Changing course

Summary
- Provider reviews are becoming more frequent as trustees face greater scrutiny, changing scheme and member needs and a wider range of provider options.
- Key drivers for switching include service quality, cost, investment performance, digital capability and whether a provider can support the scheme's future strategy.
- Consultants say provider reviews are increasingly focused on the problem a scheme is trying to solve, rather than assuming a new provider is needed.
- Experts say three to five years can be a sensible cycle for formal reviews, but schemes may review sooner if performance, value or provider suitability becomes a concern.

As schemes face a growing range of provider options and increasing pressure to demonstrate value, trustees are taking a closer look at whether their existing providers remain fit for purpose. Paige Perrin examines what is driving schemes to review and change providers, how they approach the process and whether growing competition is leading to better value and service

The pensions market is undergoing significant change, while the government is placing greater emphasis on ensuring the industry delivers value to individuals saving into the system.

That scrutiny is extending to the providers serving schemes, with trustees and employers assessing whether existing arrangements continue to deliver value and meet changing requirements.

Provider reviews and switches are nothing new, but the changing market is prompting schemes to look more closely at the services they receive and whether their providers remain suited to their needs.

Those needs can also change over the

course of a member's retirement journey, as financial and personal circumstances evolve. For schemes, this can mean reassessing whether their existing provider arrangements continue to meet those expectations.

The WTW *DC Pensions and Savings Survey 2026* found that nearly 70 per cent of employers had undertaken some form of provider review within the previous two years. But a review does not necessarily lead to a change in provider. So, what prompts schemes to move from reviewing an existing provider to switching?

Why?

WTW senior director, DC consulting, Stuart Arnold, says changing pension providers is a "significant undertaking", meaning there typically needs to be a compelling reason for a scheme to initiate a review or switch.

Arnold says the key drivers recently have been factors influencing the perceived value of a pension provider to the business. He highlights three factors that are prominent in discussions: investment performance, charges and market change.

Meanwhile, Association of Professional Pension Trustees deputy chair and council member, Vassos Vassou, says service concerns and cost pressures are the main drivers of switching, describing a review of existing providers as "good governance".

"When you review an adviser, that could just be a review; it does not have to be a replacement. But sometimes what happens is because you are doing the governance piece and reviewing them, that can trigger a more formal process, which ends up in a new provider being appointed," he says.

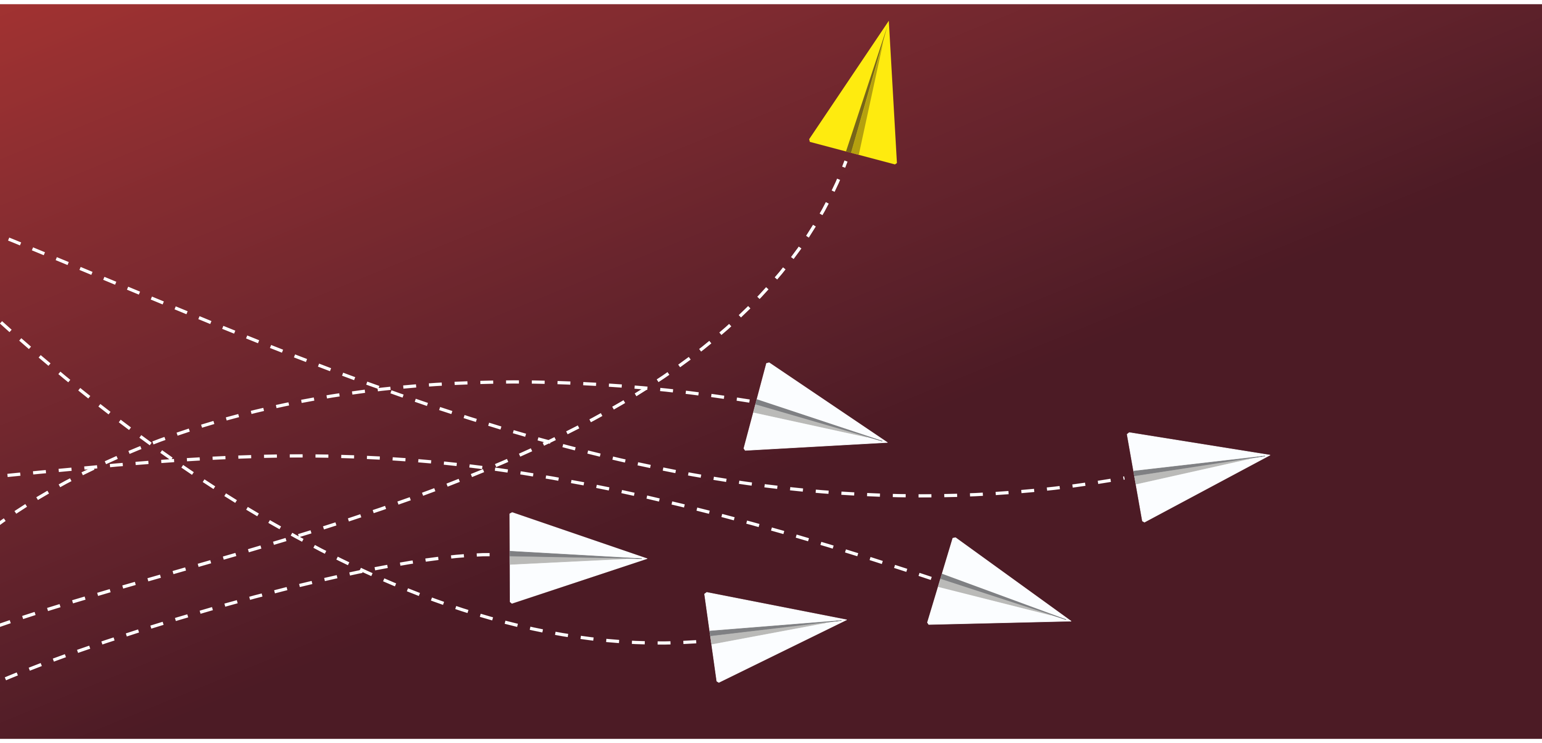
KGC Associates Limited managing director, Kim Gubler, highlights a "noticeable" shift in recent years, with trustees no longer reviewing administrators simply because service has deteriorated, but also asking whether their administrator can support where the scheme is heading next.

