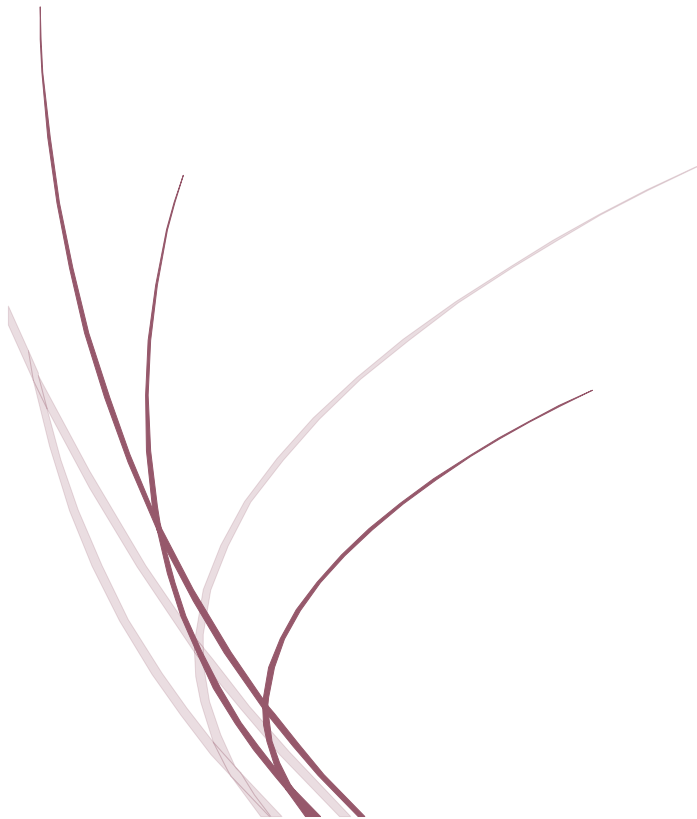




KGC associates



KGC's 7th Admin Survey

July 2016

FOREWORD

Welcome to the Seventh KGC Administration Survey. We would like to thank all firms who take the time and effort to complete our surveys. The input from a wide spectrum of providers makes for a more informative and useful report.

This may be the seventh survey, but it is the second featuring the new scheme scenarios introduced last year. The year on year comparison focuses mainly on industry views and service delivery.

As with the KGC Actuarial Survey, we have adopted a new layout. Providing concise statistical information at a glance which is easy to read, but still contains the important detail behind the numbers.

We continue to highlight our survey's aim. To assist in understanding what is value for money – the industry's intangible quest. The results continue to show the variance between fee levels and what services schemes receive in return. This supports our view that fees should not be the key driver in choosing or retaining a service provider.

Our survey remains the only independent source of data on fees, services and trends. Providing not only significant research, but also a forum for providers to voice concerns and/or issues they encounter or see on the horizon. It continues to be a vital snapshot of the market place and we hope you find it a useful tool. It is not intended to replace due diligence for trustees or providers, but we believe it is a good starting point.



Hayley Mudge
Report Author

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INTRODUCTION

INTRODUCTION

Earlier in 2016 20 firms accepted our invitation to participate in the Seventh KGC Administration Survey. The survey data was collected via Survey Monkey™, where each firm provided a fee for specific scenarios with a set of core services (see Appendix). In 2015 we amended the survey to reflect the current landscape and to futureproof the scenarios...for a while at least! The second year with new scenarios provides a good overview of the fees schemes can expect, but it is the additional services and industry view that provokes most interest.

To reflect the market, we asked the firms to cost for eight different scheme sizes covering 200, 500, 1,000, 2,000, 5,000, 10,000, 15,000 and 20,000 lives.

This reports illustrates fees for the four main components, administration, pensioner costs, treasury and accounts as well as implementation*. However it is important to appreciate this survey has never been purely about fees, it takes into account what clients can expect for those fees. Trustees must now demonstrate value for money, this survey enables trustees to have an initial view of how their schemes' fees stack up against the market. We note no two schemes are the same, but it does enable trustees to begin to think more carefully about the services they receive and whether they reflect what is needed and the quality they experience.

*For 2016 implementation is no longer included in total year one costs, and all year on year comparisons have been amended for consistency.

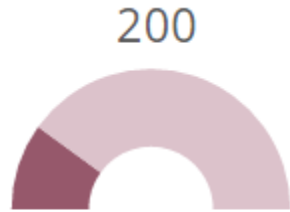
SCENARIO ASSUMPTIONS

Participating firms costed specific scenarios across the range of scheme sizes. No account was made for the asset size of each scheme.

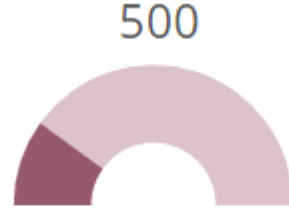
The scenarios were updated in 2015 to reflect developments in modern pension scheme design, they remain the same for 2016 and are as follows:

- Scheme sizes 200 and 500 are purely DB and are closed to new entrants and future accrual
- Larger schemes are dual sectioned with the DB section closed to new members and future accrual, the DC section is open to new members who are either annuitised or transferred out to take advantage of DC freedoms (no DC freedoms offered via the scheme)
- Providers were asked to assume two banks accounts, one for each section for transparency purposes
- For DB section providers were asked to assume:
 - One pensioner payroll
 - One payslip per annum with payslip variance in place set at £10
 - Pension increases set at a common date
- For the DC section providers to assume:
 - 3 lifestyle choices
 - DC fund platform with access to 10 funds
 - DC OMO via a broker, fees to be incorporated within core fees
- Data to be assumed as in a normal state, i.e. the usual odd missing fields here and there

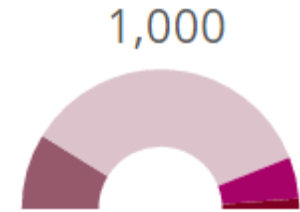
MEMBERSHIP STATISTICS



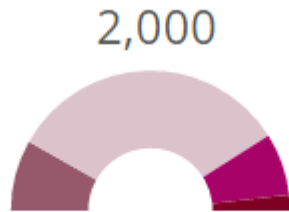
DB Deferred DB Pensioner



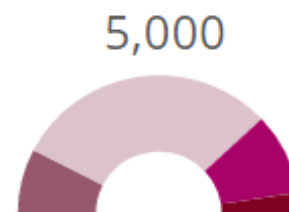
DB Deferred DB Pensioner



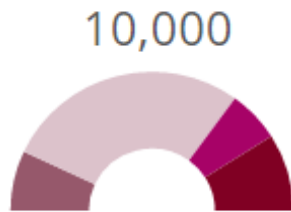
DB Deferred DB Pensioner DC Active DC Deferred



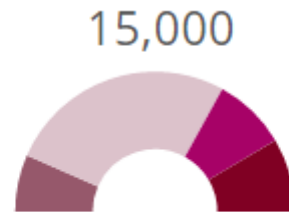
DB Deferred DB Pensioner DC Active DC Deferred



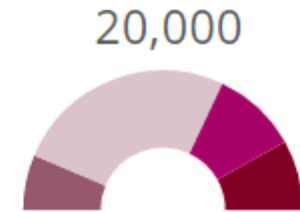
DB Deferred DB Pensioner DC Active DC Deferred



DB Deferred DB Pensioner DC Active DC Deferred



DB Deferred DB Pensioner DC Active DC Deferred



DB Deferred DB Pensioner DC Active DC Deferred

FEES

FEE ANALYSIS

The results are shown below and are grouped in four sets of graphs where they are compared against the mean fee for 200, 500, 1,000, 2,000, 5,000, 10,000, 15,000 and 20,000 life schemes. Firms were requested to only complete responses where they actually deliver services for a particular scheme size. Therefore, sections can include results from a smaller number of firms than the whole survey sample.

Fees included in the responses would generally be considered pre-negotiation and so take no account of the attractiveness (or otherwise) of a client. This aspect can be a considerable influence on total cost.

The first set of graphs shows the administration fee and includes:

- Scheme cost
- Total cost per capita for DB deferred and pensioner, DC active and deferred

The second set of graphs shows the pensioner costs and includes:

- Total cost per capita for DB pensioner
- Pensioner payroll

The third set of graphs shows the treasury and accounts fee.

The fourth set of graphs shows the implementation fee.

The fifth set of graphs shows the total year one cost and includes:

- Administration fee
- Pensioner payroll
- Treasury and accounts fee

UNIT COST PER MEMBER

The results for each group also include a Unit Cost per Member (UCM) for the highest, average and lowest fee. This is derived by dividing the total cost by the total number of members.

Total Cost



UCM

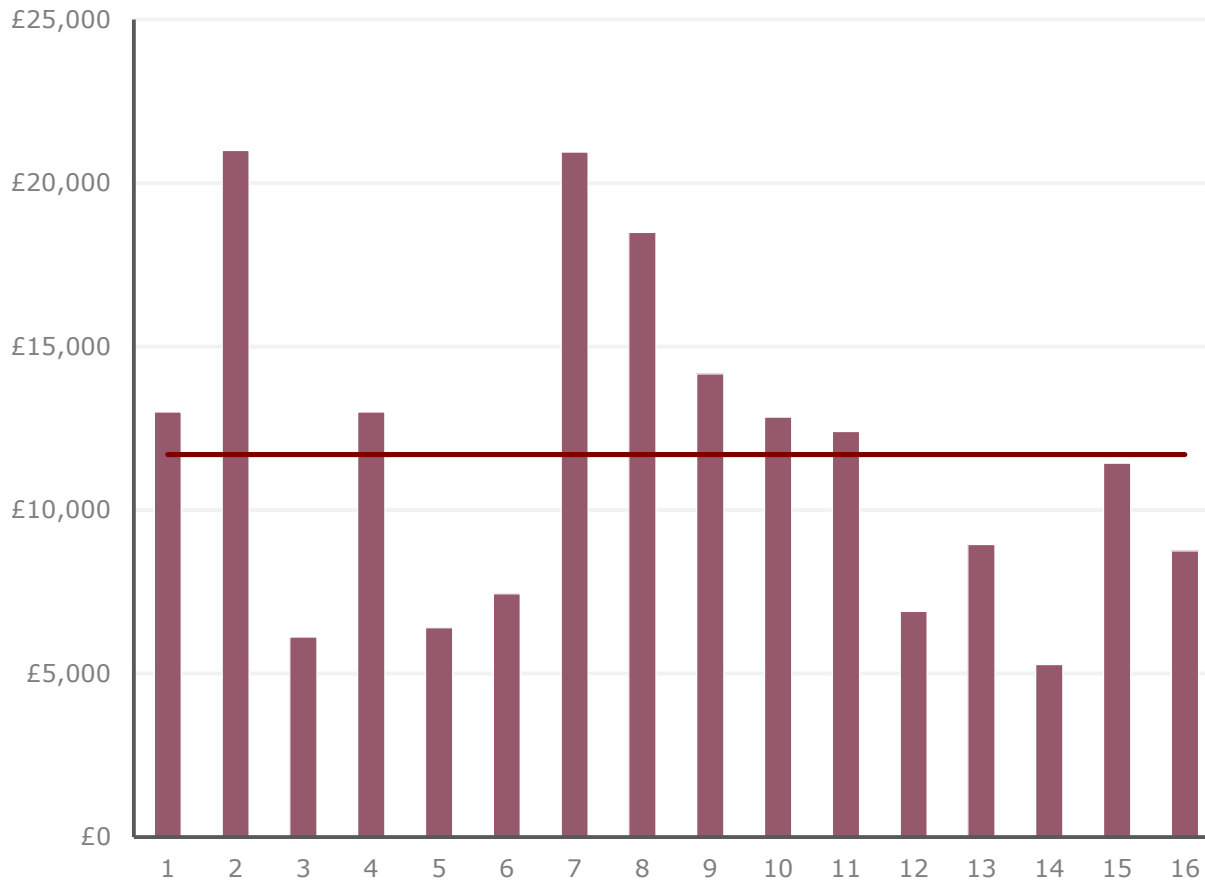


Total No.
Members

ADMINISTRATION FEE

200 LIFE SCHEME

Administration Fee



Most expensive fee **£21,000**

Average fee **£11,695**

Lowest fee **£5,280**

8 firms  than average

8 firms  than average

UCM highest **£105.00**

UCM average **£58.48**

UCM lowest **£26.40**

500 LIFE SCHEME

Most expensive fee **£26,050**

Average fee **£17,863**

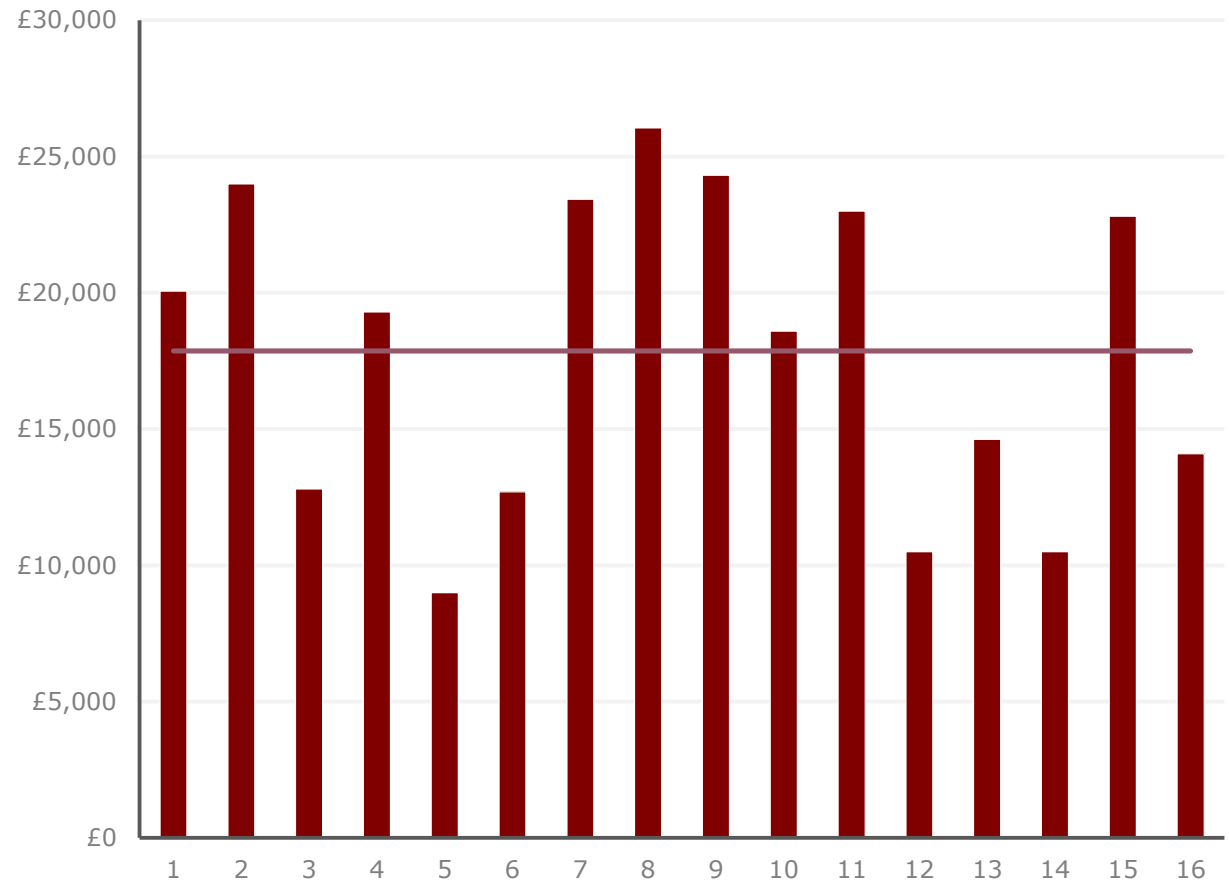
Lowest fee **£9,000**

9 firms ↑ than average

7 firms ↓ than average

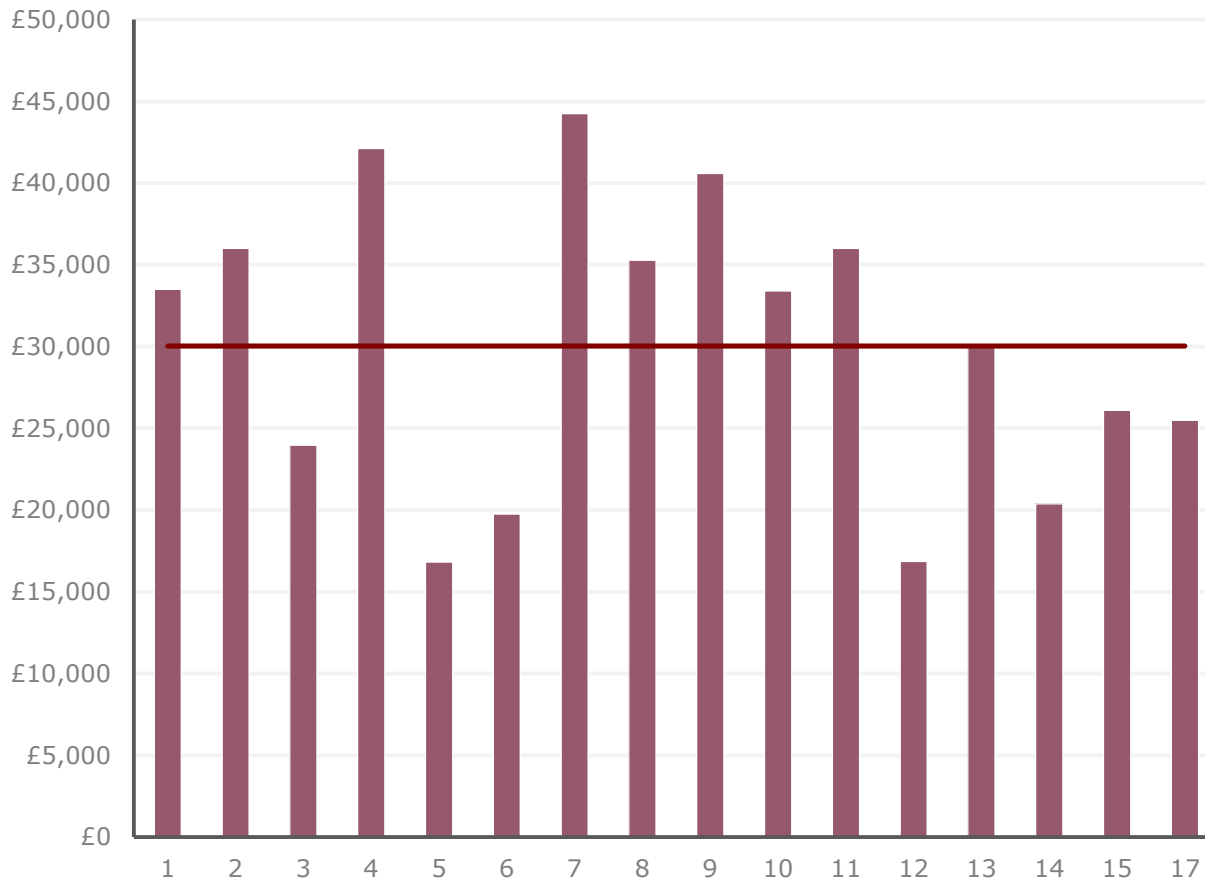
UCM highest **£52.10**
 UCM average **£35.73**
 UCM lowest **£18.00**

