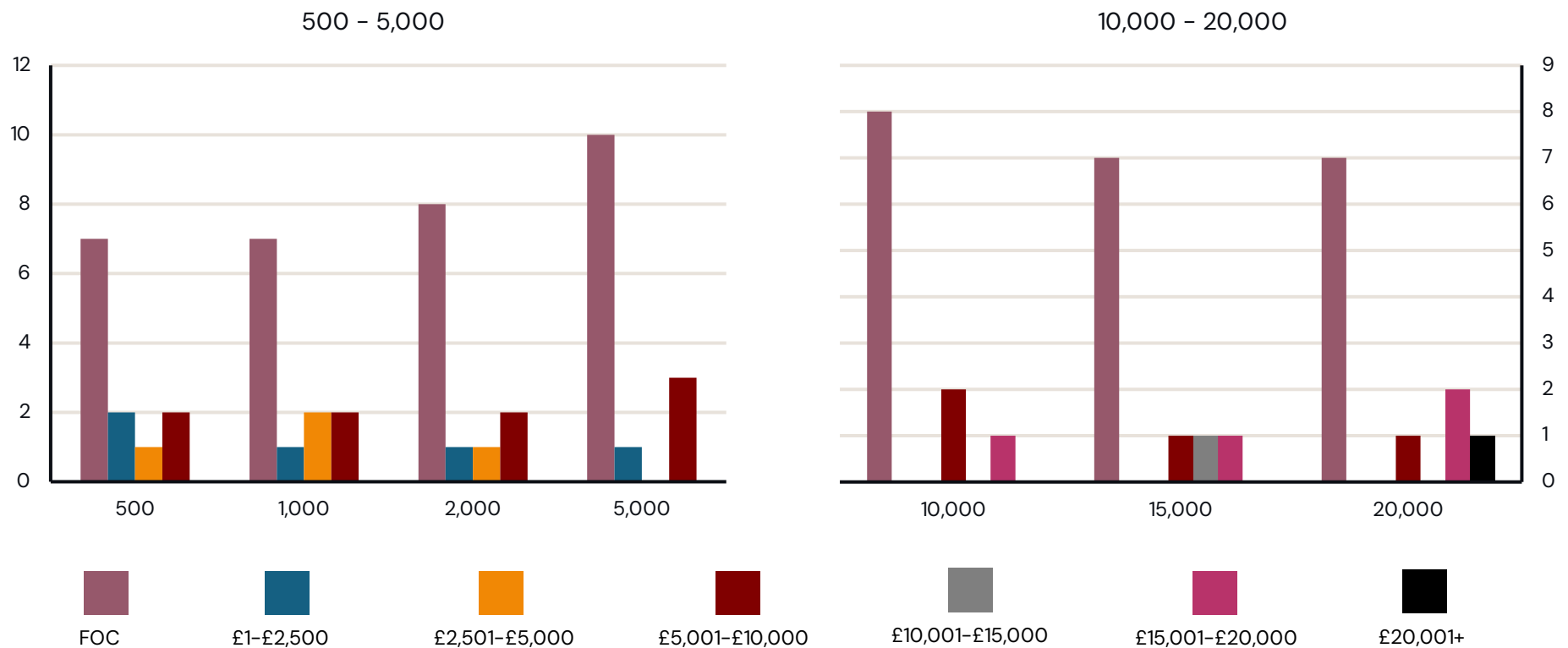
Member Real Time Access (column A), Personal Data Management (column B) and Expression of Wish Forms (column C) are offered as **standard** by all firms. What if calculations – DB (column D), Member Communications (column F), Switching (column H), Online Transfer Quotes (column I), Standard Suite of Reports (column M), Online Stewardship Reporting (column P) and Modern Communication Technologies (column X) are provided as **standard** by 75% or more of firms. Online Retirement – DB (column J) and Interactive Online Assistance (column W) are **future** developments over half of firms are considering implementing. There isn't really a consensus on what this interactive experience will look like, and so it will be interesting to see how user experience develops over time.

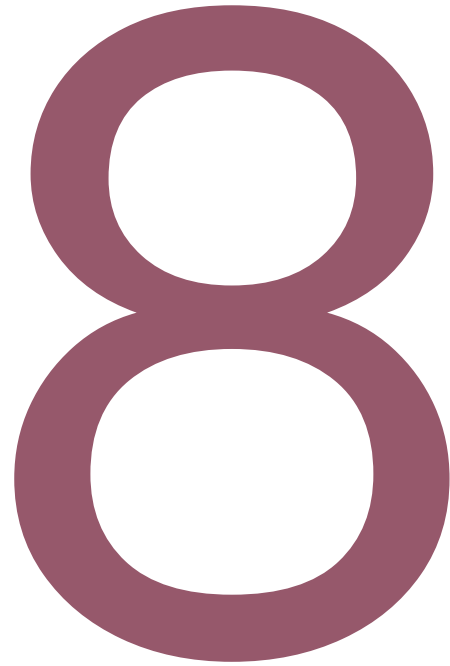
The improvement on what's included as standard is heartening, we're particularly pleased to see modern communications technologies and online transfer quotes becoming standard. The member journey is a common theme in administrators development roadmaps and we look forward to seeing further improvements to the standard web offering in our next survey.

