

# A trustee's pocket guide to pensions administration

Good administration forms the bedrock of a well run pension scheme. You can delegate the work to an administration company, but you remain responsible. This guide will help you gain a good understanding of what the administrator does to help you ensure they're doing it properly, as expected by The Pensions Regulator (TPR).

## What does the administrator do?

The administrator is responsible for ensuring your members receive the right benefits at the right time, as set out in your Trust Deed and Rules. This involves a wide range of services, automated where possible in order to operate efficiently and accurately. Administrators interact with your members a lot, so communication skills are also important.

You should check the trustee's contract with the administrator to see the services included, for example:



## How does the trustee monitor the administrator's work?

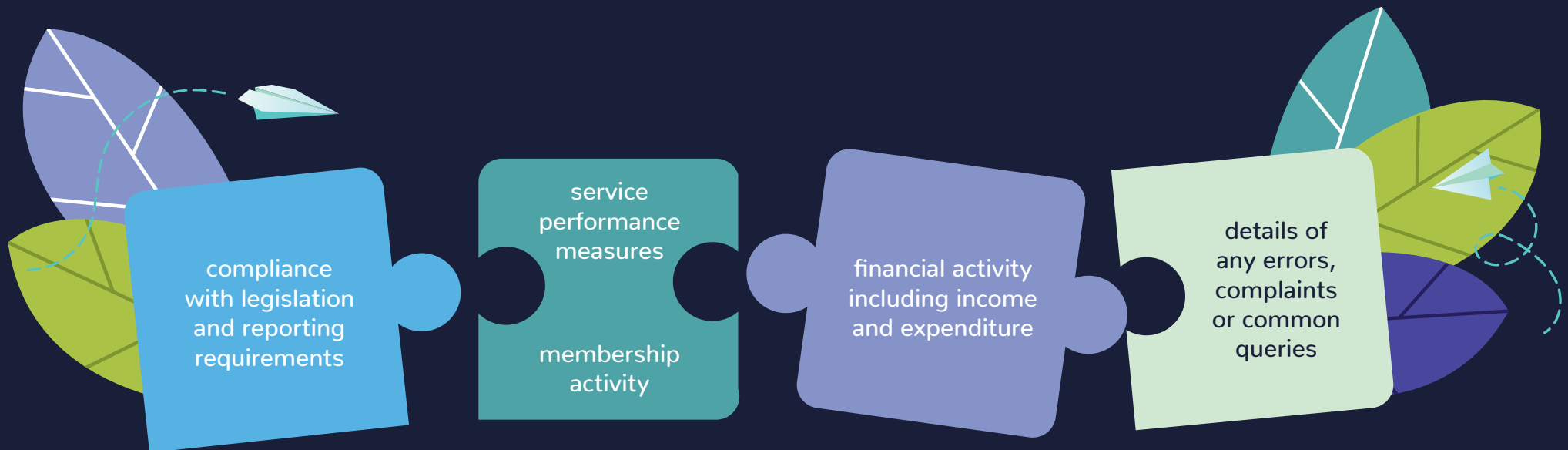
The main way is by reviewing their stewardship reports. For smaller schemes these may only be provided annually or twice a year but, for most schemes, administration reports will be provided quarterly for review at trustee or committee meetings.

It's also important to meet with the administrator on a regular basis. Occasional site visits are also recommended for larger schemes.



## What should I see in the stewardship/administration report?

These vary considerably but the key items to look out for are:



## Does the administrator work with other providers?

Yes, the administrator needs to receive the factors used in benefit calculations from the actuarial team on a regular basis. They may need to send complex transfer value requests to the actuarial team, but it's more efficient for the administrator to process most transfer values themselves. Often administration and actuarial services are provided by the same firm. Where different firms are used, good collaboration between both providers is essential.

The administration team is also responsible for liaising with your investment advisers to ensure sufficient cash is held each month for any payroll or benefit payments. The administrator should agree with the trustee a 'float' of cash to hold in the scheme account for this.

The administrator's accountant prepares the draft annual report and accounts and works closely with the scheme's auditor through this process.

