

White paper | March 2013

The true value of a specialist pension scheme secretary

It may be easy to think that the role of a pension scheme secretary is simply a matter of organising meetings and taking minutes. Nothing could be further from the truth. The reality is that **the role of secretary to a trust-based pension scheme is the equivalent of a company secretary**, and comes with similar diverse legal and compliance requirements.

The changing world

In the UK, the shift from defined benefit (DB) to defined contribution (DC) pension schemes has been well documented. Within just a few years, we may well find ourselves in a world where more than 90% of defined benefit schemes will be closed to future accrual and less than 10% of DB scheme members are still employed by the scheme's sponsor.

As buying out and winding up a defined benefit scheme will be unaffordable for many, most will be managed as closed schemes for many years to come. Employers in this situation are faced with several challenges, including:

- **high management cost for the closed scheme**

- the need for ongoing funding negotiations with the trustees and to ensure the scheme is well-governed – both **areas that could cause reputational issues** if not managed carefully

- the **cost of management time** – especially when internal resources are used that could be more profitably allocated elsewhere in the business

- **loss of knowledge** about the scheme within their business.

This could mean that significant amounts of time and money are still required from the sponsoring employer; time and money that are not being used effectively to provide reward for current employees.

At the same time, the move to defined contribution pensions is being accelerated by the introduction of the new automatic enrolment requirements and the Pensions Regulator is strengthening its focus on the governance of both trust and contract based DC schemes. This brings an additional set of challenges, such as the need:

- to ensure members can achieve a **good outcome from the scheme**
- for **effective communication** with scheme members, providing relevant financial education where appropriate
- to **achieve value for money** both for members (through scheme charges) and the employer (through fees and internal management costs).

All of which are key areas highlighted in the recent Pensions Regulator's consultation document on defined contribution pension scheme management.



The difference an experienced scheme secretary can make

Many employers will turn to their pension consultant, administrator or scheme provider to help deal with these challenges. Whilst they can all certainly provide assistance, areas such as scope of service, cost and independence should be considered.

Ideally, what is needed is someone who can ensure all third parties are used effectively and appropriately. Historically, this would have been an employer's pensions manager, but few have them now. If they do, their time (and additional support available internally) is often limited and they may be unable to focus on all the issues that will make a difference.

This is where a professional scheme secretary becomes especially valuable to an employer, trustee body or pension governance committee. Aside from their excellent organisation and project management skills, which are a given, the specialist knowledge and extensive pensions experience a professional scheme secretary has can be used to extremely good effect.

For example, they can:

- provide additional pensions expertise to support your pensions manager or, for an organisation with nobody in that position, take on many (if not all) aspects of the role
- minimise the amount of time you need to spend managing pensions internally, or turning to expensive consultants for help
- ensure that you use all external advisers and suppliers in the most efficient and appropriate way, and that all parties work together effectively
- act as a bridge across all your different schemes, transferring skills from one to the other to ensure they are run efficiently and that employees understand all parts of their pensions package
- develop a governance framework that meets all regulations and adopts best practice drawn from both the Regulator's requirements and practical experience - and ensures you remain compliant.

Having a professional scheme secretary that is independent from the trustees/governance committee and employer brings many benefits. Independence enables them to manage expectations and balance requirements, whilst also **ensuring that duties are properly separated and internal controls are effective**. This is particularly valuable when a conflict of interest is present or possible. For example, if the employer's CFO asks the pensions department to put a specific pension amount into payment, are the right controls in place to ensure that this payment is being made in line with the scheme rules?

By choosing your scheme secretary carefully, you may find that you benefit from the skills of more than just one individual. Some professional secretaries are backed up by a supporting team, whose complementary technical and practical pensions experience will also be available for you to draw on. This has the added bonus that **succession planning is already catered for**, as a pool of experienced, highly-skilled people knowledgeable about your scheme is immediately available to you if needed.

Minimising and managing the cost of providing and running a pension scheme is a key issue for almost every employer and trustee body. As mentioned above, your scheme secretary should help you make sure that third parties are being used effectively and efficiently. However, by appointing a professional scheme secretary, you will also **minimise internal costs** such as wages, overheads and management time, and **achieve certainty through a fixed fee agreement**. Within your control, you will have a team member tap that you can turn on when you need additional support – for example, when implementing auto enrolment – and off again as soon as the period of peak workload has passed.



Whichever type of pension scheme or schemes you offer your employees, they are complex, highly regulated and demanding to manage and communicate.

Ensuring compliance, effective governance, cost-efficiency and that members can achieve a good outcome are just a handful of the ways in which a professional scheme secretary could make a real difference to your arrangements.

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