# Web Costs

Many administrators continue to offer their standard web functionality at no charge – or as an implicit cost. Where there’s a charge, it’s tended to be £10,000 or less, but this year we’ve seen one administrator charging more than £20,000 for their standard web functionality. We’ll be keeping a watching brief on this.

Given the importance of member communication and the requirement for schemes to provide a website, it’s disappointing to see charging for this. No matter the type or size of scheme, digital communications is a necessity.





Trustee Engagement

# Trustee Meetings

Administration should be a standing item on the trustee agenda and we're pleased to see this is increasingly the case. Considering the significant role administration plays in implementing strategic decisions, it deserves a place at the table. How then do administrators provide for this within their core fees?

For smaller schemes with 500 to 1,000 members, they commonly have 2 trustee meetings. For schemes with 2,000 to 20,000 members, they typically meet quarterly. As the experts, administrators are key to trustees making informed decisions, but we find there's still a tendency to send consultants or CRMs instead. Often then charging an additional fee to have those who actually deliver the administration to attend.

Why pay for actuaries when administrators actually do the work?

It's time for administrators to be at the table.

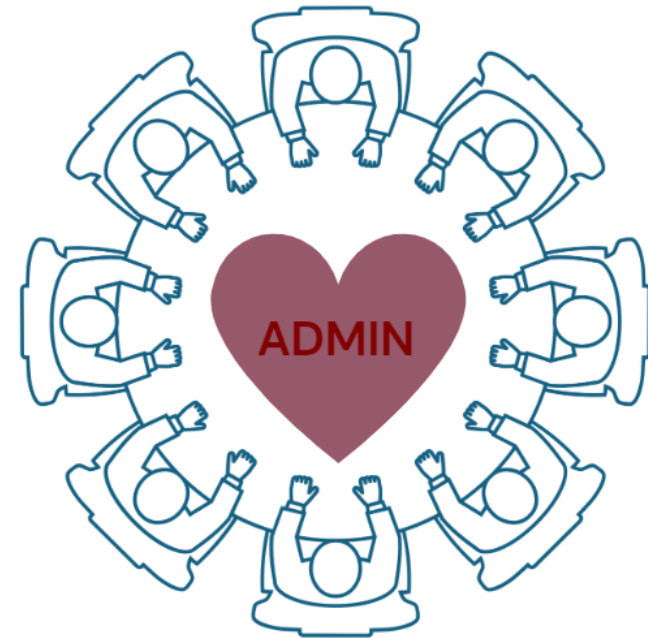


# Administration Meetings

The changing role of administration includes communications, project management, administration consulting and more. This makes it critical to set aside time and resources for detailed discussion outside of a scheduled trustee meeting. Do trustees appreciate administration meetings and do administrators look to provide them as standard?

The 500 and 1,000 life schemes typically aren't offered separate administration meetings. Given these same schemes tend to meet just twice a year to discuss all scheme business, this means administration issues and administration dependent projects will be squeezed. This is disappointing. Once schemes reach 2,000 lives and above they're offered quarterly administration meetings. However, we don't know if they take their administrators up on this. At the smaller end, one firm stated it offered 12 administration meetings, with a further firm offering 12 meetings for 5,000 – 20,000 life schemes.

All this is quite disappointing, as we'd hoped to see an improvement on previous years. Given the sheer volume of all of the administration dependent initiatives there are, everyone needs to be working closely together to ensure schemes remain compliant and members receive a good quality service.



We continue to be disappointed by the lack of engagement between trustees and administrators.

It's time to get realistic and engage with administration.

9

Core vs Non-Core

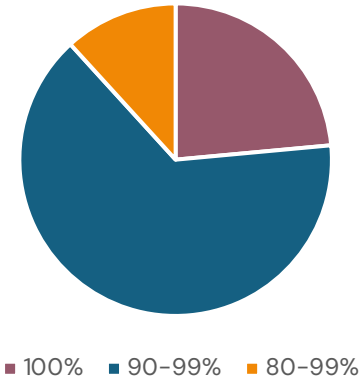


# Core

As industry and regulatory focus increasingly emphasises value for money, we're pleased our survey allows us to examine the services trustees receive, rather than just the fees they pay. This has been a perennial issue, highlighting how fees aren't the primary concern. Instead, the focus should be on the value and quality of the services provided for those fees.

As part of our review of services, we refined our scope of core services, removing certain items we expect administrators to provide without prompting and concentrating on newer expectations for core and ancillary services. The updated scope is detailed in Appendix A.

Our previous surveys have shown the majority of participants offer over 90% of the tasks we consider essential for delivering an administration service to clients. In this year's survey, two-thirds of administrators provide between 90% and 99% of these tasks, with only four administrators offering 100%.