## What does 'good' administration look like?

For good administration you'd expect most benefit calculations to be fully automated, but it's also important the administrators understand your scheme rules and know how to do calculations manually when required. All calculations should be checked before benefit quotations are sent out to members.

When a pensioner dies, the bereaved's partner may notify the death and ask what they need to do. Good administrators will respond with compassion and efficiency to ensure the spouse's/ dependant's pension is set up as soon as possible. When a discretionary benefit is payable, an efficient administrator will provide the trustee with all the information they need to reach their decision.

Good communication is essential. The trustee should be informed immediately of any issues and have a team chart with up to date contact details. The team should also be easily accessible to members by email or phone.

Nowadays, an attractive member website with excellent functionality is a major plus. People expect to get information quickly and there are obvious benefits if members can run retirement calculations themselves. It's also far more efficient if they're able to process a change of address or nominate a beneficiary online.



## How can I tell if the administrator is doing a good job?

Most administrators send questionnaires to members on completion of the retirement and transfer out processes and will report the results to you. Trustee boards can also conduct their own surveys to find out whether members are satisfied with the service provided.

Administrators report on their performance against the service level agreement (SLA) in place but, sometimes, the feedback from members to the trustee can be at odds with the SLA statistics. It's worth probing, as member experience is important and the clock on response times shouldn't stop if a case is referred to the actuary.



## What can go wrong?

Unfortunately, quite a lot! Scheme rules and tax regulations can be extremely complex and it's not surprising administrators make mistakes. These can be significant – erroneous benefit quotations can lead to major upset and even greater distress if incorrect benefits are paid and later reclaimed.

Such cases will normally result in the member invoking the internal dispute resolution procedure, which can take up considerable trustee time. If the trustee rejects the complaint, the member may choose to take the case to the Pensions Ombudsman. Errors and complaints are distressing for all concerned and tend to be costly in legal fees.

Make sure lessons are learnt and processes are changed to avoid any repetition of errors and complaints.



## How do I check my administrator's internal controls and risk management?

To minimise the risk of errors, it's important to ensure your administrator has satisfactory internal controls in place. Key administration risks should be included on your scheme's risk register.

To a certain extent you'll rely on your auditor to carry out checks each year. It's likely your auditor will also check the administrator's latest internal controls report (AAF 01/06), which must be carried out by an external auditor on a prescribed basis. If the report contains any exceptions, you should raise these with the administrator and seek reassurance the issues have been resolved.

## How do we know if the scheme data is in good shape?

Trustee boards are required to provide information on the quality of their data on the annual Scheme Return to TPR. To provide this, you should make sure your administrator maintains the basic member information (known as 'common data') and measures this at least annually.

You should obtain a scheme specific data report at least every three years. This focuses on data key to running your scheme and measures it in terms of the percentage of the membership with data as expected.

The score  
should be  
at least

**95%**

## How do we develop long-term administrative objectives?

It makes sense to ensure administration is aligned with the Pension Schemes Act 2021 requirements for schemes to have a long-term funding objective. If schemes are looking to arrange a buy-in or buy-out policy with an insurer, it's particularly important administration data is in good shape, as this can save hundreds of thousands of pounds in premiums.

The trustee may want to set some objectives such as maintaining the common data score by conducting annual or monthly mortality and address checks and cleansing scheme specific data to improve the data scores.



## What can we do to protect members from pension scams?

1

Make sure you take the TPR Trustee Toolkit module on pension scams. Your trustee board can pledge to combat pension scams too.



Our pledge to  
combat pension scams



2

The Pension Schemes Act 2021 also introduced legislation that one of two conditions must be satisfied before any transfer out can be paid out of the scheme. On behalf of the trustee, the administrator must carry out checks to find out if there are any amber or red flags present in the information obtained from the member. If there are amber flags, the transfer can only proceed if the member can demonstrate they've taken expert scams guidance from MoneyHelper. If there are no amber or red flags, the transfer must be paid.



