

LCP case study

Third party administration selection

FEBRUARY 2012

Background and objectives

Our client had six legacy Defined Benefit schemes administered by four separate third party administrators (TPAs). They had recently merged the six legacy schemes into one main scheme with over 25,000 members, and approached LCP to provide assistance with a TPA selection exercise.

The Trustees' objectives for this selection exercise were to:

- capitalise on the merger of the legacy schemes to rationalise and streamline the delivery of pension administration services;
- provide consistent service across all sections of the Scheme;
- minimize and reduce the day-to-day administration overhead required of the client's payroll and HR by streamlining the administration; and
- identify any opportunities to enhance the services being provided.

Approach

- LCP recommended a Selection Sub-Committee be established (SSC).
- LCP briefed the SSC on the merits of a 'long-list' of providers.
- LCP established a secure online project office for the SSC and online data room for the TPAs to access scheme information.
- LCP hosted an 'information day' for providers to ask questions of the Trustees to ensure the TPAs submitted a response which aligned with the Trustees' objectives.
- The Trustees evaluated each TPA's proposals using an objective scoring mechanism provided by LCP.
- LCP produced a report summarising the proposals and facilitated an evaluation workshop to reduce the long-list to a short-list.
- LCP facilitated site visits at each of the short-listed TPAs.
- We entered two rounds of price negotiations with the short-listed TPAs.
- We provided a further transparent and documented evaluation mechanism to help the Trustees choose their preferred administrator.

Solution

- LCP's expert knowledge of the TPA marketplace and our structured approach to selections allowed the Trustees to choose an administrator that best met their objectives.
- Through effective price negotiations LCP reduced the successful TPA's original fee quotation by one-third.

CASE STUDY

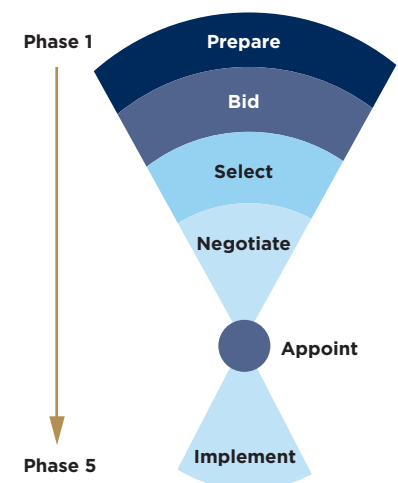
Quick Summary

Client needed assistance choosing a third party administrator.

Objective

Choosing an administrator that is right for the client and the membership.

Overview of selection process



Client benefits

- Reduced total administration fees to approximately 50% of the unmerged administration cost.
- Improved member service through a single point of contact for members, a new member website and consistent communications across all sections of membership.
- An improved interface reduced the workload on HR and Payroll.

The expert's view

Our client could have used their own procurement department. However, they realised LCP's depth of knowledge of the pension administration market would ensure that the chosen administrator delivered the services required at the best value for money.

Three key elements of the project were to set up an online data room, host an 'information day' and the engagement of the SSC. Through this approach we were able to include more information than traditional methods provide. This enabled the TPAs to have a thorough understanding of the Scheme and the Trustees' needs, resulting in the best outcome for the Trustees and members.

LCP's Employee Benefits Consulting team has extensive practical experience in helping clients with their administration, governance, risk management and communication issues. If you are interested in learning more about how we can help you, please contact the partner who normally advises you, call Aiden Coloe or visit our website at www.lcp.uk.com.



Aiden Coloe

Partner

aiden.coloe@lcp.uk.com

+44 (0)20 7432 6784

LCP is a firm of financial, actuarial and business consultants, specialising in the areas of pensions, investment, insurance and business analytics.

All rights to this document are reserved to Lane Clark & Peacock LLP ("LCP"). This document may be reproduced in whole or in part, provided prominent acknowledgement of the source is given. LCP is part of the Alexander Forbes Group, a leading independent provider of financial and risk services. Lane Clark & Peacock LLP is a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK (Regd. TM No 2315442) and in the EU (Regd. TM No 002935583). All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 95 Wigmore Street W1U 1DQ, the firm's principal place of business and registered office. The firm is regulated by the Institute and Faculty of Actuaries in respect of a range of investment business activities. The firm is not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services to clients because we are licensed by the Institute and Faculty of Actuaries. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Lane Clark & Peacock UAE operates under legal name "Lane Clark & Peacock Belgium - Abu Dhabi, Foreign Branch of Belgium". © Lane Clark & Peacock LLP.