Administration Fee



1,000 LIFE SCHEME

Administration Fee



Most expensive fee **£44,248**

Average fee **£30,037**

Lowest fee **£16,812**

9 firms  than average

7 firms  than average

UCM highest **£44.25**

UCM average **£30.04**

UCM lowest **£16.81**

2,000 LIFE SCHEME

Most expensive fee **£89,960**

Average fee **£52,726**

Lowest fee **£29,580**

9 firms **↑** than average

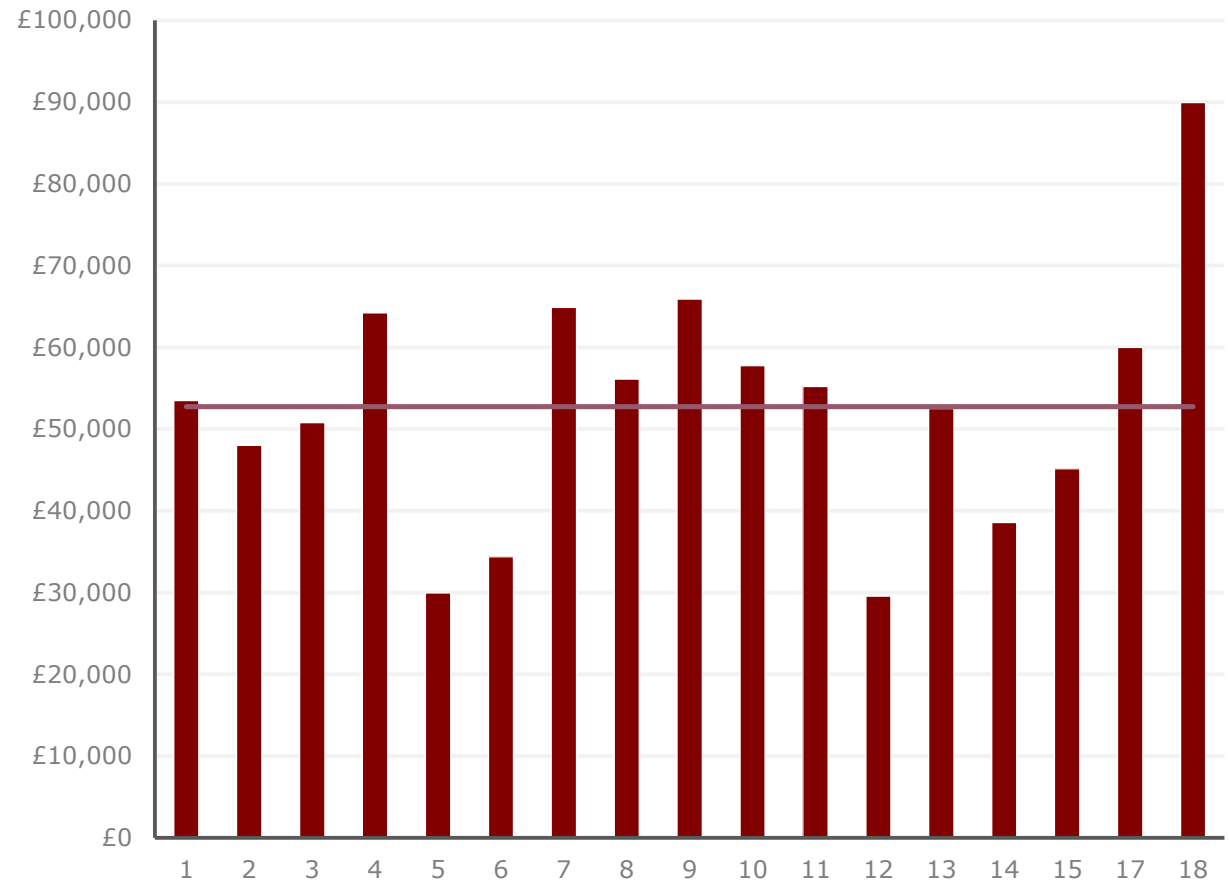
8 firms **↓** than average

UCM highest **£44.98**

UCM average **£26.36**

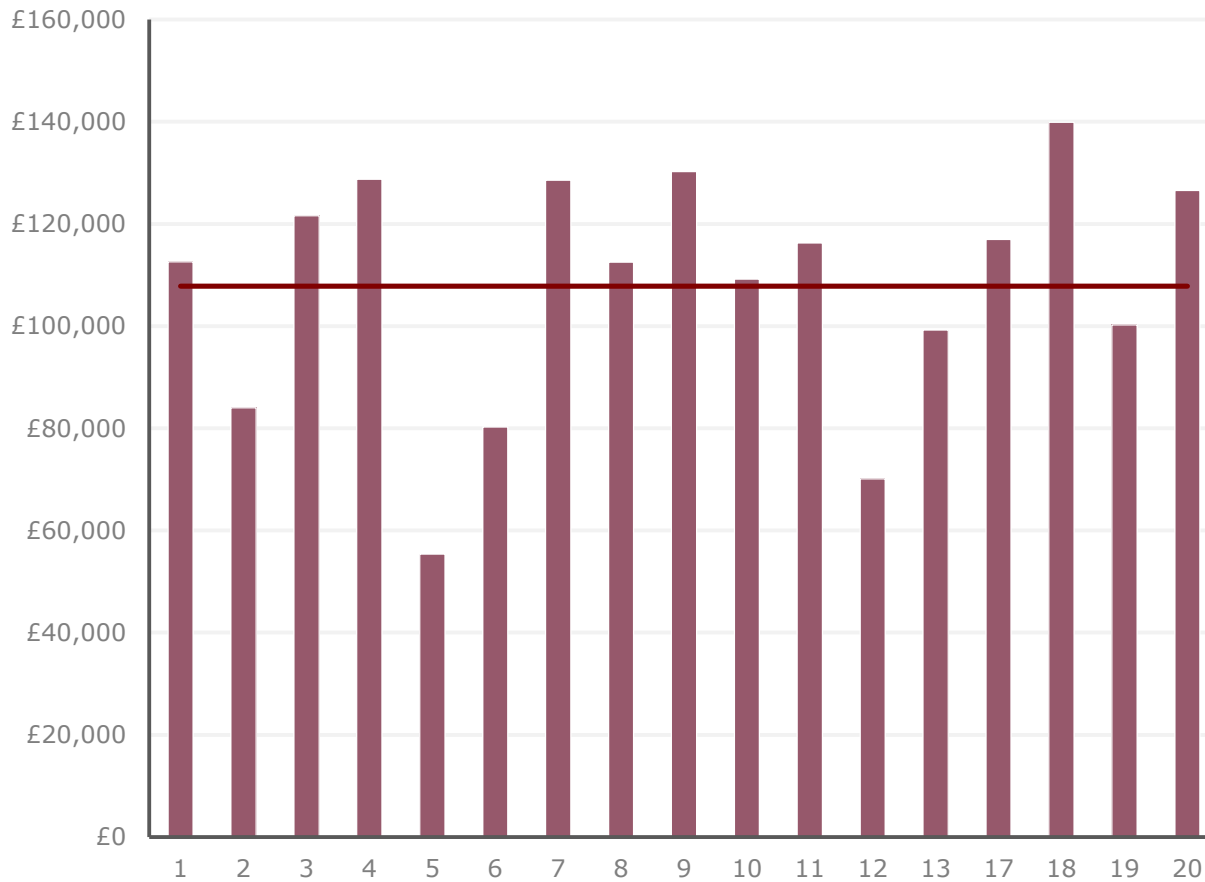
UCM lowest **£14.79**

Administration Fee



5,000 LIFE SCHEME

Administration Fee



Most expensive fee **£139,880**

Average fee **£107,791**

Lowest fee **£55,360**

11 firms ↑ than average

6 firms ↓ than average

UCM highest **£27.98**

UCM average **£21.56**

UCM lowest **£11.07**

10,000 LIFE SCHEME

Most expensive fee **£232,600**

Average fee **£187,541**

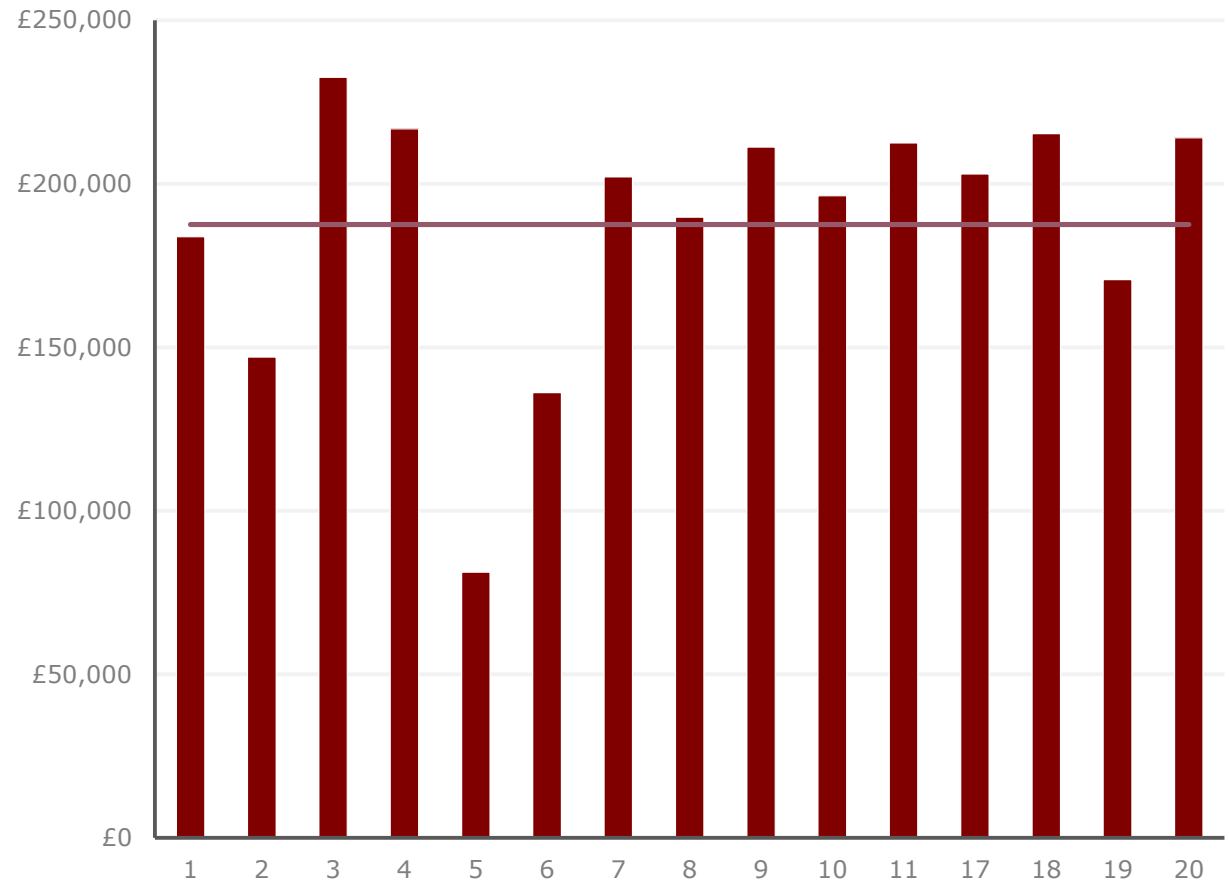
Lowest fee **£81,200**

10 firms ↑ than average

5 firms ↓ than average

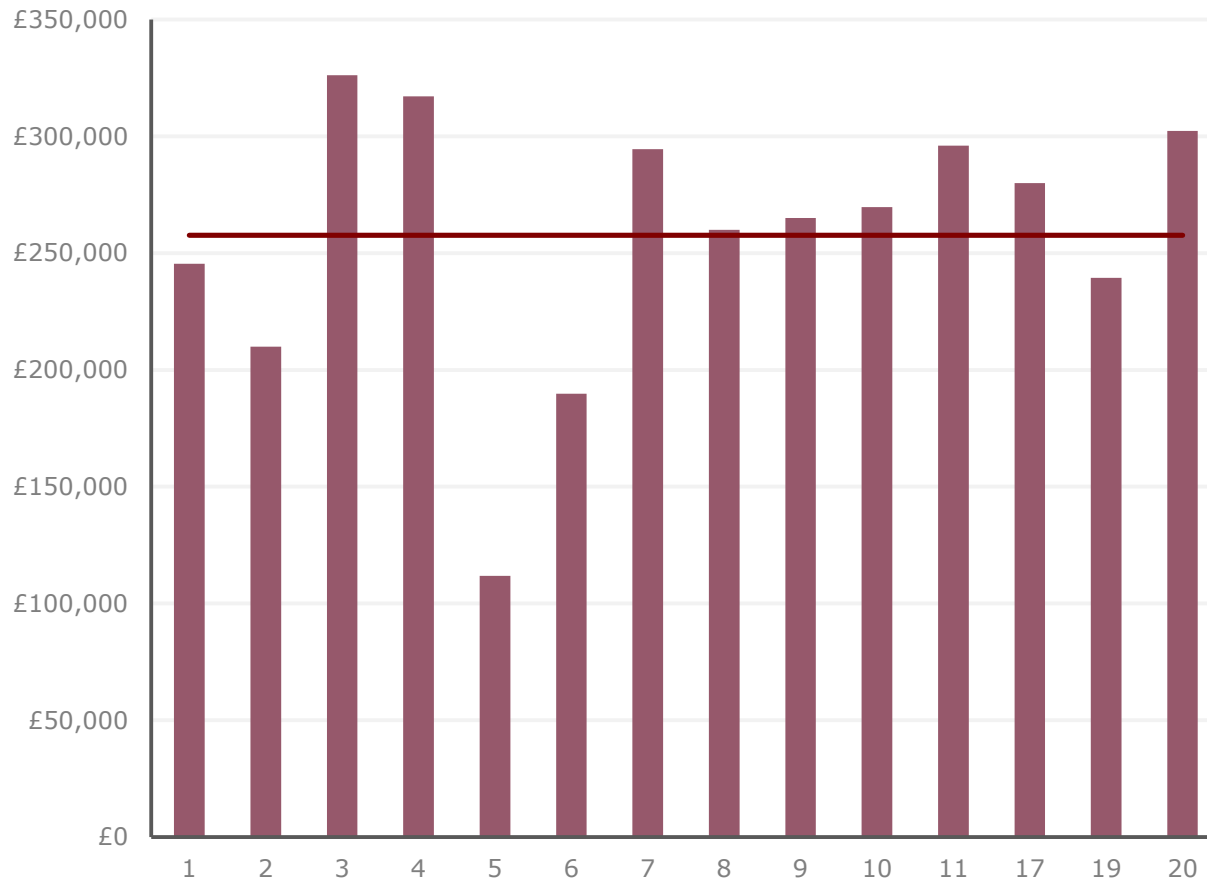
UCM highest **£23.26**
 UCM average **£18.75**
 UCM lowest **£8.12**

Administration Fee



15,000 LIFE SCHEME

Administration Fee



Most expensive fee **£326,240**

Average fee **£257,674**

Lowest fee **£111,800**

9 firms **↑** than average

5 firms **↓** than average

UCM highest **£21.75**

UCM average **£17.18**

UCM lowest **£7.45**

20,000 LIFE SCHEME

Most expensive fee **£426,000**

Average fee **£324,488**

Lowest fee **£117,360**

8 firms ↑ than average

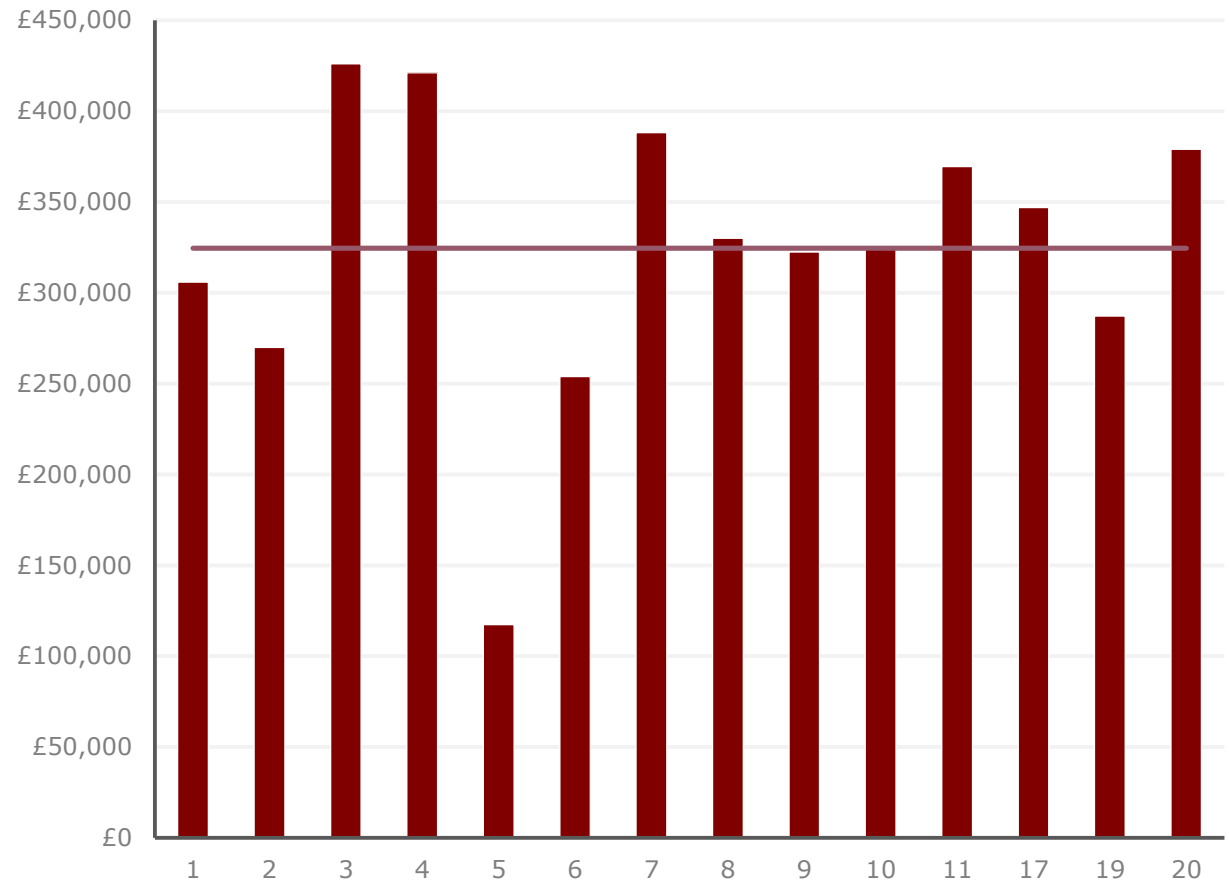
6 firms ↓ than average

UCM highest **£21.30**

UCM average **£16.22**

UCM lowest **£5.87**

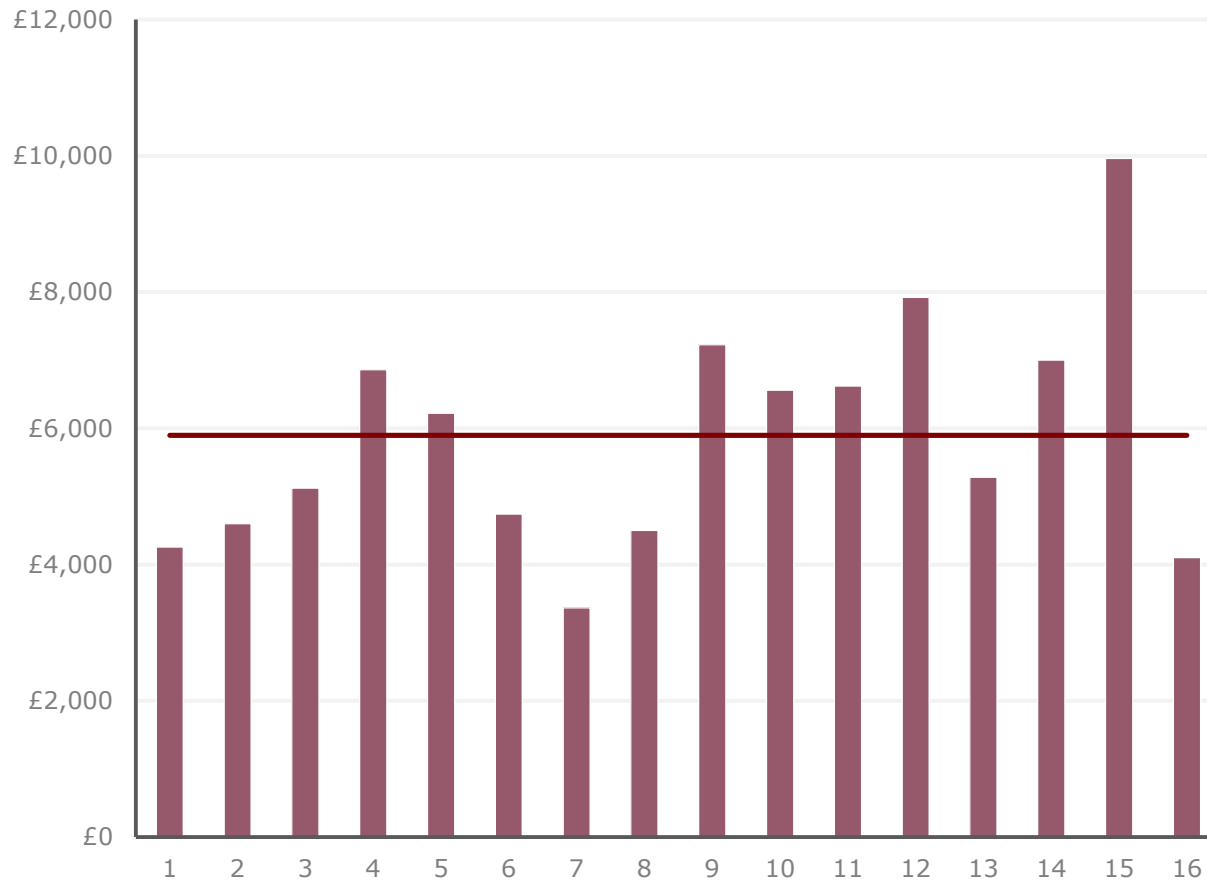
Administration Fee



PENSIONER COSTS

200 LIFE SCHEME

Pensioner Costs



Most expensive fee **£9,960**

Average fee **£5,896**

Lowest fee **£3,366**

8 firms  than average

8 firms  than average

UCM highest **£49.80**

UCM average **£29.48**

UCM lowest **£16.83**

500 LIFE SCHEME

Most expensive fee **£21,500**

Average fee **£11,475**

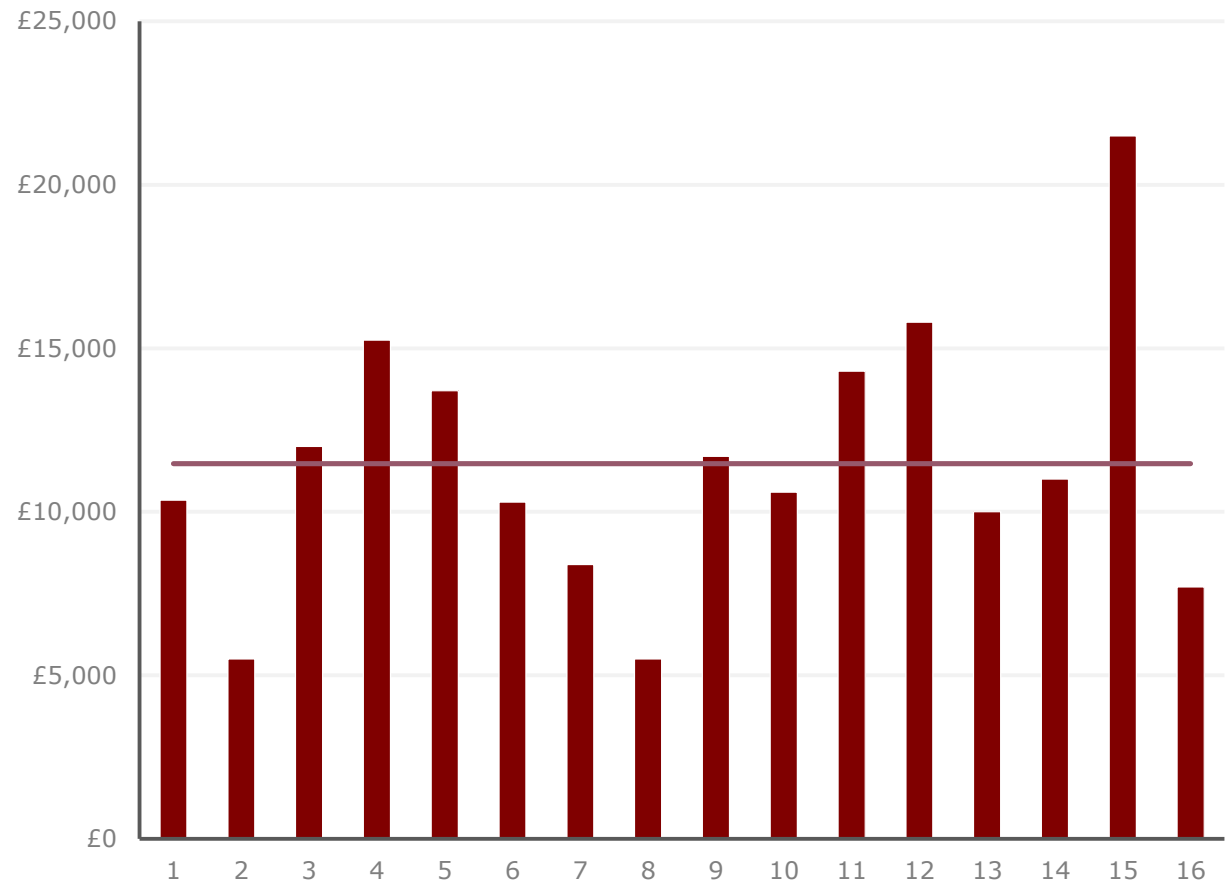
Lowest fee **£5,500**

7 firms **↑** than average

9 firms **↓** than average

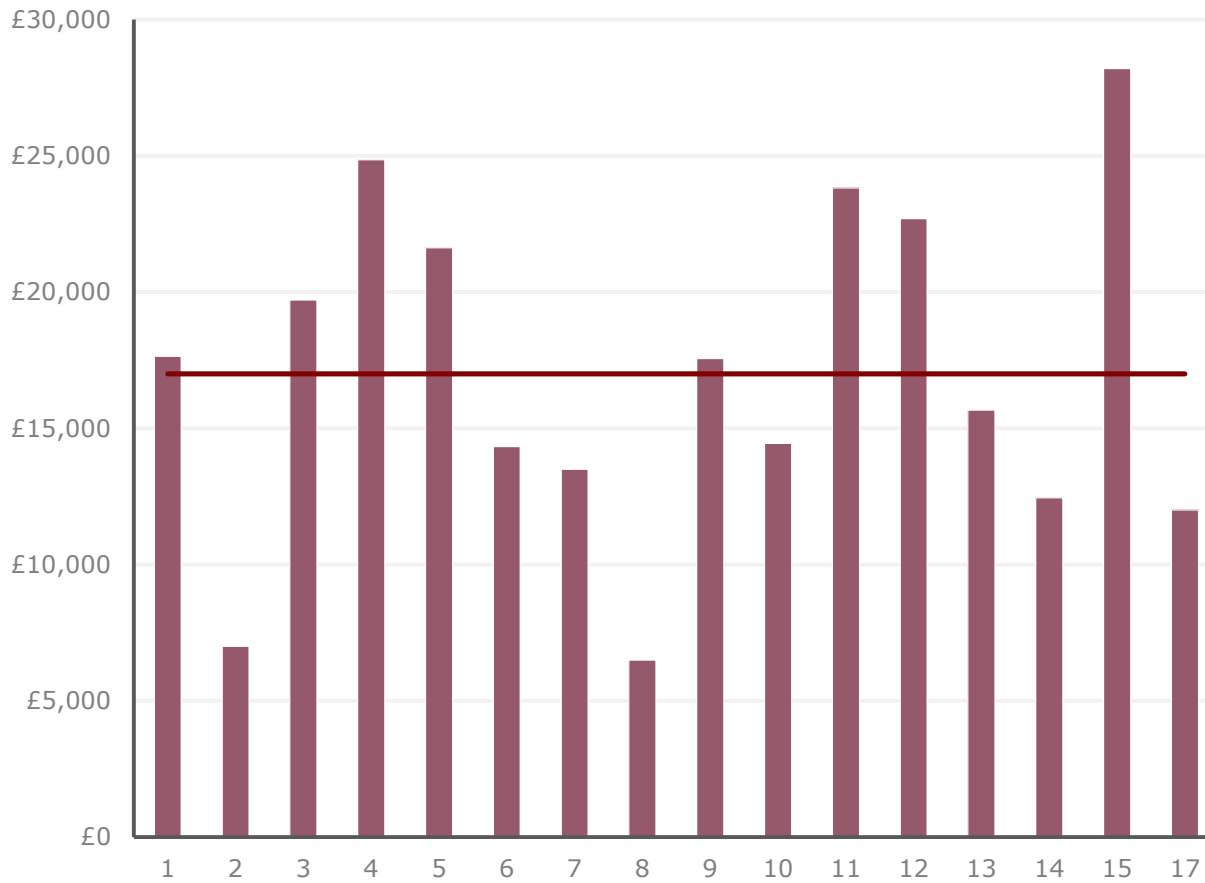
UCM highest **£43.00**
 UCM average **£22.95**
 UCM lowest **£11.00**

