

Five reasons transitions fail

✓ Girish Menezes explains the five risks when moving to a new outsourced administrator

Outsourced pension administration is now the norm, with 80 per cent of schemes assessed outsourced by a third-party administrator. Switching administrators is now more common. One major employee benefit consultancy has exited the administration-only market and at least two third-party administrators are suffering extremely low service level agreement statistics. Furthermore, many schemes are finding that, having spent decades with one administrator, they are paying a premium of 50 per cent or more over market rates.

Transitions seem daunting and can be stressful though. What can we learn from experience? Are there some transition principles that stand true regardless of services outsourced or geographic location? After over 20 years in HR and pensions operations, I've found the following five risks are the 'make or break' of a smooth transition project:

So much to do, so little time

Inevitably, life gets in the way of the best laid plans. Project kick-offs are delayed, procurement teams prevaricate, diary coordination is a nightmare. However, rarely does one see the go-live date changing. The contract with the ceding administrator, the software license for the current administration platform, or the retirement date of a key employee may provide a hard switchover date for the contract. Compressing the transition timeline sets your new administrator to fail. Begin earlier, reach a decision quicker or pick up the cost of delaying your go-live.

Meet the (right) people

Outsourcing makes relationships critical. An administrator is less engaged if the trustee and member stand at arm's length.

During the sales phase of the project, a senior set of stakeholders engage and negotiate a deal. Once the dust has settled, first the transition teams and then the business-as-usual operational teams have to make the deal work. It is vital that these teams meet one another regularly and in person to build long-lasting relationships. Going one step ahead, it is useful for the member services team to have every opportunity to meet the membership, to understand their specific challenges. Members may be factory-workers, teachers or stockbrokers, with very different expectations. Money spent on travel across a city, intra-country or even inter-country, is well worth the investment.

Manage the incumbent

A key responsibility for the client is to manage the incumbent. To negotiate an exit agreement with specified requirements, costs and timelines. Take a view on ongoing projects and take difficult decisions on who completes these and when. Insist on regular transparent reporting to get an early view of resourcing and backlogs at the ceding administrator. Your new supplier-partner should advise on responsibilities during the blackout window: work-in-progress, answering queries, calculations, settlements, etc. However good your new supplier may be, it is the client who needs to act as enforcer.

Create a partnership

Clients rightly view the RFP and negotiation phase as an opportunity to expand the requirements envelope. Define all-encompassing requirements, negotiate aggressively or insist on non-standard processes. Every penny saved pushes the supplier closer to zero profitability or worse. Negotiation is



frequently done by the sales team, leaving the operations team to cut corners. It is worth specifically noting that efficient, swift and error-free administration is a result of standardisation and automation. Bespoke processes, non-standard requirements and inefficient structures cause errors and slows down the administration process. Review your requirements realistically and be open to your new partner introducing a refreshing new solution.

Teething problems

Even an expert pianist will take time to get comfortable with a new score. Expect to continue to provide support post go-live. There may be gaps in your deeds, transfer of a significant backlog or special cases that were not clearly flagged as part of the transition. There will be the occasional crisis averted and false dawns. The key to getting past these is to support one another and not to play the blame game. After all, what you are looking for is a partnership that will last decades.

Keeping these five principles in mind, transitioning your pension administration from one administrator to another can be relatively straightforward. There will always be challenges. However, the end result will be that you can stop worrying about day-to-day administration and focus on the larger strategic issues instead.



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