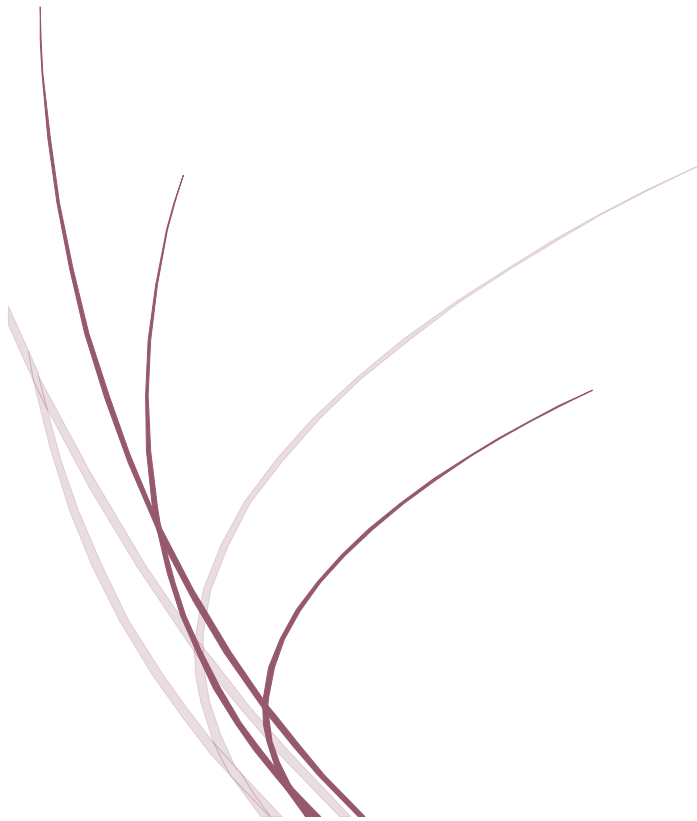




KGC associates



KGC's 8th Admin Survey

July 2017

FOREWORD

We can hardly believe the KGC Administration Survey is in its eighth year. We would of course like to thank all the firms who participate for all the time and effort they put into it. As the spectrum of providers has evolved, so too has this report.

We have kept the key data on fees and services, plus some commentary around the value for money piece. It remains a high priority for many of the participants' clients. However we felt we were overloading readers with too many statistics and information. So this year we have tidied up some areas to focus on what we believe is most important.

One area we are keen to maintain, and even improve, is the industry view section. This year more participants took the time to respond, so we have a fuller picture and the results are more meaningful. Particularly as we tackle the fall out of one set of legislative changes and look to put to bed one still hanging around like a millstone around schemes' necks. But, more about that later...

Our survey remains the only independent source of data on fees, services and trends. 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 remains an important and good starting point.



Hayley Mudge
Report Author

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INTRODUCTION

INTRODUCTION

Earlier in 2017 19 firms accepted our invitation to participate in the 8th 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). Pension administration continues to be put under the spotlight by the Pensions Regulator (TPR). So understanding what is available in the market in terms of fees and service, i.e. value for money, continues to be a key requirement for trustees of schemes and the administration providers themselves.

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.

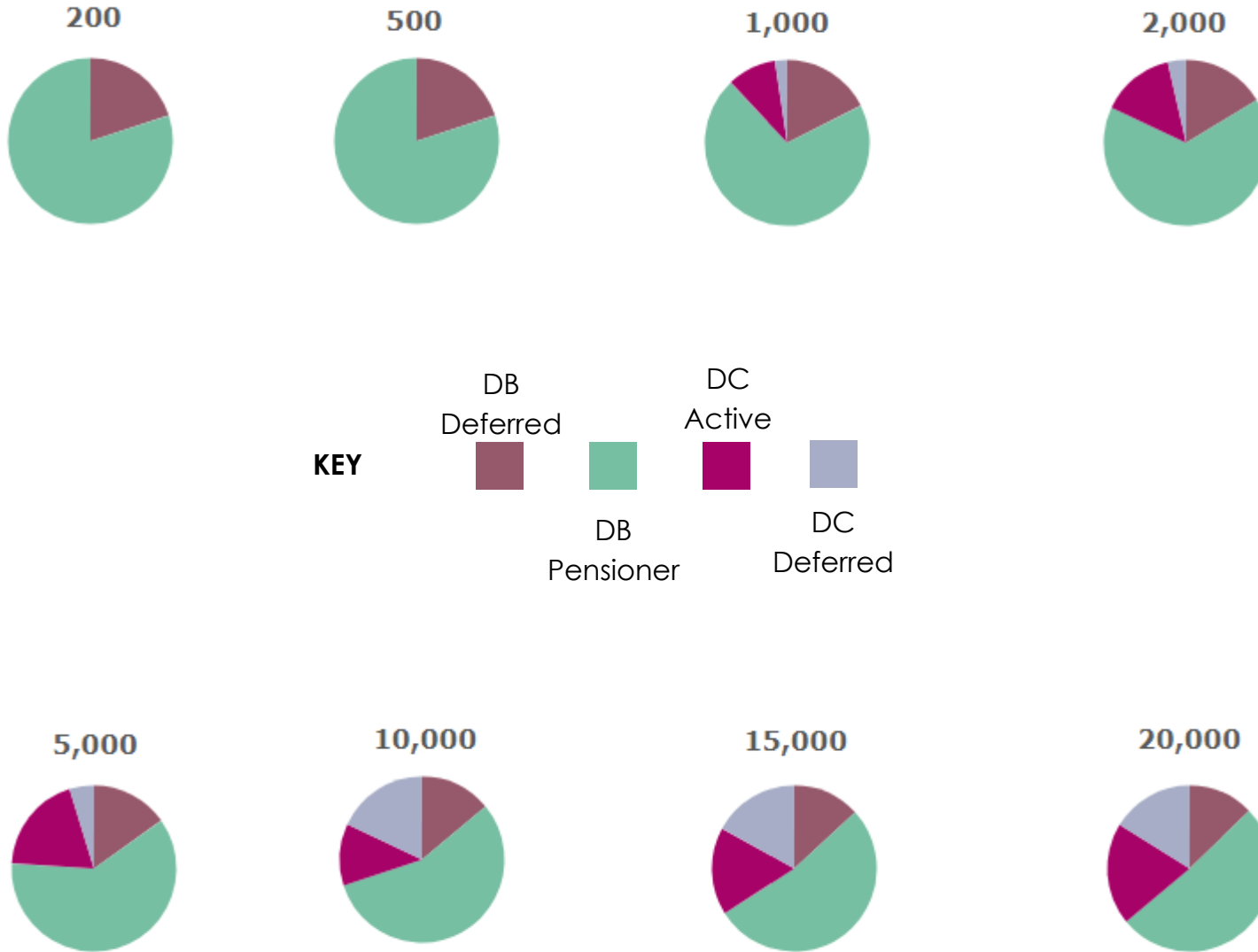
This report illustrates fees for the four main components, administration, pensioner costs, treasury and accounts as well as implementation. This survey is about what schemes can expect for the fees they pay – it is and never has been, purely about cost. We do not expect it to be used by trustees to beat administrators for lower fees. It is more important to understand for those fees, a certain scope of services is provided. To question how these stack up compared to what others provide or receive. We note no two schemes are the same. But, the results do enable trustees to begin to think more carefully about the services they receive and if they reflect what the scheme needs and the quality they experience.

SCENARIO ASSUMPTIONS

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

- 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 (i.e. no DC freedoms offered via the scheme)
- Two banks accounts, one for each section (DB & DC) for transparency purposes
- For the DB section:
 - 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:
 - 3 lifestyle choices
 - DC fund platform with access to 10 funds
 - DC OMO via a broker, fees to be incorporated within core fees
- Data assumed to be as in a normal state, i.e. the usual odd missing fields here and there

MEMBERSHIP STATISTICS



FEES

FEE ANALYSIS

The results are shown below and grouped in four sets of graphs where they are compared against the average fee for 200, 500, 1,000, 2,000, 5,000, 10,000, 15,000 and 20,000 life schemes. Firms were asked to complete only 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 (where appropriate)

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.

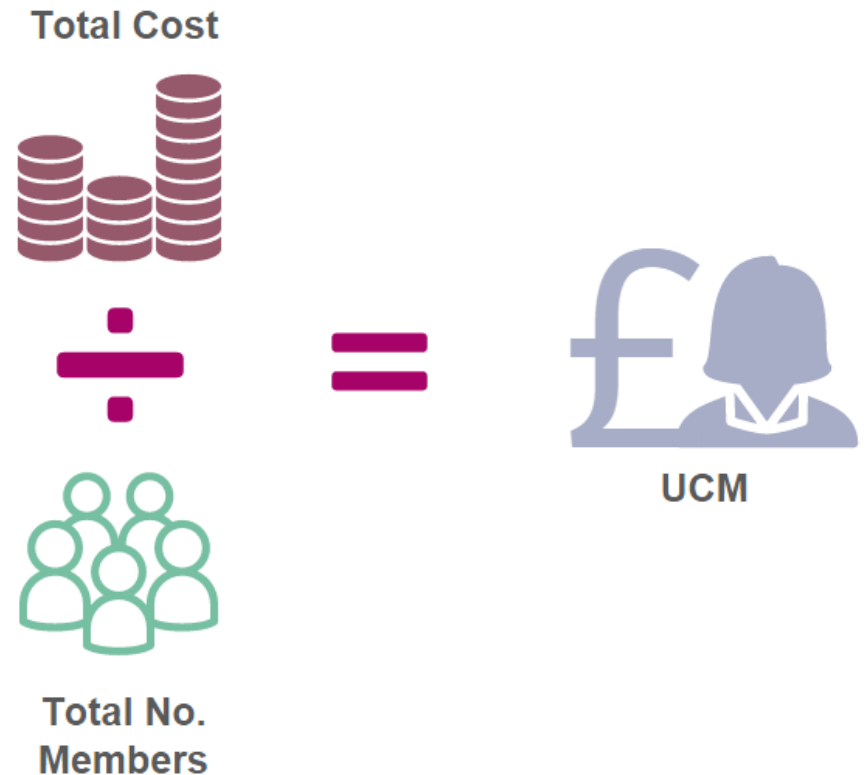
The fourth set of graphs shows the implementation fee.

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

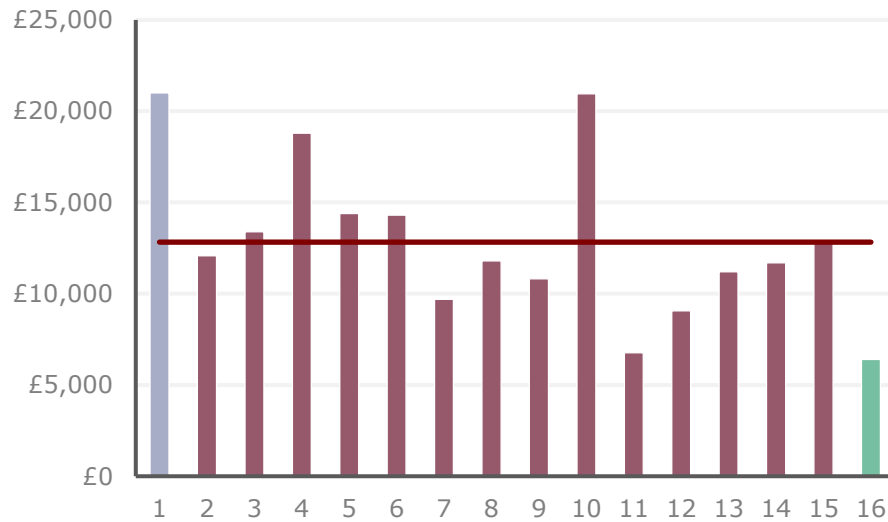
The results for the year one fees also include a Unit Cost per Member (UCM) for the highest, average and lowest fee. This is derived by dividing the total cost by the total number of members.



ADMINISTRATION FEE

200 LIFE SCHEME

Administration Fee



Highest fee **£21,000**

Average fee **£12,825**

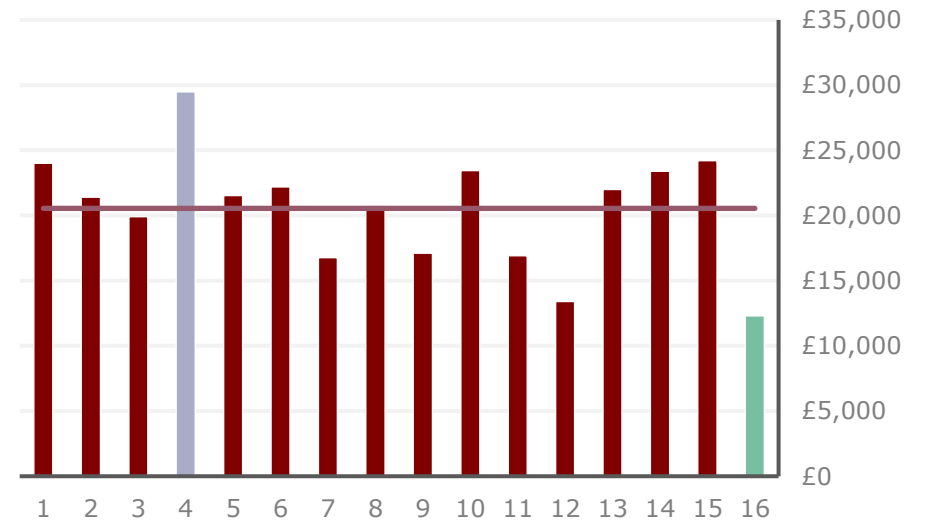
Lowest fee **£6,400**

7 firms  than average

9 firms  than average

500 LIFE SCHEME

Administration Fee



Highest fee **£29,481**

Average fee **£20,545**

Lowest fee **£12,300**

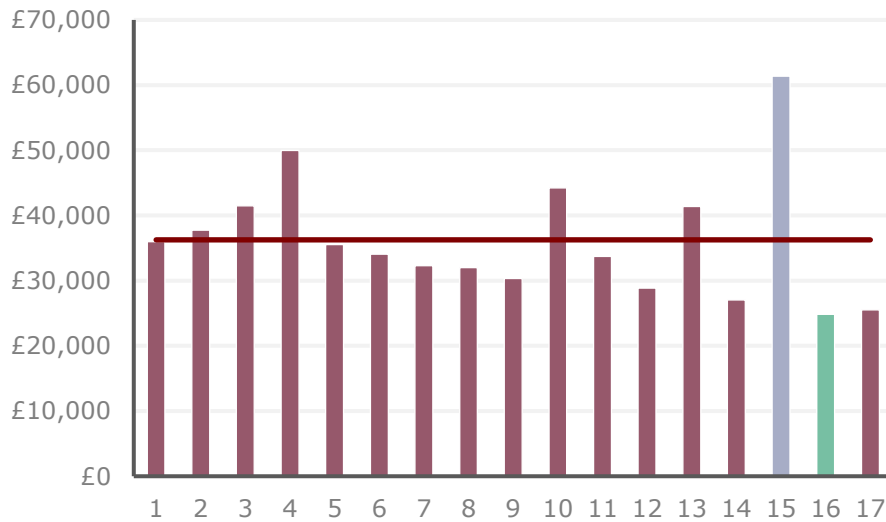
10 firms  than average

6 firms  than average

1,000 LIFE SCHEME

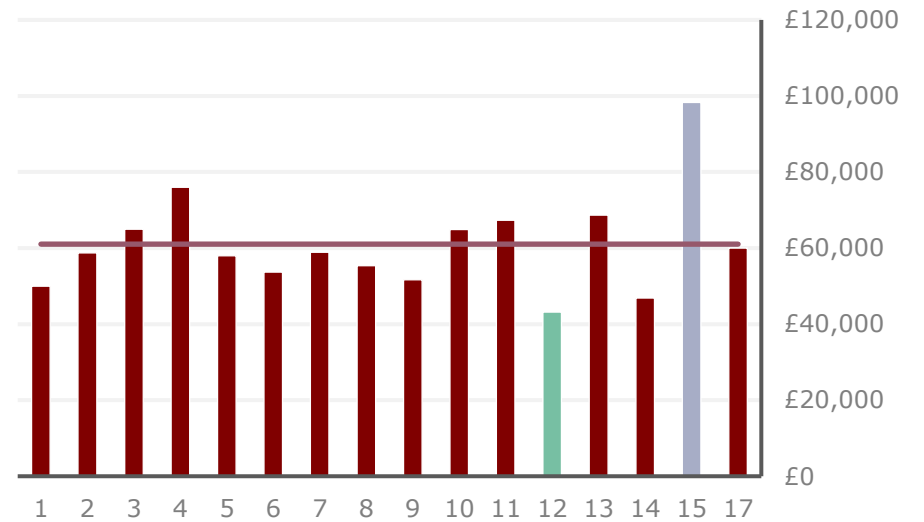
2,000 LIFE SCHEME

Administration Fee



Highest fee **£61,368**
 Average fee **£36,259**
 Lowest fee **£24,840**

Administration Fee



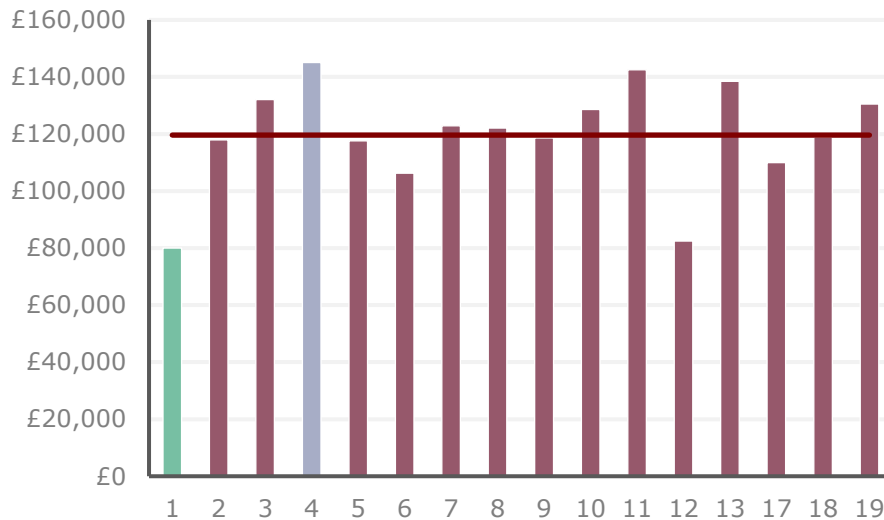
Highest fee **£98,296**
 Average fee **£61,032**
 Lowest fee **£43,168**

