



Business Plan

August 2011

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1. Business Overview

According to figures from the Pensions Regulator, in 2010 there were approximately 54,000 work-based pension schemes in the UK with total membership of around 19 million. Schemes are a combination of DB, Hybrid and DC, trust and contract based, but all have in common the need to deliver good quality, co efficient services. The move towards DC and an accompanying shift from consulting-centric to administration-centric service provision, as well as concerns about quality of data in DB legacy schemes has led to an increasing focus by the Pensions Regulator and others on administration quality.

The Pensions Administration Standards Association (PASA) has been created from within the industry to become *the* body to set administration standards, assess compliance with those standards and act as a focal point for government and the pensions industry on matters relating to administration standards.

As well as raising the profile of professional pensions administration generally, PASA will focus on three core activities.

1. Defining good standards of pensions administration relevant to all providers, whether in-house, third party or insurers
2. Publishing guidance to support those standards
3. Being an accreditation body, assessing the achievement of good standards for scheme members and sponsors (regardless of provider)

PASA is in the process of defining the standards that administrators should aspire to, how to reach them, and establishing objective methods to measure them. It is imperative that as well as standards being set, they must be meaningful and measurable.

Other industry activities

There is no organisation providing the services PASA proposes across pension arrangements, yet there is a demand for evidence of service quality from scheme trustees, sponsors, administrators, insurers, scheme members and regulators.

There are activities in place such the AAF01/06 audits and bespoke quality initiatives within individual service providers and industry bodies who offer performance indicators, guidance or member satisfaction surveys. Whilst all of these activities contribute towards improvement in services, we believe that none offer a universal measure of high quality pension administration.

PASA's specific objectives are:

1. To establish an up to date statement of standards setting out what fully competent pensions administration looks like
2. To build an independent accreditation system through which pension schemes and providers (whether DB or DC, trust or contract-based) can demonstrate satisfactory attainment of the agreed administration standards
3. To develop specific Guidance for administrators of DC plans, building on the work done to date by the RSPA DC Group

4. To develop our free to use Member Survey as a way of linking the standards to member and policyholder outcomes. The use of a member survey will be an integral part of the Accreditation process
5. To develop and publish guidance, which will be freely available on our website, in order to provide support and examples of good administration practices
6. To work with industry professionals and other bodies to ensure standards remain appropriate to the needs of stakeholders

2. Business Strategy

PASA will focus on the development of standards and guidance and the assessment of good practice in pension administration, evidenced through accreditation. The accreditation process (involving a submission, a member survey and an independent audit through site visits) would on the one hand ensure that all schemes meet a minimum required standard, but would also assess the effectiveness of the underlying processes to ensure they meet the expectations of the sponsoring body governing the scheme, the scheme members and satisfy the Pension Regulator's requirements. The transparency of the evaluation criteria will be closely monitored by the PASA Board.

Raising administration quality standards for the pension industry

PASA will bring together the major pension administration providers, involving in-house, outsourced and insurers to discuss both minimum administration standards and those that are more aspirational to achieve pension administration excellence. Further, given the vast backlog of member records that are yet to be digitised, along with legacy issues that may have occurred during transition and complex legislative changes over the years, there is a need to agree a common constructive framework to move the legacy data into the 21st century.

There are a number of areas which we are considering as we develop the accreditation process.

