

We are seeing an increasing trend towards standardisation, namely using vanilla software solutions to administer pension schemes plus the requirement for this to be managed off the corporate IT estate. Why?

When asked to describe the IT applications, processes and support of your existing pension administration operation, does this scenario sound familiar to you?

A complex and intertwined knot of multiple software applications and processes (both automated and manual) including custom built 'in house' applications such as Access databases and Excel spreadsheets, standalone document management software, a static and non-integrated web portal, old hardware, manual process work arounds, paper files spread across various storage cabinets, reliance on corporate IT teams to schedule maintenance, undertake expensive upgrades, patch the hardware, set up a new user... you get the idea. All of this is in addition to your actual pension administration system.

Those with responsibility for delivering pension administration services whether third party administrators or 'in house' corporate pension departments will recognise the above picture. A picture that has built up over a number of years, and, unless action is taken, will only continue to manifest itself as the pressures on operational teams to deliver efficient and timely administration services to members mount with ever-increasing legislative requirements to cater for.

### Change

Whilst making the necessary time and investment to move forwards and change the present for the better is not easy, it is prudent to align the future proofing of your pension software with that of your pension scheme.

# Unravelling your IT knot

✓ **Malcolm Johnson talks about the importance of de-risking your pension administration solutions**



Often the trigger for change is reactive in nature. Two typical examples are:

- a) your main systems person within the administration team, who has all the knowledge (often in their head rather than written down) of how the IT software knot actually does fit together, tells you they are suddenly retiring or leaving. Reaction? Shock? Panic? Either way, you have a problem and one that requires rapid action to minimise and mitigate risk.
- b) corporate IT informs you that the old hardware your pension software sits on is being decom-

missioned, or is no longer going to be supported by them as it is not core to the business. A major risk that must be addressed. Again you are forced to respond and take action. Doing nothing is not an option.

### Risk

That word 'risk'. Whilst 'derisking' is commonly associated with defined benefit schemes taking proactive exercises to reduce the liabilities of the scheme, it also applies equally to pensions software. Exposure to custom built, bespoke pension software, key person knowledge and changes in corporate IT strategy are each risks which need to be proactively managed to avoid nasty and unwanted surprises down the line.

Moving to a standard, vanilla software solution enables you to actively mitigate your 'system risk' whilst at the same time provides pension scheme managers or operations directors a chance to stand back and challenge their teams as to why they work in the way they do. Longer term, the benefit realised is an operating model that is more cost efficient and heavily reduces the likelihood of repeat occurrences. Getting to the vanilla end state involves the unravelling of the IT knot strand by strand and starts with understanding the picture of your existing pension administration 'software estate', including interfaces, manual hand-offs and

other applications all being captured. This framing process is paramount, to enable a sustainable and sound foundation from which to undertake the administration going forwards. You can track progress as each strand is removed.

Inertia can be broken and for the better. Challenge yourself to ask how administration service delivery can be improved through identifying operational process efficiencies, reducing the volume of manual hand-offs and instead look at increasing the levels of automation by getting the pension software to do more and looking to utilise the full range of functionality offered by your system. Seek to understand what the capabilities and functional modules not being utilised currently are. If implemented, what manual processes can be replaced with automation? For example, transfer requests. Automating the transfer value calculation itself is part of the core functionality of a pension administration system, yet historically the production of the quotations is typically calculated by the actuary to the scheme, or manually by the administration team via a pro-forma provided by the actuary. Arguably this approach is justified in a world of low-volume transactions and high complexity of the calculation itself, yet with the new pension freedoms upon us, might a surge in demand by members for this type of information be better served through getting the transfer value quotation calculation automated in the existing core system? Schemes already offering their members web access could then enable members to run and view the results of these quotations online, taking the administrative burden away from their team for instance.

By building upon the existing core standard features available within the administration system, operational efficiencies gained should lead to the eradication of the various bolt on

strands of spreadsheets and work arounds that may be in place on the periphery. Greater control offered through the core system can create improvements to service as tasks are simplified and processing made faster through less manual intervention. An ancillary benefit is that audit points will most likely be reduced as risk is mitigated and key stakeholders (trustees, members, employers, administrators) will hopefully see these benefits of using technology as a business enabler.

Certainly the time and effort required should not be underestimated and the need to still deliver successful business as usual service is always there. Just as there is an 'end game' focus for managing pension scheme liabilities, there needs to be the same mentality when transforming your pension software estate. Compared to 10 year plus timelines schemes may set themselves to de-risk their liabilities, a potential 12 to 18 month horizon to undertake such a 'standardisation project' should be viewed in context, as should the financial investment being made to provide a stable, robust and more efficient administration delivery service.

### Help at hand

Help is at hand to guide you through the journey. If you are already engaging with a pension software partner, harness their knowledge and understanding of 'what good looks like' to provide a firm foundation from which to proceed. Often your administrators are not fully aware of how best to maximise the capability and functionality of the existing core software. As software evolves, investment by trustees and administrators in systems unfortunately does not always follow. This can create a knowledge and perception gap as to what is possible with the existing solution.

A joint project team approach with your pension software partner firmly

embedded within your own organisation is the hallmark of the collaboration and 'one team' ethos, which is critical to achieving a successful outcome. The pension administration team will need taking on a journey and leading to the end 'run' state of the new operational world. Changing the existing culture through challenging the current ways of working is not easy to accomplish. Getting quick wins is essential to evidence positive momentum. Crucially they also help send the right messages to all stakeholders, who can see early progress as the project settles down.

Alongside the move to vanilla software solutions, movement of that solution off the corporate IT estate to a 'cloud' based environment is increasingly common. Taking advantage of a fully managed hosted service from your pension software partner has many attractions - faster response times, dedicated resource availability, no expensive hardware to manage, priority focus rather than playing second fiddle to the corporate core business needs, a robust disaster recovery capability - to name but a few.

The trend to cloud will more than likely continue to accelerate as the business benefits of having both your pension administration system and cloud environment managed by the same supplier are appreciated and understood.

Replacing complexity with simplification and standardisation is to be welcomed. If only the legislators would do the same.



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