6 firms ↑ than average
 11 firms ↓ than average

6 firms ↑ than average
 10 firms ↓ than average

5,000 LIFE SCHEME

Administration Fee



Highest fee **£145,063**

Average fee **£119,610**

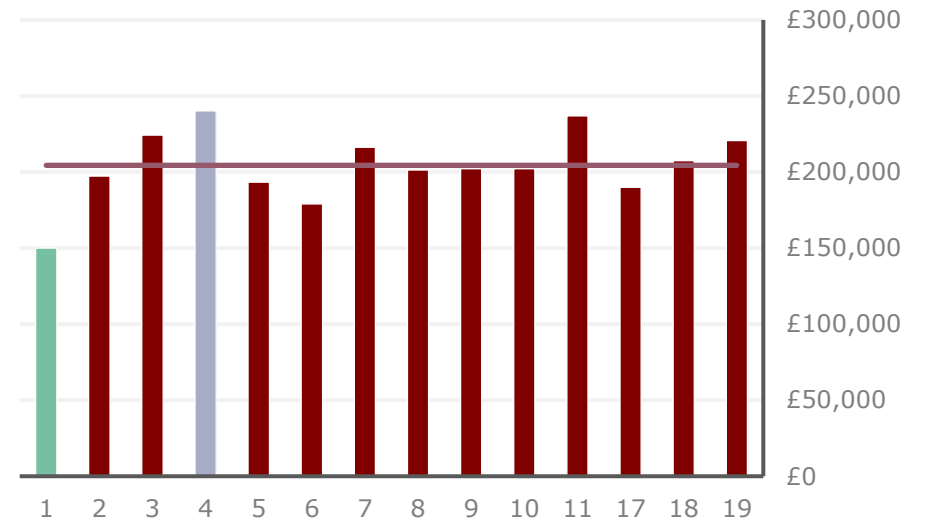
Lowest fee **£80,000**

8 firms ↑ than average

8 firms ↓ than average

10,000 LIFE SCHEME

Administration Fee



Highest fee **£240,230**

Average fee **£204,381**

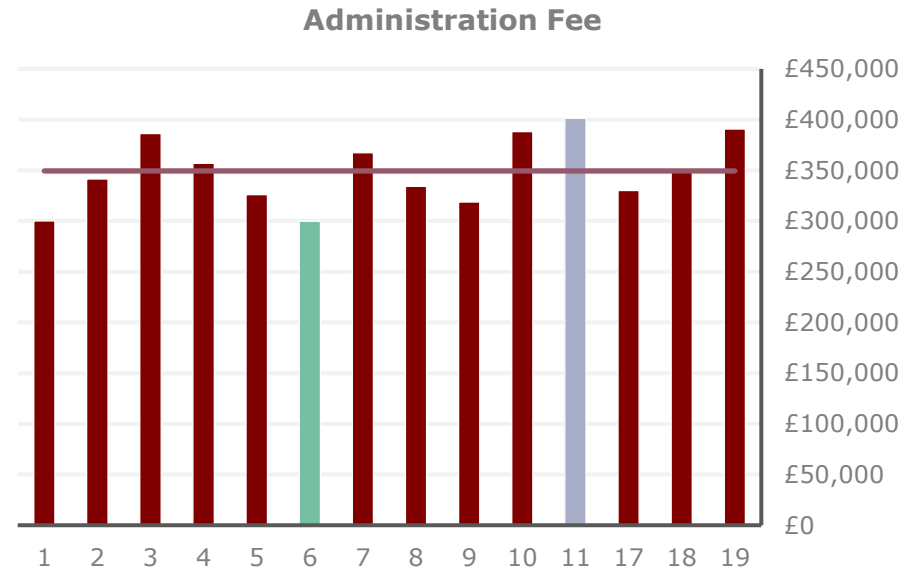
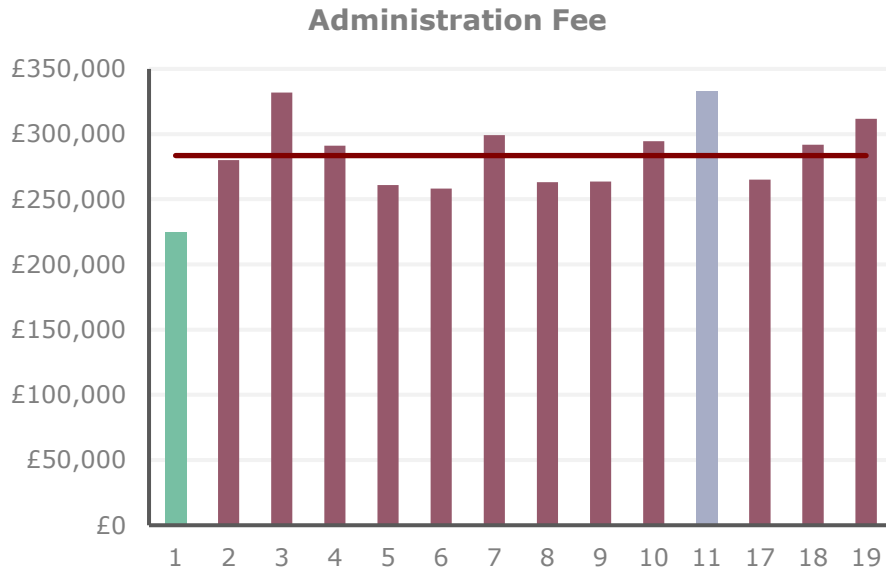
Lowest fee **£150,000**

6 firms ↑ than average

8 firms ↓ than average



15,000 LIFE SCHEME



20,000 LIFE SCHEME



Highest fee **£333,105**
 Average fee **£283,522**
 Lowest fee **£225,000**

Highest fee **£401,380**
 Average fee **£349,388**
 Lowest fee **£299,800**

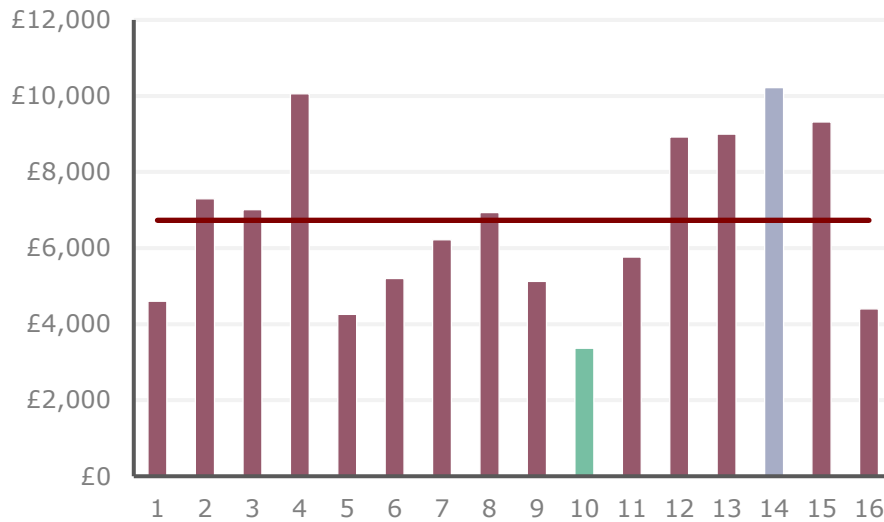
7 firms  than average
 7 firms  than average

