KPIs in the retirement fund industry

By Olefile Moea, Executive Director, Fairheads Benefit Services

It is common nowadays for businesses to have set in place key performance indicators (KPIs) as a way of monitoring and measuring performance and success.

However, it is crucial to select the correct KPIs – there is no point in a KPI that does not relate to your clients' experience in interacting with your business. In other words, ask yourself "how would my clients rate me on the outcome of this KPI?" - and then select the KPIs with client-centricity top of mind.

It also makes sense to my mind not to implement too many KPIs. Keep it simple. As yourself: What is my purpose? And then how can I measure it?

Retirement funds and administrators need KPIs alike

In the retirement fund industry, it is important both for retirement funds and their administrators to set up their respective KPIs. The KPIs of the administrator and the retirement fund can echo, complement and enhance each other.

For example, for the beneficiary funds we administer at Fairheads Benefit Services the heart of what we do is to set up accounts for beneficiaries in order to get funds to them soonest. We measure this as a KPI known as our income servicing rate, in other words how many people are we paying that should be paid. We monitor this closely and set a high target of 95%, which we report back to boards of trustees.

However, this KPI needs to be complemented at the retirement fund level too. There is often a disconnect between our ability to get funds swiftly to beneficiaries only for the beneficiary to be frustrated and impacted by the time taken by retirement fund trustees to identify dependants and make benefit allocations.

Another KPI that retirement funds could implement is to measure how many nomination forms are updated annually. This in turn would depend on successful reminders to members to complete nominations forms, update them annually, and explain the options open to them, including the possibility to choose a beneficiary fund.

Member communication has always been important and even more so now with a legislative framework that includes Treat Customers Fairly. Funds could measure their rate of interaction with clients, for example how many times do you actually speak to each individual member? Also, do you offer basic financial coaching to explain the various plan options available?

Further, funds could also measure their average contribution rate. If this increases, it could indicate members are happy with service levels – again client-centricity should lead the way.

Objective statistics

The key is also to make KPIs objective and based on measurable statistics.

For example at Fairheads we also measure overdue termination rates which means we check why it may have taken some time to pay out a member on reaching majority. Reasons could include that a member has not yet applied for an ID or opened a bank account. We aim to keep our overdue termination rate at 5% and so in order to keep this low, we endeavour to educate our members about such matters well in advance of them turning 18.

All our KPIs are reported on a quarterly basis to the board of trustees of the beneficiary fund. This should be done too by the retirement fund to its own board of trustees.

And so I encourage you to think hard about your KPI's. Are they simple, measurable and are they tailored to members' needs? If not, you should consider recalibrating them.

ENDS