Pensioner Costs



1,000 LIFE SCHEME

Pensioner Costs



Most expensive fee **£28,208**

Average fee **£17,002**

Lowest fee **£6,500**

8 firms **↑** than average

8 firms **↓** than average

UCM highest **£28.21**

UCM average **£17.00**

UCM lowest **£6.50**

2,000 LIFE SCHEME

Most expensive fee **£51,612**

Average fee **£28,872**

Lowest fee **£8,500**

8 firms ↑ than average

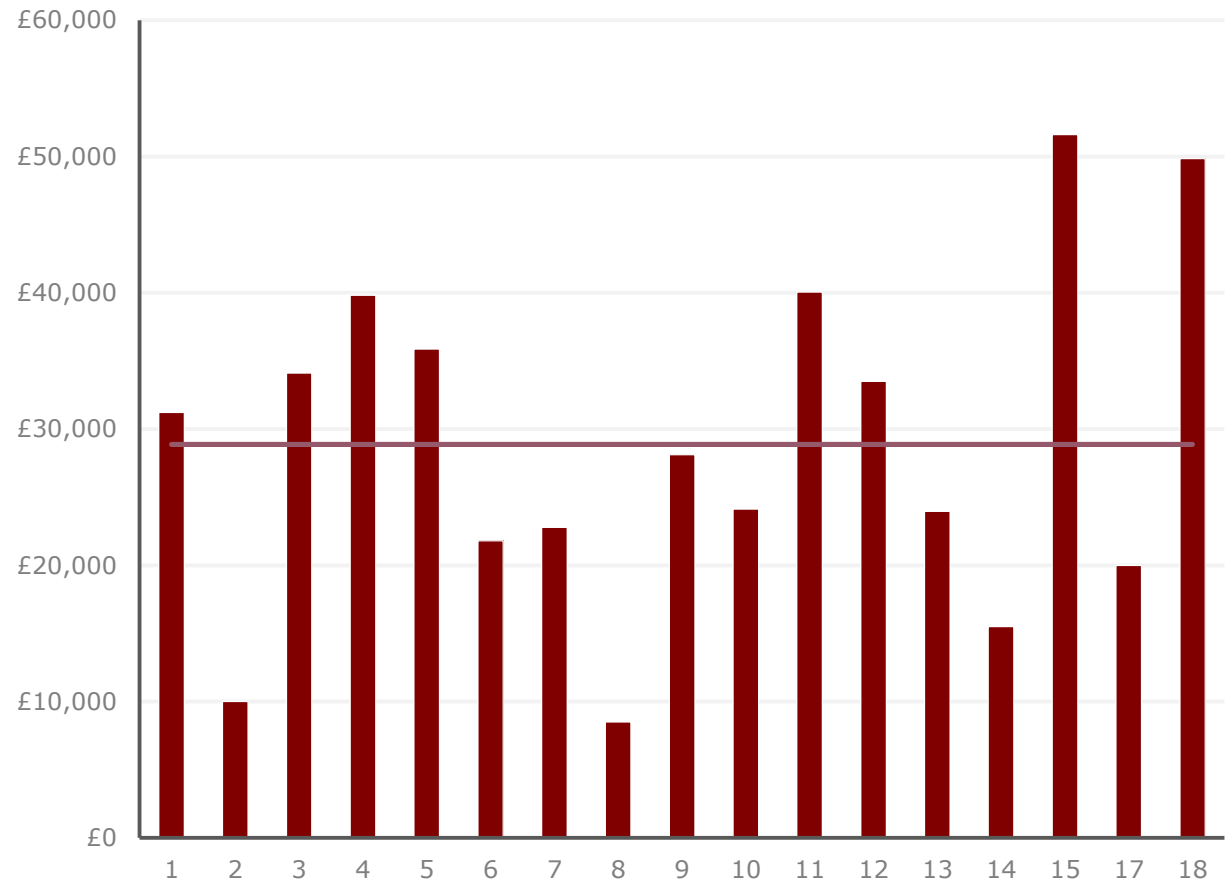
9 firms ↓ than average

UCM highest **£25.81**

UCM average **£14.44**

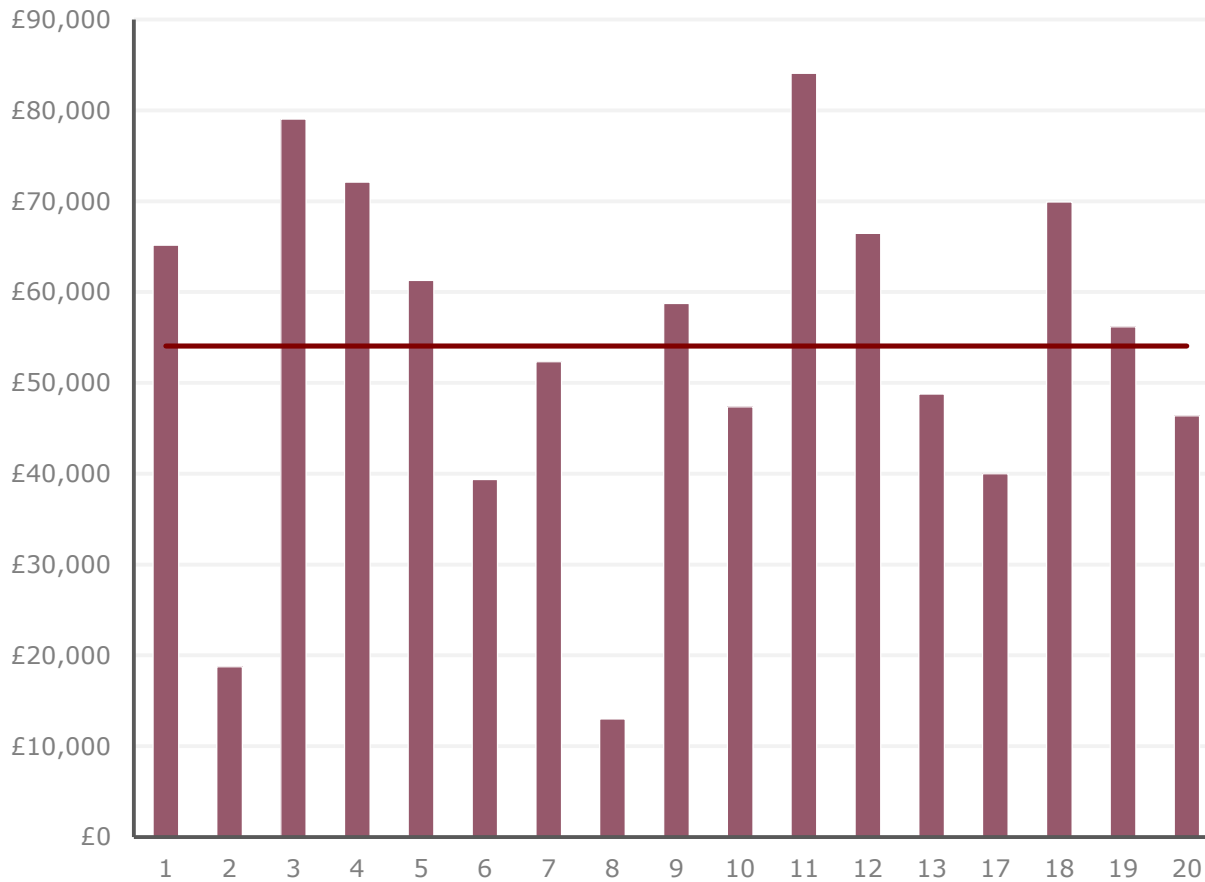
UCM lowest **£4.25**

Pensioner Costs



5,000 LIFE SCHEME

Pensioner Costs



Most expensive fee **£84,080**

Average fee **£54,058**

Lowest fee **£13,000**

9 firms **↑** than average

8 firms **↓** than average

UCM highest **£16.82**

UCM average **£10.81**

UCM lowest **£2.60**

10,000 LIFE SCHEME

Most expensive fee **£147,600**

Average fee **£85,349**

Lowest fee **£18,000**

7 firms **↑** than average

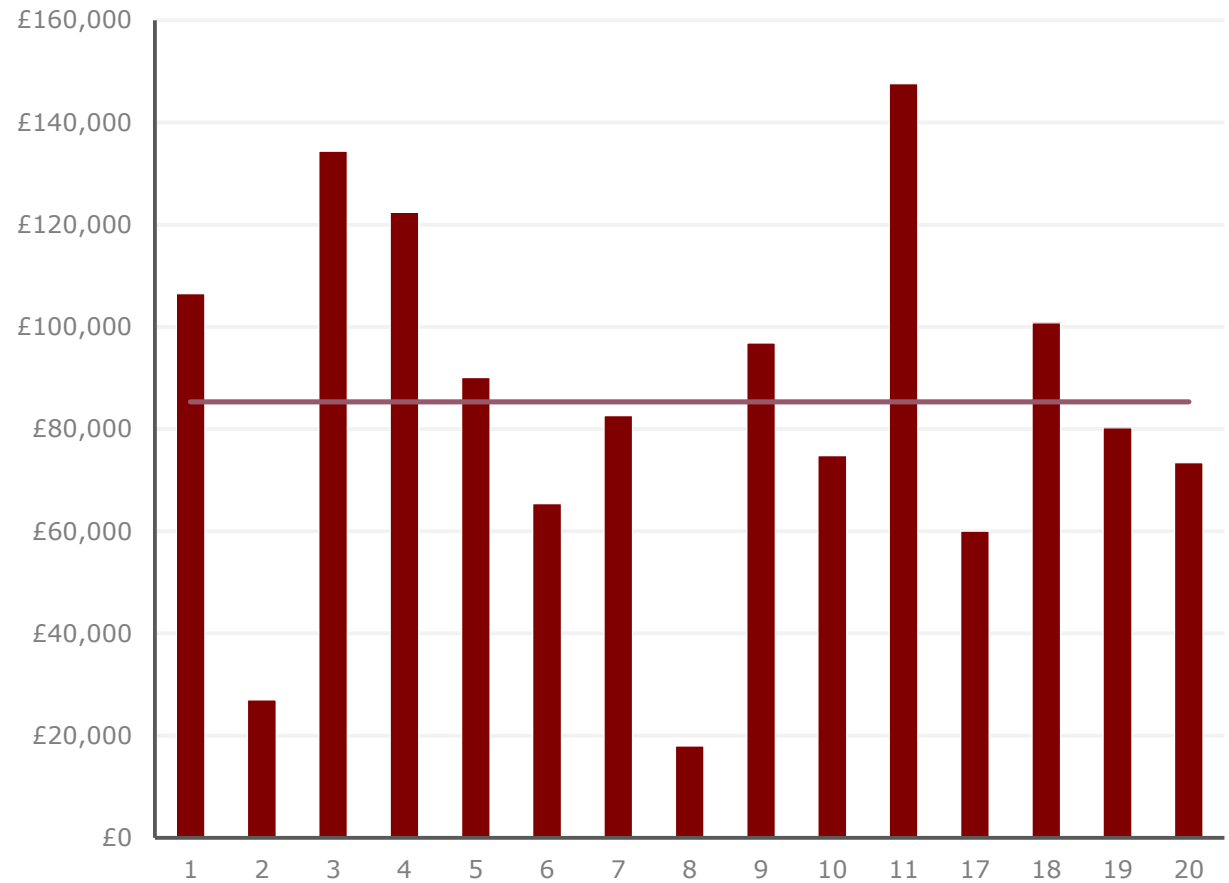
8 firms **↓** than average

UCM highest **£14.76**

UCM average **£8.53**

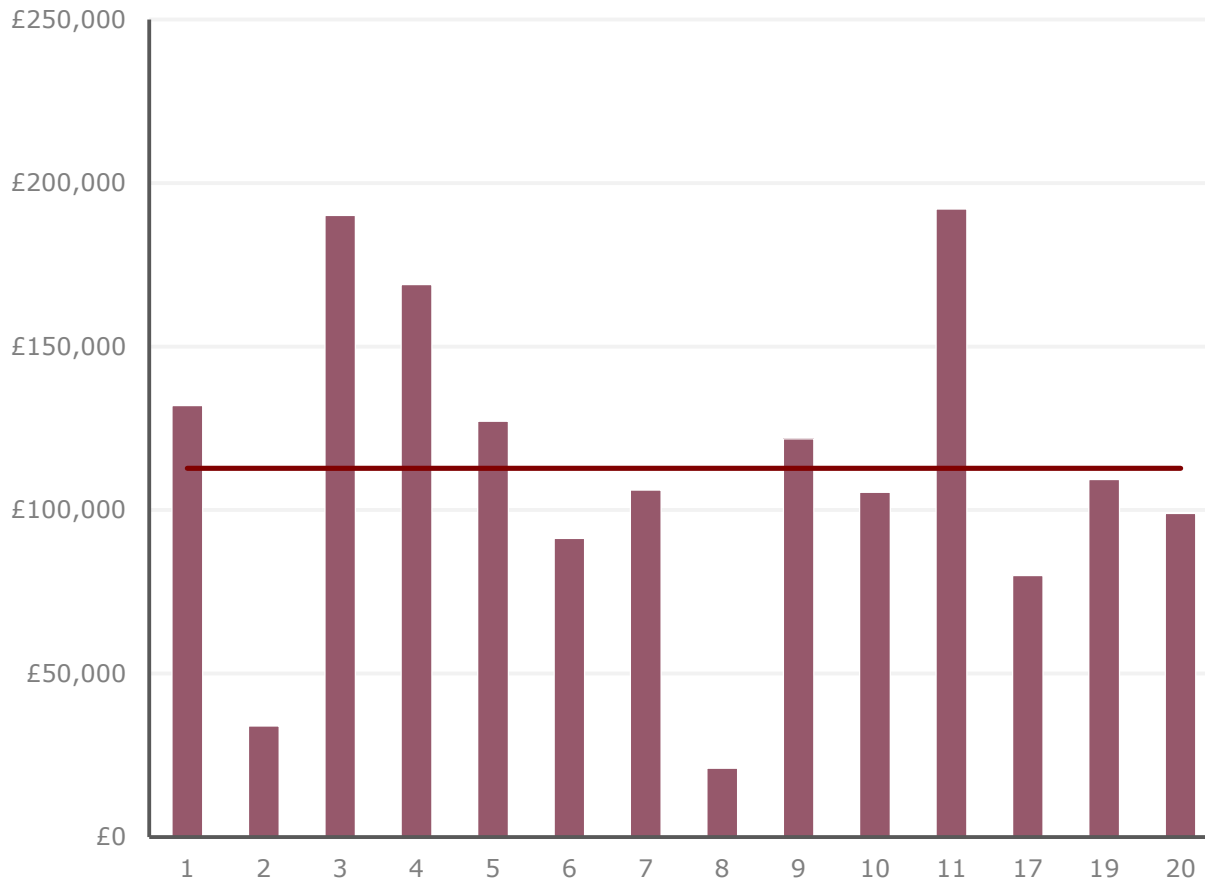
UCM lowest **£1.80**

Pensioner Costs



15,000 LIFE SCHEME

Pensioner Costs



Most expensive fee **£192,080**

Average fee **£112,719**

Lowest fee **£21,000**

6 firms **↑** than average

8 firms **↓** than average

UCM highest **£12.81**

UCM average **£7.51**

UCM lowest **£1.40**

20,000 LIFE SCHEME

Most expensive fee **£245,760**

Average fee **£137,841**

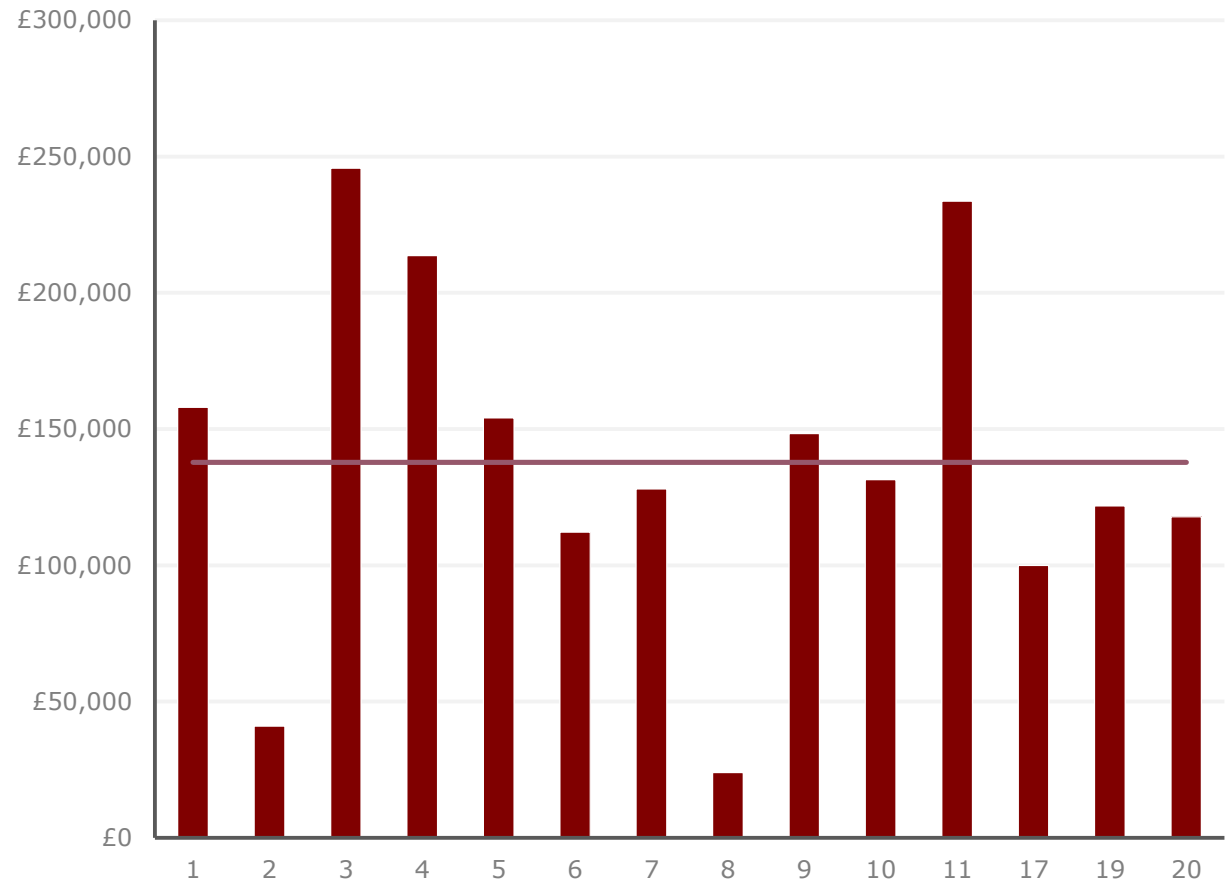
Lowest fee **£24,000**

6 firms ↑ than average

8 firms ↓ than average

UCM highest **£12.29**
 UCM average **£6.89**
 UCM lowest **£1.20**

Pensioner Costs

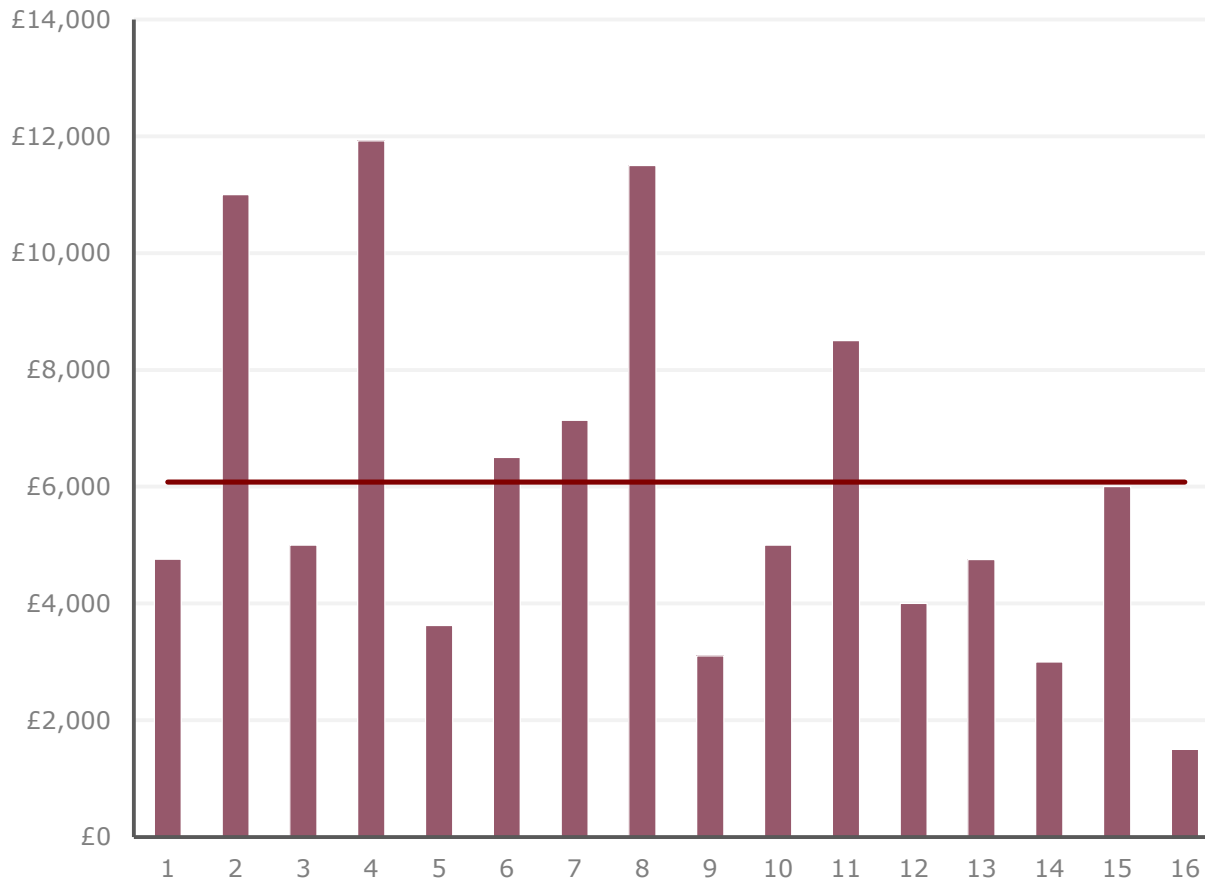




TREASURY & ACCOUNTS

200 LIFE SCHEME

Treasury & Accounts



Most expensive fee **£11,925**

Average fee **£6,081**

Lowest fee **£1,500**

6 firms **↑** than average

10 firms **↓** than average

UCM highest **£59.63**

UCM average **£30.41**

UCM lowest **£7.50**

500 LIFE SCHEME

Most expensive fee **£12,025**

Average fee **£6,864**

Lowest fee **£2,500**

7 firms **↑** than average

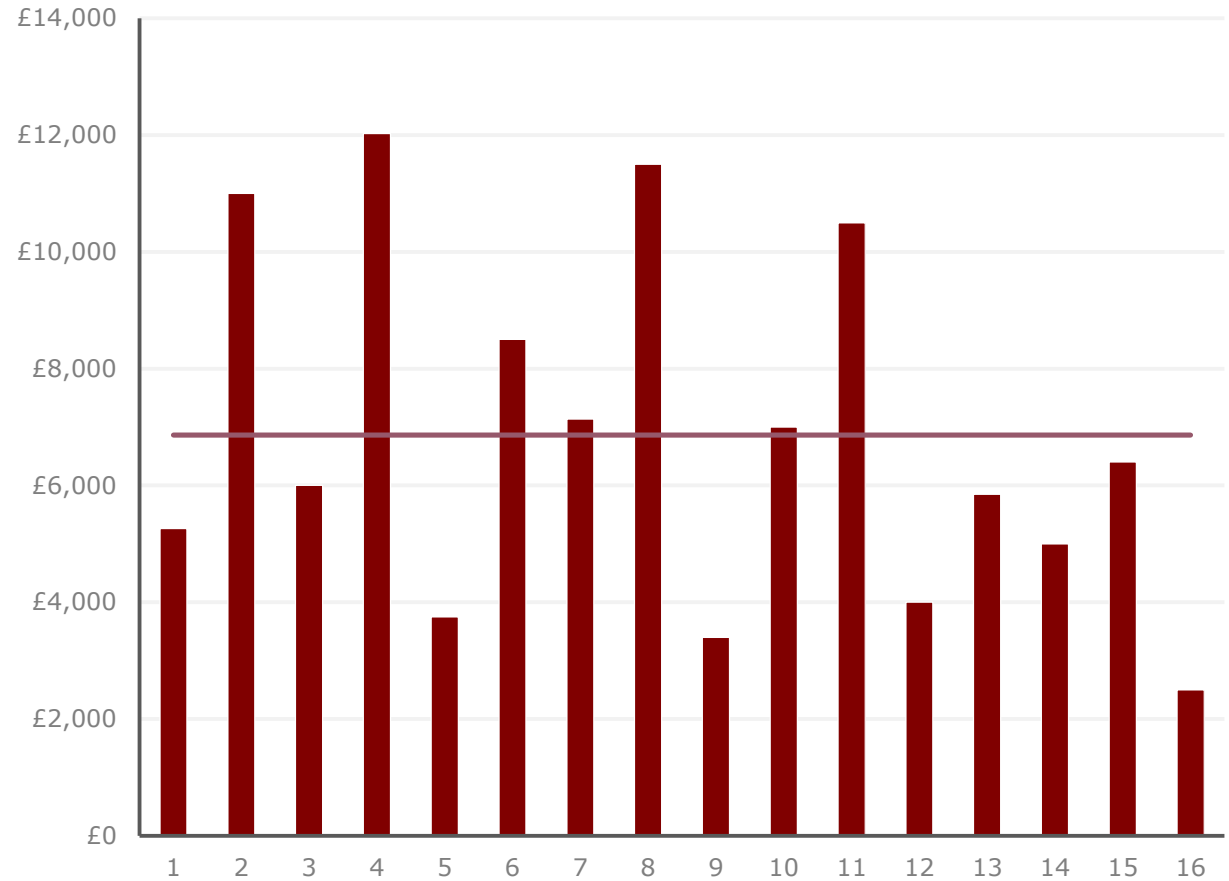
9 firms **↓** than average

UCM highest **£24.05**

UCM average **£13.73**

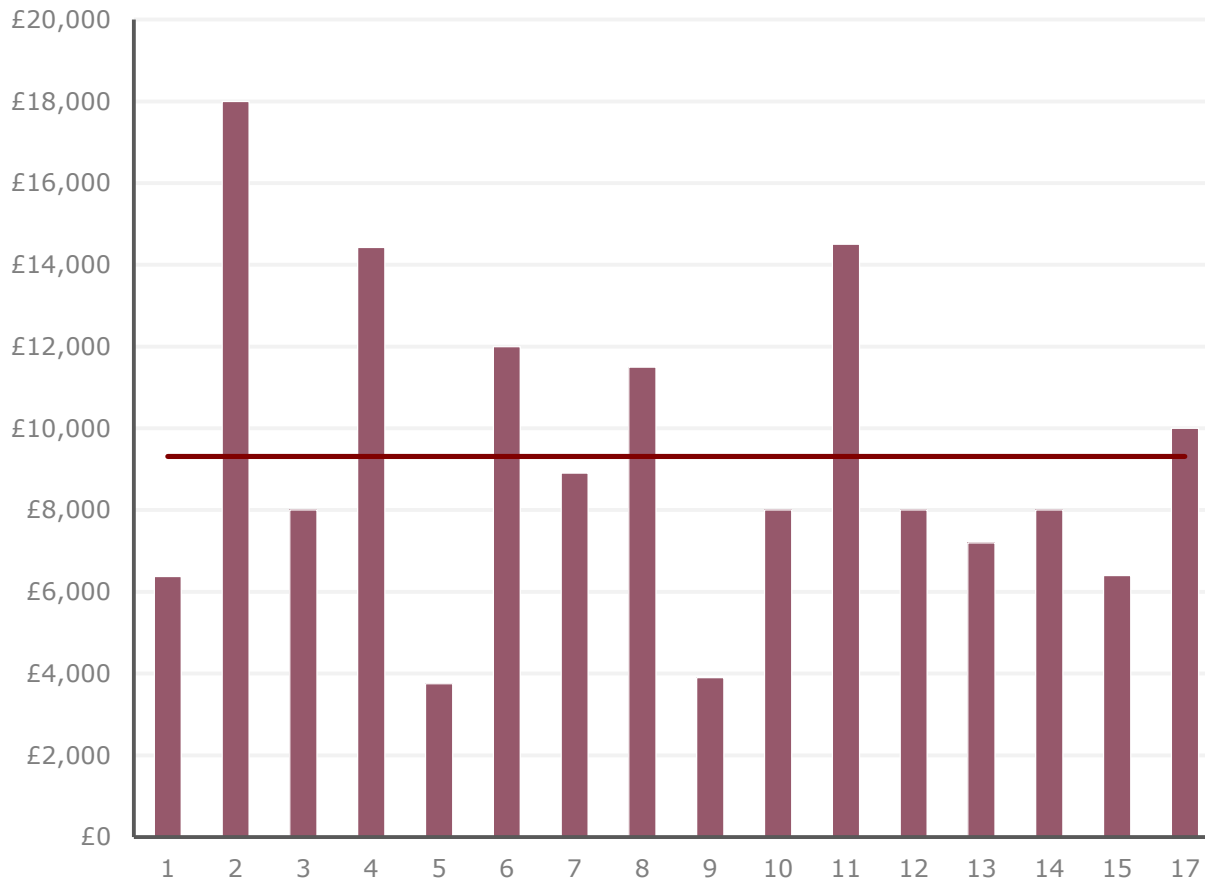
UCM lowest **£5.00**

Treasury & Accounts



1,000 LIFE SCHEME

Treasury & Accounts



Most expensive fee **£18,000**

Average fee **£9,310**

Lowest fee **£3,750**

6 firms **↑** than average

10 firms **↓** than average

UCM highest **£18.00**

UCM average **£9.31**

UCM lowest **£3.75**

