

Size Matters

Good Governance Matters More



This supplement brings us the top 100 UK pension schemes. Although there are various measures of size, it is often scheme assets that are used to rank schemes. We are very proud of the fact that on this measure, about half of the 100 largest schemes use *aquilaheywood's* software.

These schemes, whilst small in number compared to the tens of thousands of schemes in the UK, act as a barometer for the wider workplace pension sector. They are often the schemes by which occupational issues are measured, either as yardsticks for swings in deficits, or the first port of call for a journalist looking for a quote on the effects of new accounting standards, or regulatory change.

management and member communications. Whilst software providers cannot assist with the effects of longevity and mortality improvements on the costs of benefits, we can ensure that the correct benefits are paid and we can help to avoid adding further pressure to the fund or the employers' costs by helping to eliminate costly mistakes.

The day-to-day administration of schemes has become increasingly automated through the intelligent use of tools, such as Workflow and Document Management, integrated seamlessly into the core administration system. The first area to provide major efficiency gains by the use of automation is the increased number of automated interfaces in use, ensuring higher quality data is being received and processed. Further



A more proactive approach from administrators and trustees has led to significant innovations in scheme management and member communications.

However, there is a saying that goes:

“Do not put your faith in what statistics say until you have carefully considered what they do not say.” *

What I mean here is that there is a lot more to being ‘big’ than having large investment assets.

These organisations share a lot of the same challenges that smaller ones do, but usually at much greater volumes and those volumes themselves can bring about additional challenges of their own. However, the organisations on this list have a ‘big’ effect on the market as they are the headline makers, often showing great innovation and leadership in the resolution of these challenges.

The key challenges over the last few years have been efficiency, quality service and communication. In the public sector, as well as a number of regulatory changes and new scheme designs, the Gershon initiative saw renewed focus on ‘doing more with less’. Interoperability with the Government is important to all sectors, but the pressure is on the public sector to lead by example. In the private sector, the spotlight is on the employer covenant and the long term commitment to affordable benefits. Companies are experiencing operating difficulties because of the effects of the pension scheme on the value of the business. None more so than companies who are the target of takeover or merger activity. In both sectors, good governance and responsible trusteeship are paramount. Investing in their skills is essential, and providing these trustees with timely information is critical.

The focus on reducing cost and risk is common to both the private and public sectors. Whilst it is the level of scheme deficits that continues to hit the headlines, it is the control of administration costs and risk management that lead to the need for efficiency and the ability for trustees to monitor the underlying service to their members. A more proactive approach from administrators and trustees has led to significant innovations in scheme

automation in terms of workflow, production of documents, management reporting and automation of regular activities all offer significant benefits in the key areas of cost, accuracy and risk reduction. Administration departments become both more efficient and more effective, and as technology ensures faster processing and fewer mistakes, they are more able to focus on the vital issue of improving communication and service.

Effective communication is essential in engaging with wider audiences, especially now as education and press coverage have increased the general level of awareness of pension benefits. Trustees rely on clear and accurate reports to allow them to carry out their role responsibly and effectively. Just as importantly, members should have timely access to the latest information on their scheme and their own individual benefits and this presents a challenge to all organisations, regardless of their size.

Good communication is measured by the audience’s understanding of it, not the organisation’s willingness to provide it. Employers have to overcome the members’ lack of understanding about their pension scheme. It is vital to engage staff - after all, they cannot value a benefit they don’t understand. Trustees are equally hungry for information, but at a completely different level of detail. Choosing your media is key. Whilst a well-written letter, a report, or a workplace pension clinic still have their place, the flexibility and adaptability of the Internet give schemes unprecedented opportunities to tailor their messages. This may be in the form of online resources or reports for trustees, internal communication on the scheme via an intranet or more bespoke messages relating to the status of the member - for example investment choices to a new joiner, or benefit modelling tools for a member approaching retirement - all, of course, provided via a secure website with an individual log in.

Whilst these schemes are on the list due to their fund size, it is their investment in technology and commitment to quality in service that will ensure that the members get the benefits of these large funds.

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* Source: William W Watt.