- Performance – honouring commitments, SLAs, right first time
- Communication – member understanding of benefits, knowing what to do next, getting help and information, reassurance, dispelling the jargon, matching communication to member requirements
- Reporting – helping sponsors to monitor the broader areas of administration, such as governance, flexibility, access, transparency
- Risk – controls, checks and balances, peer review, audit, industry criteria, STP, out of market risk
- Training and development – type and frequency – customer care, career progression, professional qualifications
- Business continuity arrangements
- Data handling and protection
- Completeness of data
- Accuracy of data
- Environmental and ethical aspects
- Monitoring and governance
- Implementation standards and processes
- Customer service benchmarks
- Client and member perceptions, the latter using the PASA Member Survey or a similar member experience-focussed questionnaire
- Complaint handling and learning from mistakes – litigation, acceptance of liability, best practice
- Change management model, quality controls,
- KPI requirements
- Major scheme changes – transparency and fairness on change of system, out/in source, TPA to TPA etc

- Collaboration on change of providers

Adherence to a set of standards based on the above factors will produce better value for money for sponsors, reduce governance concerns for sponsors, improving the quality of service for members, and reduce errors and omissions for administrators.

We realise that different arrangements, trustee bodies, sponsors and membership types will have differing requirements. However, we believe that there is a minimum standard that everyone should expect, and this is where we will set our entry level accreditation.

Raising the profile of Pensions Administration and PASA

We need to help sponsors understand the value of good pension administration. Data completeness and accuracy, better member communication and controls can reduce risks and costs. In work-based schemes, trustee and employer focus has tended toward actuarial and investment consulting services, particularly over the last decade of concerns about DB funding positions, and as a result administration has been neglected. Especially in the DC world, administration needs to be a hi-tech logistics operation, much like a major retailer or a bank. This requires a very different set of processes, expertise, level of automation and control as well as good governance.

PASA will promote an image of pensions administration that adds substantial value through state of the art technology, automated processes and high quality, trained professionals supporting the process and providing excellent customer service. We will help generate a far more engaged approach to the selection and governance of pension administration providers, including in-house. This will require greater investment, both upfront and ongoing, if trustees and scheme sponsors expect a high level of quality and professionalism from their administration partners. We will continually link our standards and accreditation process with specific improved results in terms of service quality, speed of delivery and cost control.

Promotion will take place through our website, press and events. We will help administrators realise their own value, as well as helping their employers, whether sponsoring companies directly for in-house, a TPA, or an insurer/investment manager understand the value of investment in people, procedures and technology.

PASA's objectives are ambitious and will take time to fully develop, so our initial focus for the rest of 2011 will be the setting out of high level principles and the development of standards. We will also start the process of securing industry buy-in to those standards through consultation and raising awareness. We will start publishing information and guidance on our website and throughout 2012 we will develop the accreditation system, with a view to launching the service at the end of the year.

Key milestones

By the end of 2011 we will have:

- a) Created five sub committees to drive each activity and its subsets
 - Standards (which over time will deliver guidance on key topics)

- Governance
 - Accreditation
 - Marketing
 - Member survey
- b) Built a set of core administration principles as the starting point for our standards of administration excellence
 - c) Continued and stepped up the promotion of the PASA objectives through the industry media
 - d) Obtained industry wide support for the activities
 - e) Developed a low-cost, cost-effective operation for PASA
 - f) Drafted a 3 year business plan for PASA

And by end 2012 we will:

- a) Develop business plans for each of the activities, including a cost model and funding strategy
- b) Organise two self supporting events. The first around the core administration standards and the second will provide greater clarity around these administration standards. We will also procure speaking slots at one or more industry conference
- c) Continue the promotion drive through the pensions media
- d) Continue developing administration standards through the Standards sub-committee, in particular, focusing on areas of particular concern like setting out the standards of conduct on major scheme changes (change of system, out/in source, TPA to TPA etc).
- e) Raise funding based on a three year business plan

Part of the work during 2011 and 2012 will also be to develop an independent accreditation process for launch at the end of 2012. In the next 12 months, we will work towards PASA being recognised by trustees, employers, the Pensions Regulator, the ABI and the pensions press as the point of contact for all matters relating to quality of pensions administration for all pension schemes in the UK.

Stakeholders

We believe that there are a broad range of stakeholders for whom the PASA will be an important source of information and reassurance.