2,000 LIFE SCHEME

Most expensive fee **£23,000**

Average fee **£10,893**

Lowest fee **£4,900**

8 firms **↑** than average

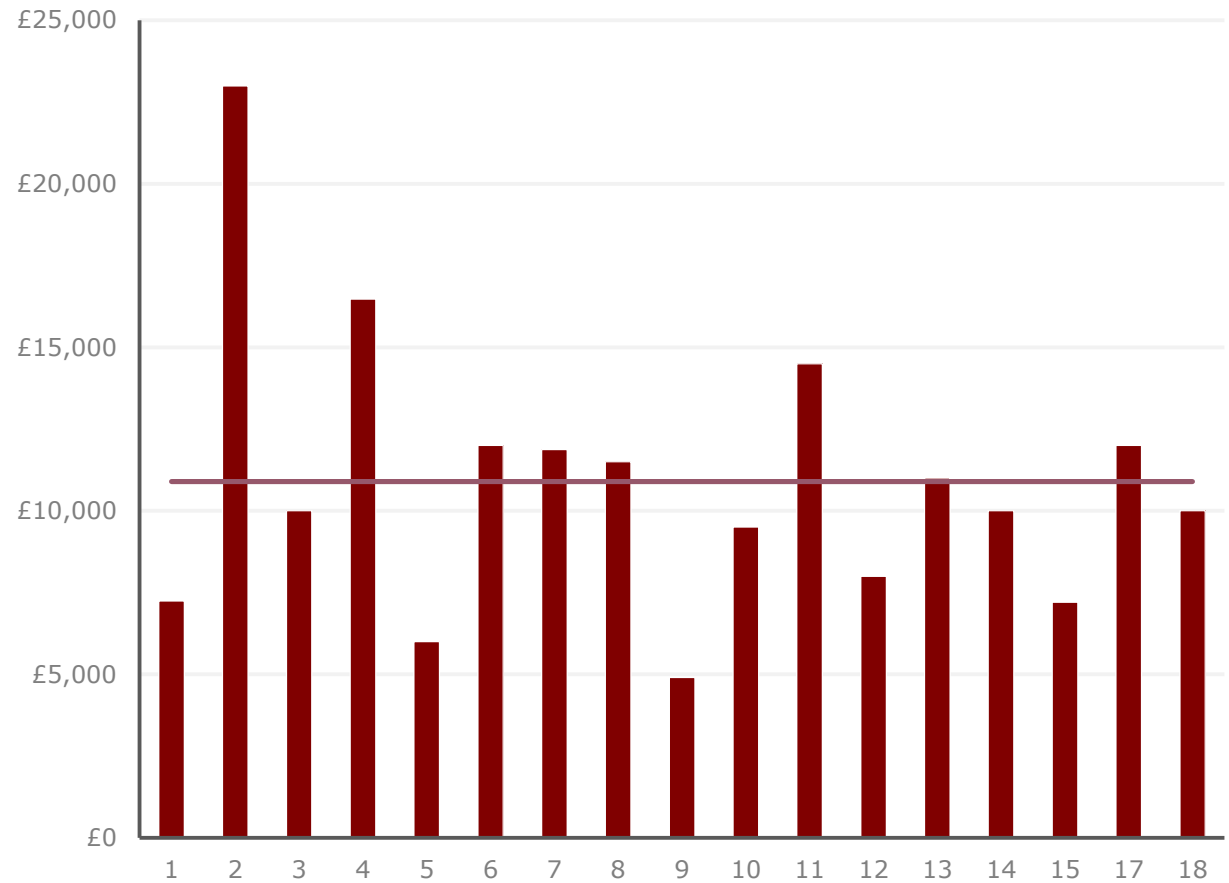
9 firms **↓** than average

UCM highest **£11.50**

UCM average **£5.45**

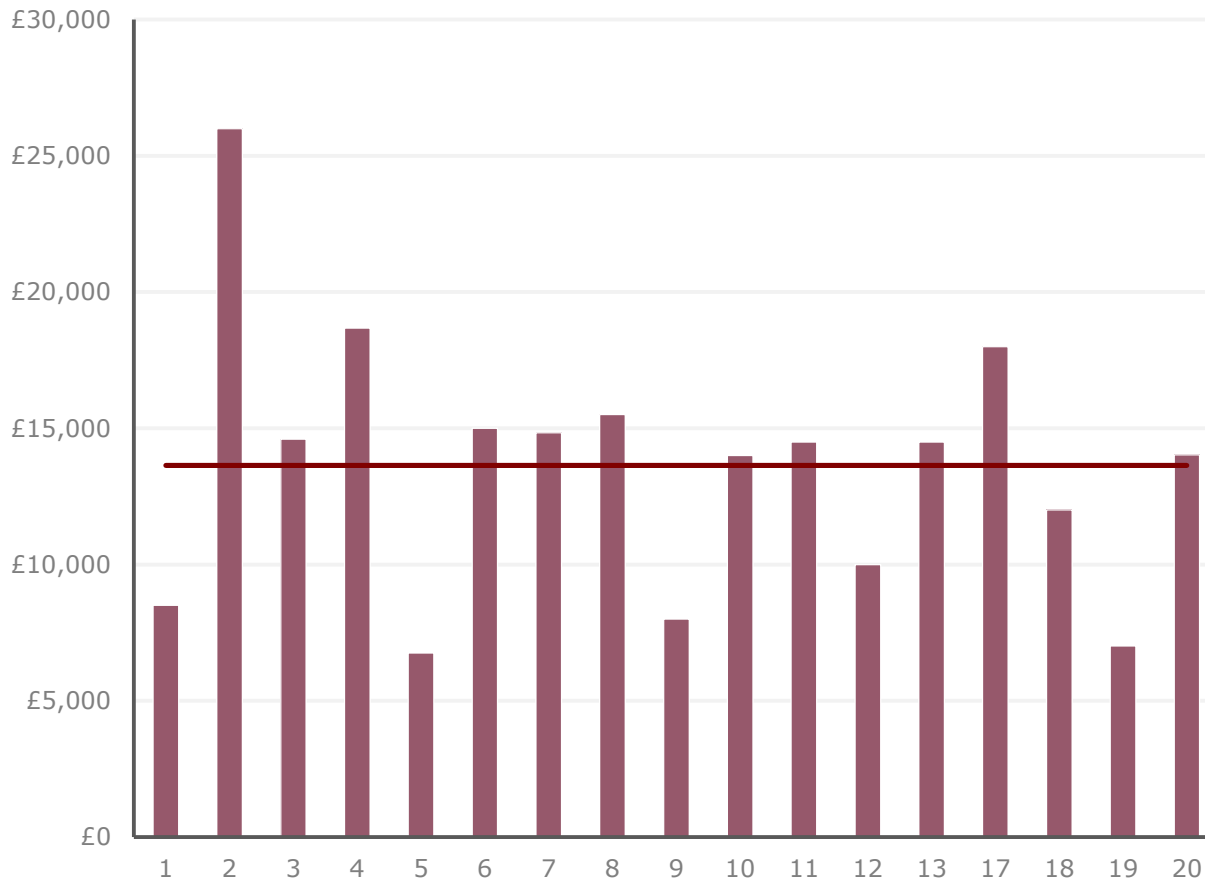
UCM lowest **£2.45**

Treasury & Accounts



5,000 LIFE SCHEME

Treasury & Accounts



Most expensive fee **£26,000**

Average fee **£13,641**

Lowest fee **£6,750**

11 firms  than average

6 firms  than average

UCM highest **£5.20**

UCM average **£2.73**

UCM lowest **£1.35**

10,000 LIFE SCHEME

Most expensive fee **£31,000**

Average fee **£17,993**

Lowest fee **£9,000**

7 firms ↑ than average

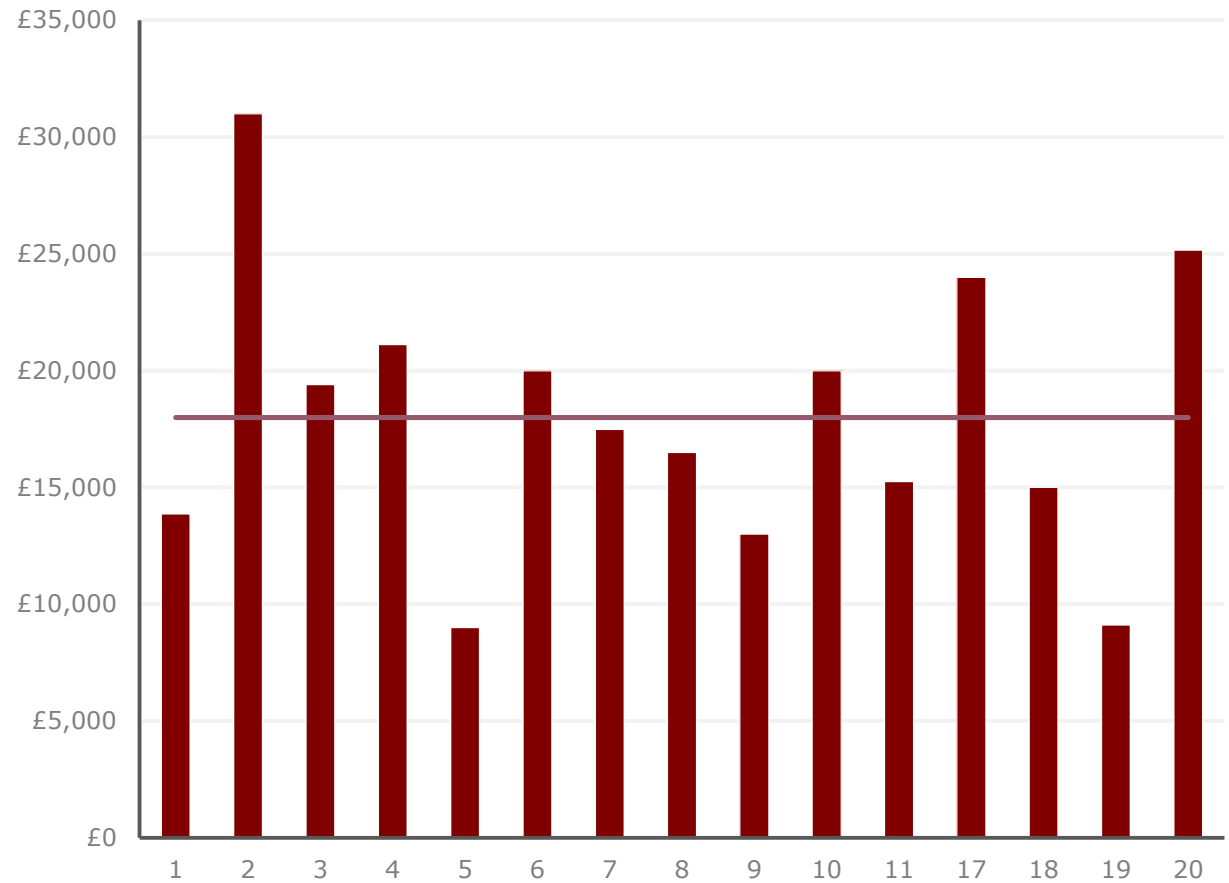
8 firms ↓ than average

UCM highest **£3.10**

UCM average **£1.80**

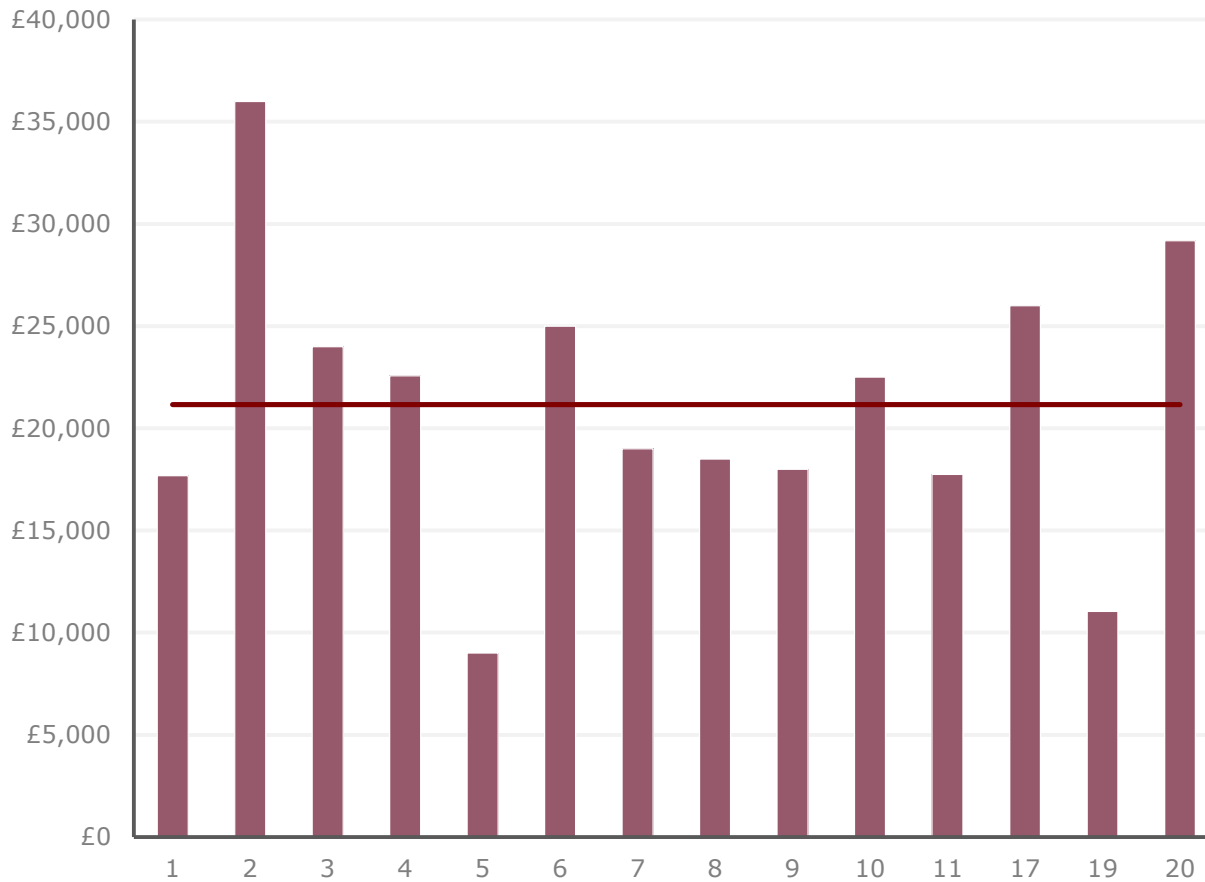
UCM lowest **£0.90**

Treasury & Accounts



15,000 LIFE SCHEME

Treasury & Accounts



Most expensive fee **£36,000**

Average fee **£21,158**

Lowest fee **£9,000**

7 firms **↑** than average

7 firms **↓** than average

UCM highest **£2.40**

UCM average **£1.41**

UCM lowest **£0.60**

20,000 LIFE SCHEME

Most expensive fee **£41,000**

Average fee **£24,716**

Lowest fee **£9,000**

6 firms ↑ than average

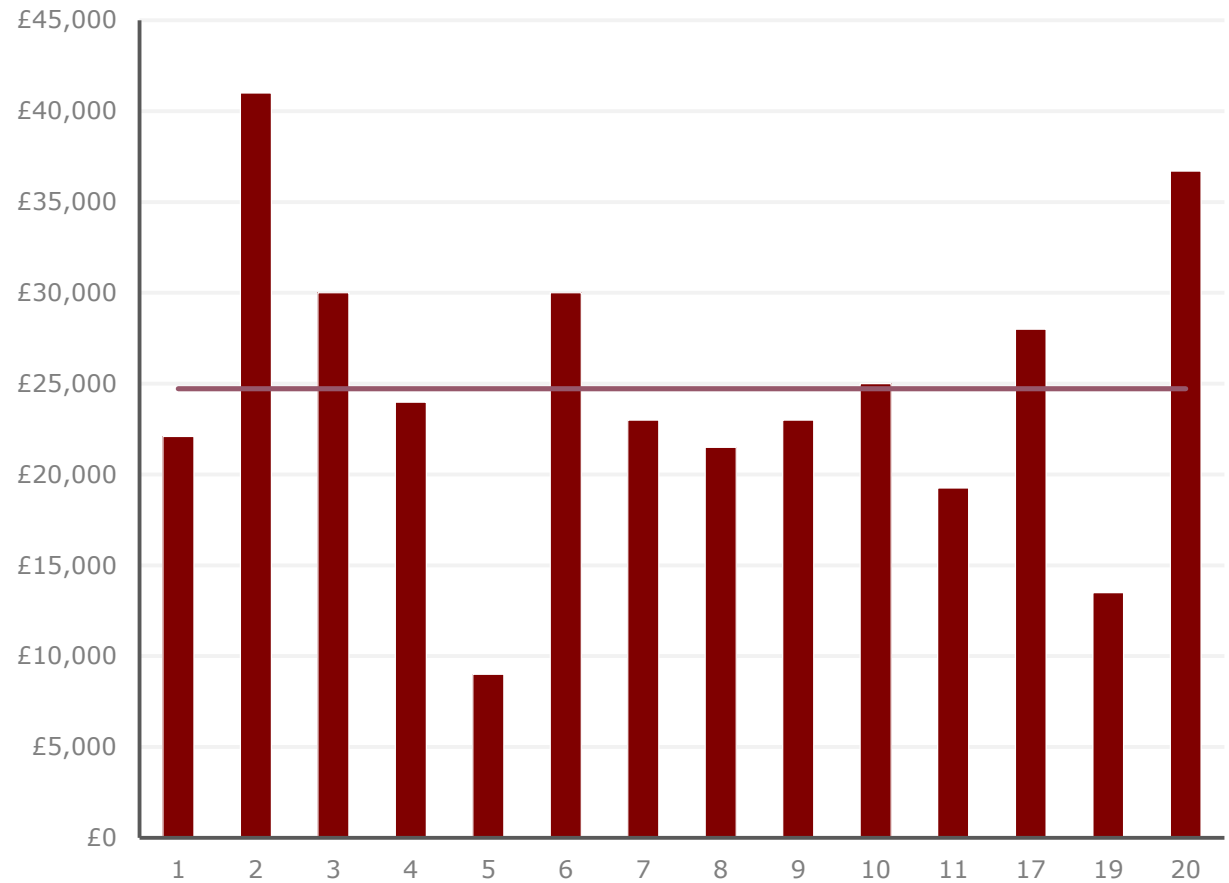
8 firms ↓ than average

UCM highest **£2.05**

UCM average **£1.24**

UCM lowest **£0.45**

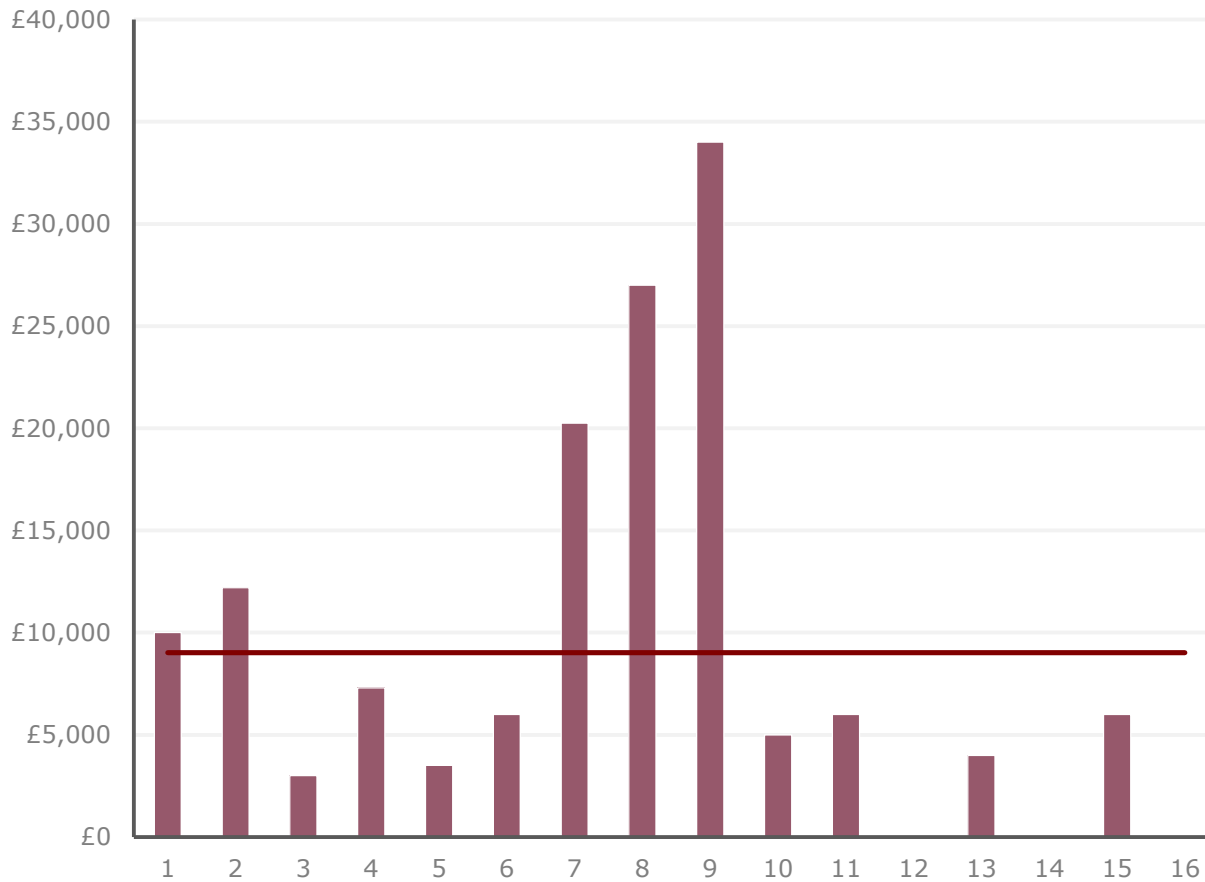
Treasury & Accounts



IMPLEMENTATION

200 LIFE SCHEME

Implementation Fee



Most expensive fee **£34,000**

Average fee **£9,016**

Lowest fee **£0**

5 firms **↑** than average

11 firms **↓** than average

UCM highest **£170.00**

UCM average **£45.08**

UCM lowest **£0.00**

500 LIFE SCHEME

Most expensive fee **£36,000**

Average fee **£10,258**

Lowest fee **£0**

4 firms ↑ than average

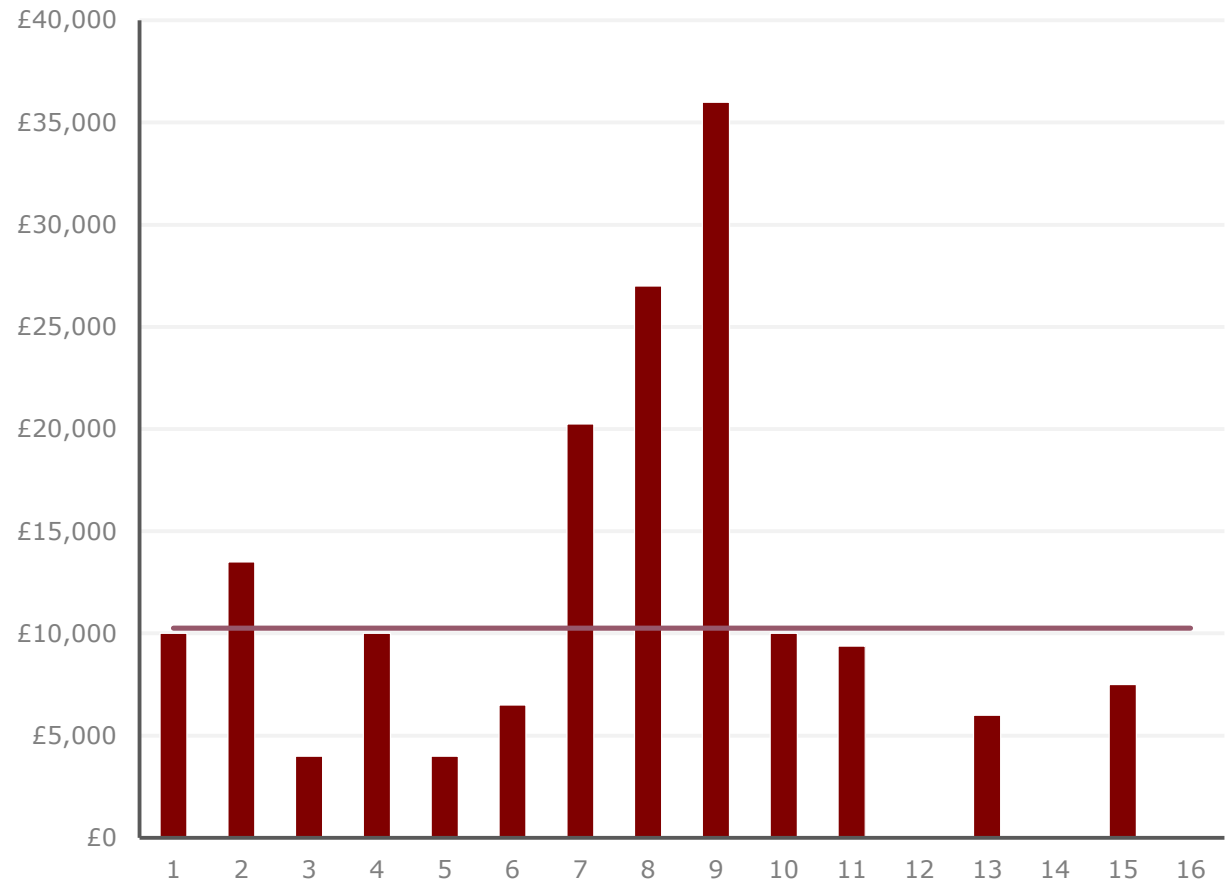
12 firms ↓ than average

UCM highest **£72.00**

UCM average **£20.52**

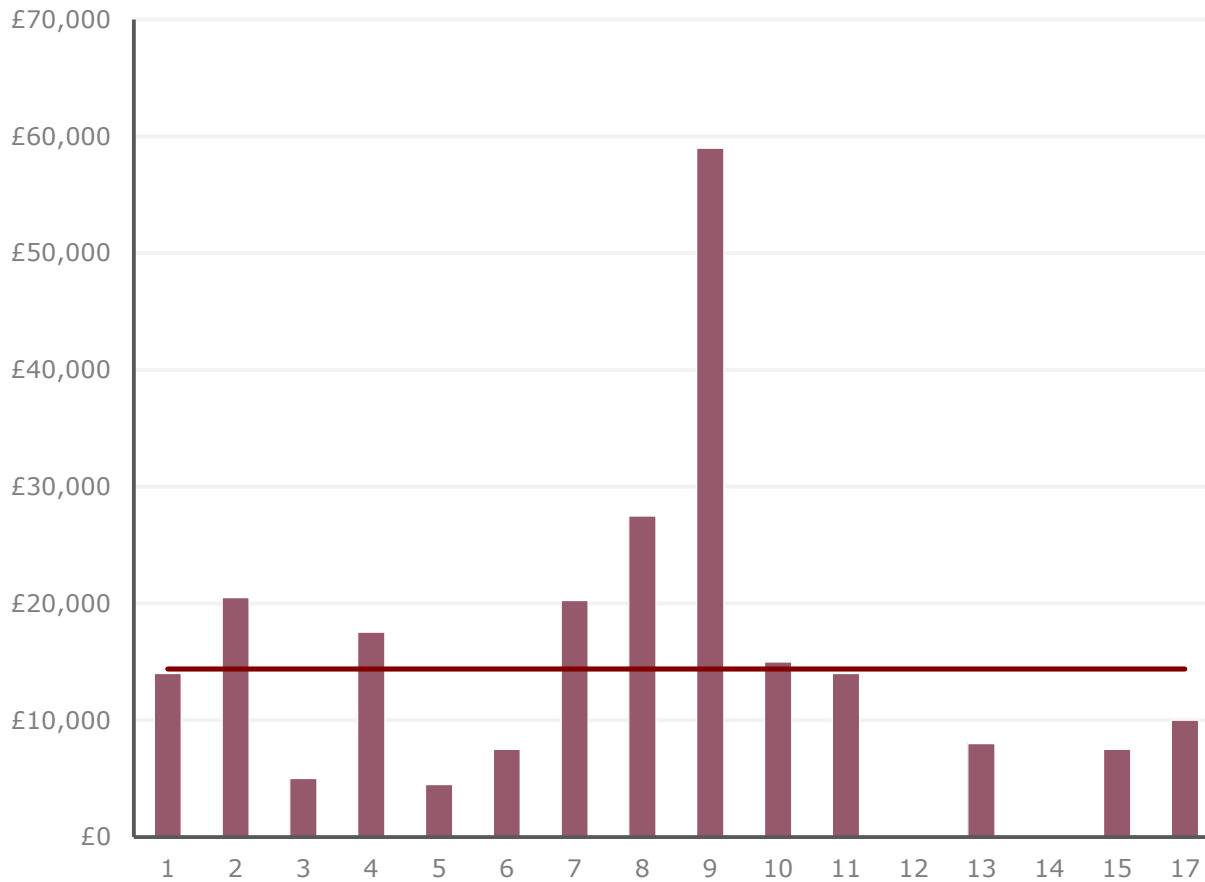
UCM lowest **£0.00**

Implementation Fee



1,000 LIFE SCHEME

Implementation Fee



Most expensive fee **£59,000**

Average fee **£14,394**

Lowest fee **£0**

6 firms **↑** than average

10 firms **↓** than average

UCM highest **£59.00**

UCM average **£14.39**

UCM lowest **£0.00**

2,000 LIFE SCHEME

Most expensive fee **£61,000**

Average fee **£17,595**

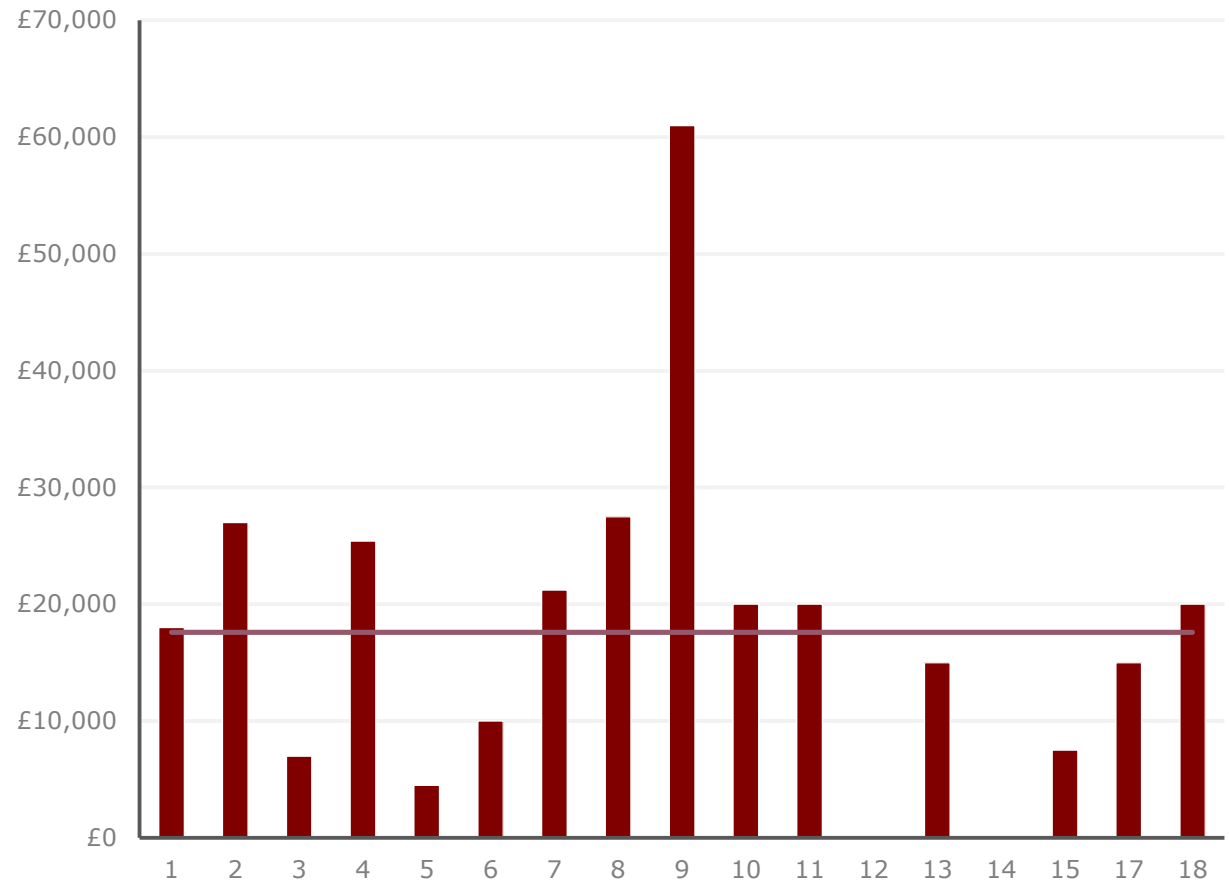
Lowest fee **£0**

9 firms ↑ than average

8 firms ↓ than average

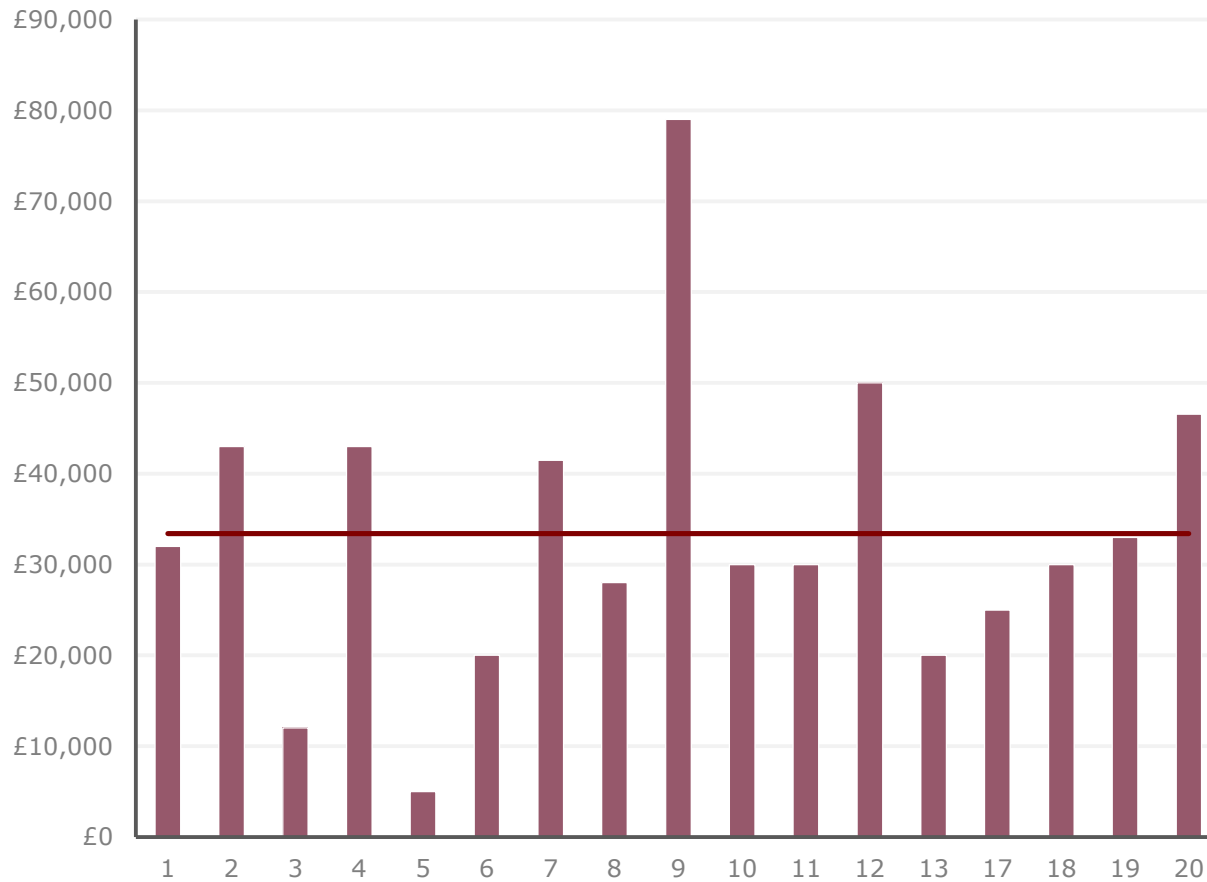
UCM highest **£30.50**
 UCM average **£8.80**
 UCM lowest **£0.00**