"Administration now sits at the centre of almost every strategic objective. Endgame planning, guaranteed minimum pension projects, dashboards, member options, cyber resilience, data quality and regulatory compliance all depend on the administrator's operational capability," she says.

"Trustees recognise good service levels do not necessarily mean the administrator is equipped to support the scheme's future strategy. Service measures tell you how today's service is performing. They tell you much less about whether the administrator can deliver what's coming next."

Russell Investments head of EMEA OCIO, Simon Partridge, cautions: "Switching providers is a significant project, so trustees can be tempted to defer it, particularly when endgame is close. A short time horizon makes having the right partner more important, not less, whether the destination is insurance or running on to generate surplus."

Gubler also points to digital capability as another important factor, reflecting higher expectations from both trustees and members. She says members now expect online services comparable with those they experience elsewhere,



alongside clear communications and timely access to information.

More significantly, she says: "Trustees' expectations of what constitutes good member experience have evolved. They are looking for richer management information, greater transparency of performance, together with better insight into operational risks and emerging issues, rather than simply retrospective service reporting."

How?

But deciding to switch is only the first step, with the process varying significantly depending on the provider or service being replaced.

Partridge says trustees should "start with the problem they are trying to solve, not with the assumption that they need a new provider".

Vassou says the approach to a provider review or transition varies on the type of review or service, with some changes considerably more complex than others.

"For a scheme actuary or an investment consultant or a lawyer, it is relatively easy to replace them with a new one; this is typically through contracts. However, when it comes to an administrator, the administrator is the trustee's interface with the members," he adds.

"When you change an administrator, the communications become very important to the members, and you must be very careful. If you change your actuary or your lawyer, etc, you wouldn't necessarily communicate that to members."

Gubler also says communication is often underestimated when switching providers: "Members need confidence any change is being made to improve their experience and long-term outcomes, while trustees need robust governance to monitor progress, manage risks and maintain accountability throughout implementation."

Isio head of DC pensions, Richard Birkin, says providers should be assessed "holistically across all services" when conducting a review and selection exercise.

He highlights business strength, administration, investment, member experience, governance, wider benefits, transition support, and decumulation and retirement support, as well as understanding what matters most to members.

"A review should test whether investment sevice and outcomes have met expectations, fees remain competitive and the provider still fits the scheme's objectives and endgame"

BESTrustees professional trustee, Roger Breeden, states that competition has been "aggressive" for several years but is starting to move away from just fees towards broader aspects of the proposition, including investment and member-facing services.

"Most large providers offer reasonable levels of service to members, but there can be providers who are better suited to different employers, so that can be a factor in provider selection," he concludes.

However, he adds that it can be more difficult for an incumbent provider to retain its position when a prospective provider is promoting a set of enhancements that have yet to be proven.

The result is a market offering schemes more choice, but not necessarily making provider selection easier.

Gubler says the increased choice also makes it harder to distinguish between providers.

"This gives trustees more choice but also makes provider selection more challenging because the real differences often sit beneath the headline service offering and understanding how those services are delivered in practice," she says.

When?

There is no single timetable for reviewing a provider, with regulatory monitoring sitting alongside broader periodic reviews.

Gubler argues there is "no single timetable that suits every scheme".

"The scheme itself changes over time," she says. "A scheme approaching buyout has different requirements from one focused on active member engagement or supporting retirement decisions. Reviews should therefore consider whether the provider remains the right partner for the scheme's next phase. Regular reviews also give trustees insight into whether providers continue to invest in technology, people and operational capability in line with the market."

BESTrustees director, Huw Evans, points to The Pensions Regulator's guidance on monitoring, saying that "typically performance is monitored quarterly but fees reviewed annually (less frequently if annually would be disproportionate)".

"There are now more options available with consolidators and run-on. Trustees are thinking harder than they have previously to work out the right pathway for a particular scheme. You might get back to the same answer, but there's a lot more thinking around it now," Vassou says.

Partridge says three to five years is a "sensible cycle" for a formal review but urges trustees not to wait for the calendar if something is not working.

"A review should test whether investment outcomes and service have met expectations, whether fees remain competitive and whether the provider still fits the scheme's objectives and endgame," he adds.

Written by Paige Perrin