1. Scheme members
2. Pension scheme sponsors
3. Boards and scheme trustees
4. Governance committees around contract schemes
5. In house administrators
6. Third party administrators
7. Insurance companies
8. Pension consultants/actuaries
9. The Pensions Regulator
10. Pension Protection Fund
11. ABI

12. NAPF
13. TPAS
14. DWP
15. Journalists with an interest in pensions administration and financial services

We shall be continually engaging across these groups to make sure we are viewed as a positive force in the pension community.

Flexibility and risk of duplication of effort

We need to ensure there is no duplication of effort, especially as we will be relying on volunteers to create much of our content and ideas. Another organisation could set itself up as the source of pension administration standards, especially in view of the Pension Regulator's focus on administration quality. In this scenario, we should aim to have our work form the base of any new initiatives or work alongside the new provider to provide a joint offering.

The structure of pensions and saving for retirement may be different in future and we need to be flexible enough in what we do to respond to changes.

Funding requirements

A table indicating the level of income needed to cover anticipated outlays is shown in Section 5. We expect highest outlay building up over the first few years by far will relate to accreditation, although a material amount will also be required for active marketing of PASA, particularly during the next couple of years.

Funding will come from the following sources:

1. Membership fees
2. Event fees
3. Grants
4. Event sponsorship
5. Accreditation fees

Membership fees

There are two membership types, each eligible to stand for election to the Board of PASA.

Corporate membership is for organisations who wish to have an opportunity to participate in PASA sub-committees, subject to PASA skills requirements. These corporate members will also benefit from sponsorship opportunities. Corporate members will receive a vote enabling them to influence membership of the Governing Board of PASA. Currently corporate Membership costs £5,000 a year.

Individual membership is aimed at those who do not have Corporate backing. Individual Members will be able to vote at Board elections, and will receive free or subsidised entry into the events. Individual membership costs £100 a year. Individual members may be invited to join a Sub Committee at the discretion of the Chairman.

The first members of PASA, whether Corporate or Individual, are classed as Founder Members due to their early commitment and contribution to the formation of the organisation. Founder Member status confers some additional benefits.

Accreditation fees

Accreditation fees will be set at a level that (a) ensures costs of the service are met, (b) are seen as value for money by schemes and (c) are sufficient to ensure a professional approach and independent impartial audit – we anticipate engaging an external accreditation body to ensure the independence of these audits. The exact level of accreditation fees will be determined by the PASA Board on advice from the Accreditation sub-committee.

Event fees and sponsorship

Attendance and sponsorship of events will raise money over the medium term. This will be a minimal charge to cover costs in the early stages, but build into a bigger, more professional event, commanding greater fees over time.

3. Marketing

We are currently developing a sound marketing strategy including:

- Stakeholder research/survey
- Events/Exhibitions
- Managing Press and Advertorial
- Branding and Collateral
- Great content (guidance)
- PR contact
- Website

We have engaged a professional marketing company, KBPR Limited, to manage PR activities for PASA to ensure early traction in the press and among pensions professionals. We have also engaged a website designer, Shilling, to create an attractive brand and website for the organisation, for launch in September 2011. Approximately 20% of the first two years' budget will be spent promoting the organisation and its business lines, as industry awareness and buy-in is vital to our success and growth.

PASA will produce tangible guidance for pensions administration practitioners and users of administration services and publish it for free on our website.

4. Structure and Management Team

The legal structure of PASA is a Community Interest Company.

PASA is managed by a small governing body of 12 directors including a Chairman, together with an Honorary Treasurer. All are pension professionals with many years of experience in the industry. All appointments are unpaid. Current Board directors and their terms of office are shown at Appendix 1.

Board directors are elected by the membership through an independent and transparent process managed by Electoral Reform Services. The Board is responsible for the governance of the organisation and to ensure it always acts in accordance with its articles. Members of the Board elect its Chairman and Chairmen of the sub-committees from within their number. The Board appoints its Honorary Secretary.