7 firms  than average
 7 firms  than average

PENSIONER COSTS

200 LIFE SCHEME

Pensioner Costs



Highest fee **£10,220**

Average fee **£6,730**

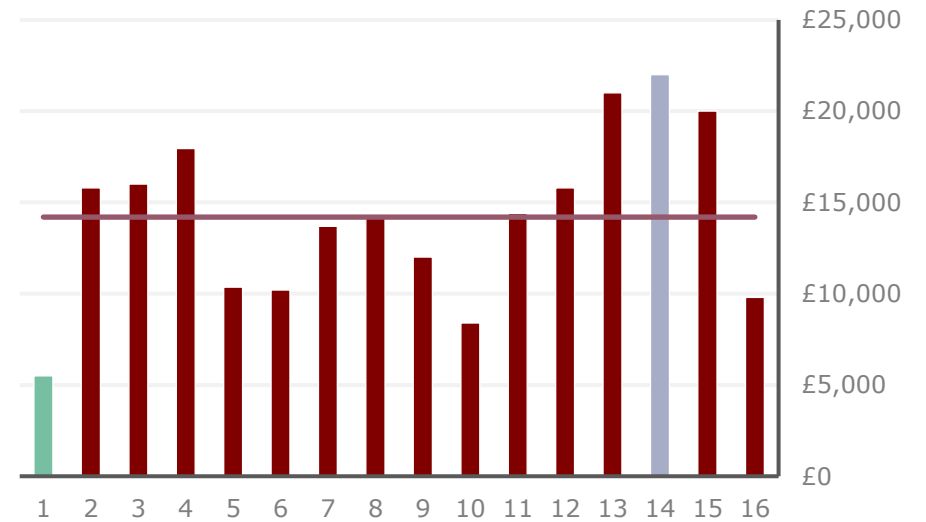
Lowest fee **£3,366**

8 firms  than average

8 firms  than average

500 LIFE SCHEME

Pensioner Costs



Highest fee **£22,000**

Average fee **£14,197**

Lowest fee **£5,500**

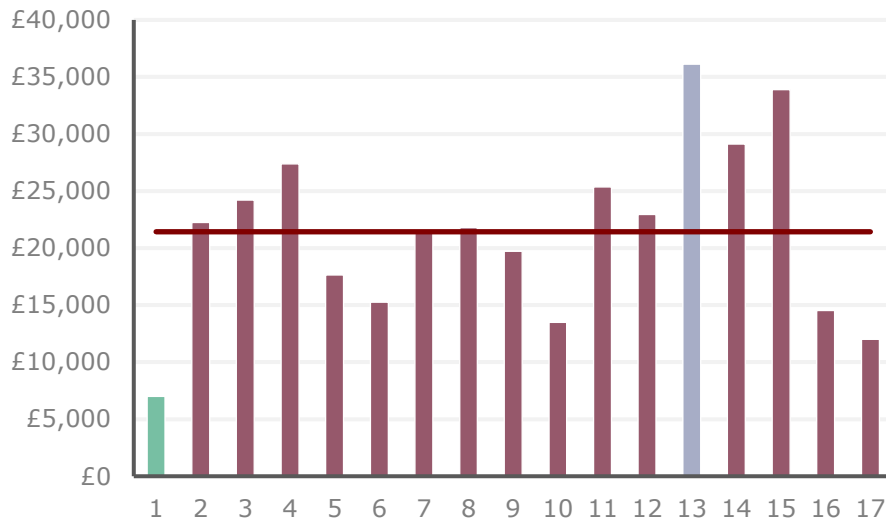
9 firms  than average

7 firms  than average

1,000 LIFE SCHEME

2,000 LIFE SCHEME

Pensioner Costs



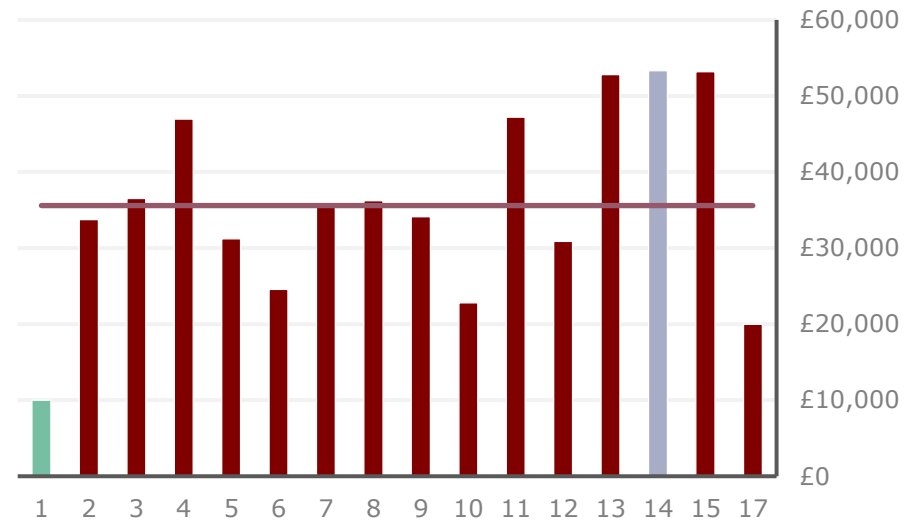
Highest fee **£36,120**

Average fee **£21,430**

Lowest fee **£7,000**

10 firms ↑ than average
7 firms ↓ than average

Pensioner Costs



Highest fee **£53,324**

Average fee **£35,588**

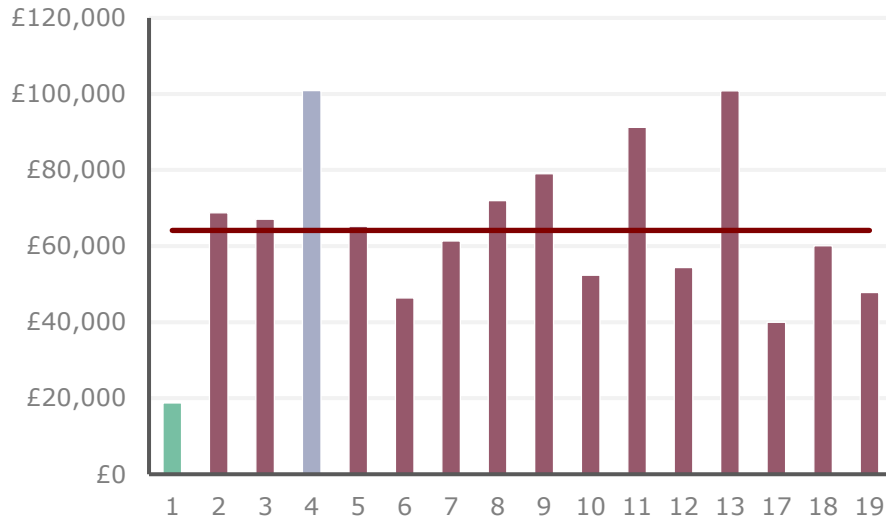
Lowest fee **£10,000**

8 firms ↑ than average
8 firms ↓ than average

5,000 LIFE SCHEME

10,000 LIFE SCHEME

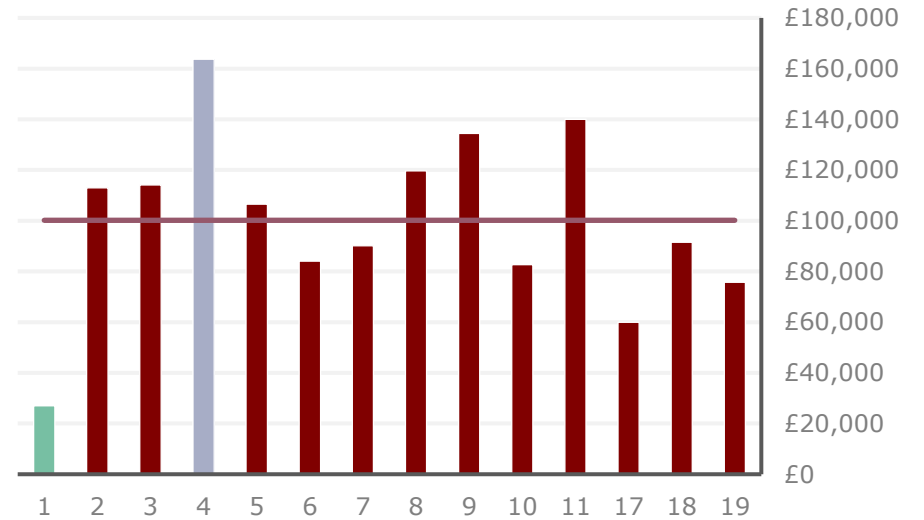
Pensioner Costs



Highest fee **£100,891**
 Average fee **£64,115**
 Lowest fee **£18,750**

8 firms **↑** than average
 8 firms **↓** than average

Pensioner Costs



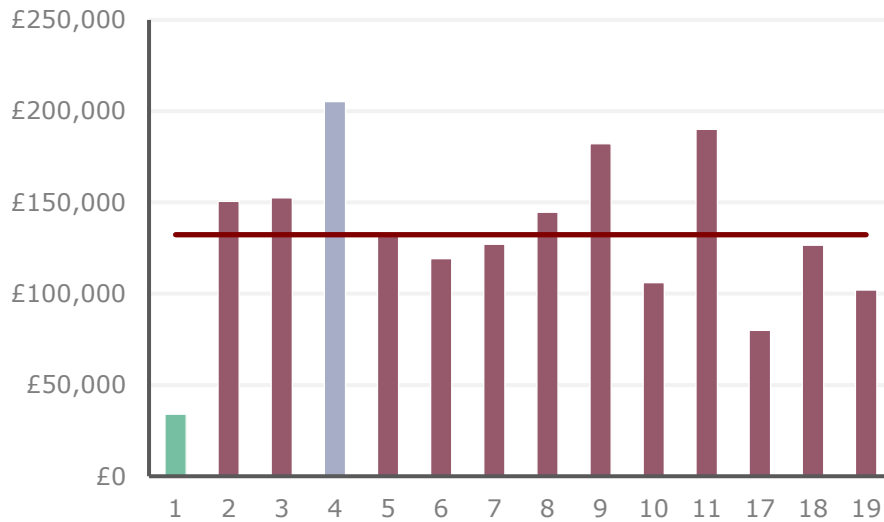
Highest fee **£163,704**
 Average fee **£100,163**
 Lowest fee **£27,000**

7 firms **↑** than average
 7 firms **↓** than average

15,000 LIFE SCHEME

20,000 LIFE SCHEME

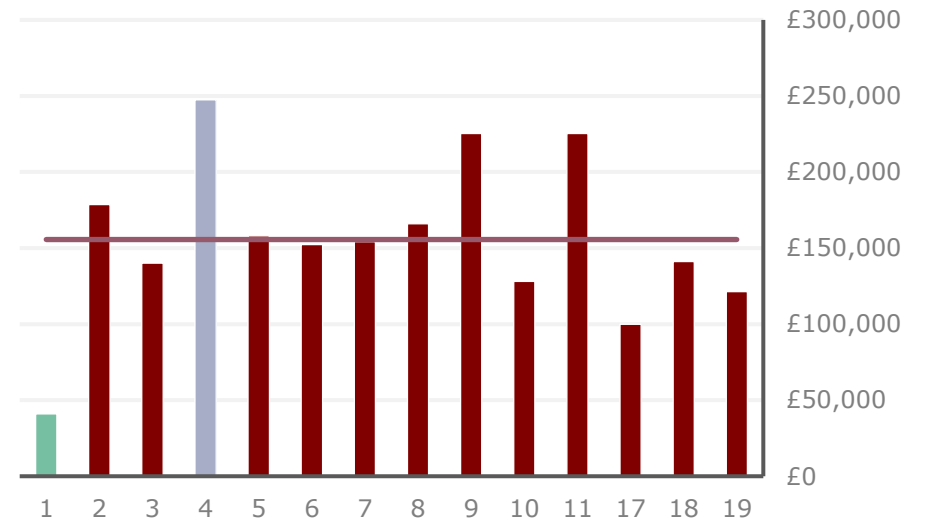
Pensioner Costs



Highest fee **£205,259**
 Average fee **£132,307**
 Lowest fee **£34,000**

6 firms **↑** than average
 8 firms **↓** than average

Pensioner Costs



Highest fee **£247,485**
 Average fee **£155,612**
 Lowest fee **£41,000**

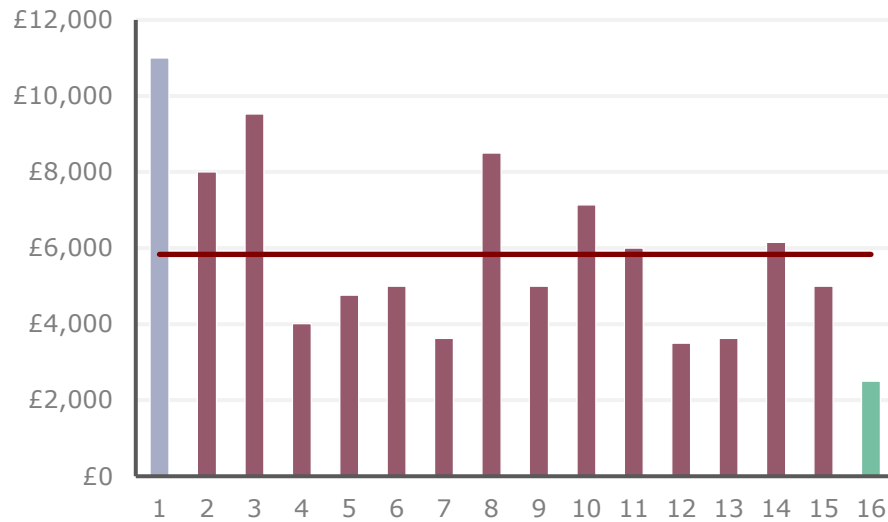
6 firms **↑** than average
 8 firms **↓** than average



