



Nothing
worth
having
comes
easy

▣ **Jack Gray explores the difficulties trustees face in switching administrators, how the process could be simplified and why it is worth the hassle to get the right provider**

Now well into 2019, people all around the country are trying to still stick to their New Year's resolutions. Whether it is losing weight, cutting down on alcohol or quitting smoking, it is never easy but always worth it in the long run. Trustees face a similar challenge when tasked with switching pension administrators. Currently, the process seems long winded and complex, but it appears to be worth it to ensure that schemes have the right administrator for their members.

The lengthy process

As things stand, switching administration provider can be considered a convoluted and unapproachable challenge that helps breed poor administrative practises, leading to members not receiving the best service possible.

"Switching administrators is seen as a painful process and that makes trustees reluctant to change," Trafalgar House business development manager, Joe Anderson explains. "However, this leads to schemes putting up with appalling levels of service for much longer that

would be the case in any other service industry."

XPS Pension Group principal, Damian Magee, echoes Anderson's message, but also insists that trustees should not be put off by the process: "Often trustees are turned off by the thought of changing administrators – they view it as a labour intensive, difficult and somewhat messy piece of work to undertake, but really what they should have in mind is that their members receive the best possible service."

"It is not uncommon for schemes to have been with their administrator for well over a decade without having performed a review," Anderson continues. "This isn't necessarily an issue but familiarity breeds contempt, and trustees should be mindful that they, and their members, could benefit from a change that leads to higher levels of automation, introduces online tools and leads to greater efficiency," he adds.

Simplification

Technological improvements, including automation, should help simplify and streamline the process of switching

administrators. Accurate data is key to best administrative practice and technology should make it easier to collate and store up-to-date member data.

Despite the improving technology, industry members concede that simplifying the switching process is just not an easy task.

"A common approach, segmented by scheme size, could simplify the process,"

explains Magee. "The reality is that given the numerous providers and systems, standardising processes across all transitions would be very difficult to do.

"However, a standard common approach adopted by the exiting provider would be a step in the right direction. For example, a central point of contact at the incumbent administrator, industry agreed timescales, data formats, charging structure and reporting."

Furthermore, as the industry has had to adopt higher levels of governance, the process has slowed as a result. Of course, strong governance is not a bad thing and is necessary for improving standards within the pension industry, but it can put trustees off reviewing the administration services used by their schemes.

"Long gone are the days when a strong personal relationship was enough to win an admin contract," Anderson states. "With governance high on the agenda and every decision subject to scrutiny, trustees have to be able to evidence the reasons for their choice of provider. This inevitably means a thorough and detailed Request for Proposal (RfP), followed by a presentation and then a site visit, narrowing down the field of potential providers along the way.

"When you factor in contract negotiations, once a preferred provider has been chosen, the whole process takes

Summary

- Some trustees feel that the process of switching administrators is more hassle than it is worth.
- Industry members are calling for the process to be simplified in order to make switching administrators a more appealing prospect.
- Trustees should assess their administration provider more regularly to help minimise bad practise and poor service.
- Greater care in choosing administration providers should lead to better member outcomes.

months, and that's before you start the transition itself."

Not easy but rewarding

Although the process is long winded and making it simpler does not seem like an easy undertaking, Premier head of administration, Girish Menezes, insists that it is worth the effort if trustees are not getting the best from their administration provider: "Switching administrators is not easy, but very rewarding.

"The quality of pension administration in the market is varied. If your current experience is that of poor service-level agreements, delayed projects, opaque member communications and member complaints, there are far better options in the market and switching is a more than worthwhile effort."

Menezes says that the most difficult part of switching administrators is "identifying a new provider with a good functional and cultural fit", but he believes that there are a number of ways to streamline this process.

"Having the support of a procurement consultant with experience of pensions administration" is one of the ways to simplify the process, says Menezes, along with "leveraging the experience of your independent trustee, limiting the length of the RfP and limiting the number of providers invited to bid for your administration".

If identifying the right provider is the most significant factor in improving the member's administrative experience, what should trustees look out for when finding a new administrator?

"A provider who can demonstrate a track record of servicing schemes of a similar scale and complexity," suggests Magee. One that provides "case studies and references from existing clients they have transitioned from the incumbent administrator and software, and propose an experienced, qualified team that is adequately resourced".

Transition frequency

What seems clear is that, when deciding on a new administrator, trustees should consider their options carefully and take their time to ensure the best outcome for their members. As previously discussed by Anderson, just the process of finding the right administrator for the scheme can take months, so trustees should ensure that they are not adding unnecessary time on to an already lengthy procedure.

The complexity of the situation is highlighted by disagreement amongst experts on how regularly trustees should consider switching provider: "The decision to change administration provider requires full and informed consideration. There isn't really a fixed timeframe after which trustees should consider switching administrators," says Magee.

However, Anderson believes that reviews should be undertaken relatively regularly: "Provider reviews should be a part of annual trustee business plans.

"As long as your administrator is performing well, you might think there's no need for change. However, it won't hurt to perform regular benchmarking on fees and services to make sure your current administrator isn't falling behind

on the latest service developments, technology, online services and member communications."

Although the provider should be reviewed regularly, Menezes warns against switching providers too often: "An actual switch should only be undertaken if the lack of service suggests that this is required and the relationship has broken down."

He continues: "Trustees who flip administrators regularly are usually the ones who are driven by price, do not invest in cleaning their data and often create additional sub-optimal processes. These clients drive poor behaviour from their pension administrators."

Anderson has seen some improvements in the amount of attention trustees have been giving to the efficiency of their administration providers. The number of professional trustees on boards has increased in recent years and this "has led to more and more frequent reviews".

Anderson adds: "They usually sit on multiple boards, meaning they have first-hand experience of a number of providers and up-to-date knowledge of how they are performing. They also have a wide network, so will hear quickly about providers that are performing well or are struggling"

Conclusion

Although there are still question marks over the complexity of understanding administration and how trustees should go about ensuring that they secure the best outcomes for their scheme members, the rising number of professional trustees and increased guidance from organisations such as The Pensions Regulator are helping create greater understanding for if and when to switch providers.

Like New Year's resolutions, switching pension administrators takes time, effort and commitment to get the desired outcome, but it is almost certainly worth the effort.

Written by Jack Gray