With any service line, there'll be services falling outside of the core fees. We review these services to see whether they should remain as non-core, or should fall into core. Interestingly some trends are beginning to appear and we're seeing administrators not offering the following in their core service:

- Regular benefit calculation audits (41%)
- Insured Risk admin (35%)
- Scam service in line with PSIG's Code of Good Practice for Practitioners (18%)
- Bespoke Administration Stewardship Report (18%)

# When Core becomes Non-Core

While transfer activity may have slowed since the gilts crisis, overall member driven activity is still relatively high. Most of our participants apply an activity trigger averaging at 10%, this has remained stable over time. In our previous survey we had one administrator where the fees were unaffected by changes in member engagement, this time it's two. However there's now an administrator with a trigger of 40% for 10,000 life schemes and above, in our previous survey we saw a 30% trigger. All firms stated their activity triggers are negotiable.

We also can't ignore how increased activity levels are generating additional fees for administrators and costs for schemes, particularly those on old contracts. This is why automation and online functionality is rising in importance. But without good data nothing will change!

The cost of breaching trigger levels varies from administrator to administrator – and the difference is material. Some charge the same amount across each scheme sizes, others charge bigger schemes less.

We feel this is unfair to smaller schemes, where a 10% trigger can be breached easily. For all scheme sizes we see costs per transaction ranging from £50 – £300, with £200 being the most common cost across the board.

Higher core fees

Lower core fees

Higher trigger point

Lower trigger point

Reduced risk of ad hoc fees

Increased risk of ad hoc fees



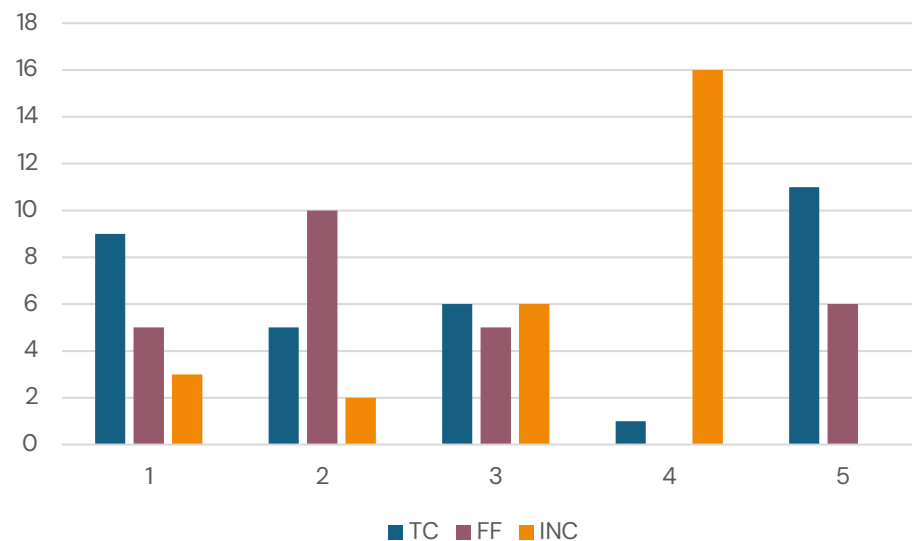
**Certainty vs Uncertainty**

# Non-Core

During the year there may be circumstances where a scheme requires additional services, and these often come with a price tag. Below, we've listed some tasks we consider non-core, meaning they fall outside the standard services an administrator typically provides. We asked administrators to indicate whether these five tasks would be **included in the core fee**, charged at an **additional fixed fee**, or provided on a **time/cost basis**.

Task 4 (liaising on administration matters) would be **included in the core fee** for all administrators, except one. Task 3 (provision of additional member data) was a mixed bag. For Task 5 (M&A activity), many would provide this on a **time/cost basis** because the effort is completely unknown, although six administrators would carry this out for an **additional fixed fee**.

Task	Description
1	Attendance at extra trustee meetings when required
2	Enhanced reporting i.e. over and above Stewardship Report
3	Provision of additional member data to other third parties
4	Liaise with trustees on scheme administration matters as and when required
5	Merger/sale/acquisition work



# Value for Money – what does this mean for you?

Value for money can mean different things to different people and this is no exception for pension schemes and those governing them. Trustee Boards need to consider what value for money looks like for their members, their sponsoring employer and also themselves, then find a solution encompassing all stakeholders. The value for money question should be asked regularly, particularly after any substantial changes affecting the scheme. The table below shows the highest and lowest fees for each scheme size and their associated percentage of core tasks (listed in Appendix A). As you can see, just because you're paying more doesn't mean you're getting more. Let's look at some examples:

	500	1,000	2,000	5,000	10,000	15,000	20,000
Highest £	81,250	98,500	155,000	293,500	496,200	711,900	935,000
Highest %	97	97	97	97	97	97	97
Lowest £	31,400	43,400	62,200	109,100	338,850	454,600	480,580
Lowest %	86	86	86	86	100	95	97

Note for all schemes sizes if you pay less you get less, with the exception of the 10,000 life scheme. We strongly advise trustees look at fees and services together before making any decisions, as well as regularly reviewing their Administration Agreements and Scope of Services. Any changes to the scheme and/or services which aren't reflected could lead to the service being out of step with the Agreement and easily avoidable issues and misunderstandings arising.