Implementation Fee



5,000 LIFE SCHEME

Implementation Fee



Most expensive fee **£79,000**

Average fee **£33,413**

Lowest fee **£5,000**

6 firms **↑** than average

11 firms **↓** than average

UCM highest **£15.80**

UCM average **£6.68**

UCM lowest **£1.00**

10,000 LIFE SCHEME

Most expensive fee **£114,000**

Average fee **£48,432**

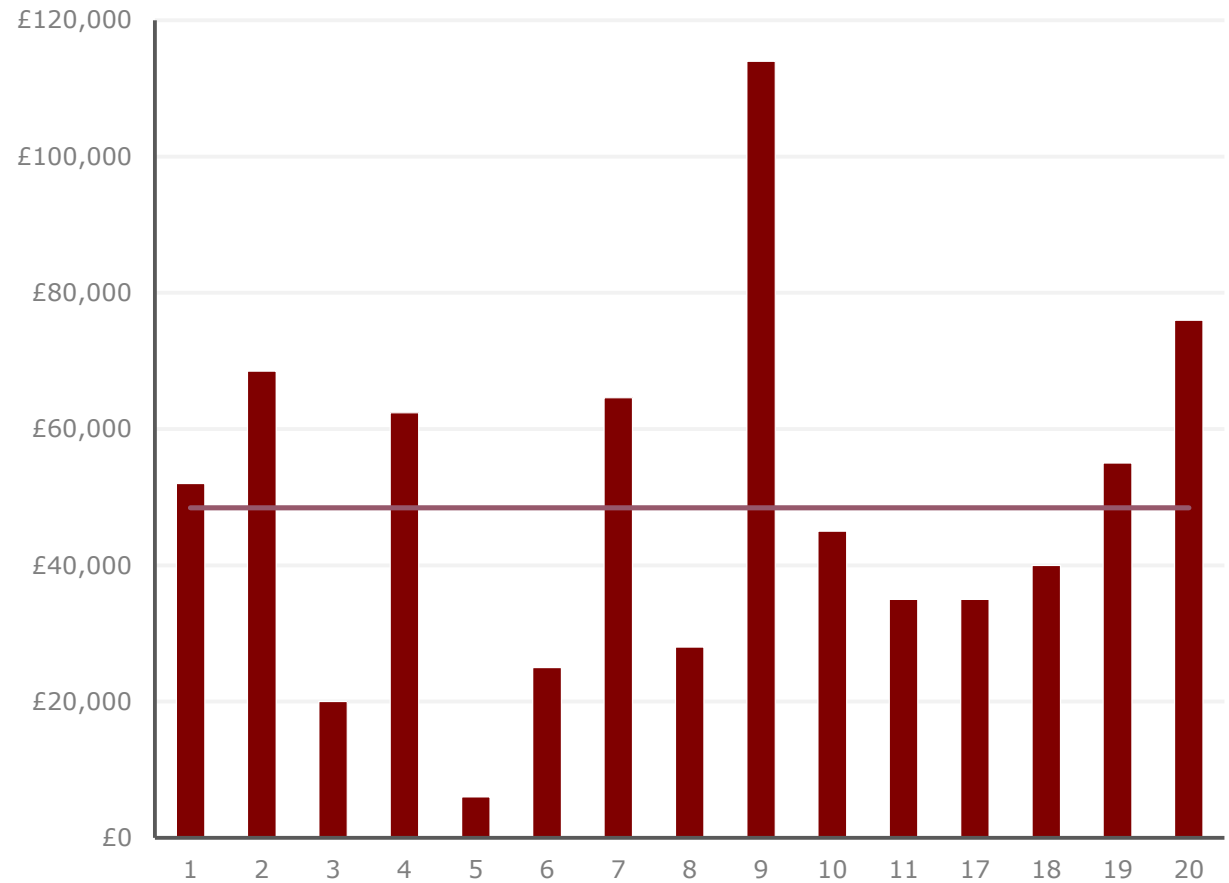
Lowest fee **£6,000**

7 firms **↑** than average

8 firms **↓** than average

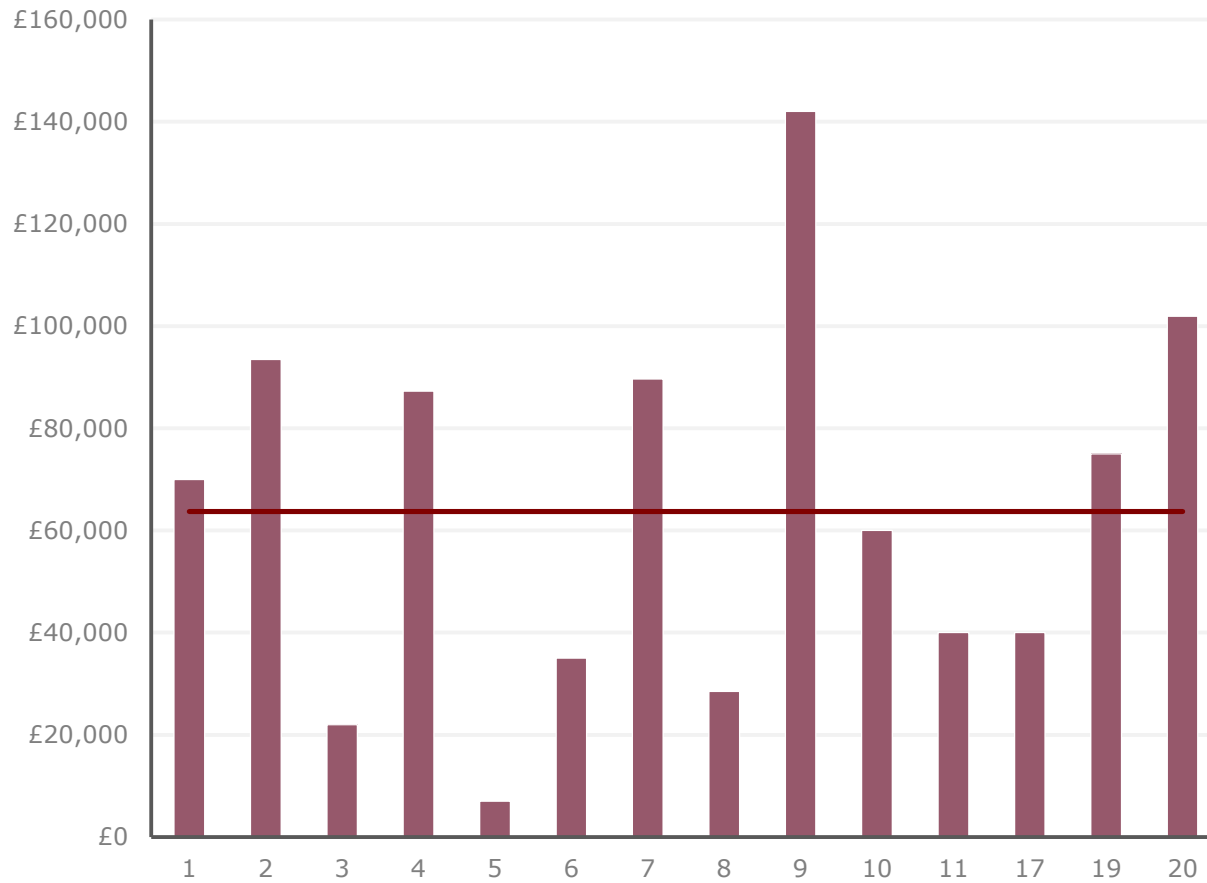
UCM highest **£11.40**
 UCM average **£4.84**
 UCM lowest **£0.60**