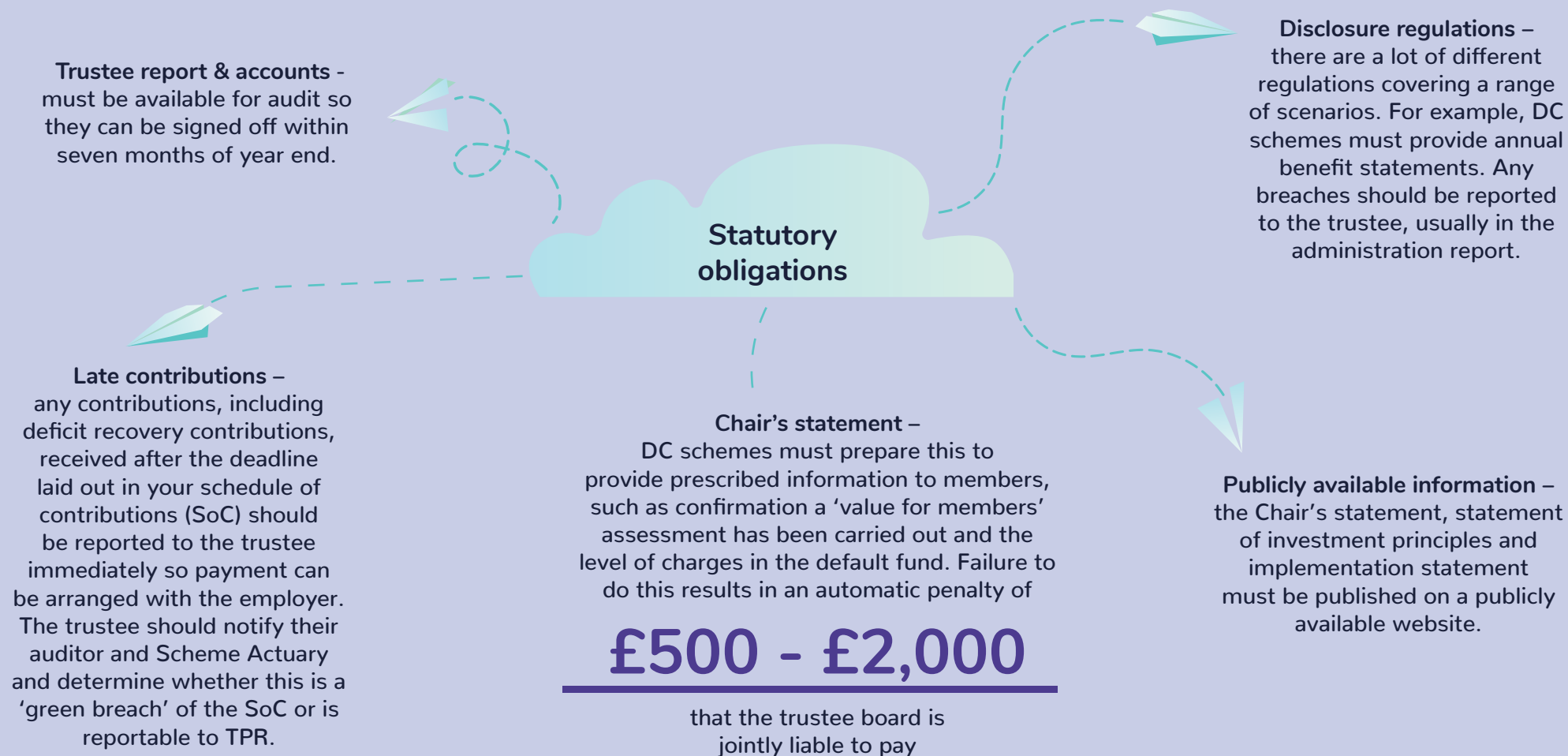
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Red flags should be referred to the trustee to decide whether the transfer can proceed. These will be reviewed on a case-by-case basis.



MoneyHelper joins up money and pensions guidance to make it quicker and easier to find the right help. You can find them at: [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

## How can our administrator meet our statutory obligations?



## How can the trustee comply with the administration elements of TPR's general code of practice?

There are more than ten modules of the general code that relate to administration procedures. It's advisable to ask your administrator for written confirmation annually that they're complying with TPR requirements or ask quarterly in the administration report.



## Finding out more

Feel free to get in touch with Gillian Graham to chat through any administration or general code queries.



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