Moral of the story, don't get hung up on fees.

It's time to look at VFM holistically.

10

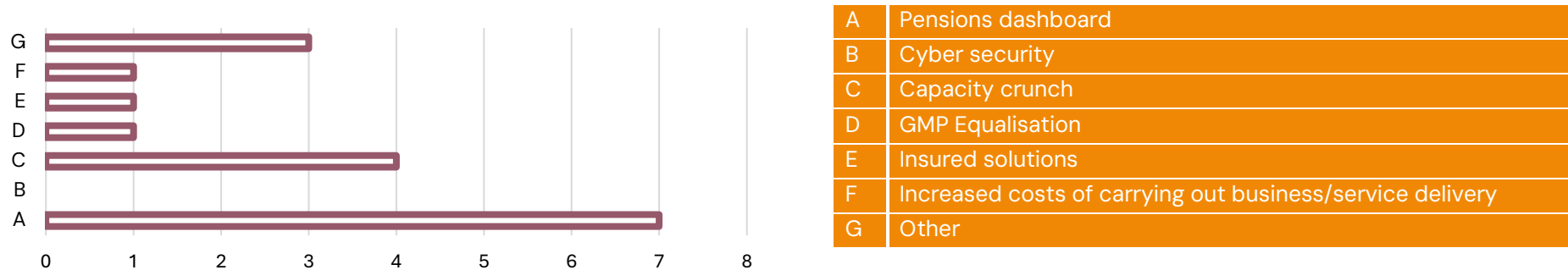
Industry Perspective

# What do the administrators have to say...?

With each survey, we take the opportunity to ask what's affecting the industry, any concerns, trends and thoughts our participants have. Our most recent set of questions had mixed responses but also some strong messages.

Administrators are experiencing significant pressure and frustration due to the constant changes and the regulatory uncertainty surrounding them. Last-minute details, unclear guidance, and reliance on others force them to implement changes at an unhealthy pace. They feel undervalued and unappreciated. While some say administrators complain a lot, perhaps they have valid reasons for their dissatisfaction?

**Q1. What do you see having the biggest impact on administration over the next 12-18 months?**



It's unsurprising the majority of respondents felt the implementation of pensions dashboards would have the biggest impact. This isn't just in the preparation, such as data cleansing and building the infrastructure but post the Dashboards Available Point (DAP), additional work will be created once people start using the dashboards and inundating administrators with queries.

There were some interesting thoughts in the responses to 'Other'. One in particular was concerned over the drive to consolidate small schemes, with the inference the industry couldn't service them or provide good quality services for a reasonable price:

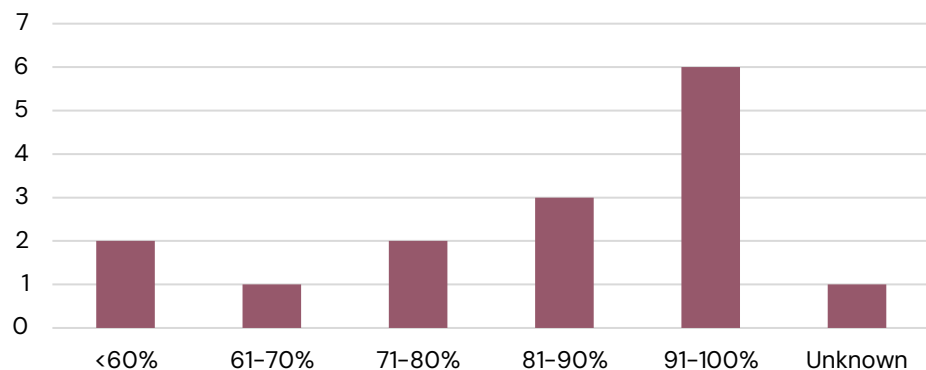


Our concern is that the TPR appears to be stepping up their campaign to encourage smaller schemes to consolidate into larger master trust type arrangements. We do not accept their arguments for consolidation and believe that smaller schemes are better served by specialist providers who can adopt a more bespoke, personal and flexible approach. Any moves to actively incentivize moves to consolidated arrangements (particularly if it is via "penalties" such as the proposed change the PPF administration levy), will cause further disruption to the industry and may result in poor decision making with far reaching consequences