Implementation Fee



15,000 LIFE SCHEME

Implementation Fee



Most expensive fee **£142,000**

Average fee **£63,706**

Lowest fee **£7,000**

7 firms **↑** than average

7 firms **↓** than average

UCM highest **£9.47**

UCM average **£4.25**

UCM lowest **£0.47**

20,000 LIFE SCHEME

Most expensive fee **£171,000**

Average fee **£78,701**

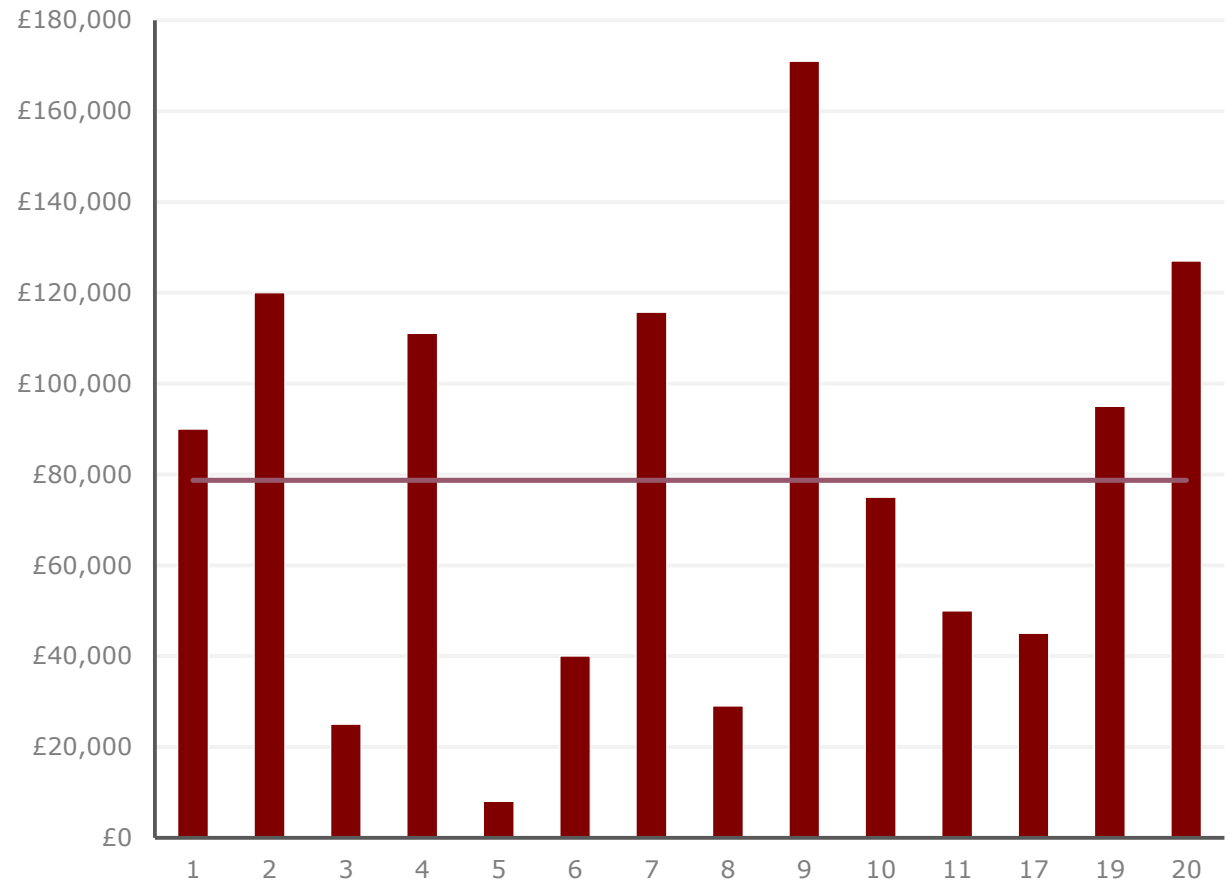
Lowest fee **£8,000**

7 firms ↑ than average

7 firms ↓ than average

UCM highest **£8.55**
 UCM average **£3.94**
 UCM lowest **£0.40**

Implementation Fee

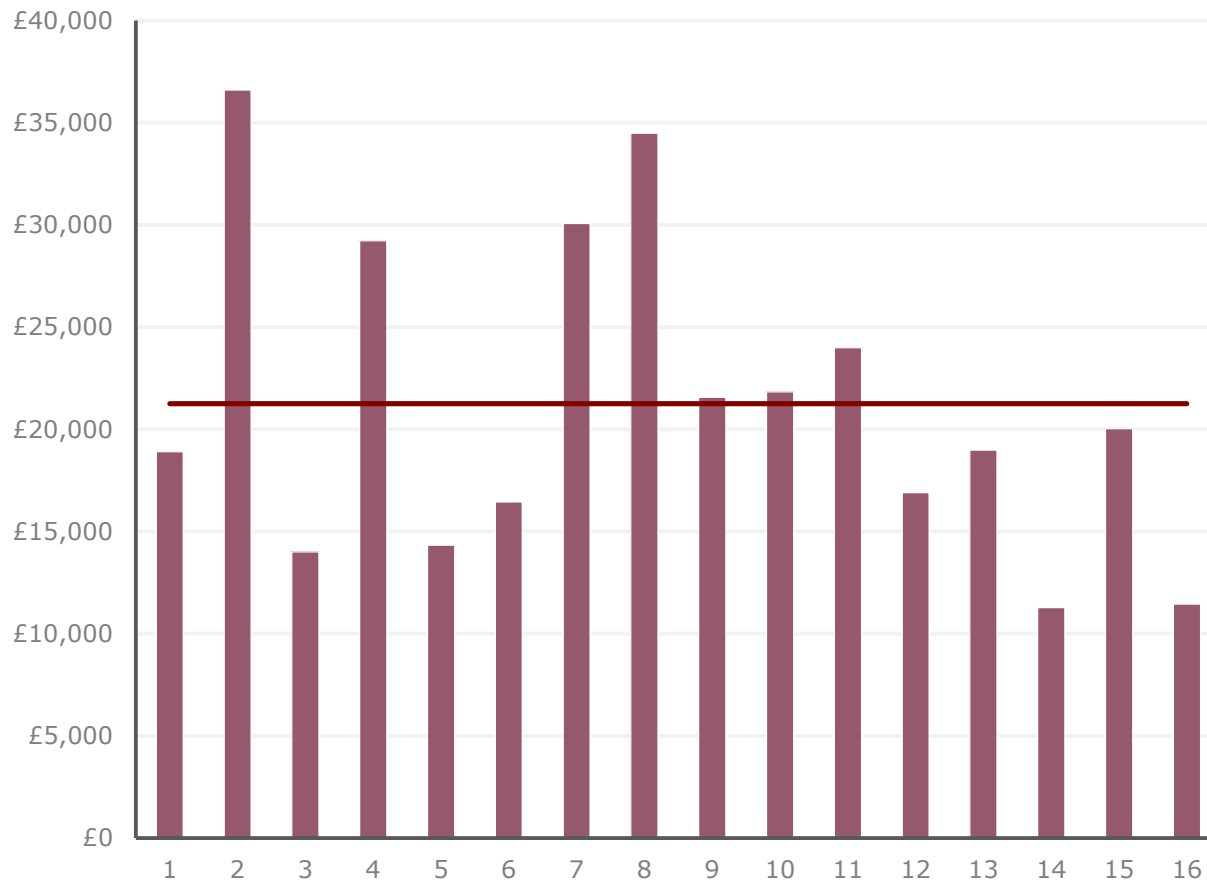




YEAR ONE

200 LIFE SCHEME

Year One



Most expensive fee **£36,600**

Average fee **£21,256**

Lowest fee **£11,280**

7 firms  than average

9 firms  than average

UCM highest **£183.00**

UCM average **£106.28**

UCM lowest **£56.40**

500 LIFE SCHEME

Most expensive fee **£43,050**

Average fee **£30,717**

Lowest fee **£18,200**

7 firms ↑ than average

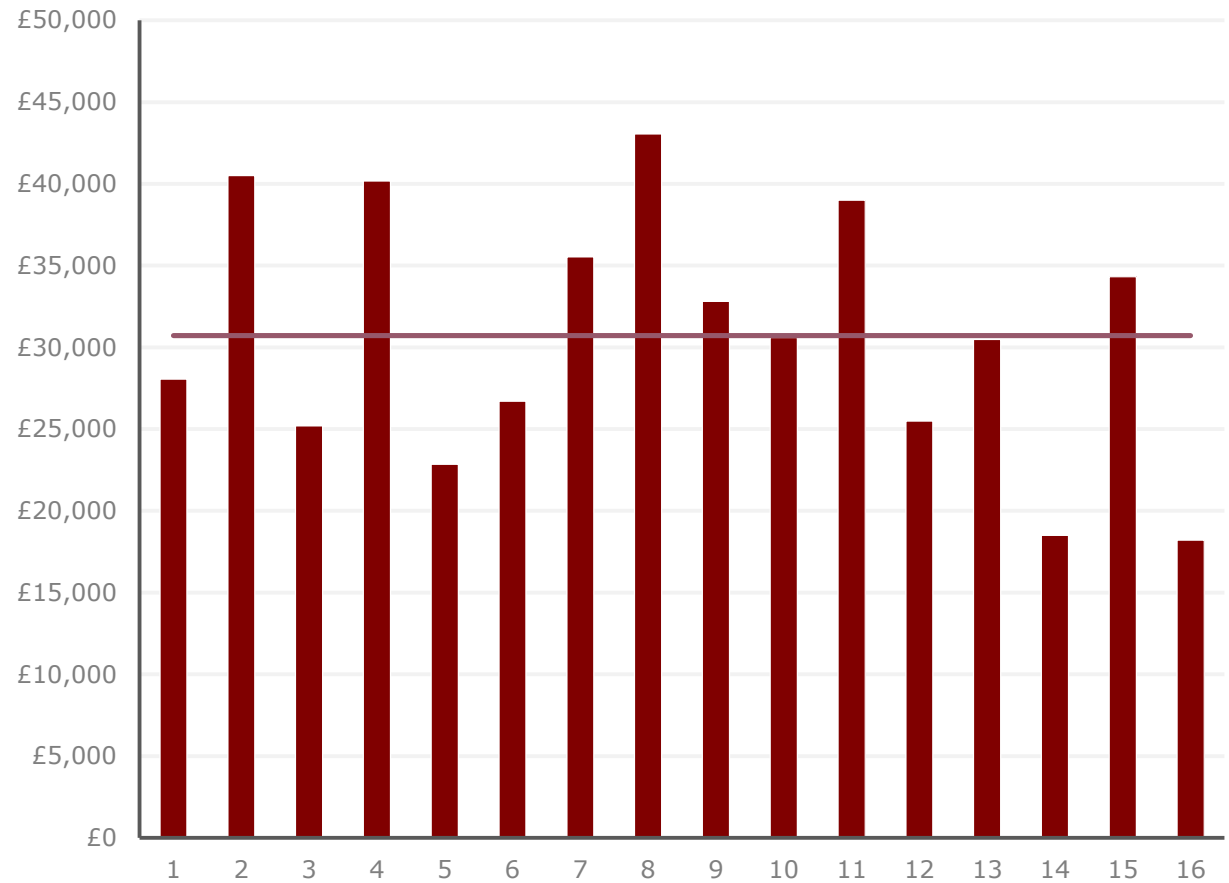
9 firms ↓ than average

UCM highest **£86.10**

UCM average **£61.43**

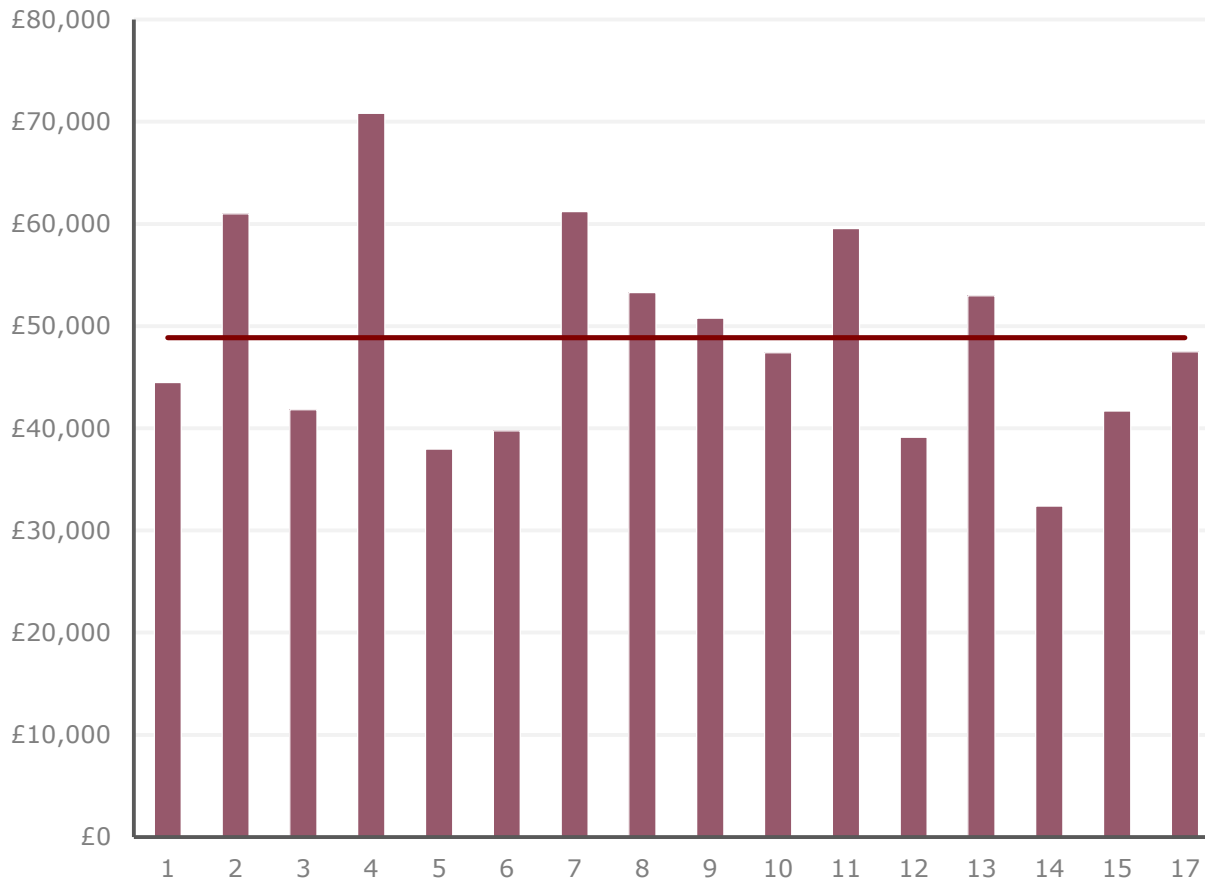
UCM lowest **£36.40**

Year One



1,000 LIFE SCHEME

Year One



Most expensive fee **£70,830**

Average fee **£48,858**

Lowest fee **£32,376**

7 firms  than average

9 firms  than average

UCM highest **£70.83**

UCM average **£48.86**

UCM lowest **£32.38**

2,000 LIFE SCHEME

Most expensive fee **£102,139**

Average fee **£77,397**

Lowest fee **£53,552**

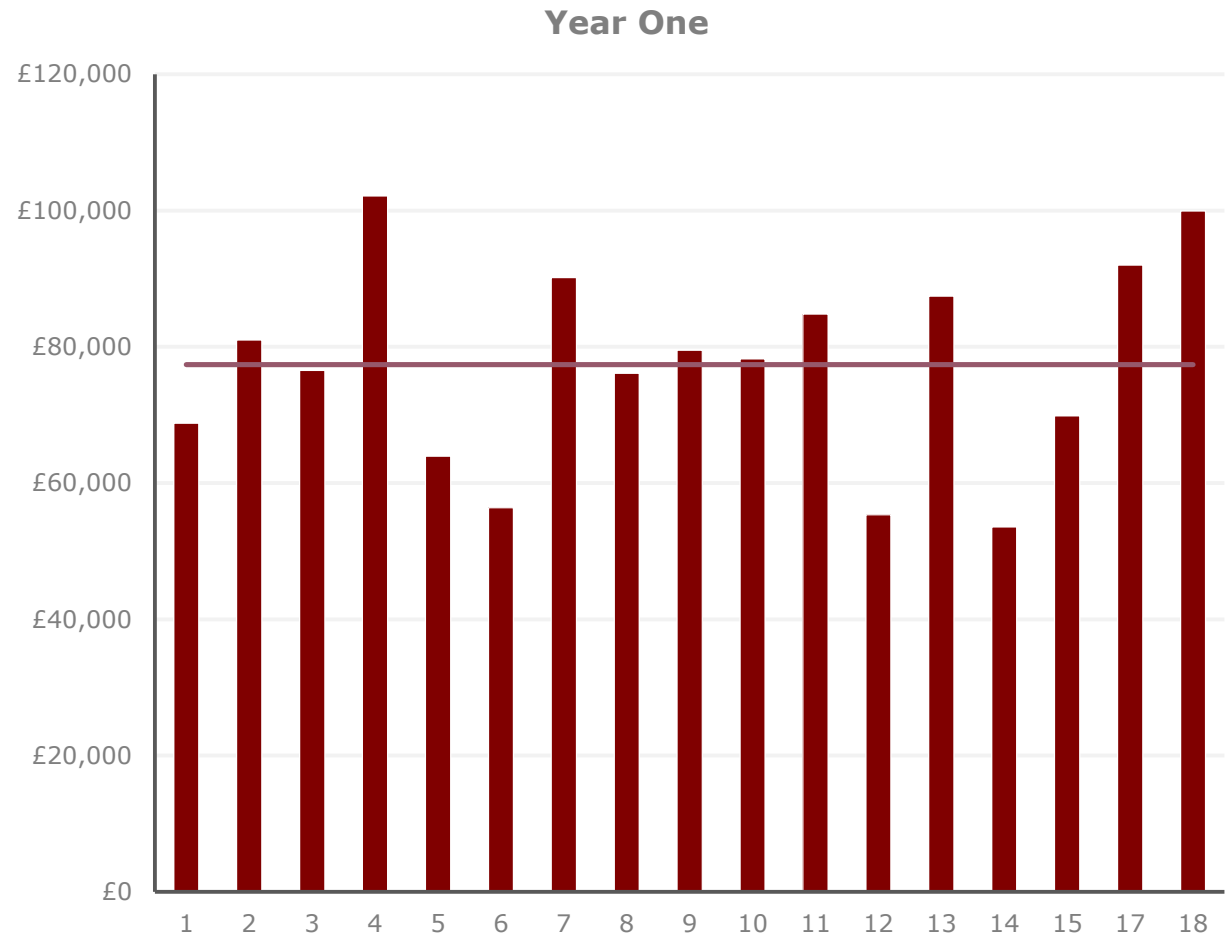
9 firms ↑ than average

8 firms ↓ than average

UCM highest **£51.07**

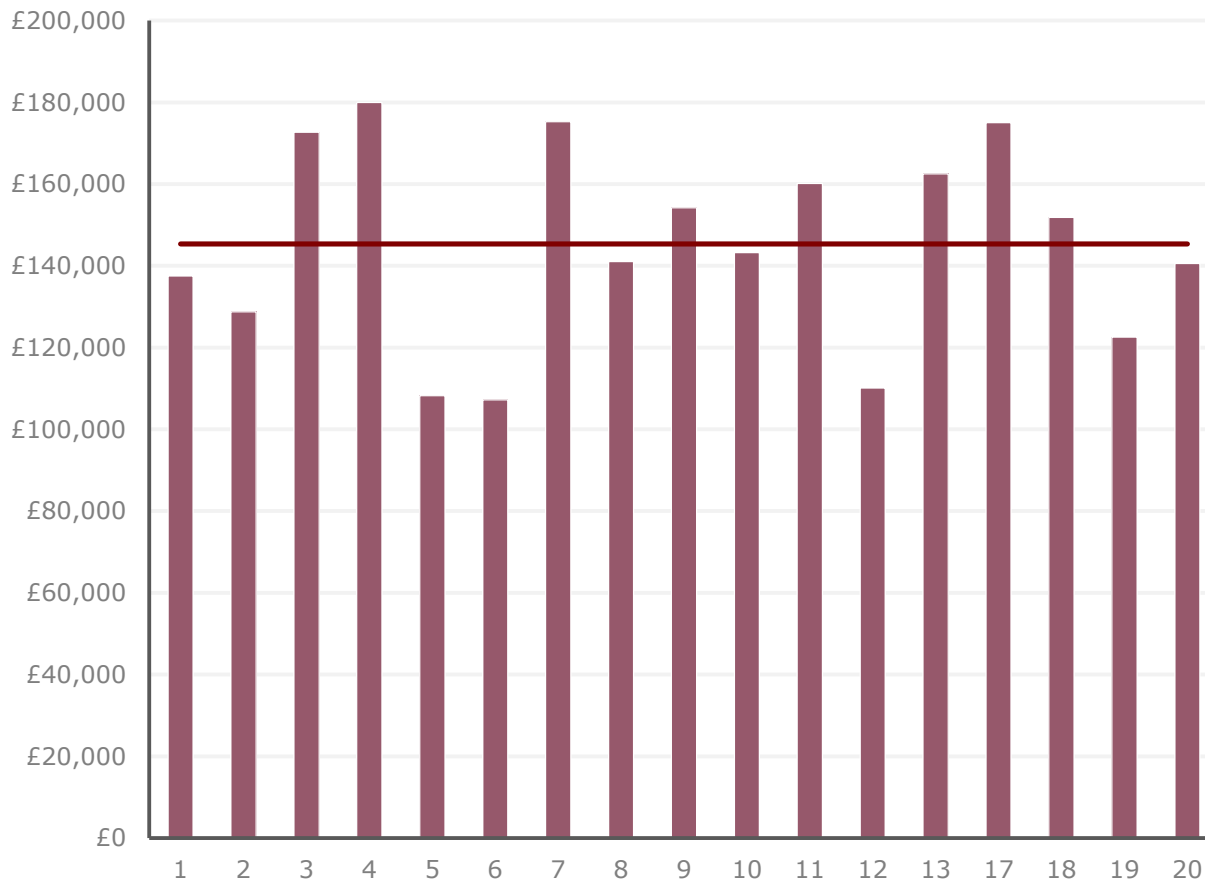
UCM average **£38.70**

UCM lowest **£26.78**



5,000 LIFE SCHEME

Year One



Most expensive fee **£179,995**

Average fee **£145,348**

Lowest fee **£107,240**

8 firms  than average

9 firms  than average

UCM highest **£36.00**

UCM average **£29.07**

UCM lowest **£21.45**

10,000 LIFE SCHEME

Most expensive fee **£308,000**

Average fee **£238,774**

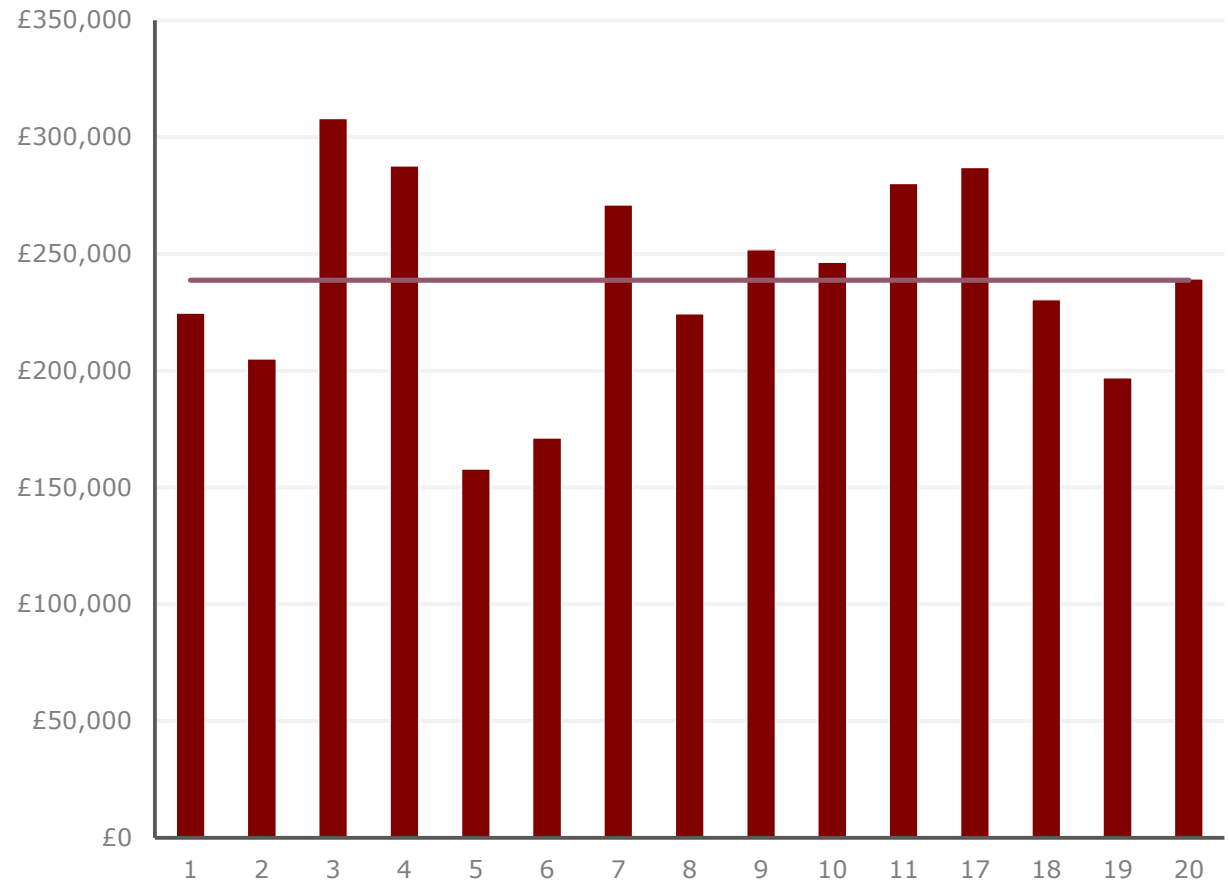
Lowest fee **£157,900**

7 firms ↑ than average

8 firms ↓ than average

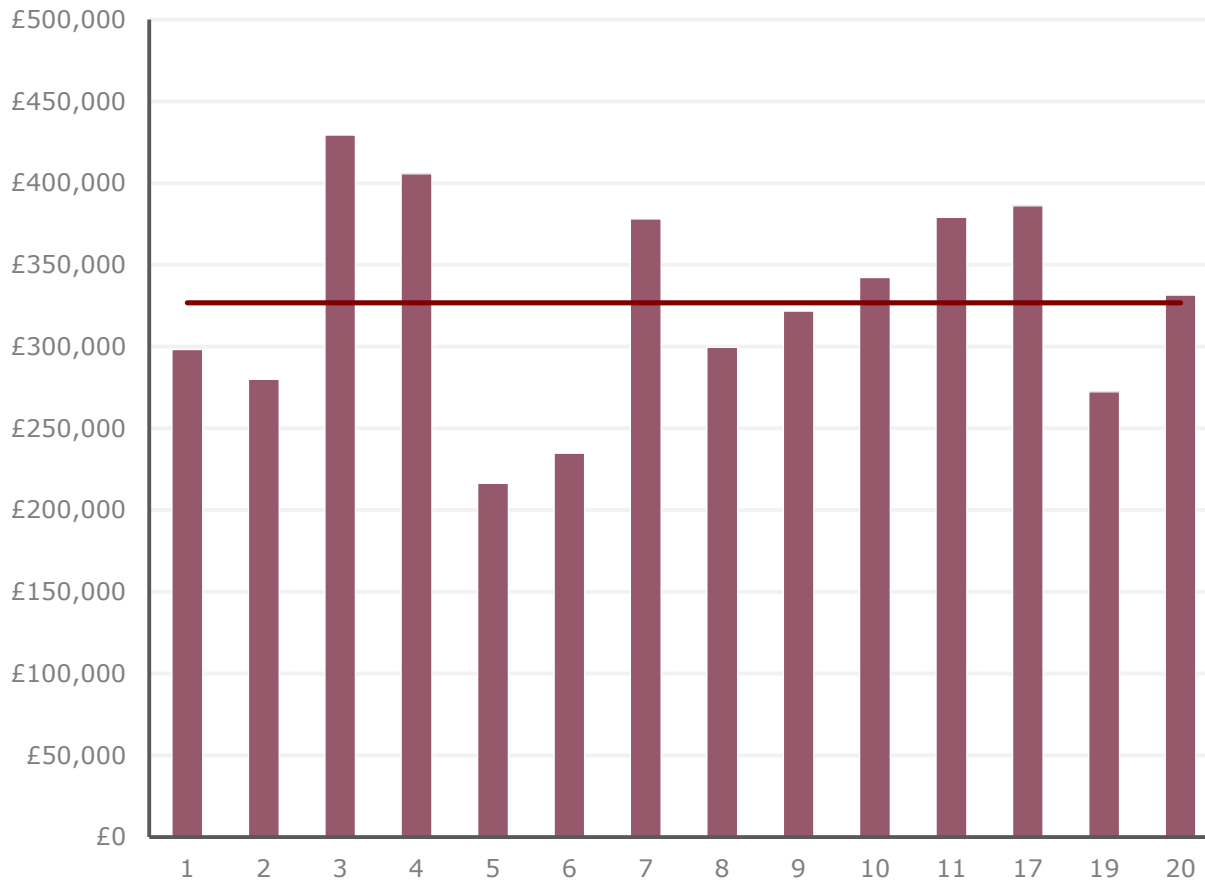
UCM highest **£30.80**
 UCM average **£23.88**
 UCM lowest **£15.79**

Year One



15,000 LIFE SCHEME

Year One



Most expensive fee **£429,440**

Average fee **£326,772**

Lowest fee **£216,300**

7 firms **↑** than average

7 firms **↓** than average

UCM highest **£28.63**

UCM average **£21.78**

UCM lowest **£14.42**

20,000 LIFE SCHEME

Most expensive fee **£558,400**

Average fee **£409,039**

Lowest fee **£249,760**

7 firms ↑ than average

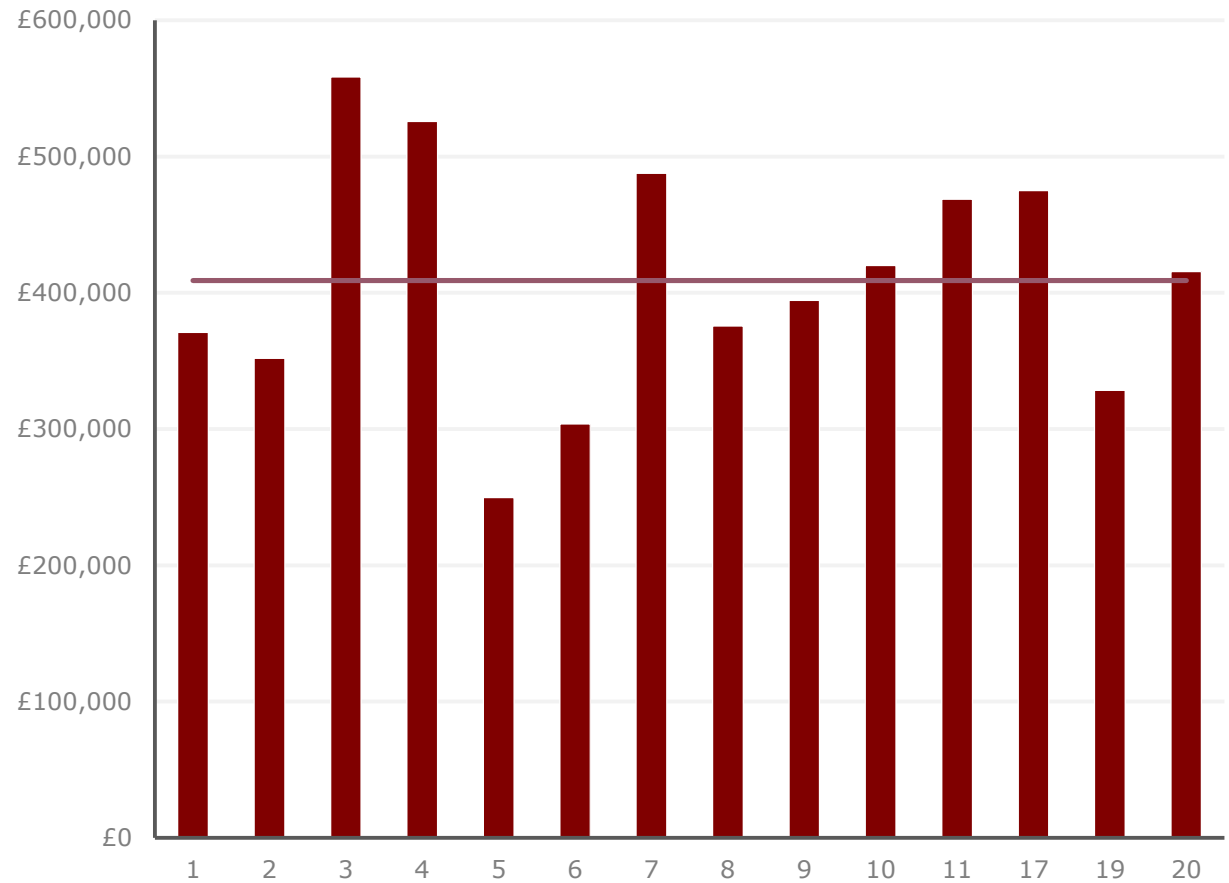
7 firms ↓ than average