TREASURY & ACCOUNTS

200 LIFE SCHEME

Treasury & Accounts



Highest fee **£11,000**

Average fee **£5,834**

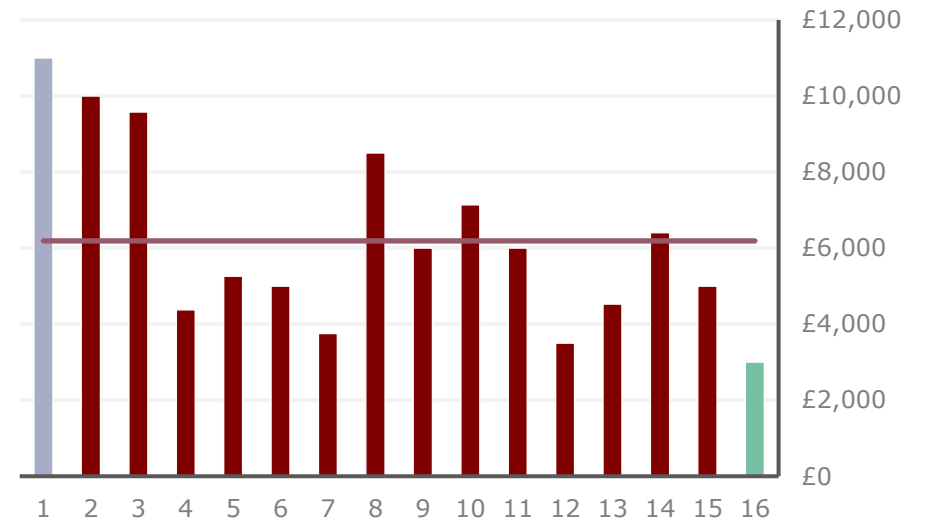
Lowest fee **£2,500**

7 firms  than average

9 firms  than average

500 LIFE SCHEME

Treasury & Accounts



Highest fee **£11,000**

Average fee **£6,189**

Lowest fee **£3,000**

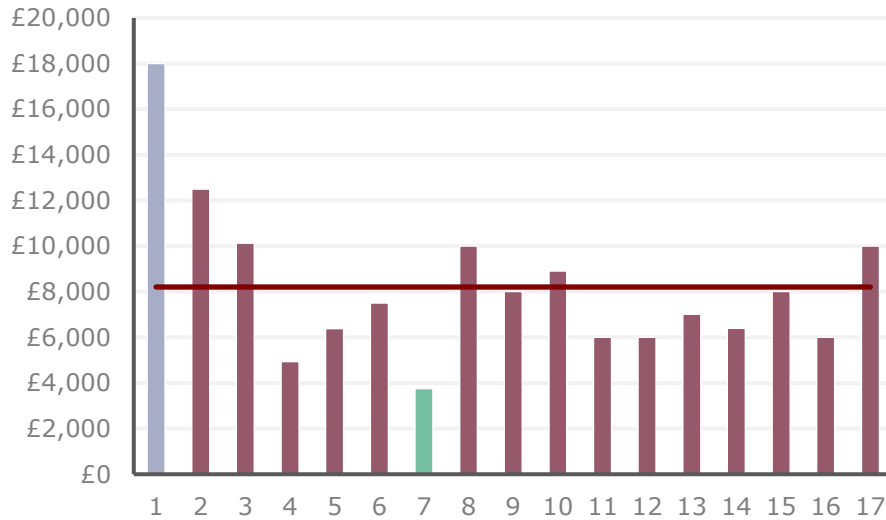
6 firms  than average

10 firms  than average

1,000 LIFE SCHEME

2,000 LIFE SCHEME

Treasury & Accounts



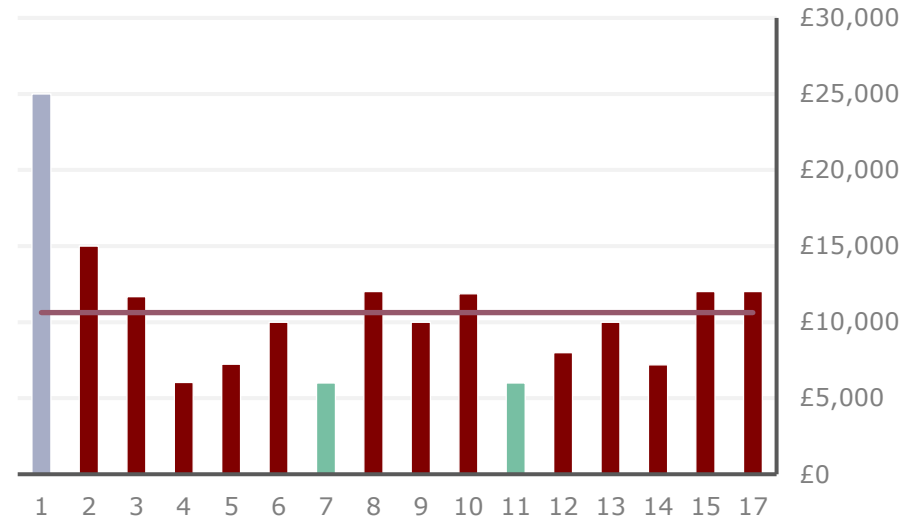
Highest fee **£18,000**

Average fee **£8,206**

Lowest fee **£3,750**

6 firms ↑ than average
11 firms ↓ than average

Treasury & Accounts



Highest fee **£25,000**

Average fee **£10,627**

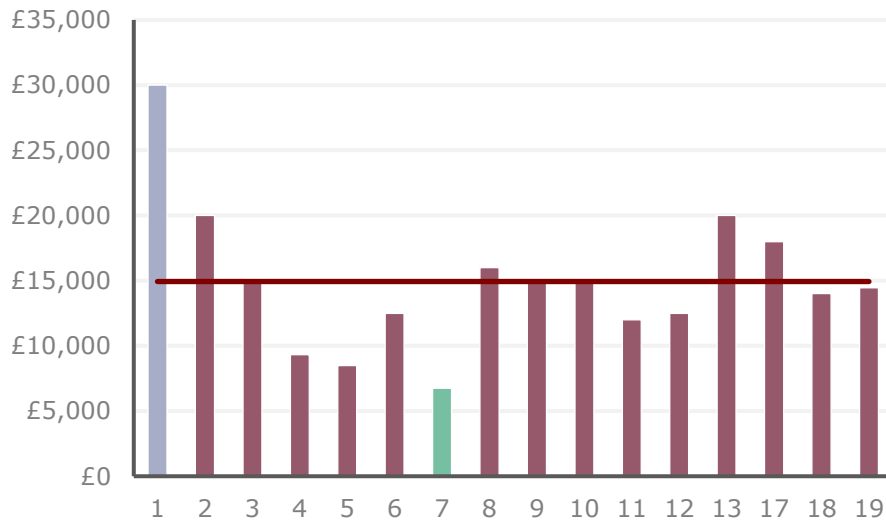
Lowest fees **£6,000**

7 firms ↑ than average
9 firms ↓ than average

5,000 LIFE SCHEME

10,000 LIFE SCHEME



Treasury & Accounts



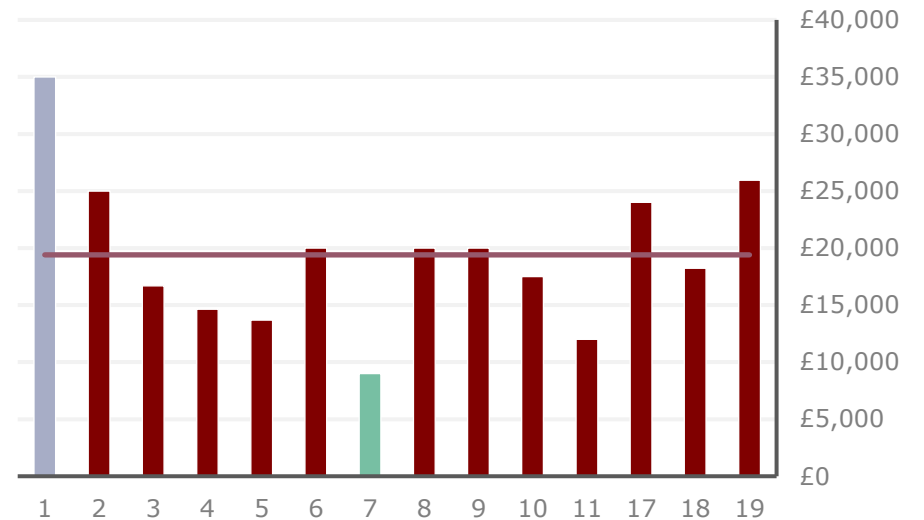
Highest fee **£30,000**

Average fee **£14,935**

Lowest fee **£6,750**

7 firms  than average
9 firms  than average



Treasury & Accounts



Highest fee **£35,000**

Average fee **£19,405**

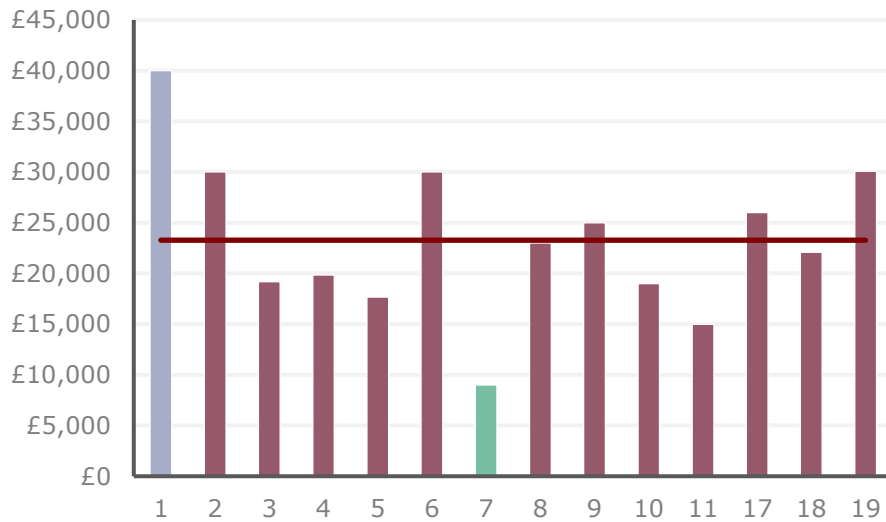
Lowest fee **£9,000**

7 firms  than average
7 firms  than average

15,000 LIFE SCHEME

20,000 LIFE SCHEME

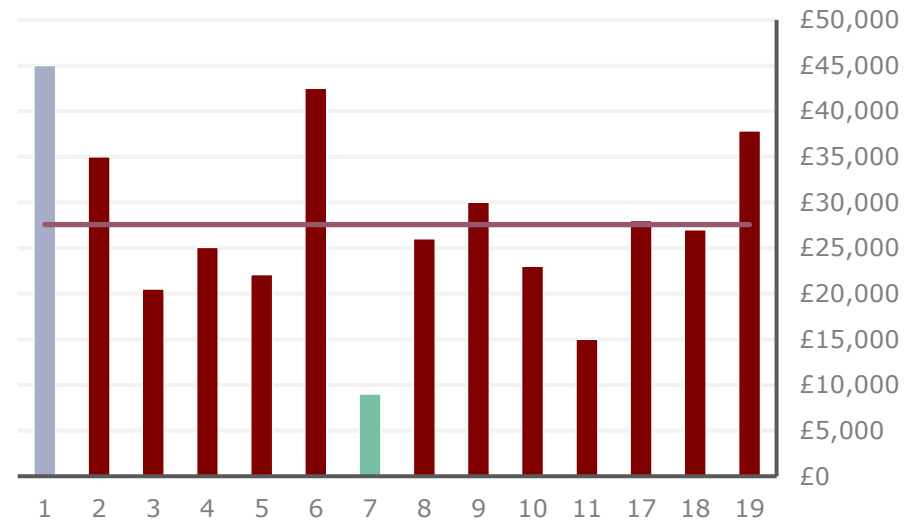
Treasury & Accounts



Highest fee **£40,000**
 Average fee **£23,276**
 Lowest fee **£9,000**

6 firms ↑ than average
 8 firms ↓ than average

Treasury & Accounts



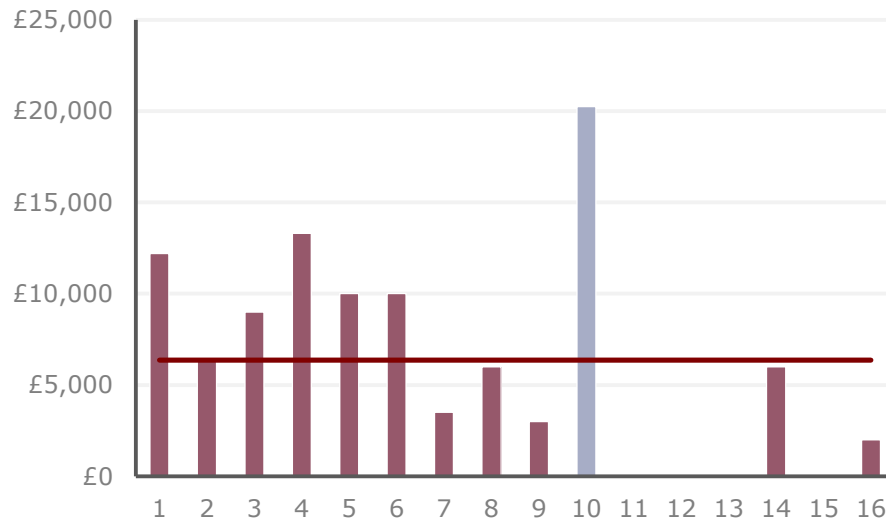
Highest fee **£45,000**
 Average fee **£27,573**
 Lowest fee **£9,000**

6 firms ↑ than average
 8 firms ↓ than average

IMPLEMENTATION

200 LIFE SCHEME

Implementation Fee



Highest fee **£20,249**

Average fee **£6,360**

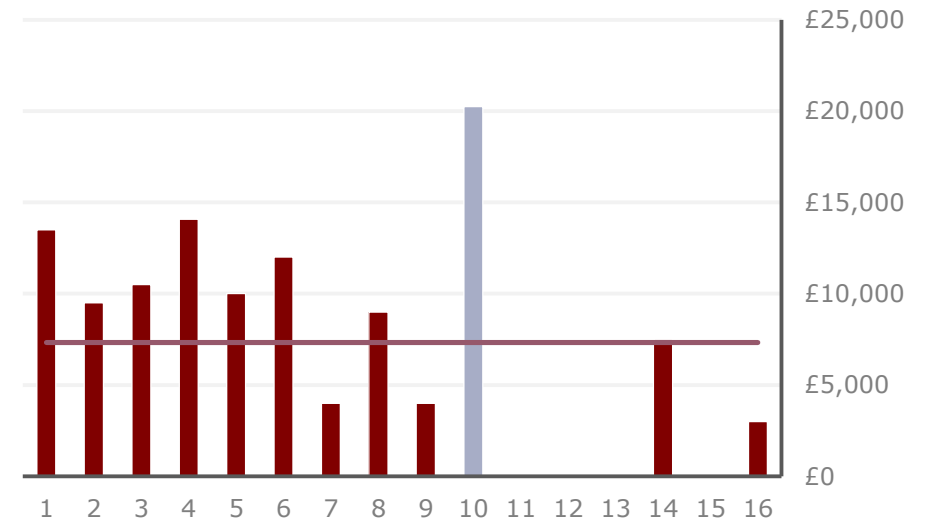
Lowest fee **£0**

7 firms  than average

9 firms  than average

500 LIFE SCHEME

Implementation Fee



Highest fee **£20,249**

Average fee **£7,333**

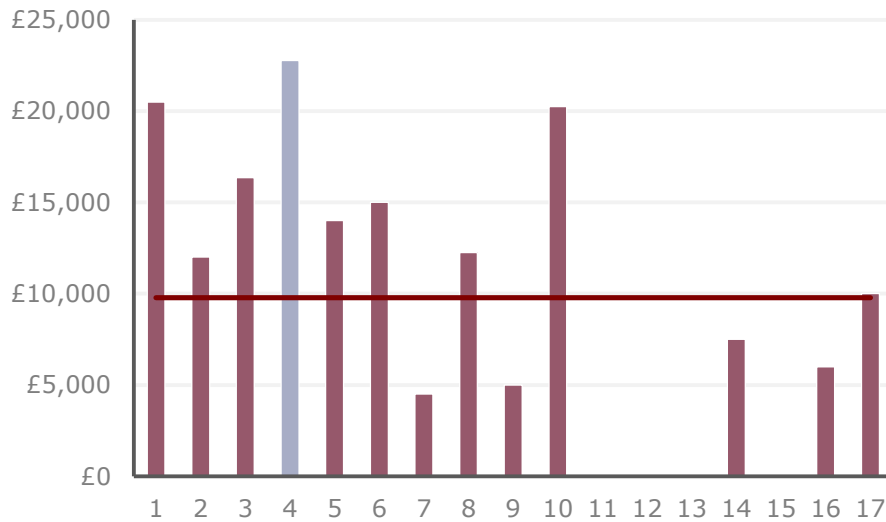
Lowest fee **£0**

9 firms  than average

7 firms  than average

1,000 LIFE SCHEME

Implementation Fee

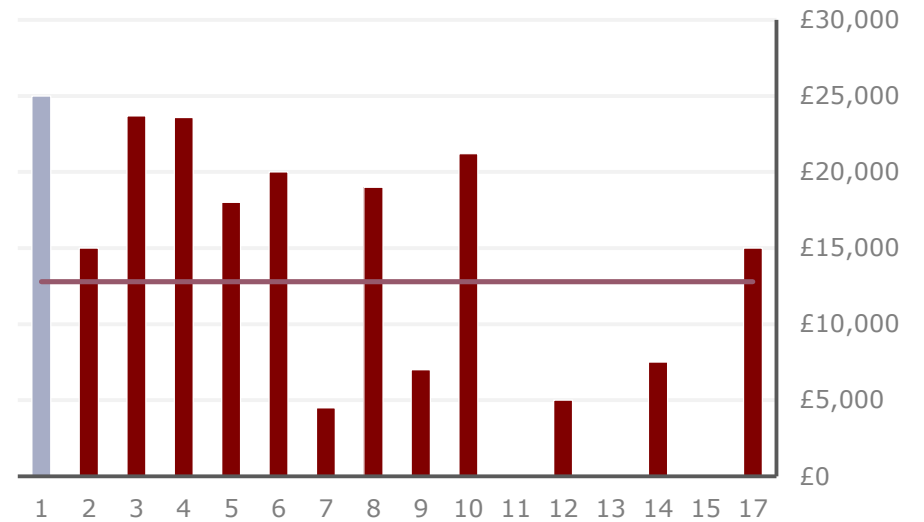


Highest fee **£22,774**
 Average fee **£9,772**
 Lowest fee **£0**

9 firms **↑** than average
 8 firms **↓** than average

2,000 LIFE SCHEME

Implementation Fee

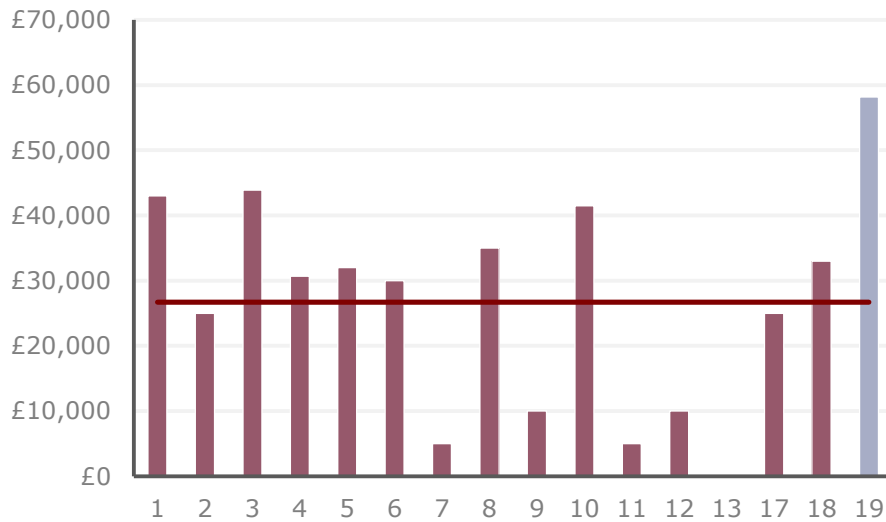


Highest fee **£25,000**
 Average fee **£12,781**
 Lowest fee **£0**

9 firms **↑** than average
 7 firms **↓** than average

5,000 LIFE SCHEME

Implementation Fee

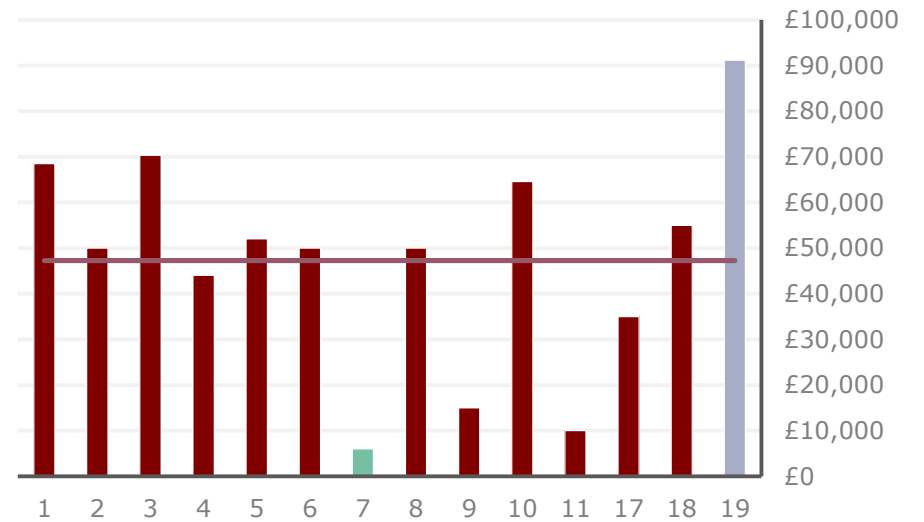


Highest fee **£58,188**
 Average fee **£26,701**
 Lowest fee **£0**

9 firms **↑** than average
 7 firms **↓** than average

10,000 LIFE SCHEME

Implementation Fee



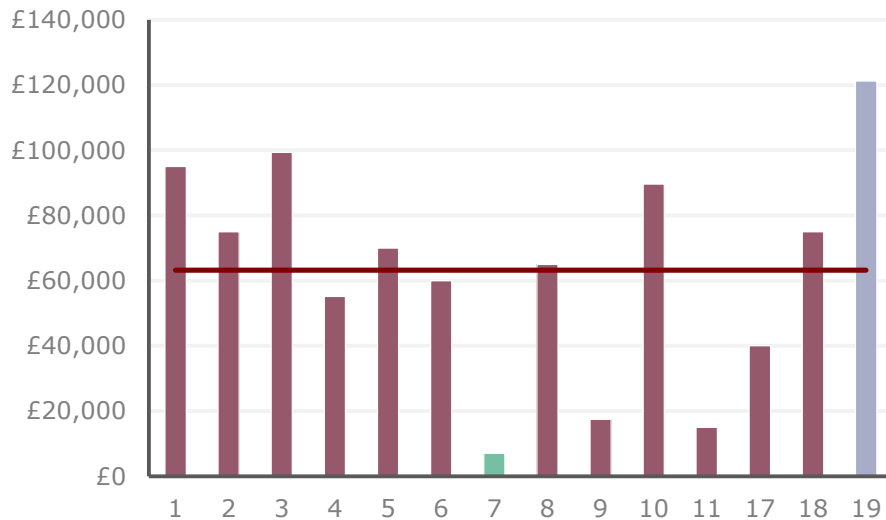
Highest fee **£91,176**
 Average fee **£47,262**
 Lowest fee **£6,000**