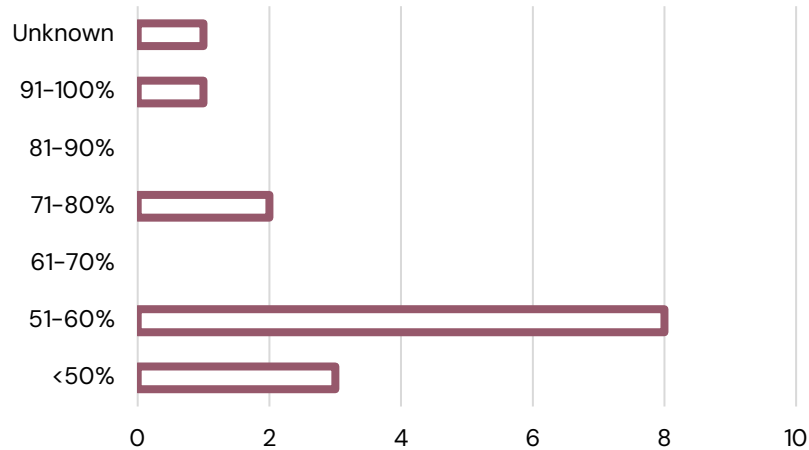
Given the drive for the industry to sort out GMP once and for all, it obviously falls mainly on administrators to tackle the work. We're now hearing all about GMP Equalisation (GMPE) but have we finished GMP rectification or even reconciliation yet?

## Q2. What percentage of your schemes have completed GMP reconciliation?



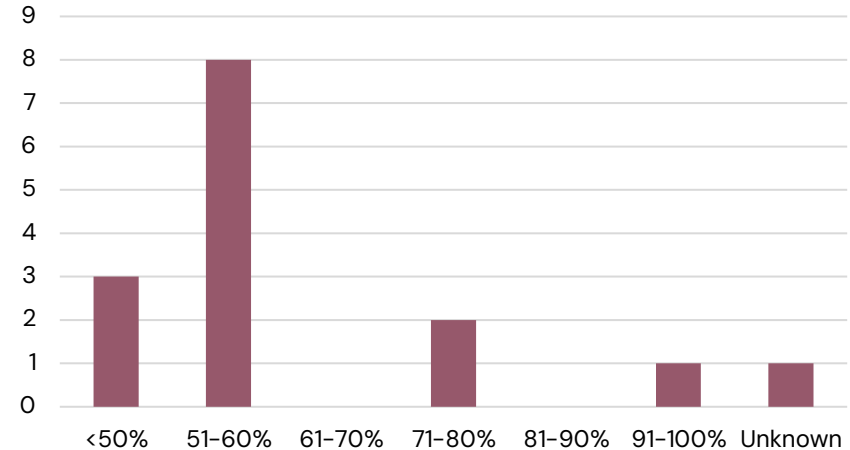
It's disappointing more than half of the administrators still haven't completed GMP reconciliation given it's only the first step to completing this project. Two respondents had very low completion rates and one didn't know how many were complete.

Q3. What percentage of your schemes have completed GMP rectification?



Only one respondent had completed over 90% of its schemes' rectification, with the majority being circa halfway through their client base. It makes for difficult reading when many in the industry outside administration talking about it as if this stage is finished and are focusing on GMPE.

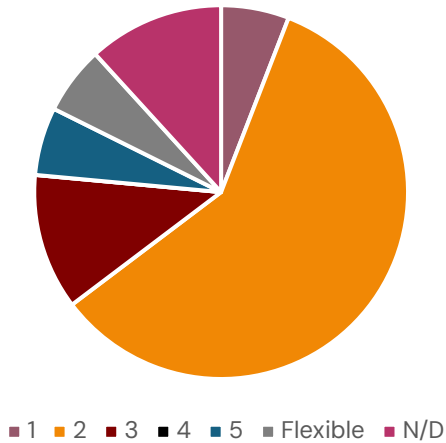
Q4. What percentage of your schemes have decided on a GMPE method?



Despite the assertions in the pensions press indicating GMPE is well underway and should be almost finished, the responses demonstrate a different picture. Deciding on the methodology for GMPE is only the beginning of a long process involving, data cleanse, calculations, further data refinements and communications to members. Not forgetting lots of legal and actuarial advice along the way. GMPE has a long way to go before it's finished for the majority of schemes affected.



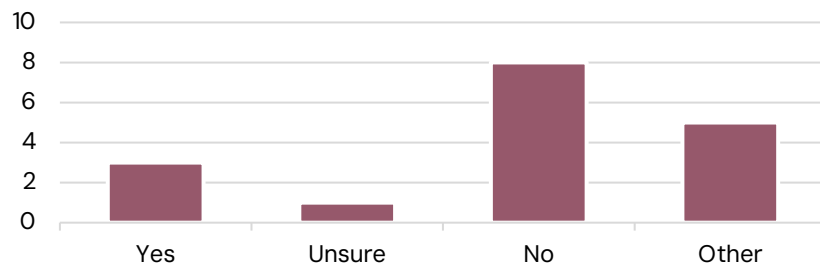
### Q5. How many days are your administrators expected to be in the office?