UCM highest **£27.92**

UCM average **£20.45**

UCM lowest **£12.49**

Year One



WEB

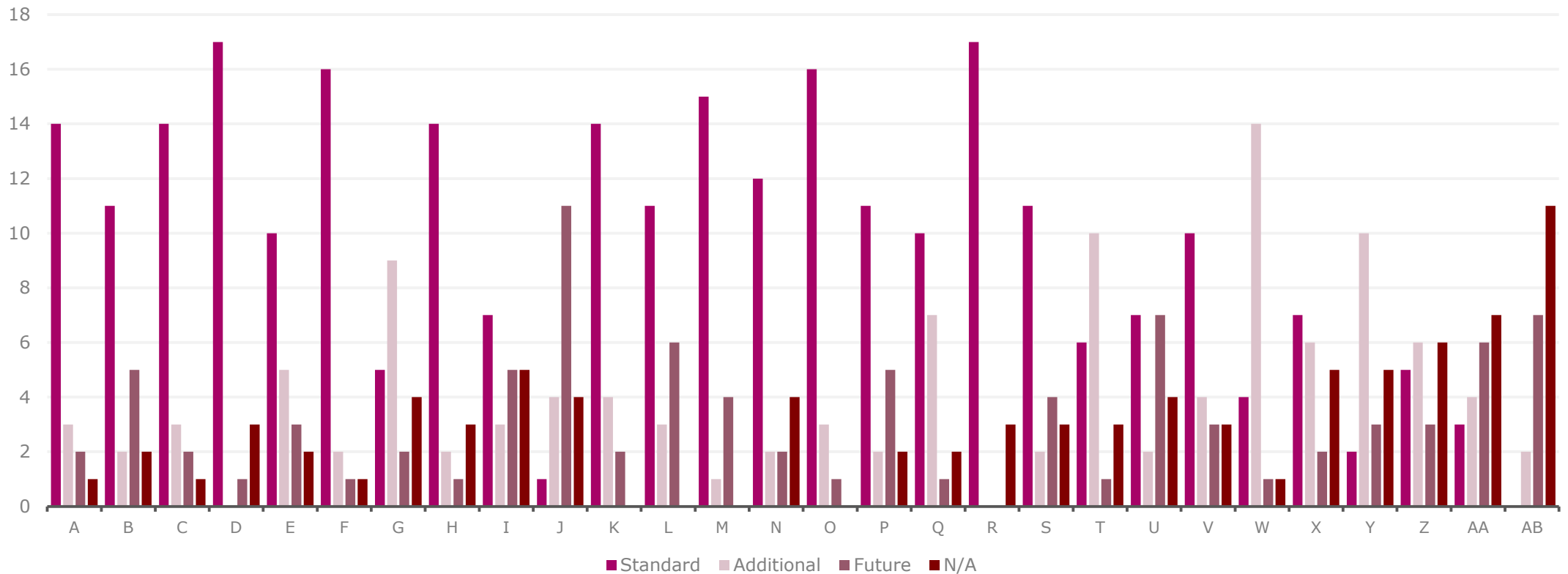
WEB FUNCTIONALITY

As with previous years we asked firms which web facilities are included in their fees as standard, what was available but for an additional fee, what was in development and what they were not currently considering offering to clients.

In reviewing the responses we found:

- Expression of Wish (Column D) and Help Facility (Column R) were most commonly provided as a standard web offering
- Document Portal (Column O) and Member Communications (Column F) were the next most common offering
- 10% offer gaming technology at an additional cost, whilst 35% are planning to develop it compared to 15% and 25% last year

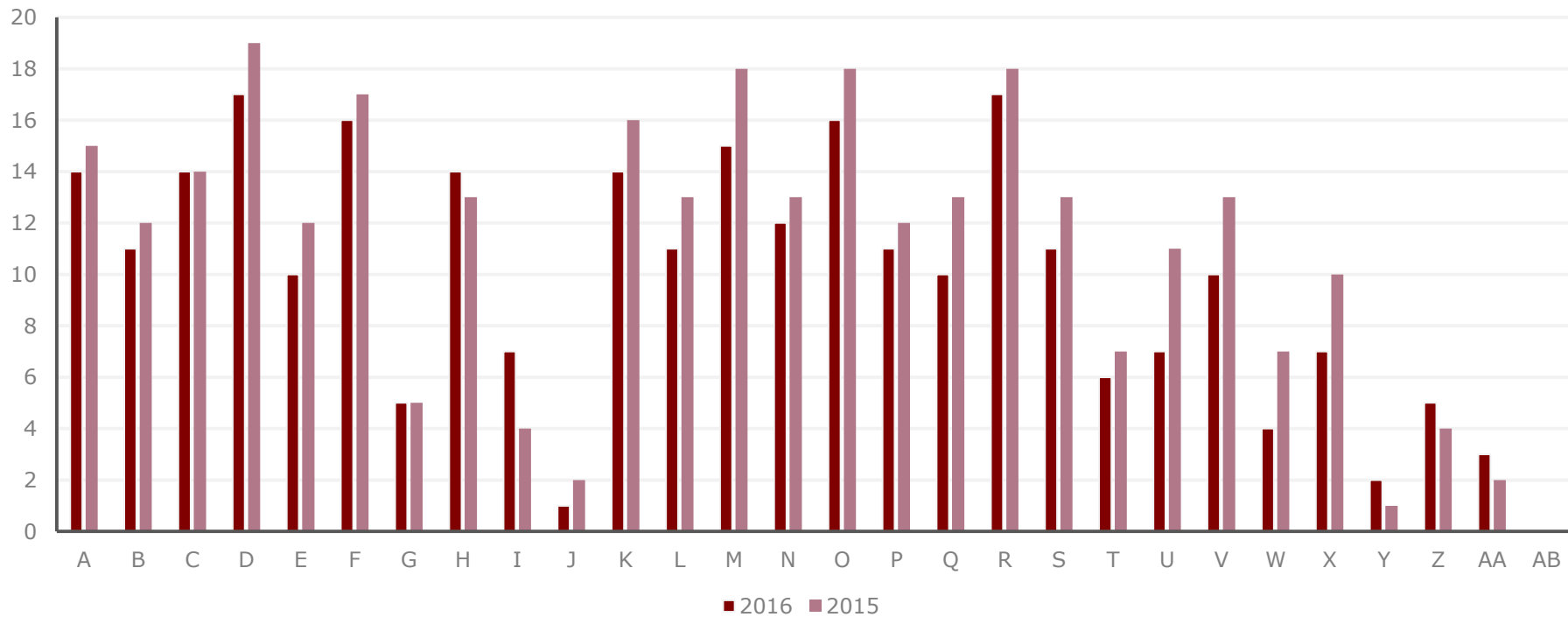
Web Functionality



Web technology continues to be a useful tool both for members and trustees:

- 10% offer web interaction with a Liability Modelling Capability (Column Y) as standard and 50% at an additional cost compared to 5% and 45% last year
- 25% offer Financial Modelling Tool (Column Z) as standard compared to 20% last year

Comparison of Web Functionality offered as Standard



It is surprising the number of firms offering functionality within their standard fees is reducing slightly, with the exception of interaction with liability modellers for trustees and financial education tools for members. Are providers including these to meet the changing needs of their clients?

WEB SERVICES

The table below shows the web services referenced in the graphs above.

Column	Service
A	Member Access
B	Member Real Time Access
C	Personal Data Management for Member
D	Expression of Wish Form
E	Benefit Modelling
F	Member Communication
G	Annuity Quotation
H	Switching
I	Combined Benefit Modelling
J	Online Retirement
K	Third Party Access
L	Online Data Exchange
M	Standard Suite of Reports
N	Cashflow Management
O	Document Portal/Library
P	Online Stewardship Reporting
Q	Branding
R	Help Facility
S	Third Party Real Time Access
T	Governance Tools
U	Online Contribution Processing
V	STP - Investment
W	Bespoke Reports
X	Access to Administration System
Y	Interfaces with Online Liability Modellers
Z	Financial Modelling Tools
AA	Interactive Online Assistance
AB	Modern Communication Technologies based on Gaming Principles

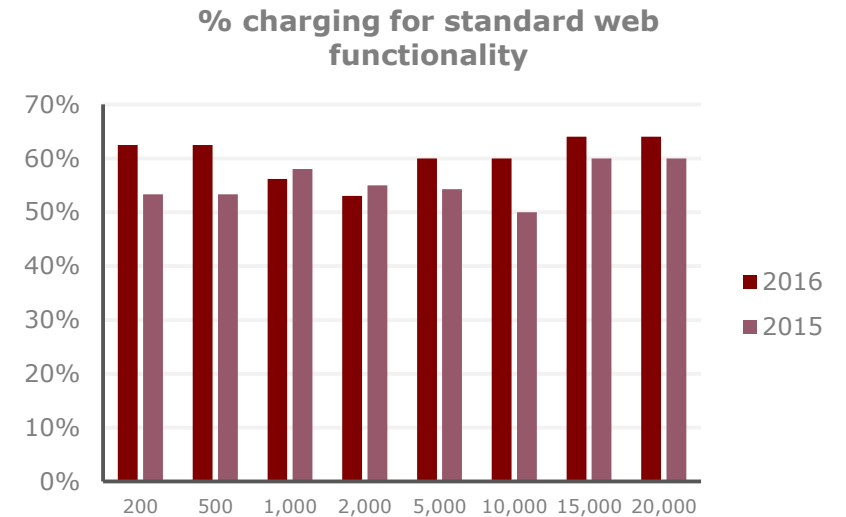
WEB COSTS

We asked providers how they charged for their standard web functionality. The responses were varied between being included within the core fee or an explicit cost. The graph below sets out the number of firms within each category and the range of fees.