9 firms **↑** than average
 5 firms **↓** than average

15,000 LIFE SCHEME

20,000 LIFE SCHEME



Implementation Fee



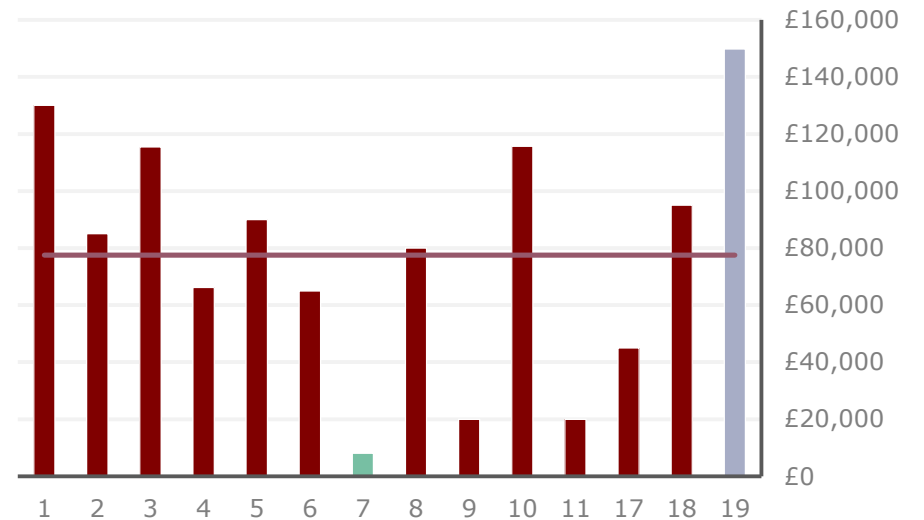
Highest fee **£121,273**

Average fee **£63,216**

Lowest fee **£7,000**

8 firms  than average
6 firms  than average



Implementation Fee



Highest fee **£149,860**

Average fee **£77,513**

Lowest fee **£8,000**

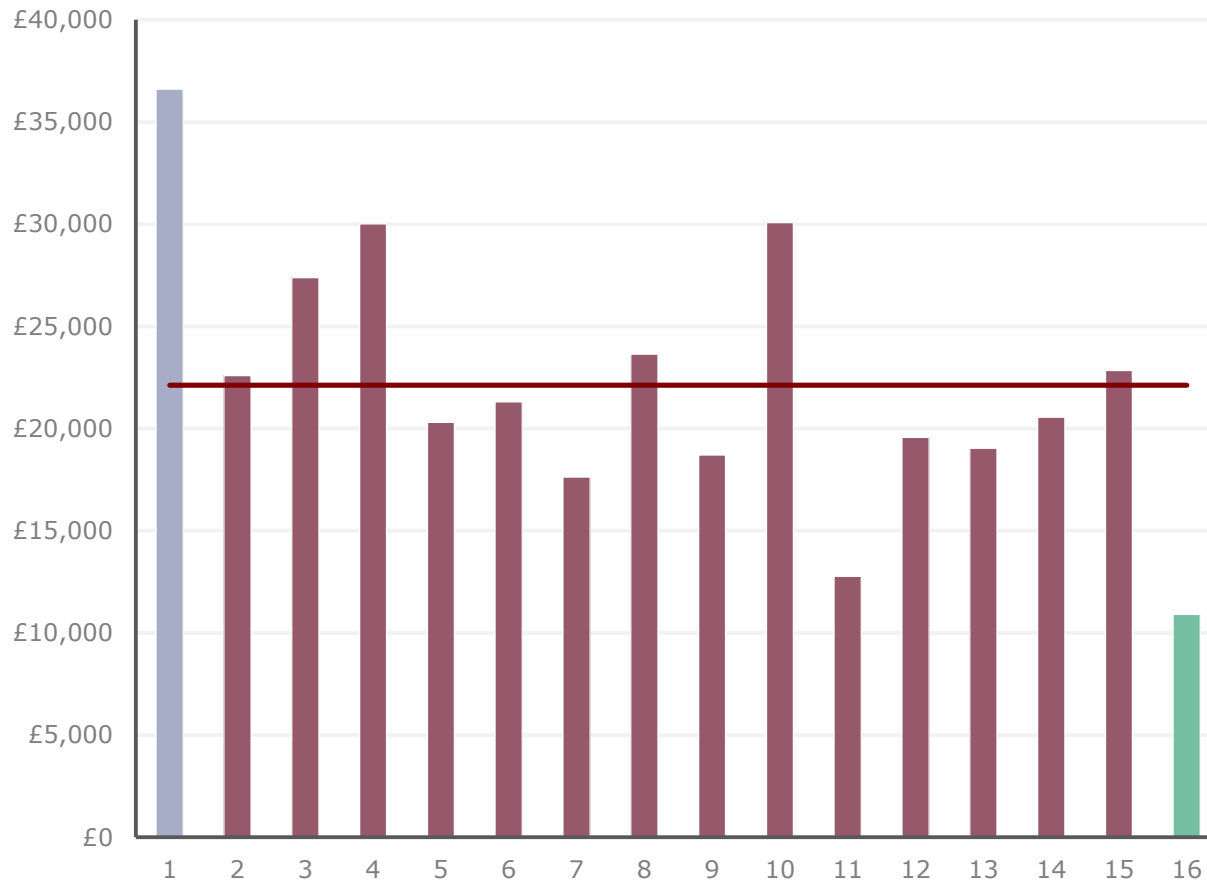
8 firms  than average
6 firms  than average