The Board is responsible for setting up subcommittees and will select members according to skills and experience required. Some places on sub committees are reserved for interested Corporate members, whose subscription fee includes the opportunity to provide resources to the organisation. The Board is able to co-opt specialists to ensure a broad range of skills, but any co-opted members who wish to serve beyond an election period will need to become members and stand for election to the Board.

Day to day management and support will be provided by a part-time administrator, who may be paid in later years, who will coordinate and act as minute secretary to meetings of the Board, support sub-committees, manage the website and service providers, produce books of accounts, deal with day-to-day cash flow and correspondence and support the Chairman as required.

PASA will rely on the use of volunteers to produce the deliverables, such volunteers coming from the membership and will be identified and appreciated as such on the website.

5. Financial Budget

Initial estimates of income and expenditure. Year end is 30 June.

Expenses	Y1 (to 30 June 2012)	Y2	Y3	Y4
Staff and operations	25,000	30,000	42,000	50,000
Marketing	15,000	30,000	40,000	40,000
Product Development	5,000	5,000	5,000	5,000
Website	30,000	10,000	10,000	10,000
Accreditation*	0	50,000	100,000	150,000
Survey	5,000	5,000	5,000	5,000
TOTAL	80,000	130,000	202,000	260,000

Income

Fees/Grants	10,000	20,000	25,000	30,000
Sponsorship	70,000	80,000	90,000	100,000
Accreditation*	0	50,000	120,000	170,000
Other	0	0	0	0
TOTAL	80,000	130,000	210,000	270,000

* Indicative only at this stage

Assumptions:

1. PASA will be self sufficient
2. Membership (and sponsorship) income will grow by 15% each year
3. Survey and product development costs will be minimal relying on low cost technology and volunteer effort
4. We will spend 20% of our income on Sales and Marketing activities
5. Accreditation costs can be passed on to customers in full
6. Operational costs will be controlled to match income
7. There will be no charge to users of standards, guidance and the member survey

Appendix 1

Directors of the PASA Board with effect from 1 August 2011 are:

Elected for a three year term

Margaret Showdon	Chairman of Board and Chairman of Governance sub-committee	Lucida
Kim Gubler	Chairman of Standards sub-committee	Kim Gubler Consulting
Phil Bradish	Chairman of Marketing sub-committee	The Pensions Trust
Peter Dyer	Chairman of Member survey sub-committee	Hymans Robertson

Elected for a two year term

John Broker		ITM
John Simmonds		CEM Benchmarking
Fergus Clarke	Chairman of Accreditation sub-committee	Aon Hewitt
Sara Cook		Mercer

Elected for a one year term

Debra Soper		Pearson
Jane Murray		Towers Watson
Mark Adamson		JLT Group
Sarah Holdstock		Xafinity

<i>Hon Secretary</i>	Karen MacKenzie	KPMG
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<i>Administration support</i>	Rothna Miah	Lucida
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(All posts are currently unpaid)

The PASA Board is very grateful for help and support it has received on a voluntary basis from other members of the Working Group which initiated the formation of PASA, most of whom continue to offer assistance:

<i>Name</i>	<i>Organisation</i>
Penny Green	SAUL
Clive Witherington	Towers Watson
Girish Menezes	Buck Consultants
Martin Boniface	Hymans Robertson
Tony Miller	
Daniel Bescoby	Capita
David Watkins	Punter Southall
Mark Lilly	Xafinity
Hannah Clarke	HM
Debbie White	Capita
Hayley Mudge	Kim Gubler Consulting
Cath Cooney	Mercer
Julia Tyrrell	Pi Consulting
Helen Coulson	7PLC
Jo Baxter	The Pensions Trust
Lesley Alexander	HSBC
Claire Ross	Mercer
Phil Yeoman	The Pensions Regulator
Phillip Beecroft	PPF
Amy Madden	Xafinity Paymaster
Damian Magee	Punter Southall