

UK Power Networks

Accreditation – Experience/Case Study

Background

UK Power Networks was formed on 1 November 2010 following the sale of EDF Energy’s electricity distribution businesses. From 1 August 2011 UK Power Networks become responsible for the administration of the legacy pension arrangements and decided to provide all services for its pension arrangements using an in house team based in Crawley, West Sussex.

UKPN’s in house capability includes secretariat, finance and investment expertise together with an administration team of nine administrators of differing levels of experience. The team administers the two defined benefit schemes which are closed to new members and provide support to the company’s externally managed defined contribution scheme which was introduced in November 2011.

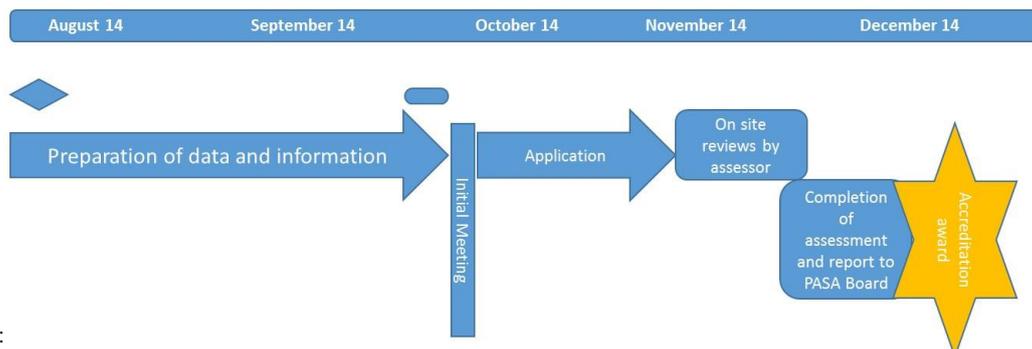
The schemes vary substantially in demographic and size of assets, as can be seen below:

	DB Plan 1	DB Plan 2	DC Plan
Active members	1,855	1,945	1,894
Deferred members	4,684	567	172
Pensioners	9,330	124	0
Asset Size	£3.9bn	£275m	£14m

Timeline

The process of accreditation started in the summer of 2014, with the accreditation being awarded in

UK Power Networks - Accreditation Process Timescale



Version:
Owner: PAM

late December 2014.

The formal application and supporting information was submitted at the end of October 2014 with the on-site work undertaken by independent auditors to PASA, Baker Tilly in mid November 2014.

Baker Tilly provided a report on its findings to the PASA Standards and Accreditation Committee in mid December 2014. The committee considered the report and confirmed UK Power Networks' accredited status on 19 December 2014.

The process from the applicant's perspective

Michele Hirons-Wood, head of pensions at UK Power Networks explains why they applied for PASA accreditation and how the process worked

Rationale for applying

“Being a newly established team it was important for the pension department to be able to demonstrate to our trustees, sponsor and members that our administration offering was in line with market best practice.

“Having already achieved PCM+ for our DC scheme, we felt that the only objective way to achieve this for our defined benefit schemes was through participation in an independent accreditation process rather than commission standard benchmarking alongside the annual accounting audit which is more process led than outcome based.

“We felt that the PASA accreditation, being outcome based, was the most appropriate. The accreditation process, whilst in depth, remains focused on what is being delivered rather than the method of delivery. This was particularly important to UK Power Networks. We recognised that, as a small department, our operational infrastructure would differ from that of a larger provider and wanted an accreditation process that understood this.

“There was also a commercial consideration. Any in house team should be able to demonstrate that their offering is comparable in terms of both service level and cost with the wider market and also understand exposure to operational risk. Additionally, the accreditation was more commercially attractive than commissioning an independent administration audit.”

The process

“The application process was very straightforward, with the questionnaire closely reflecting the published standards document. The initial meeting allowed us to discuss the detail of the process to ensure that the on-site assessment ran as smoothly as possible. Being able to meet the assessors at this meeting was really beneficial in ensuring that we had all the appropriate information readily available.

“In hindsight, it would have been helpful to have had the questionnaire a little earlier in the process so that the application produced was more aligned with the requirements of the independent auditor. At the end of the on-site audit process, the discussion around observations was really useful in

developing a plan for continuous improvement – it would have been good to have received a formal note of these observations as a follow-up to close the accreditation process.”

The accreditation committee have taken the feedback and are reviewing what enhancements may be required to make the process even more straightforward.

What becoming accredited means to UK Power Networks:

Hirons-Wood added that “UK Power Networks and our pension department are extremely proud of this accreditation, particularly as we are only the third company to achieve it. Over the past 20 years, pension administration has become ever increasingly complex and the levels of governance and standards required to deliver a quality service are extremely high.

“For us the accreditation:

1. Supports our company vision of being both an employer of choice and a respected corporate citizen.
2. Demonstrates that the risks involved with providing in house services are effectively managed
3. Provides a very clear benchmark in the event we issue a tender for administration services
4. Provides external recognition of the standard of administration that we deliver. It is important for the engagement of the team and we would be beneficial in the attraction of high calibre candidates in the recruitment process.”

With the benefit of hindsight

Hirons-Wood looked back at the process and the expectation that UK Power Networks had at the outset and compares this to the experience.

“The process was more rigorous than we had originally anticipated, especially as the accreditation covers not only the administration process, but also such wide-reaching areas as ‘Data’ and ‘People’. It challenged us to really look at the processes we had in place and question whether we could improve these. We found the questionnaire also went into far more depth than other quality accreditations we have experienced in the past, which gave us surety that the accreditation really is worth having.

“We approached the process by having one project manager to collate the information required, and then involving all of the team at a later stage. In hindsight the team could have been involved in the process much earlier on to lessen the pressure on the project manager and to increase their engagement with the process

“A formalised timeline for the accreditation process would have been useful at an earlier stage, but all of our questions surrounding this were answered during the first meeting.”