YEAR ONE

200 LIFE SCHEME

Year One

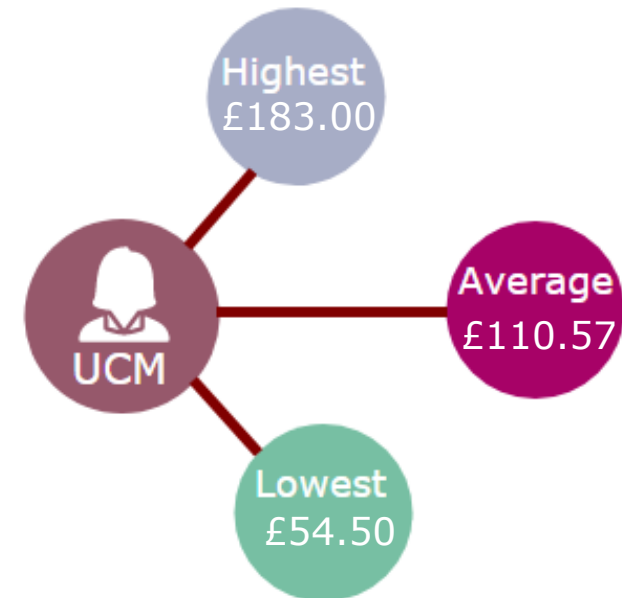


Highest fee **£36,600**

Average fee **£22,114**

Lowest fee **£10,900**

7 firms ↑ than average
9 firms ↓ than average



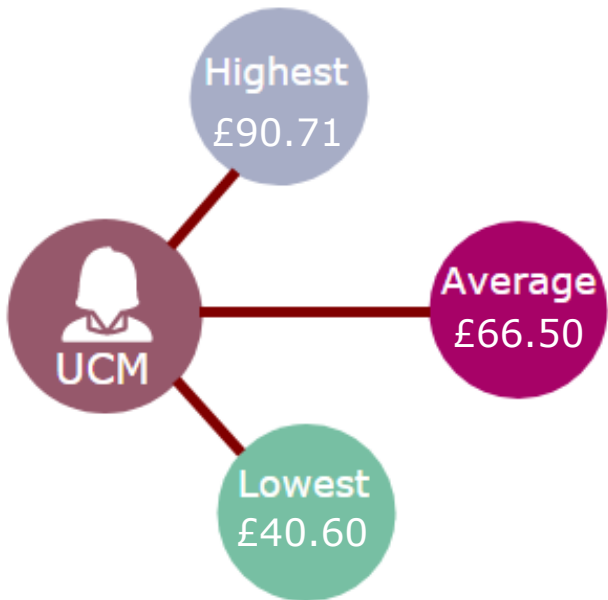
500 LIFE SCHEME

Highest fee **£45,356**

Average fee **£33,249**

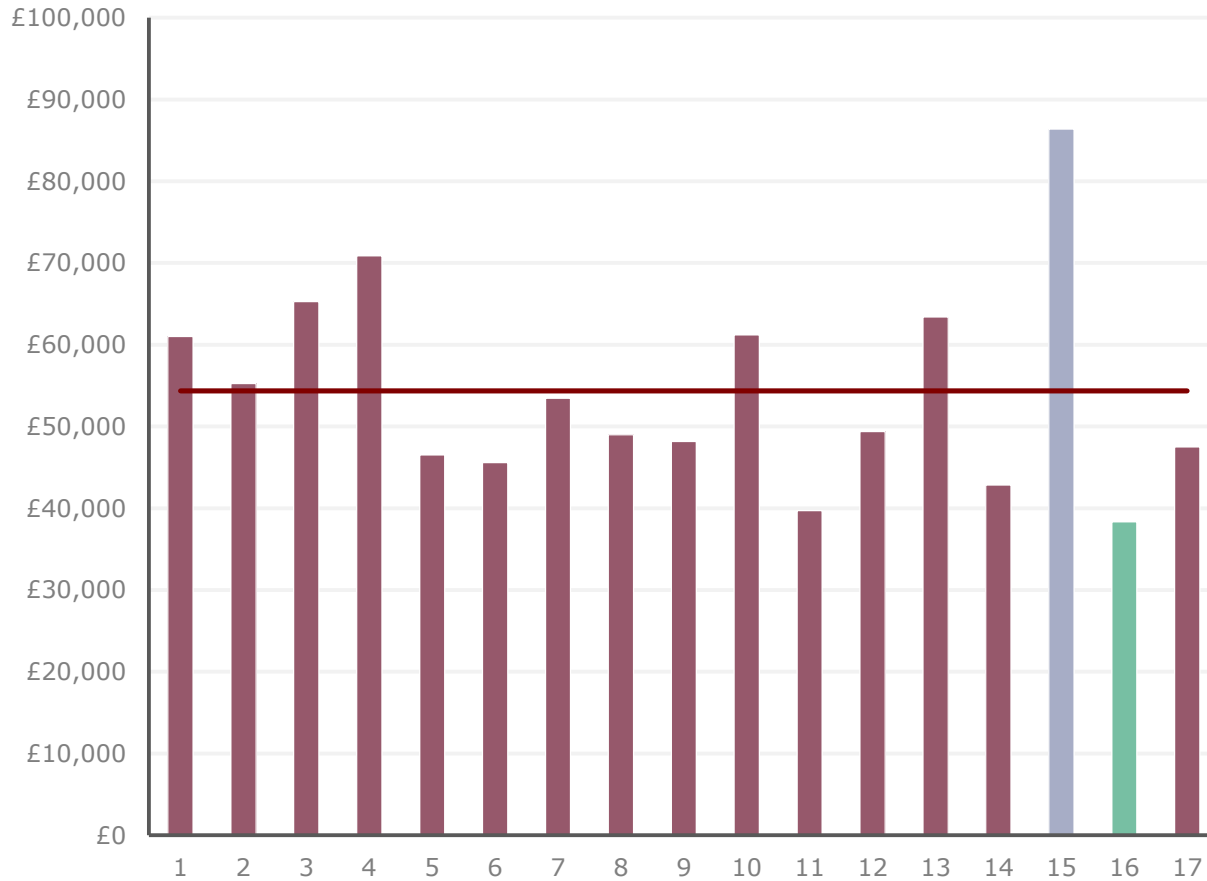
Lowest fee **£20,300**

9 firms ↑ than average
7 firms ↓ than average



1,000 LIFE SCHEME

Year One

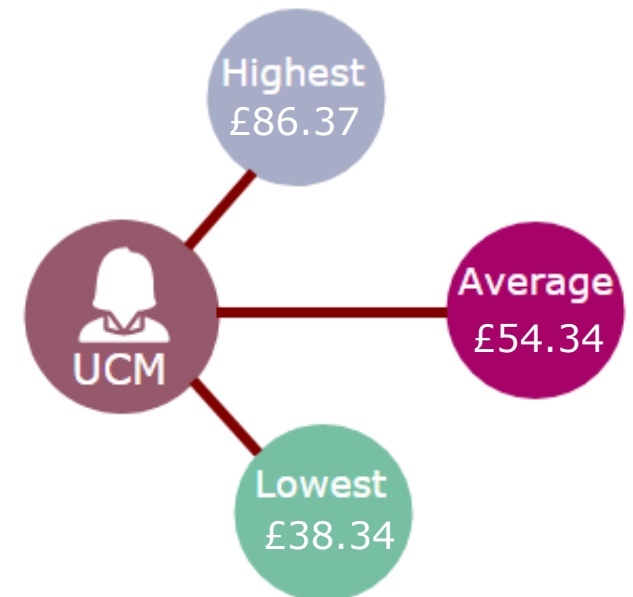


Highest fee **£86,368**

Average fee **£54,345**

Lowest fee **£38,340**

7 firms ↑ than average
10 firms ↓ than average



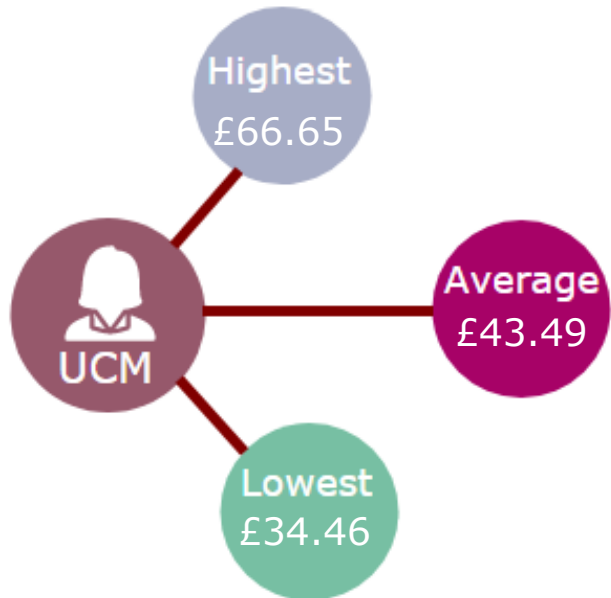
2,000 LIFE SCHEME

Highest fee **£133,296**

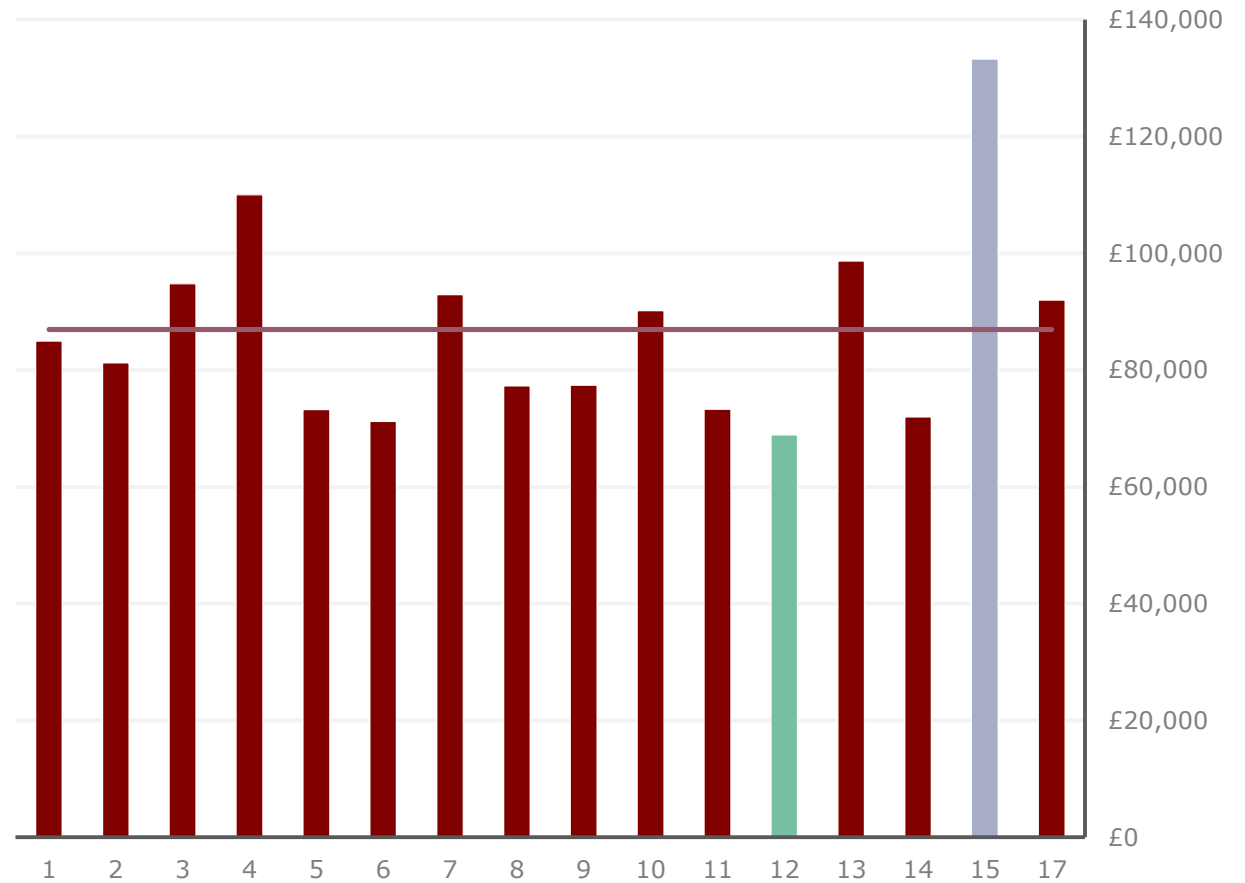
Average fee **£86,973**

Lowest fee **£68,918**

7 firms ↑ than average
9 firms ↓ than average

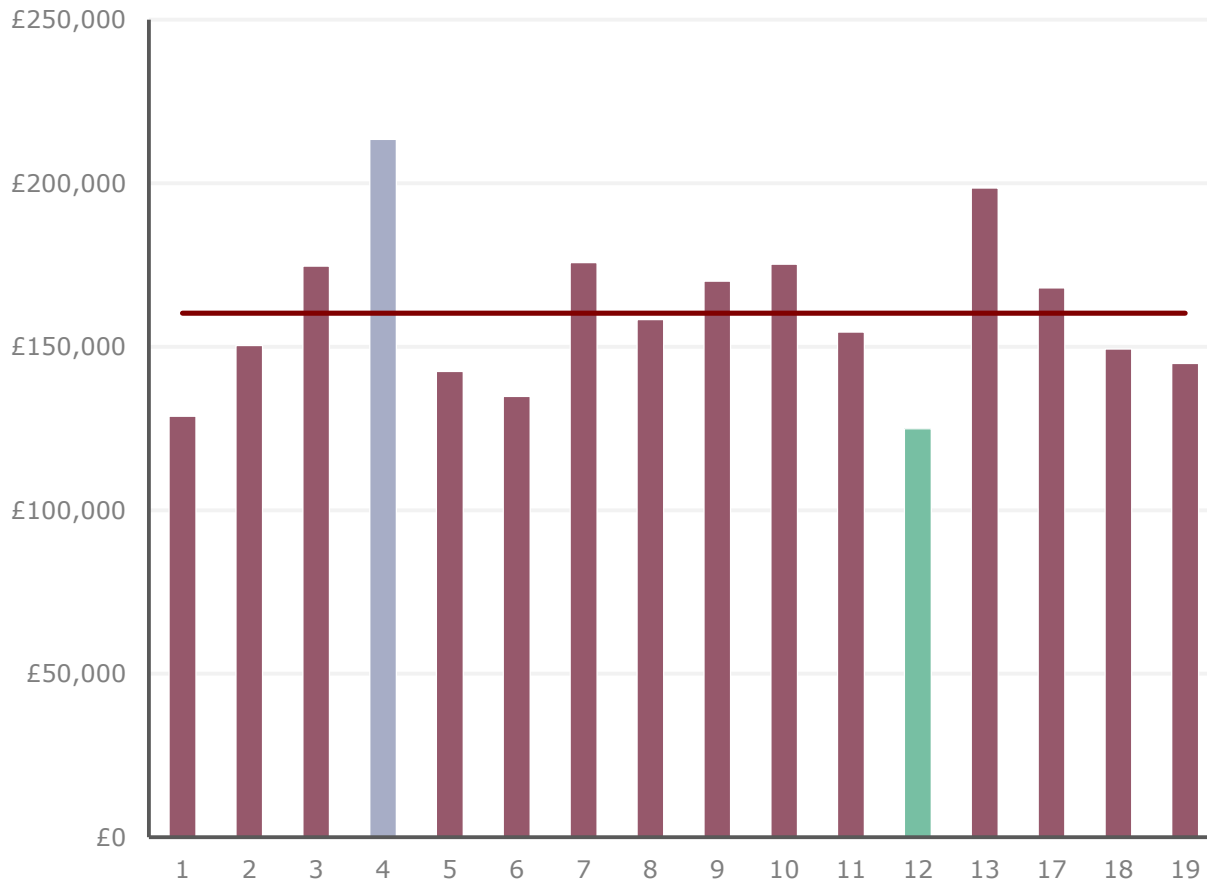


Year One



5,000 LIFE SCHEME

Year One

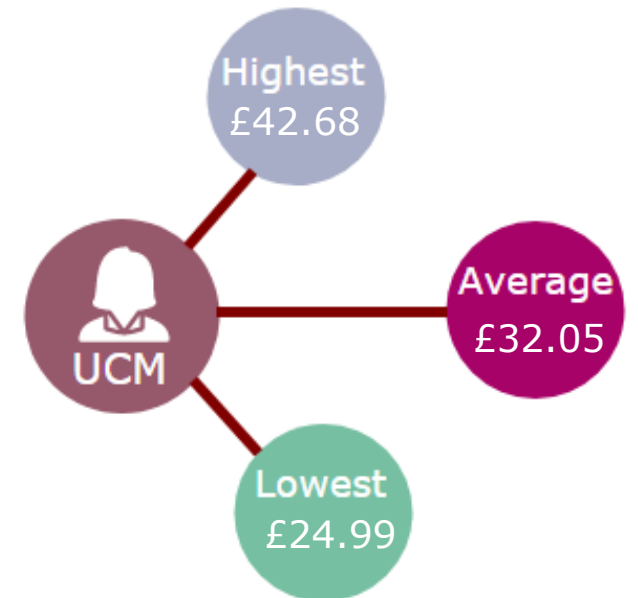


Highest fee **£213,384**

Average fee **£160,251**

Lowest fee **£124,940**

7 firms ↑ than average
9 firms ↓ than average



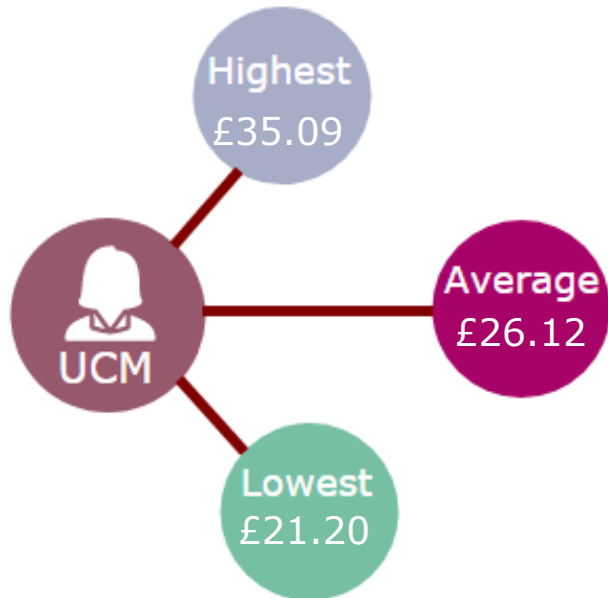
10,000 LIFE SCHEME

Highest fee **£350,871**

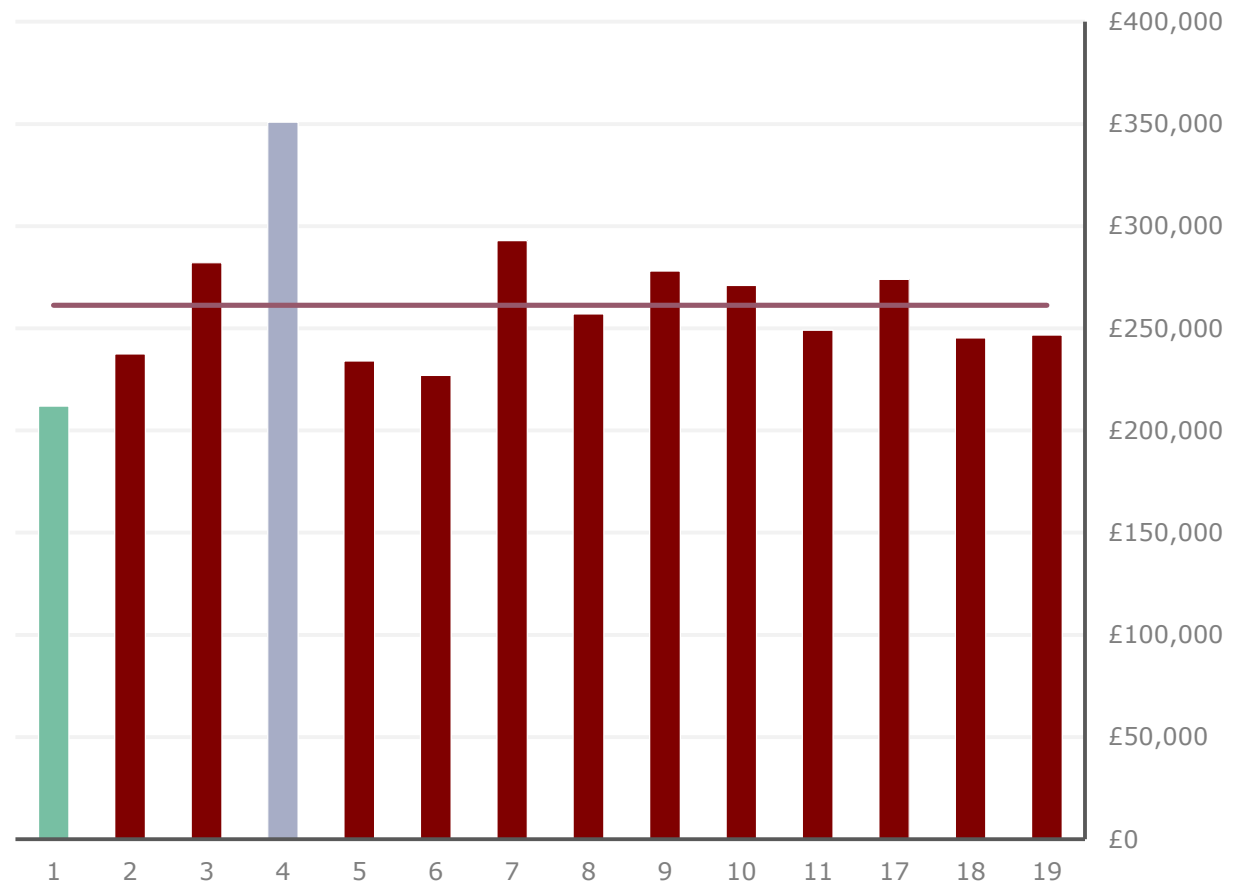
Average fee **£261,245**

Lowest fee **£212,000**

6 firms ↑ than average
8 firms ↓ than average



Year One



15,000 LIFE SCHEME

Year One

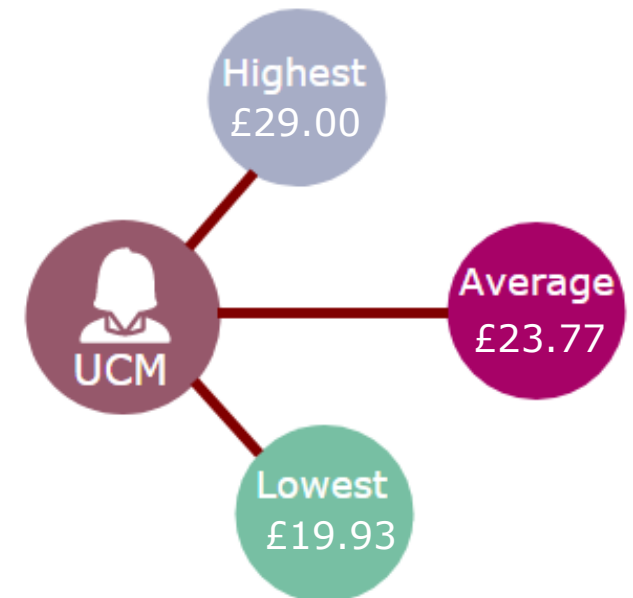


Highest fee **£434,963**

Average fee **£356,556**

Lowest fee **£299,000**

6 firms ↑ than average
8 firms ↓ than average



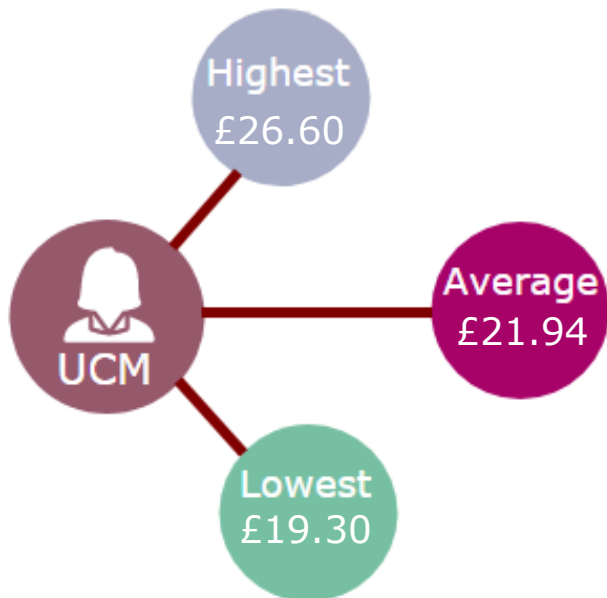
20,000 LIFE SCHEME

Highest fee **£532,000**

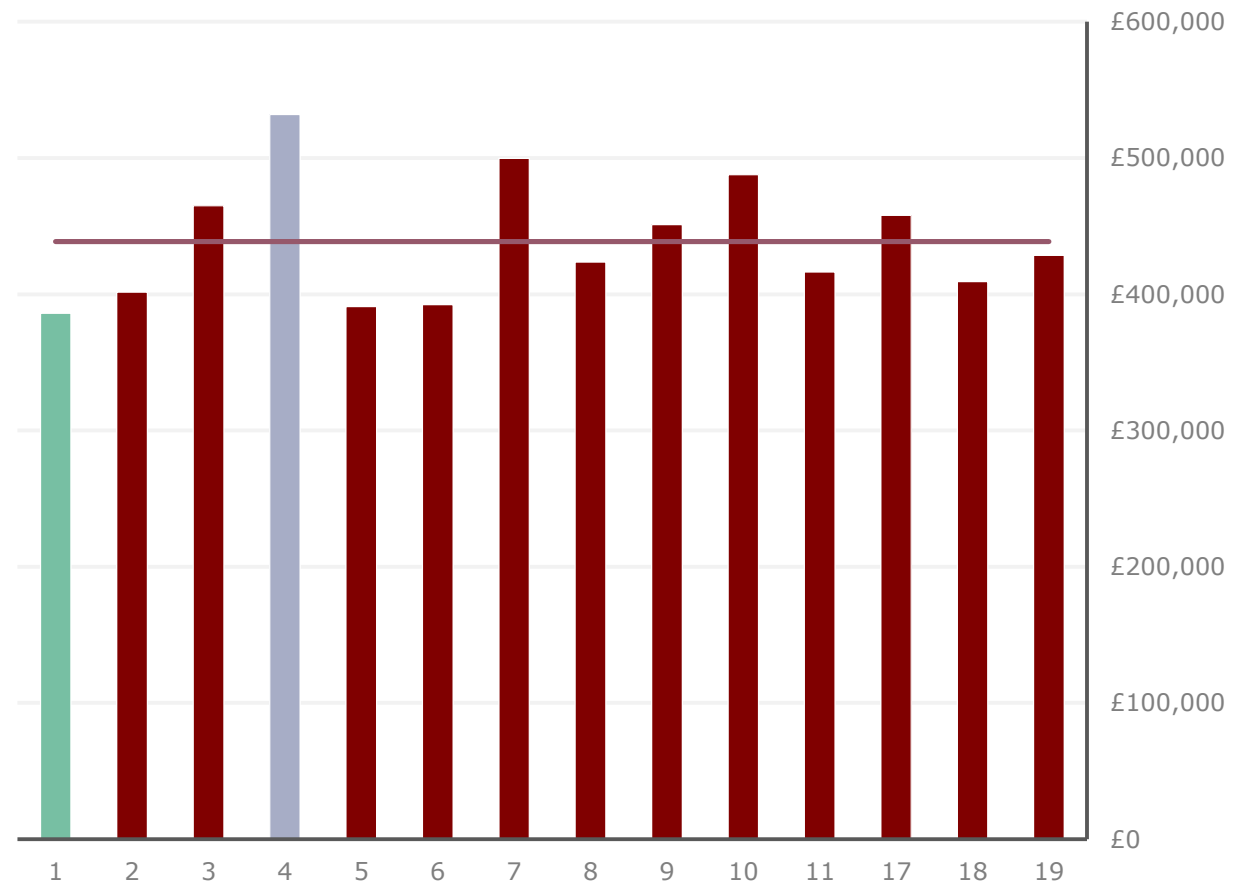
Average fee **£438,738**

Lowest fee **£386,000**

6 firms ↑ than average
8 firms ↓ than average



Year One



WEB

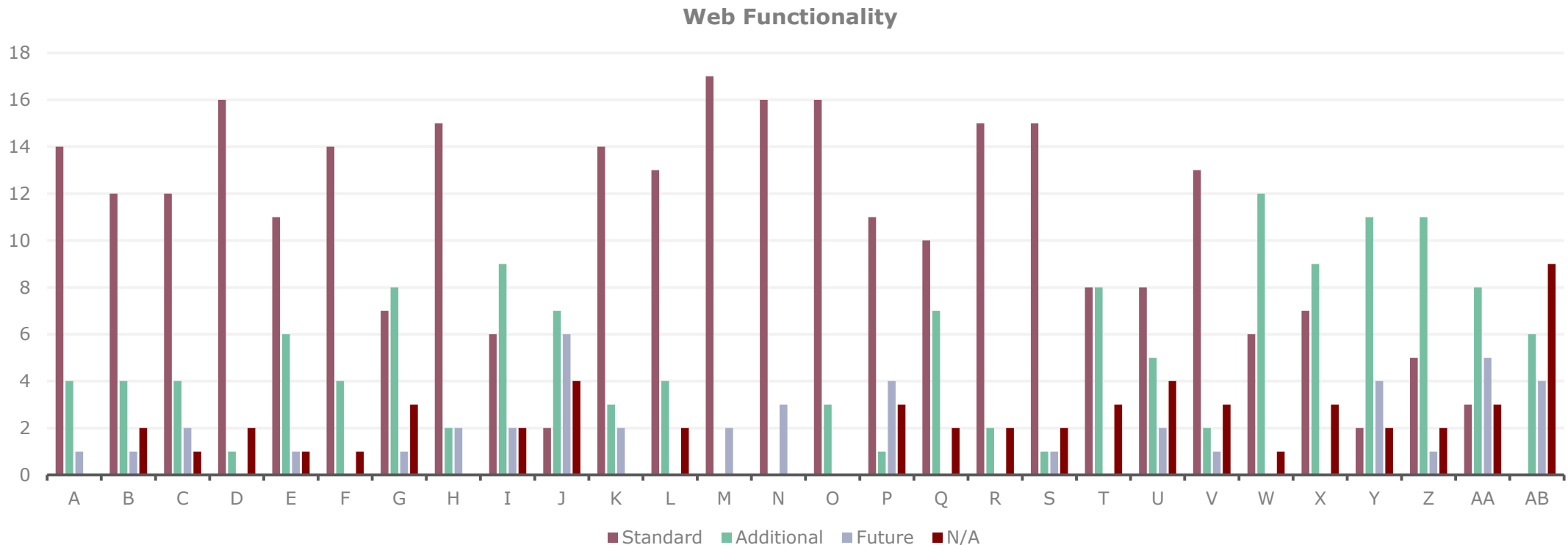
WEB FUNCTIONALITY

As technology develops and is increasingly a part of everyday life, we are interested to see what web functionality is offered to members, trustees and employers. Firms are asked to state which facilities they include in their fees as standard, what is available but for an additional fee, what is in development and what they are not currently considering offering to clients.

In reviewing the responses we found:

- Standard Suite of Reports (Column M) was most commonly provided as a standard web offering
- Expression of Wish (Column D), Cashflow Management (Column N) and Document Portal (Column O) were the next most common offerings

This represents a move from the results of our previous survey where Expression of Wish and Help Facility (Column R) were the most common, followed by Document Portal and Member Communications (Column F) as the next most common.



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 |

WHAT'S HOT AND WHAT'S NOT?

As with most things in today's world what's hot and what's not changes on a frequent basis and pensions web functionality is no different. When comparing what is included as standard within fees, we noticed since 2015, certain features were no longer included whilst others are now included.

On the up

Third Party Real-Time Access

Increased to 15 from 13 in 2015 and 11 in 2016