While it's four years since the pandemic, things haven't returned to how they were before. Our respondents were generally very positive about flexible or hybrid working arrangements, with their people mostly expected to be in the office for **two** days. Those who responded **flexible** encouraged two days or set it as an expectation as opposed to a mandate. Only one respondent required administrators to be in for **five days**.

Given capacity crunch remains an issue, we understand the desire to offer more flexible working options. Remote working allows respondents to cast their recruitment net wider.

### Q6. Do you think administration should be a regulated business?



Most administrators believe administration shouldn't be regulated. This isn't really surprising given how it will place additional compliance costs on administration businesses. Those who replied 'other' responses pointed to their businesses already being FCA regulated due to other service lines.

Q7. If yes, by whom?

Other	3
TPR	2
FCA	1
New Body	1

Not many responded to this question and indecision seems rife.

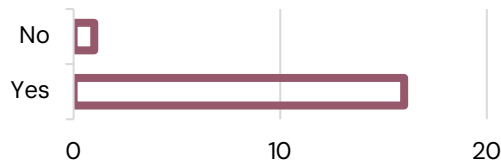
One commented:



Rather than 'who' will be responsible for regulating administration, the key will be to ensure consistency between existing TPR and FCA approaches. Unlike many other third party administration providers, we are already FCA-regulated

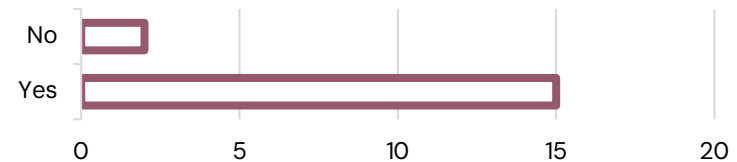


Q8. Have you formally appointed a dashboards ISP?



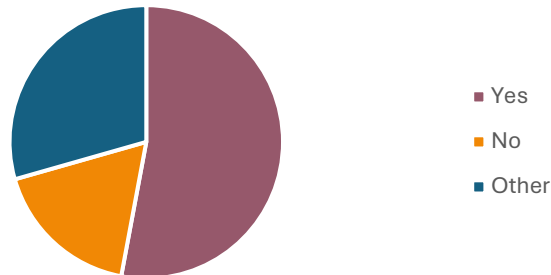
It's comforting to see all but one respondent has selected an Integrated Service Provider, or ISP.

Q9. Do you have a timetable prepared for dashboard connection?



A positive picture, with administrators looking to get planning of resources and systems amendments in place.

Q10. If yes, has this been communicated to clients?



Where administrators replied other, several were waiting on further guidance with others having communications in draft, only three providers responded a clear no. If we delve into the next two questions, we can see disgruntlement from administrators on the lack of clarity and not just around dashboards.

Q11. How would you solve the capacity crunch?

KGC has documented administrators' struggle for resources in articles and our previous survey results. So we asked how they're solving the problem and they responded....



Until companies and trustees recognise the value of good admin and are prepared to pay properly for it, TPAs won't be able to attract and retain the most talented individuals. Paying a trainee administrator the same as a trainee consultant and providing a similar career and pay trajectory would help this situation. Unfortunately TPAs underquoting fees in tender exercises in order to win business reemphasises the incorrect undervaluing of the services provided, and means that the profit margins are too small to pay attractive wages.



We are looking to solve it through increased use of offshore support, but fundamentally requires clients to pay more to attract/retain experienced administrators into administration rather than governance or consulting roles



In the UK currently, obtaining quality experienced staff is problematic in every industry. However, the DB administration market is probably more affected than other areas due to the complex and technical nature of the work and the lack of really long-term (20 years plus) career prospects. There is no easy solution but through the exceptional training and development programmes we offer at all levels (apprenticeship, graduate and other entry levels) combined with above market salaries and benefits we believe we combat this.



Accelerated early careers programmes. continue to automate the living daylights out of benefit calculations and all repeatable activities.



We are looking to solve it through increased use of offshore support, but fundamentally requires clients to pay more to attract/retain experienced administrators into administration rather than governance or consulting roles



Pension administration operations in the UK are close to capacity. Bandwidth is at a premium. The upcoming legislative and regulatory agenda will place extreme pressure on delivery. Either we change how we work, or the outcomes will worsen. Pension administration providers in the UK must strive for future sustainability.

Administrators recognise the issues they have but they want to be paid a fair rate for a professional service. The lack of recompense comparable to other service lines such as legal/actuarial or investment effectively starved administration of investment in people and technology. But this isn't just a one sided argument. Margins in administration are generally low and for some administrators, those with the purse strings have held back on the spend needed for true business transformation. Unfortunately this lack of investment from both sides has come home to roost at a crucial time for the industry.

## Q12. Any additional thoughts from administrators?

We asked the question and administrators didn't hold back.