The ability of an administrator to deliver services via the web continues to grow in importance for pension schemes and last year we saw an increase in the number of firms showing an explicit fee for the provision of web services.

The number of providers which do not offer standard web services within their core fees has increased slightly again compared to last year, with the exception of 1,000 and 2,000 life schemes, but this is very marginal.





TRUSTEE MEETINGS

TRUSTEE MEETINGS

Communication between trustees and administrators is key to maintaining a good working relationship, we therefore asked firms how many trustee meetings were included within their core fees. The following shows the most commonly offered number of trustee meetings for the scenario schemes.

200 Life Scheme



500 Life Scheme



1,000 - 20,000 Life Schemes



This table shows the percentage of firms offering the most common number of trustee meetings:

Scheme Size	200	500	1,000	2,000	5,000	10,000	15,000	20,000
% of Firms	50%	56%	44%	53%	77%	80%	79%	79%

As to be expected the two smallest schemes have fewer trustee meetings included in the core fees. The increase to four meetings occurs first for a 1,000 life scheme and this continues through to a 20,000 life scheme. It is pleasing to see over three quarters of firms are offering four trustee meetings per annum.

ADMINISTRATION MEETINGS

All firms were asked how many pure administration meetings were offered in their core fees. Below highlights the most common number of administration meetings for each scheme size. For the smaller schemes around a third of firms offer one administration meeting, for a 2,000 life scheme seven firms offer two administration meetings, decreasing to six for a 5,000 life scheme. For the three largest schemes, just over a quarter of firms offer two administration meetings.

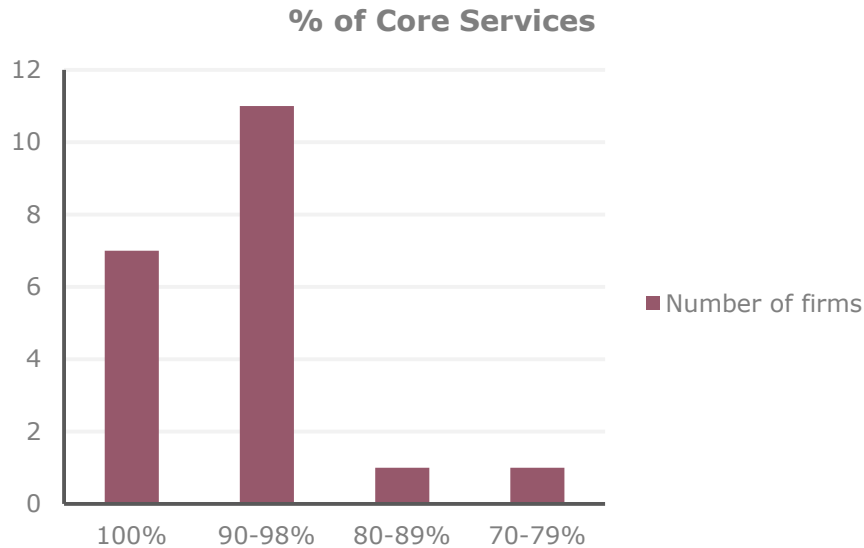


CORE VS NON-CORE

CORE

We asked all firms to provide their fees based on the tasks we consider to be essential or core to the administration service. A list of these 46 key tasks can be found in the Appendix.

The graph below sets out how many firms provide all or most of the tasks:



18 firms are offering 90% or more of the core services, with seven offering 100%. The average percentage of tasks offered is 96%.

16 firms ↑ than average

4 firms ↓ than average



offer 100%

Compared to 6 in 2015

offer 90% - 98%

Compared to 12 in 2015



offer 70% - 89%

The same as 2015

GAUGING VALUE FOR MONEY – VFM

Trustees are required to demonstrate their scheme is receiving value for money. Whilst the tables below are unable to show the whole picture, they can act as a good starting point for trustee due diligence. The tables show the percentage of core services included by the firms, with the highest and lowest fee.

		Fees £	% of Tasks
200	Highest	36,600	96
	Lowest	11,280	71
500	Highest	43,050	85
	Lowest	18,200	93
1,000	Highest	70,830	96
	Lowest	32,376	71
2,000	Highest	102,139	96
	Lowest	53,552	71

		Fees £	% of Tasks
5,000	Highest	179,995	96
	Lowest	107,240	98
10,000	Highest	308,000	100
	Lowest	157,900	100
15,000	Highest	429,440	100
	Lowest	216,300	98
20,000	Highest	558,400	100
	Lowest	249,760	100

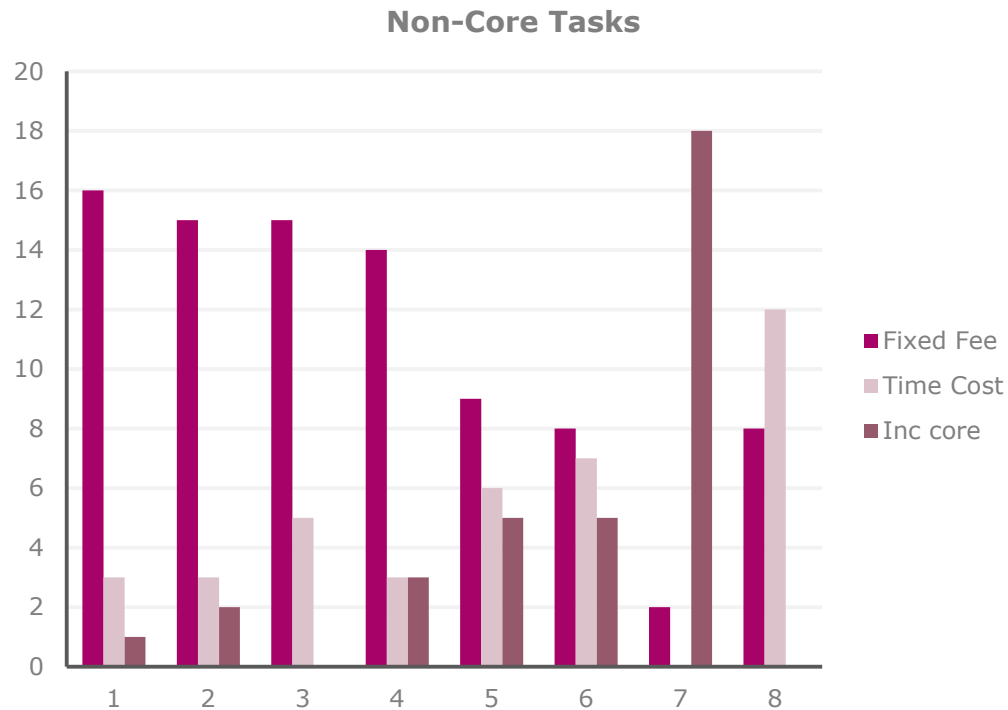
- 500 life scheme – the firm with the lowest fee includes a higher percentage of core services than the firm with the highest fee
- 2,000 life scheme – the firm with the highest fee has a higher percentage of core services than the firm with the lowest fee
- 10,000 and 20,000 life schemes – both firms with the highest and lowest fee, offer the same – 100% of core tasks

The survey results show the smaller schemes should look closely at the services offered by providers, as the differences in what is offered for the fees is variable. Larger schemes may receive the same level of service irrespective of being serviced by the firm with the highest or lowest fee. Please note the providers may offer non-core services within their standard fees and this should also be considered.

NON CORE

All schemes are individual and many require additional tasks over and above the administrators core offering. We asked firms how they charged for eight of the most popular non-core tasks. The responses came with caveats – either fixed fee, time cost or included in the core fees.

Below we set out the number of firms for each charging basis for the non-core tasks:



Task	Description
1	Scheme Secretariat (includes attendance at meetings, minute taking/distribution, action dissemination/follow up)
2	Draft Trustee Meeting agendas, distribute Trustee papers in accordance with statutory timescales
3	Perform ad hoc projects as requested by the Trustees, any projects should be agreed and budgeted prior
4	Attendance at extra Trustee meetings when required at no extra cost
5	Enhanced reporting
6	Provision of additional member data to other third parties
7	Liaise with Trustees on Scheme administration matters as and when required
8	Merger/sale/acquisition work

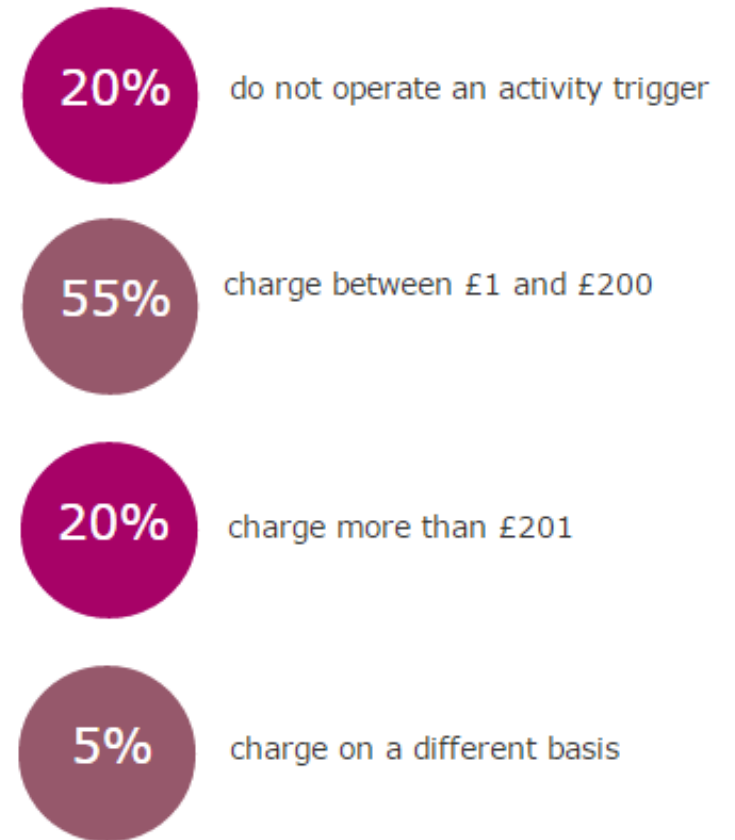
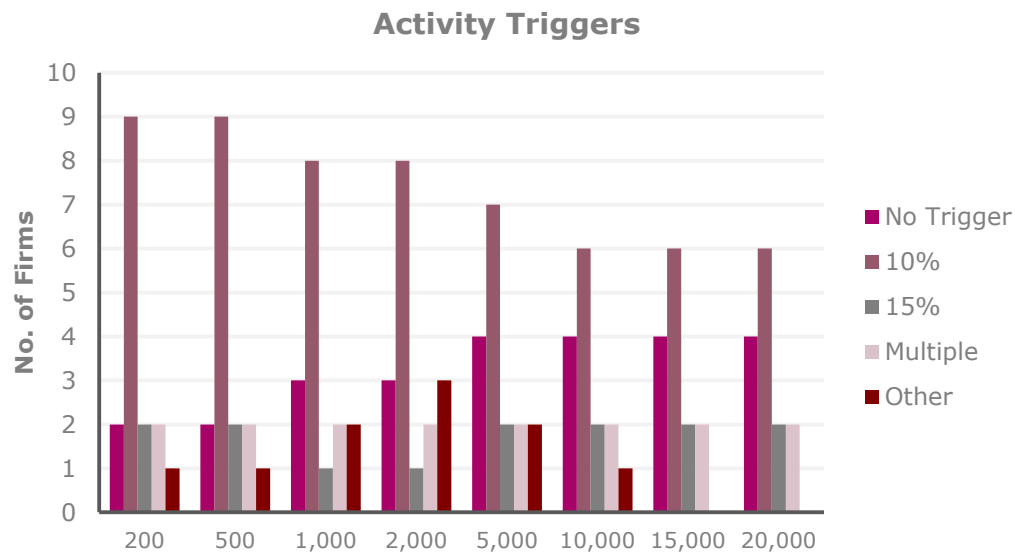
The majority of non-core tasks are provided on a time cost basis or covered by an additional fixed fee. However task 7 – Liaise with Trustees on Scheme administration matters as and when required, was included within the core fees by 90% of the providers.

PRICING MECHANISMS

MEMBER ACTIVITY ASSUMPTIONS

This is an area which remains diverse, with a number of organisations providing an all-inclusive service. Where firms do charge, there are many interpretations of what constitutes an 'activity'. For some firms an activity is an entire process i.e. a retirement, yet for others each touch point with the member is classed as a separate activity i.e. contact member, quote, correspondence with member and set up pension. Once schemes close to new entrants, maturity accelerates and activity triggers begin to bite sooner. This has a greater impact small closed DB schemes, which could find themselves quickly exceeding their administration budget. Where an activity trigger operates, this is most commonly reached at 10% of membership.

The variance in the manner firms charge for work undertaken once activity triggers have been hit is illustrated below.



90% Said these were negotiable

MASTER TRUSTS

MASTER TRUSTS

Master Trusts continue to grow as a popular retirement savings vehicle and their administration is an interesting new market for many providers. We expect the shape and form of the market to continue to develop over the coming years. The difference in population responding to the questions around Master Trusts produced a different result this year. Whilst the Pensions Regulator is expecting market consolidation, this is yet to impact and is not a factor in this reduction.

Below we set out some key facts from the survey:



6 firms provide admin to MTs



2 of the 6 provide admin to multiple MTs

- 5** offer UFPLS
- 4** offer drawdown
- 2** offer transfers in for drawdown



2 firms charge an AMC
3 firms charge per capita

3 charge for implementation

charge an exit fee **3**

AN INDUSTRY VIEW

INDUSTRY VIEWS

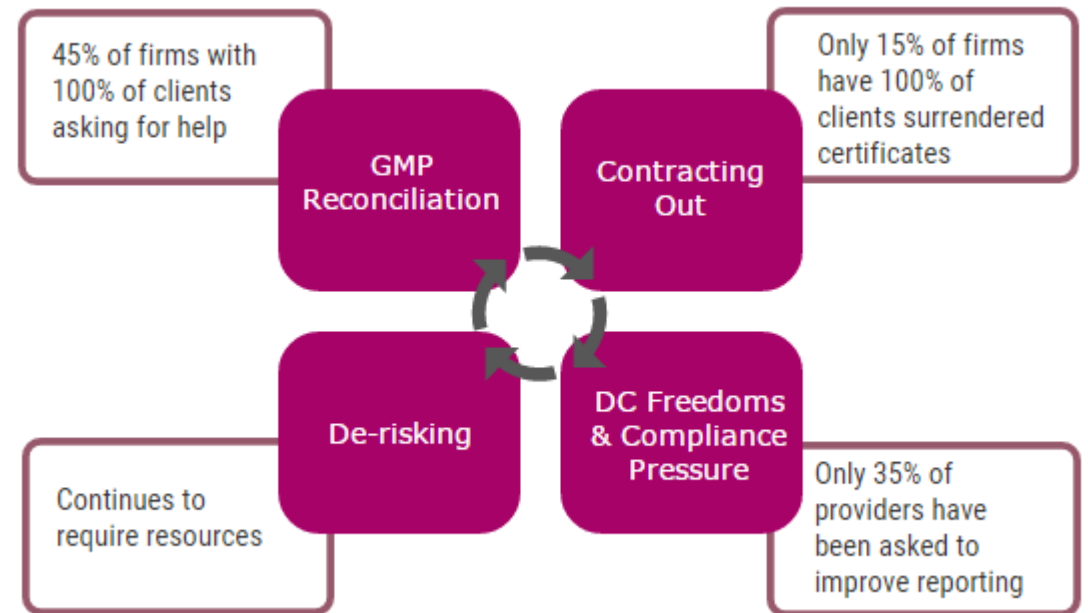
Participants are invited to express their views on the industry, and what is keeping them busy now and likely to do so in the coming months. Not surprisingly there were some common themes and also a couple have been in train for the last few years.

Participants are still feeling the pressure as schemes look to continue with GMP reconciliation and rectification. Nearly half of firms confirmed all of their clients have asked for help, although it is not clear how far advanced these projects are.

Last year the cessation of contracting out was highlighted as an issue for participants. This year it is not surprising only a small number of providers were able to confirm all of their clients had surrendered their certificates.

DC freedoms continue to rumble on. Firms are working with schemes ensure compliance and also assisting with scheme changes. The DC code and the requirement for the Chair of Trustees Statement has not had much impact. 65% had not been asked for enhanced reporting to evidence compliance with the code, whilst a number stated they were proactively encouraging more reporting.

De-risking projects also continue to be a key area of demand for services. This year firms have experienced a resurgence in schemes looking to move administration and trigger de-risking projects. Is this a delayed demand due to schemes being reluctant to move until auto-enrolment was completed, or have trustees been focusing their attention elsewhere? We know complacency does not naturally lead to good governance and value for money.



SUMMARY

FINAL THOUGHTS. . .

Whilst the survey provides interesting statistics on fees and services, it is perhaps the industry views from the administrators that is most telling. Many firms commented on feeling increased pressure on meeting compliance requirements, yet only a third had been asked by clients to enhance Management Information reporting. The survey question may have been aimed at compliance with the Chair of Trustees statement requirements, but the responses were wider and gave a useful insight into how administration is being carried out and the firm's performance. This begs the question, how are trustees evidencing due diligence and their understanding of good administration?

This theme continues with a surprising number of firms whose clients are still to engage with them on the topic of GMP reconciliation and the cessation of contracting out. Given the ticking clock, the statistics show there is still a significant amount of work to be done. Trustees should be cautious this could be a further drain on administration resources and scheme budgets in the coming months.

The survey's initial remit was to investigate both fees and services, our final thoughts therefore turn to these. The survey shows improvements for smaller schemes in terms of fees but they should be wary of what they are receiving for their money. They may pay less but they may also receive less. Whilst there is practically no difference in the services offered to large schemes regardless of cost. Furthermore, schemes should be cognisant of what non-core services firms include within their standard fees.

Ultimately trustees may consider it worthwhile paying lower fees for fewer services, but this decision should be made from a position of knowledge. We hope our survey has provided food for thought in this quest for knowledge.

APPENDIX

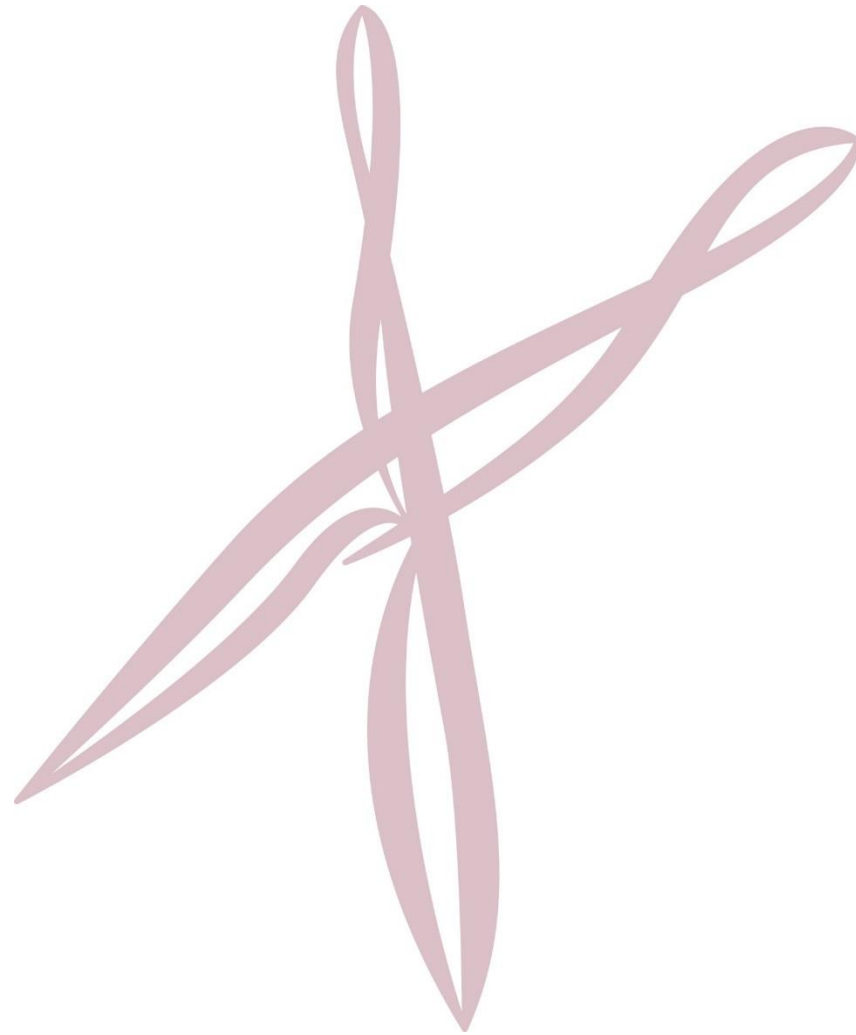
SERVICES PROVIDED

The chart below sets out the tasks we consider should be included in the core service types. All firms were asked to state if these tasks are included in their own core services.

CORE TASKS

Implement and maintain up to date membership records
Maintenance and security of members' information in accordance with Data Protection Act requirements plus safe storage of scheme data (paper and electronic)
Calculate and advise benefits for DB leavers, retirements and deaths (deferred/pensioner)
Calculate and advise benefits for DC at retirement and leavers
Benefit and option quotes (leaver/retirement/death)
Complying with requirements for DB to DC transfers
Regular check/update (if necessary) of benefit calculation routines
Dealing with transfers (in/out)
Advance notification of forthcoming retirements
Calculation of pension increases and notification to pensioners
Bespoke Administration Stewardship Report
Input to and production of Annual Benefit Statements (SMPI)
Annual membership schedule (renewal)
The Pensions Regulator reporting requirements
Liaison with Investment Manager/Consultants/Scheme Actuary/Risk Benefit Provider/AVC Providers when required
Monthly DC contribution cycle (Money Purchase and AVCs)
Administration of AVC arrangements including acting as lead Administrator to AVC providers
Coordination and distribution of annual AVC statements
Production and safe keeping of members' 'Expression of Wish' forms
Member enquiries
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
Periodic pensioner existence check (e.g. minimum of triennial)
Insured risk administration
Provision of data for actuarial valuation at no cost
Attendance when required for regular 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 and developments
Dissemination of current views e.g. 'house' view of a particular piece of legislation
Act as Scheme Practitioner
Complete HMRC returns and DWP requirements
Management/operation of a Trustee bank account cash and benefit payments
Maintain investment transaction records
Transaction summary (quarterly minimum)
Tax returns and payments to HMRC, acting as Administrator
Production of draft Annual Report & Accounts
Arrange/facilitate annual audit
Pay/claim tax and deal with HMRC, calculations of tax, LTA charge, unauthorised payments, refund of contributions and commutation payments
Cashflow management reconciliation of payments/receipts (monthly minimum)/obtain and check bank statements
Periodic pensioner payment
Annual payslip production and periodic payslip if pension changes by more than £10
Annual P60
Provide LTA information to pensioners
Pensioner correspondence and liaison with administration



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