



Outsourcing and Partial Outsourcing: The Pensions Manager

Dafydd Bowen, a member of the Hewitt Governance Practice, looks at the Pensions Manager role and whether outsourcing or partial outsourcing could be the answer when support for this role is declining.

As pensions legislation and regulation continues to develop, the question arises: do I have the expertise to deal with this increasingly complex world?

Company support for the roles of pensions manager and secretary to the trustees is declining, largely because:

- defined benefit schemes are closing, so companies are looking to reduce support to these schemes or downsizing the role;
- they are transferring the work to other departments;
- they are looking for short-term manager posts under contract; or
- they are outsourcing roles.

The Pensions Regulator is committed to improving the way pension schemes are governed. In its third governance survey, risk and additional responsibilities carried by trustees were identified as key concerns by 53% of trustee boards.

Given the Regulator's current focus on good governance practices this is a worrying statistic. How should companies respond and keep on top of new guidelines?

Why do companies consider outsourcing the pensions manager role?

Companies might consider outsourcing the duties of a pensions manager for a number of reasons. The initial thought is around cost savings; the business may be pressured into reducing headcount, or perhaps the business is unable to sustain the pensions manager role?

Outsourcing is also an option when a key person leaves as it removes the need to recruit, train and retain an experienced and qualified professional. The pensions role is often part of a wider company role but it is risky to manage pensions as a sideline - this gives rise to mistakes and leads to employee complaints. Outsourcing frees time and allows key individuals to concentrate on other roles within the company. Company operations may be complex, having evolved and increased over the years; this carries a high level of risk. Outsourcing provides companies with access to specialised skills and expertise to call on when required.

Historically, outsourcing was chosen by medium-sized organisations, but may be a benefit



for smaller-sized schemes as the time spent on pensions by one of the directors means that the particular individual has less time for their main job. Large schemes are also beginning to look at this option.

It's not all plain sailing though...

Companies worry about a loss of managerial control. One way to combat this is to ensure that the external provider becomes an extended member of the team. Security and confidentiality worries can be easily solved by having explicit clauses written in agreements. Flexibility e.g. in reacting to changing business conditions, can be covered by onsite secondments by good pensions professionals who can slot into existing departments.

Direct control over performance is another concern. Employers can insist on annual assessment reports, to give a good indication of what the individual has achieved, while in the case of secondments, the client has even greater control.

Is partial outsourcing a better answer?

Many pensions managers also undertake the role of scheme secretary, which can be a drain on time and can lead to conflicts of interest.

Partial outsourcing of say, the scheme secretary role, is a way of taking out a discrete work area and in particular of managing conflicts where the pensions manager's role is a corporate one. At a time when the company may be considering

reviewing the scheme design or cutting the costs associated with their schemes, the pensions manager can be in a difficult position. The trustees retain a dedicated and independent resource if it is outsourced.

When a company opts to outsource any role it should not be viewed as a 'washing our hands' exercise. The company and trustees will need to agree the scope of work and frequency.

The decision should not be solely based on cost; it should also be about service and helping clients to limit their exposure to risk. One of the key objectives should be that you get the service that you want i.e. the provider tailors its service to cover your needs – not the other way round. The outsourced role(s) could be a support rather than a leadership position.

Outsourcing does not mean that someone has to lose their job. It is by no means an 'all or nothing' solution. It is possible to retain key personnel who add value to the business but help them receive the right level of support and expertise to ensure they achieve the objectives of their role. Advisers can help with the individual's training needs, ensuring that they are equipped to face the many challenges ahead.

Dafydd Bowen
email: dafydd.bowen@hewitt.com
tel: 0117 941 6276

What can be outsourced?

Some of the key responsibilities of an in-house pensions manager:

- Scheme secretarial services;
- Monitoring and management of service providers;
- Managing relationships (company and scheme);
- Managing the internal disputes resolution procedure;
- Communication strategy;
- Port of call for member issues;
- Trustee guidance and training;
- Monitoring finances and budgets;
- Setting up key processes; and
- Ad-hoc projects, guidance and advice.

Hewitt