The DWP and TPR do not seem to listen to what providers are saying. BAU workloads are at a plus 50% pre-lockdown level, the pause in pensions dashboard meant some schemes started looking at GMPE and following the Truss budget lots of schemes are pushing for buyout. However, we are being told that the dashboard program needs to be met with a 1 year reduction in timeframe. Resource is a struggle. The secret to surviving all this mayhem is collaboration with organisations like PASA and the PMI.



2023 has been another year of significant change for the industry, LTA, AA, Mansion House and the impact of the Scheme funding ratios following the LDI crisis to name but a few. We expect more of the same in 2024.



Pensions administration feels more difficult than it ever has before. It is increasingly difficult to attract and retain experienced staff and the volume of project work requires greater depth of subject matter expertise. There is still resistance to accepting that pensions administration is specialist, skilled work, rather than a commodity and paying appropriately.



As you will no doubt agree, pensions administration has long-since been the "poor relation" of the professional services procured by pension scheme trustees. And frustratingly for the industry there remains a perpetual "race to the bottom" as far as fees are concerned. We are proud to "buck this trend" and remain true to the need to place members at the heart of everything we do, invest regularly, develop innovation and improve operational efficiencies to drive cost control.



For the first time there appears to be a consensus among administrators – fees must go up to pay for recruitment and retention of people, and to allow them to develop the highly skilled subject matter experts needed. Alongside this, investment in technology to drag the industry into the 21st Century will enable delivery of the user experience people expect but don't receive at the moment.

11

Summary

# So, what do we do now...?

Our 12<sup>th</sup> Administration Survey highlights several critical insights into the current state and future direction of pension administration, as well as focusing on both the challenges and opportunities.



## Technology

People's expectation of how they can interact with their pension scheme is highly dependent on technology. There's a clear consensus pension administration needs significant investment in up to date systems and technologies to deliver this. Many administrators are struggling with legacy systems hindering their ability to deliver efficient and effective services to members



## Core Service Delivery

The results emphasise the importance of distinguishing between core and non-core services. While the majority of administrators provide most of the core services, there's variability in what's considered core, particularly with modern expectations and regulatory requirements



## Trustee Engagement

Good administration doesn't just need member engagement, regular engagement with trustees is vital. The survey indicates how administrators recognise the importance of being involved in strategic decision-making processes to ensure alignment and effective implementation of trustees' strategies



### Capacity Challenge

The ongoing capacity crunch is a significant concern, exacerbated by the lack of investment in both human resources and technology. Administrators are calling for a more realistic approach to addressing these issues, including better financial recognition of the value they provide



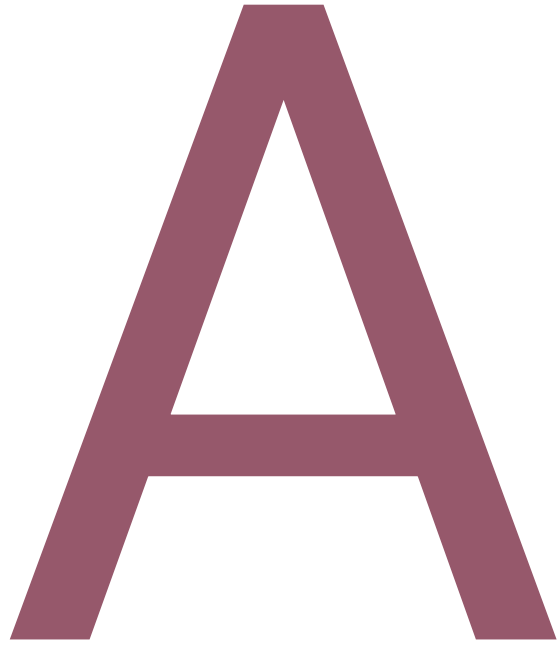
### Sustainability & the Future

Fees need to increase to address the recruitment, retention, and the technological upgrades needed to provide a 21<sup>st</sup> Century service. There's a question on whether current fee structures adequately support the necessary investments in personnel and technology, leading to a 'race to the bottom' compromising service quality. Despite the challenges, there's optimism with proper investment and strategic adjustments, the administration sector can improve its service delivery – emphasising value over cost will be crucial for future success

The survey results underscore the critical need for investment in both technology and people for good administration. Addressing these needs will require a concerted effort from all stakeholders, including administrators, trustees, and regulatory bodies, but also from the wider industry to ensure sustainable and high-quality service is delivered to pension scheme members.

It's time to invest in administration, through people and technology.