Switching

This is now included as standard for 15 providers compared to only 13 in 2015

Cashflow Management

Increased to 16 in 2017 from 13 in 2015

Not so popular

Expression of Wish

In 2015 19 providers included this as standard by 2017, this was down to 16

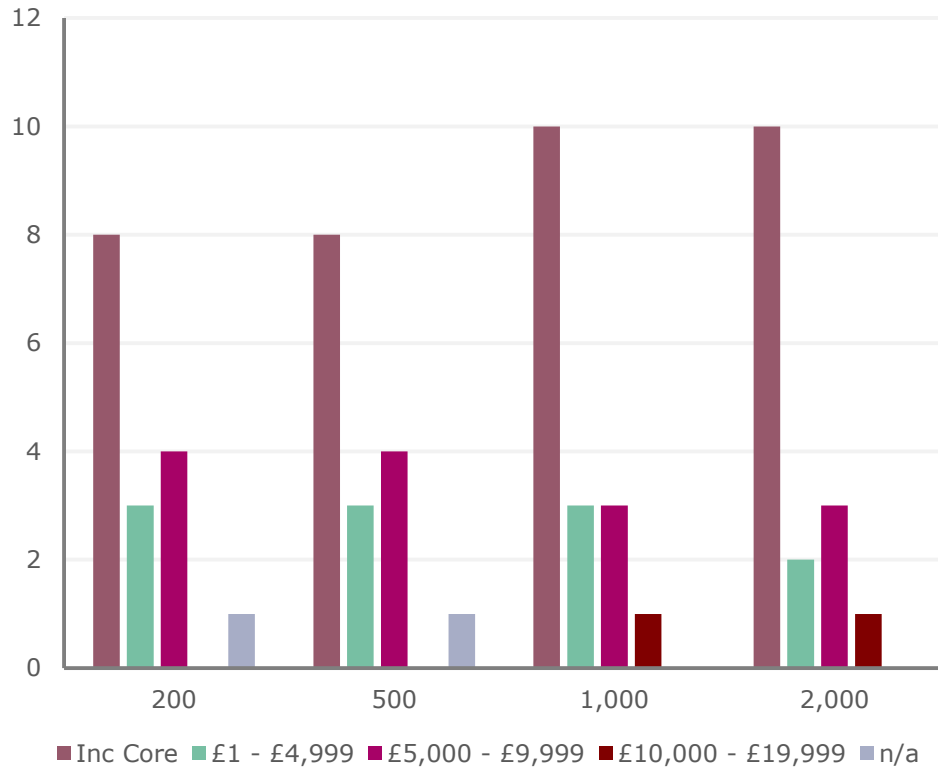
Member Communications

Down from 17 in 2015 to only 14 in 2017

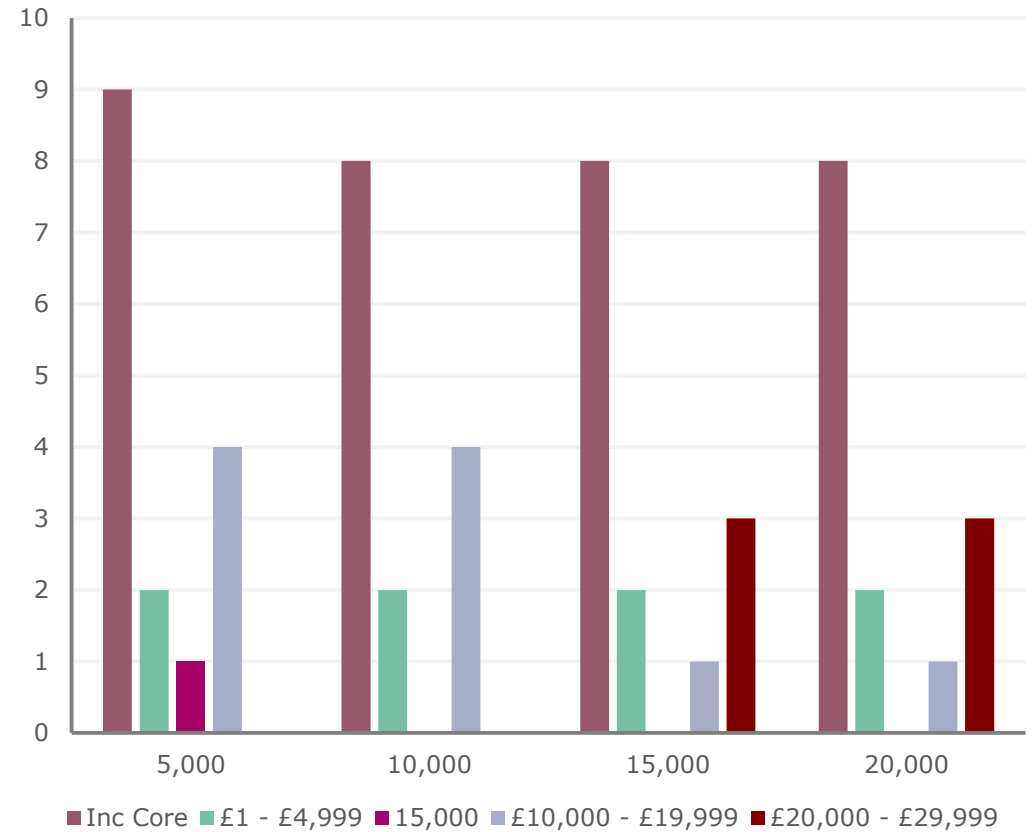
WEB COSTS

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 graphs below set out the number of firms within each category and the range of fees.

200 - 2,000 life schemes



5,000 - 20,000 life schemes

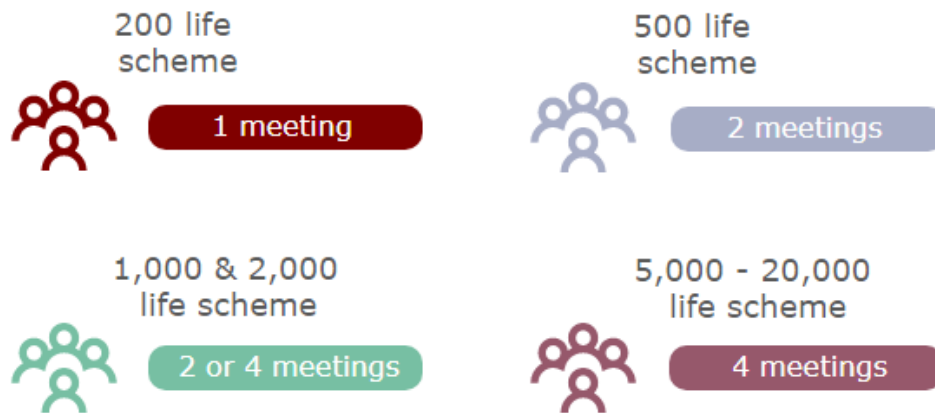


TRUSTEE ENGAGEMENT

TRUSTEE MEETINGS

As administration works its way up the trustee agenda in terms of importance, we are keen to understand how many trustee and administration meetings are included in the core fees. Open communication and face to face meetings help create a better working relationship.

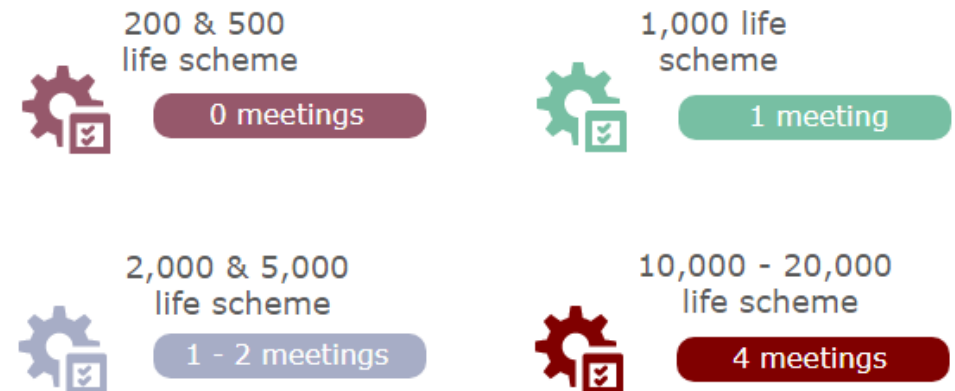
The following shows the most commonly offered number of trustee meetings for the scenario schemes.



As to be expected, smaller schemes have fewer trustee meetings – one or two per annum included within their core fee. This increases to two or four meetings for a 1,000 and 2,000 life scheme. The majority of participants offer four meetings per annum for a 5,000 life scheme and above. For a 15,000 life scheme, one participant offers six meetings per annum, this increases to eight meetings for a 20,000 life scheme.

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. It is disappointing nearly half of participants do not offer any pure administration meetings within the core fees for the smaller schemes. On the flip side it is encouraging to see for medium to large schemes, the importance of scheme administration becoming more prominent. Take a 5,000 life scheme for example, one participant offers six meetings and another offers 12. For a 10,000 life scheme and above two participants offer 12 meetings per annum.



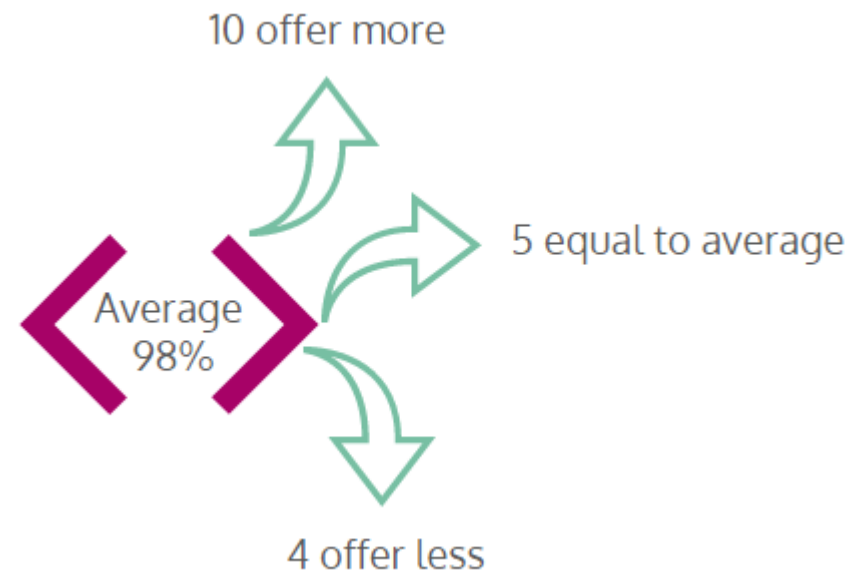
CORE VS NON-CORE

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 average percentage of tasks offered is 98%.



GAUGING VALUE FOR MONEY

Trustees are required to demonstrate their scheme is receiving value for money. Whilst the tables below could never 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 | 100 |
| | Lowest | 10,900 | 89 |
| 500 | Highest | 45,356 | 91 |
| | Lowest | 20,300 | 89 |
| 1,000 | Highest | 86,368 | 96 |
| | Lowest | 38,340 | 89 |
| 2,000 | Highest | 133,296 | 96 |
| | Lowest | 68,918 | 98 |
| 5,000 | Highest | 213,384 | 91 |
| | Lowest | 124,940 | 98 |
| 10,000 | Highest | 350,871 | 91 |
| | Lowest | 212,000 | 100 |
| 15,000 | Highest | 434,963 | 91 |
| | Lowest | 299,000 | 100 |
| 20,000 | Highest | 532,000 | 91 |
| | Lowest | 386,000 | 100 |

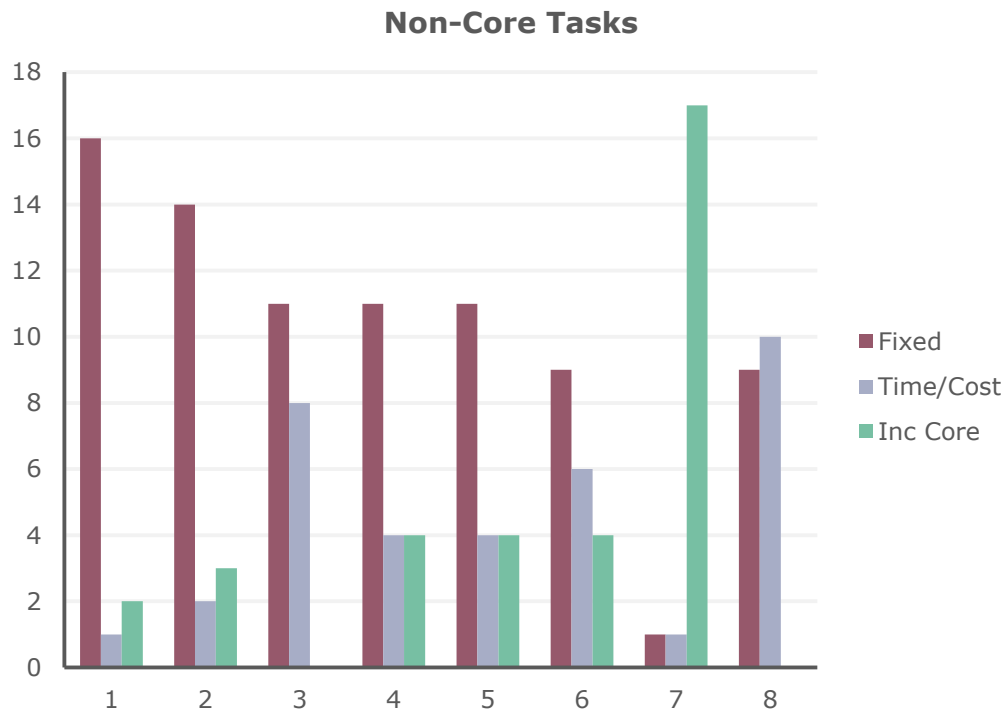
It is interesting to note that in what is considered the crowded middle of pensions administration, neither the highest or lowest charging firms offer 100% of all core tasks. One might have assumed due to the competitiveness of this segment, more would be on offer.

