Summary
- Trustees should keep their providers under regular review and make sure they are delivering for members. Switching is a large undertaking, but it might well be worth it.
- Performance, member communication services, personality fit and ethical considerations are all things that should be considered when it comes to reviewing a provider.
- Switching could provide significant benefits like better performance, better technology for members or battling against complacency, but there are also risks to consider.

Time for a change?

Sam Meadows considers the challenge of reviewing scheme providers and changing them where necessary

As a trustee, switching scheme providers can feel like a massive undertaking. And, while it is certainly not something to be done flippantly, it need not be something to be afraid of.

Good governance, value for money. There are a host of good reasons that a change might be the best course, and trustees should definitely not rest on their laurels when it comes to looking under the hood of their providers, consultants and advisers.

Current regulations are woolly – only requiring 'regular' reviews – but the Financial Conduct Authority has recently closed a consultation on a value for money framework. This is likely to come into force in 2027, giving trustees greater clarity on what's expected of them.

Until then, there are many reasons why it could be a good time to consider a change. And a lot for trustees to consider.

How often

The jury is split on the exact amount of time appropriate between each review – but they all agree that reviews should be fairly frequent.

The Association of Professional Pension Trustees' council member, Vassos Vassou, says that a 'light touch' review should be carried out every year, with more detailed reviews completed less frequently. "It doesn't have to be like *War and Peace*. You just need to give yourself 10 or 15 minutes just to reflect on what's happened over the year, record it a little and then identify anything that you want to change going forward."

TPT Retirement Solutions head of DC distribution, Adam Tudor, says that all elements of a scheme should be reviewed at least once a year. "This will include the administration, quality of data, member experience, responsible investing, investment options and performance," he says. "Trustees will have an appointed adviser to undertake this review and it's important that the advisers appointed by the trustee fully understand the requirements of the trustees."

Squire Patton Boggs senior associate, Felix Weston, says: "The review of providers should be a constant process, and trustees should keep a close eye on key performance indicators. For example, at each trustee meeting trustees should ask to see their administrator's performance against service level agreements and check whether there are any concerns."

Meanwhile, Hymans Robertson head of DC provider relations, Shabna Islam, says the rapidly evolving pension landscape means that an annual 'high level' review is a good idea. She adds: "We

would also suggest that, at a minimum, oversight groups conduct a triennial deep-dive review comparing the current provider against the wider market."

However, it is important to take a holistic view of provider offerings rather than focus too specifically on individual offerings, warns TPT Retirement Solutions head of DB distribution, Jonathan Jackaman. "Otherwise, trustees can inadvertently create a more complex and inefficient service delivery model for them to oversee, which adds costs and takes more time to manage," he explains.

What to consider

Once regular reviews are in place, the next step is to decide whether there's a problem. There are a huge range of things to consider when determining whether to take the decision of switching providers.

Although past performance does not determine future results, the quality and performance of the scheme's default fund will be a vital consideration. Any perceived underperformance could be a reason to switch.

Other issues could include fee levels, resources provided to members and other frills like the quality of the website or any app that is offered.

"The decision-making process will inevitably be influenced by elements such as administrative proficiency, return on investment, transition costs and exit terms of the current provider," Islam states.

Tudor says: "Before choosing to switch providers, trustees should have a clear understanding of how well the existing pension scheme is performing, what fees there are, who pays them and whether there is a range of investments that suit."

If there are any issues identified – regarding anything from performance to administrative issues or costs – the first step is to engage with the provider.

Weston says: "Switching providers can be a long and expensive process and having a serious, honest conversation with a current provider that is not performing can fix the problem – perhaps, for example, by changes being made within the client service team."

Once a decision has been made, it can be a lengthy process.

Transfers can take "from as little as two months" to up to two years, Islam says, although "on average it takes nine to 12 months".

Tudor says to allow a minimum of six months for any transfer to take place. "An effective and open communication programme is essential and will make any transition a slicker one," he explained. "Generally, a tried and tested approach is to create a timeline with the start date in mind and work back to build the communication dates and key milestones."

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Pros and cons

There are many upsides to transferring that trustees can be encouraged by. First and foremost, most trustees will not be considering a change unless they have identified a problem that has not been addressed by their provider. Fixing this problem could be reason enough.

A transfer can also be a good way to shake off the cobwebs of any complacency that may have crept into scheme administration. "*[A transfer can]* bring different ways of working and help with some aspects around challenging the trustees, moving away from sort of general idea that it's always been done this way, so we'll carry on doing it that way forevermore, which in itself is a benefit," Vassou says. "Then it's issues around things like fees and costs as well."

On the administration side, he says changing providers could bring with it new systems and technologies that could improve communication with members.

But switching is not necessarily all upside, and there are significant risks that trustees need to consider.

Weston says that trustees should not underestimate the importance of longevity. "Many schemes will have had the same providers in place for a long period, with the providers having a deep knowledge and understanding of the scheme that may well be better than the trustees," he explains. "Losing this can result in unintended consequences and require further investments of time and cost to rebuild the knowledge that has been lost."

There could also be unintended issues that appear after a transfer. He adds: "A change of provider is often when the proverbial skeletons fall out of the closet so trustees should be prepared for the additional work that might be involved in dealing with these."

On the administration side, Vassou says there are cost risks involved. He explains: "Actually moving provider in itself has a cost associated with it, as well as time requirements. So when you put all that together, it's not risk free."

There is also a possibility that the new provider claims a mistake on the part of the old provider, which denies it, causing the trustee to become drawn into a dispute. "You can find yourself stuck in the middle between the two providers a little bit," Vassou explains.

Finally, if the change is around consultants, actuaries or advisers, Vassou says it is important to understand who you will be dealing with at your new provider. "The risk there is that you pick the wrong person. Sometimes you find that a salesperson does the pitch process, and you actually get someone so it's about avoiding those old tricks of the trade," he warns.