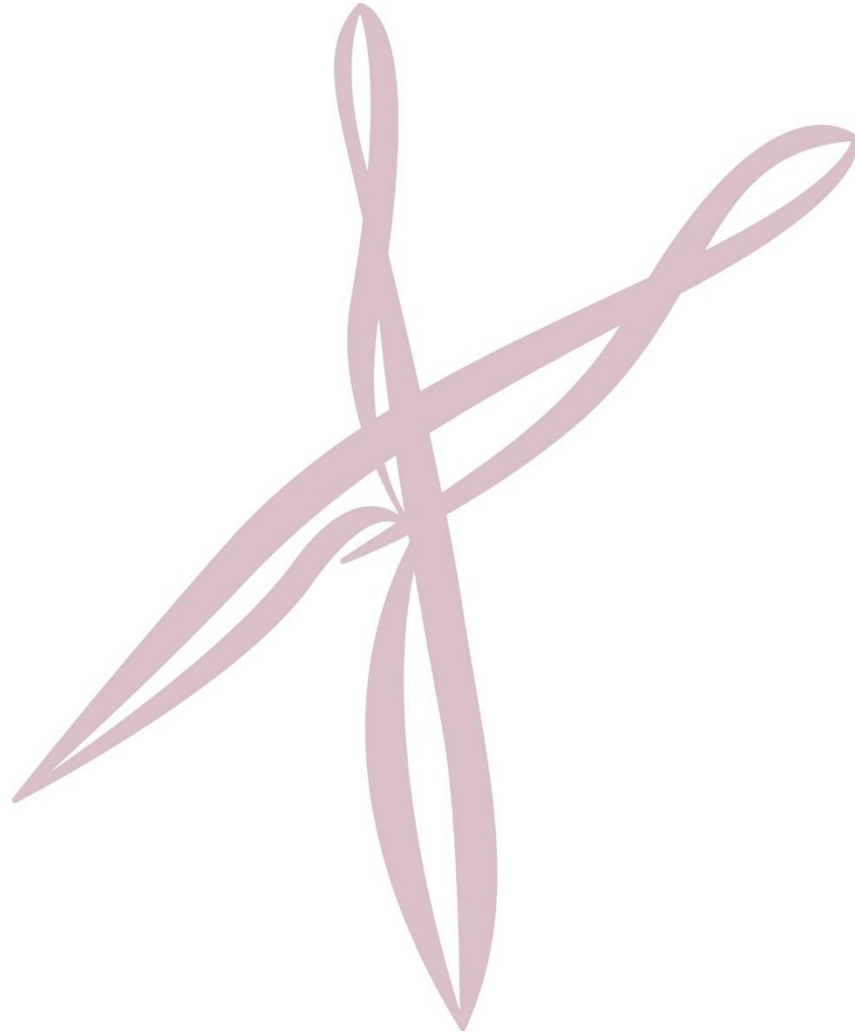
A large, bold, maroon-colored letter 'A' is centered in the upper half of the page. The letter is set against a white background that is framed by a dark teal border at the bottom and sides.

Appendix

# Services Provided

Below are the tasks we consider should be included in the core service

- Implement & maintain up to date membership records
- Calculate & advise benefits for DB retirements & deaths (deferred/pensioner)
- Provide options for DC at retirement & leavers
- Regular benefit calculation audits
- Dealing with DC transfers (in/out)
- Advance notification to trustees of forthcoming retirements
- Calculation of pension increases & notification to pensioners
- Bespoke administration stewardship report
- Input to & production of annual benefit statements (SMPI)
- TPR reporting requirements on behalf of the trustees
- Liaison with Investment Manager/Consultants/Scheme Actuary/Risk Benefit Provider/AVC Providers when required
- Administration of AVC arrangements including acting as lead Administrator to AVC providers
- Co-ordination & distribution of annual AVC statements
- Production & safekeeping of members' Expression of Wish forms
- Direct branded telephone/email for members
- Monitor payment of contributions schedule
- Provision of regular Management Information Statistics (MIS) to trustees of scheme activity
- Administration guide
- Automatic existence checking for pensioners (e.g. minimum monthly)
- Insured risk administration
- Provision of data for actuarial valuation
- Provision of a scam service in line with PSIG's Code of Good Practice for Practitioners
- Attendance at trustee meetings
- Educate the trustees on pension administration matters, give general advice on scheme administration activities
- Issue periodic communications to trustees on industry administration practice & developments
- Act as Scheme Practitioner
- Complete Tax Returns & deal with any payments to HMRC
- Management/operation of a Trustee bank account, cash & benefit payments
- Transaction summary (quarterly – minimum)
- Production of draft Annual Report & Accounts
- Arrange/facilitate annual audit
- Pay/claim tax & deal with HMRC, calculations of tax, LTA charge, unauthorised payments, refund of contributions & commutation payments
- Cashflow management – reconciliation of payments/receipts (monthly – minimum)/obtain & check bank statements
- Annual payslip production & periodic payslip of pension changes by more than £10
- Annual P60
- Provide LTA information to pensioners
- Pensioner correspondence & liaison with administration



Copyright Notice: This document contains information that is proprietary to KGC who has all rights of copyright in it. Any dissemination, distribution, reproduction, or disclosure in any form of the content of this document requires prior written permission of KGC.

© Copyright KGC Associates Ltd 2024

KGC Associates Limited | Registered in England & Wales Number 8202496  
Registered Office: Blencowe & Partners Limited, 15 High Street, Brackley, Northants NN13 7DH  
VAT Reg Number: 150 3688 17