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 administrator’s core offering. We asked firms how they charged for eight of the most popular non-core tasks. The responses came with caveats on how they are charged – 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 providers. Compared to our 6th and 7th Surveys, fewer providers are delivering task 3 – Ad-hoc projects on a fixed fee basis, but opting for time cost. Tasks 1 and 2 – Scheme Secretariat and Drafting Trustee Meeting agendas and distributing papers, have consistently been provided on a fixed fee basis by the majority of providers in our previous surveys. We see this continue into this eighth market view.

PRICING MECHANISMS

MEMBER ACTIVITY ASSUMPTIONS

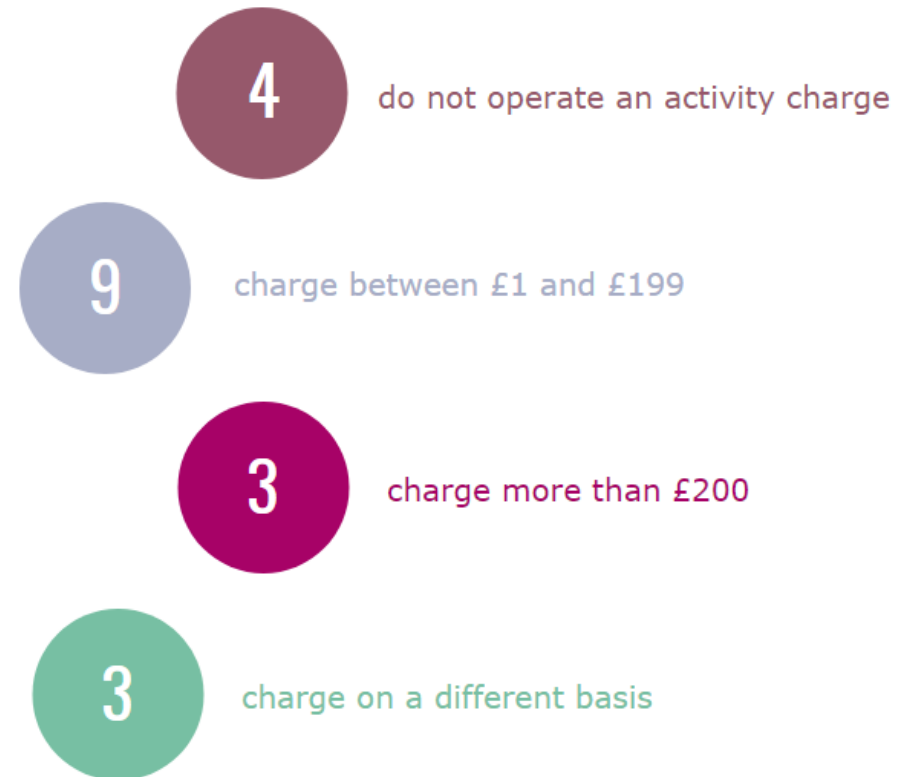
An area that may be particularly of interest to mature DB schemes is the activity trigger, i.e. at what percentage of activity do additional fees kick in. Given the evidence regarding DB to DC transfer requests and payments having grown substantially since 2015, it is highly likely triggers are kicking in for many schemes. Providers and schemes are aware of this as a growing concern.

There has been a significant change from last year in what activity assumptions providers are offering their clients. For the first time we have seen triggers as low as 5% and 7%, but contrarily also higher triggers of 20% and 28%. Could these changes have been driven by increased member activity in transfers?

We asked if these assumptions were negotiable:



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





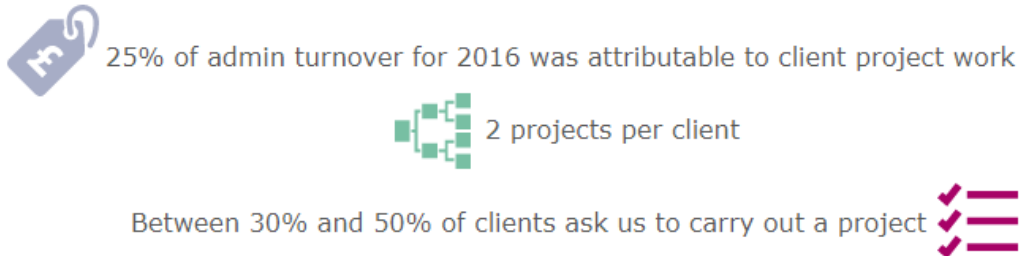
AN INDUSTRY VIEW

INDUSTRY VIEWS

We asked participants a series of questions to find out what is happening in the administration market. The questions covered various topics from project work, pensions dashboard through to data. As well as any areas causing concerns for administrators and more importantly their clients.

Projects

Given the ever increasing legislative changes and their impact on schemes, we expected to see an increase in project work and associated revenue for providers. The question was open, so responses were provider specific, but key statistics include:

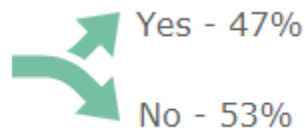


One commented:

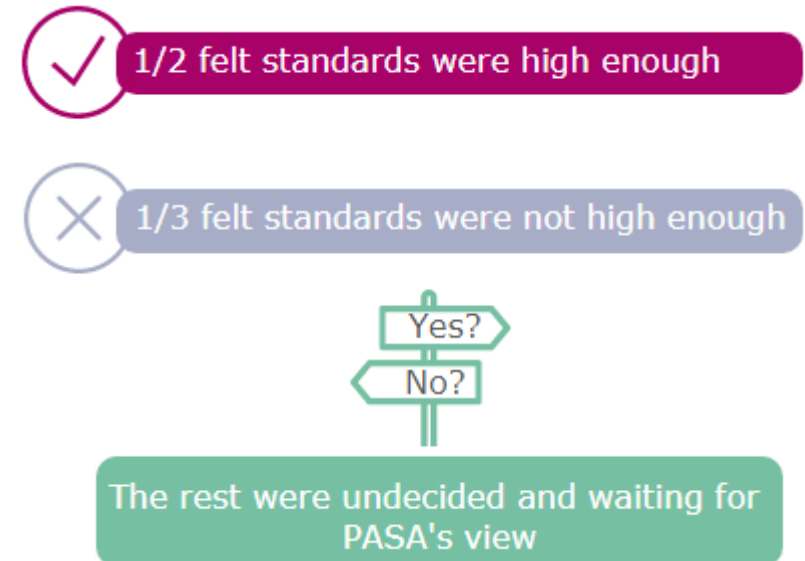
'An increasing number of clients are now prepared to consider and authorise discretionary spend on projects'

Pensions Dashboards

With the successful launch of the pensions dashboard prototype demonstrating the underlying mechanics of how the service could work, we asked participants whether they were engaging with their clients. Responses were split:



And, when asked if the standard set for output was high enough, particularly for DB. Encouragingly there is a determination to make the dashboard work. Of those that responded:



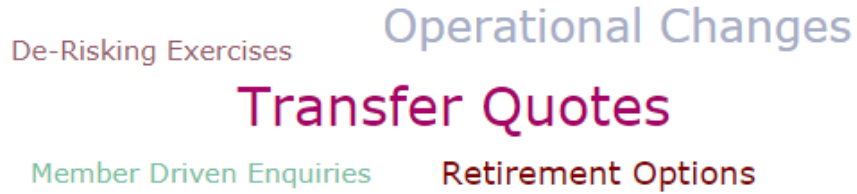
DB data came up several times as a key issue, but it was felt this should not be an excuse to not continue with the development or inclusion of DB schemes in the dashboard offering.

One participant commented:

'There is no reason why more aspirational data standards and projections cannot be achieved in the future but by not having the majority of DB schemes engaged with the dashboards from the outset will greatly hinder its success'

Impact of DC Freedoms on Administration

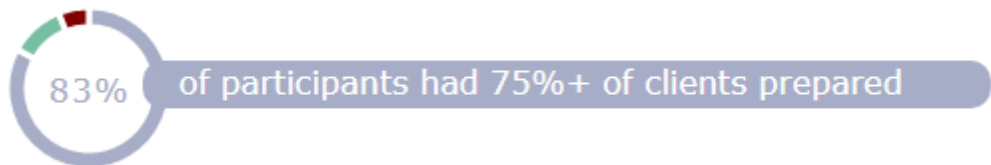
It is two years since DC freedoms came into effect. We asked participants what three areas had seen the greatest impact. The results included:



Transfer quotations and settlement was the most common, with 76% of respondents citing this in their top three areas of impact. Operational change (to systems including web and administration) was the second most popular area of concern, of which 47% included this in their top three. 41% said retirement options (including UFPLS and various retirement options) were in their top three areas of impact.

Common and Conditional Data Reporting

When asked how prepared participants were for reporting on common and conditional data in their clients' scheme returns, reassuringly we had the following response:

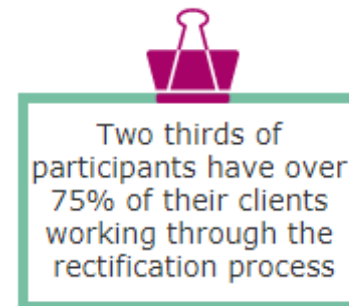


A further 11% had 51-75% of clients prepared, the remaining 6% had less than 50% of clients prepared.

Please note the final requirements have not been published by TPR.

GMP Rectification

In previous years we asked participants questions regarding GMP reconciliation. As this part of the process is drawing to a conclusion, the next stage - rectification is a focus for schemes.



From the responses, it is clear GMP rectification is happening but there is still a long way to go.

ANY OTHER THOUGHTS?

Participants are given free range to highlight any areas causing concern or wish to raise as interesting. Hot topics include resource crunch, fees and data.

Resource Crunch

A number of participants commented on resource capacity crunch caused by increasing demands for de-risking projects, GMP reconciliation and rectification and DC freedoms.

Comments include:

'Demands on administrators continue to increase every year. Difficult to keep on top of client work/demands and dedicate time to service improvements'

'GMP reconciliation projects, a growth in trustee demands for de-risking and data projects, and an increase in member activity following freedom and choice have increased the demand for pensions administrators'

One participant went so far as to say,

'This has led to a capacity crunch, resulting in falling standards and extended project delivery timescales'

Fees

As providers struggle to meet demands, recruit and retain expertise and knowledge, an increase in fees may be expected. However, some participants are concerned with fees being too low.

One commented:

'Concern at some of the fee levels being quoted by some TPAs - it is highly unlikely that such business can be profitable which will only create potential service issues in the future'

Data

As to be expected data remains a key issue for schemes and administration. De-risking and GMP projects continue to be a drain on resources for administrators. However a hot topic for 2017, is of cyber security and the introduction of the new General Data Protection Regulations (GDPR) in May 2018.

Participants are busy reviewing processes and procedures to ensure compliance with these new regulations.

One participant commented:

'Administrators will need to adapt their processes to comply with GDPR standards which will require a fundamental review of all communications and operations'

All gloom and doom?

One participant stated:

'We are closely observing the perfect storm around data driven by IROPSII, TPR, GMP recs, dashboards and de-risking strategies - it is time the industry focused properly on the key scheme foundation of data and these drivers will perhaps force the issue at last'

Not all participants focused on issues, a few were keen to stress the advances being made in member engagement.

'Big theme for 2017 and beyond is online member interaction, i.e. ability for members to view transfer values/retirements online...increase the amount of user friendly, jargon free communications being used electronically'

SUMMARY

FINAL THOUGHTS. . .

Since the year 2016, the world has moved on in some surprising and unpredicted ways. But this report maintains its focus on key areas of pensions administration, services and value for money. Despite so many changes at home and abroad, whether much has changed on the plates of administrators is debatable.

Last year's survey found the industry under pressure from meeting compliance requirements and perhaps a lack of pro-activity from Chairs of Trustees with regards to their annual statement. GMPs were still an issue, as was data. How has 2017 changed so far?

In 2017 data remains a key area for administrators as GMP issues rumble on, at least moving from reconciliation to rectification – we hope. Further pressure has been heaped on administrators as they have seen vast increases in the volumes of DB transfer requests and payments.

There was a lot of feedback regarding the pension dashboards project. Whilst many providers are embracing this major development, others remain unconvinced. Data quality and complexity of DB is being stated as major hurdle to overcome.

Administration remains a focal point for TPR and we do not see this reducing. Expectations of due diligence by schemes is increasing. In the midst of this we continue to fight forward with the message, it's not just about the fees, consider what you are receiving for them and then judge whether it is value for money for you. We appreciate our survey is simply a small step in the due diligence process, but as we keep emphasising, it's a good starting point.

We hope you found this year's survey informative and if you require further information, please feel free to contact us.

APPENDIX

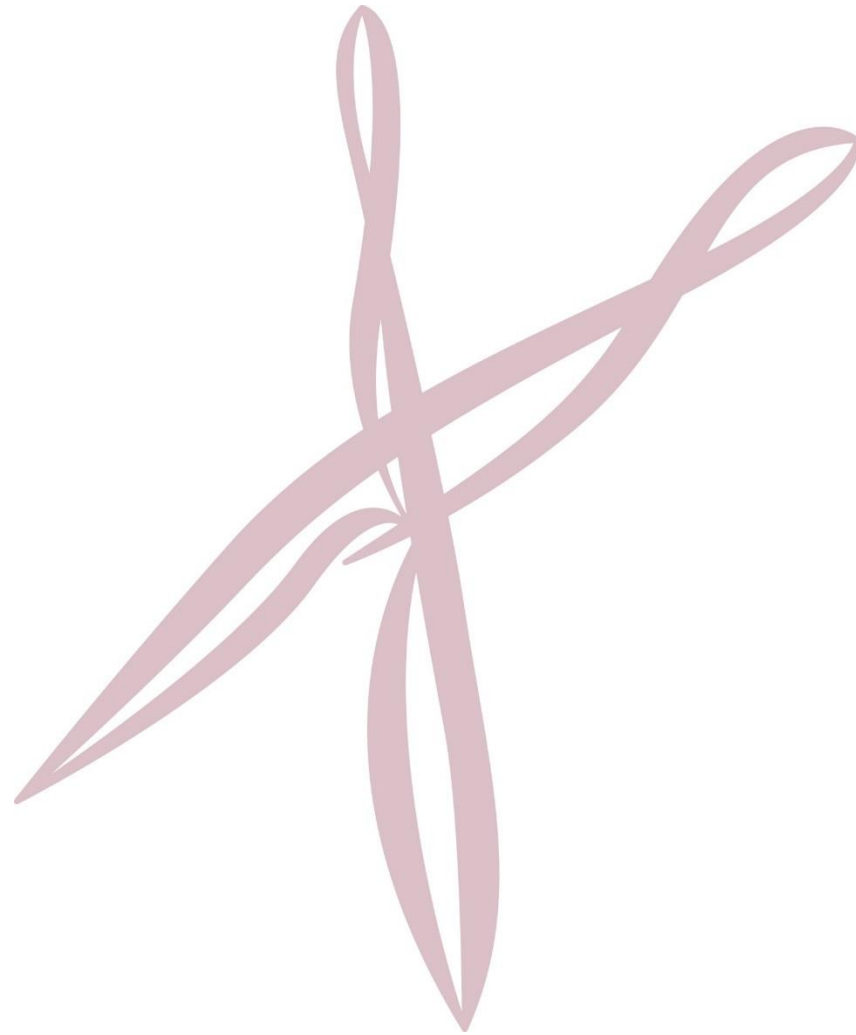
SERVICES PROVIDED

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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