



Summary

- Scheme administration is often made more complex by members failing to inform a scheme when they move home and this may be exacerbated if a member is based overseas.
- Practical problems faced by administrators when scheme members are based overseas may be linked to payments, communications, reporting of a member's death and increased risk of fraud. It may also make it more difficult for schemes to provide data needed for pensions dashboards.
- Methods used to locate 'missing' members in the UK may not work when the member moves overseas, meaning alternative methods and technologies must be employed.
- Improved data management and communications processes, particularly using digital technologies, offer some hope of addressing this problem more effectively in future.

Pension administration is made more difficult when seeking to manage members who live overseas, particularly if the scheme is unsure where the member is, or if they are even still alive. David Adams considers the scale of this issue and the steps the industry should take to help bridge the gap

A long-distance relationship

Human behaviour is the bane of every pensions administrator. For example, members frequently move to new homes without informing all the schemes of which they are a member. If someone has moved to a new home within the UK, this shouldn't be a

huge problem for administrators, as there are a range of tools available to trace individuals. But if a member has moved overseas that task becomes much more difficult – as do some other tasks fundamental to scheme administration.

The accuracy of member data is a problem for many schemes even before

we factor in the issue of members 'missing' overseas. 2024 research compiled by Heywood Pension Technologies, based on data accuracy surveys of 70 schemes, showed that almost one in 10 (9.44 per cent) of members' addresses as recorded by those schemes were wrong; as were 8.79 per cent of surnames. In addition, one in 50 (2.33 per cent) of members turned out to be individuals who had died, but whose deaths had not yet been reported to the scheme. When it comes to members who



are living abroad the figures may be even worse. But many schemes don't even know how many members are living abroad to start with.

What we do know is that this is an almost universal issue for UK schemes.

"Every scheme I'm familiar with has some overseas members, whether they are deferred or pensioners," says Hyman Robertson head of technical services, Karl Lidgley.

Some schemes that are probably more likely to have larger numbers of overseas deferred or pensioner members, are those serving employers in the oil and gas, technology, or hotel sectors, for example, or multinational firms in general. All these employers are more likely to have employed foreign nationals within their UK operations and enrolled them into a

pension. But it's also the case that almost anybody might relocate to work overseas at some stage, or might decide to retire in another country.

Gallagher principal and senior consulting actuary, Ben Cumming, says that in many of the schemes he and his colleagues work with around 5 per cent of members who are drawing their pension while living overseas.

But the proportion of overseas members is sometimes considerably higher than this: Trafalgar House client director, Daniel Taylor, says that in one of the schemes his business serves about 25 per cent of members are based overseas; and that the figure is between 10 and 20 per cent in others. But he also admits there is always some uncertainty over the exact figures, because it is usually easier

to identify pensioners who have retired abroad than deferred members who are currently based abroad.

Practical problems

Even if administrators know where pensioners have retired they may still face some additional practical problems, linked to the payment or banking systems in that country.

"All these things make everything a bit more complicated," says Taylor. "You need to make sure you've got the right tools in place to pay everybody, wherever they are across the world, without encountering unnecessary delays and charges."

Further issues may arise if a missing member dies but has dependents to whom benefits should be paid.

“Finding scheme members who have moved abroad and not notified the scheme of their new address is difficult – but finding beneficiaries, contacting them and validating their identity is much more difficult overseas,” says Pensions Administration Standards Association (PASA) Data Working Group chair, and PwC director, actuary and head of pensions data, Kristy Cotton.

As noted above, the other important issue related to the death of a member is that a scheme is not then informed of that person's death, resulting in overpayments and increased fraud risks. In the UK there are multiple resources available to try to establish whether a member is still alive, but these cannot yet be used at all in many other countries and may be entirely ineffective in some, because of a lack of the relevant data.

In the absence of those methods, administrators may use various other means to find missing members or beneficiaries. That could include

working with the UK consulate in a country to try to find a death certificate, and/or locate the next of kin of the missing member. Social media, or research into a member's family tree, may both also be used. If a missing member is found, biometric checks using passports can accelerate the process of verifying their identity, and reduce fraud risks.

But the relocation of a member to some countries increases fraud risks more broadly. Cotton points out that many countries do not yet adhere to the same level of data security regulation seen in the UK, countries in the EU or the US. Fraud risks may also be created by non-digital processes: In many countries postal services are unreliable and post may be intercepted and used to perpetrate fraud.

Administrators can take steps to nullify these risks, by identifying attempts being made by criminals to transfer funds into different bank accounts, or tightening up processes for authenticating official documents, for example.

There are also some countries with which the UK has a particularly difficult or adversarial relationship, where it may not be possible to pay benefits directly to scheme members.

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Benefits of better tech

Holes in a scheme's knowledge about where members are located also undermine the efficacy of the pensions dashboards. But members who live overseas and want to interact with the dashboards will face some difficulties anyway, as Cotton says PASA is expecting people who live overseas “to have a much more difficult experience” when trying to use dashboards.

If they do not have a UK address they will not initially be able to use the government's GOV.UK One Login system to verify their identity, so will not be able to access the dashboard. Even if or when an overseas-based member is able to access the system, patchy data linked to that individual may make it more likely that searches for missing pensions will result in only a possible, missed or incorrect match being made, rather than a confirmed match.

But if an overseas-based member can access a dashboard and finds possible matches this will still help them find missing pensions and will

help administrators to improve its management of data and administrative processes.

However, Taylor suggests that the most useful actions to take include improving data management processes and practices in general, as this increases the chances of the scheme becoming aware that a member has moved overseas. Better communications and engagement with members in general should also help.

The ongoing shift towards increased use of online interactions is helpful too, in part because so many people are now much more likely to keep the same phone number or email address for much longer than they stay at a particular address. Encourage a member to share those contact details and to engage through a well-secured online portal, and some of the problems associated with them being based overseas will disappear.

Cotton thinks that ongoing attempts to develop internationally effective versions of the tools used to trace missing members within the UK show promise, but their efficacy will always vary a great deal in different countries, due to the differing qualities of datasets.

“Progress is being made, but pension providers need to do more around overseas members,” says Cotton. “There should be more processes implemented to manage the challenges connected to administration for overseas members.”

Acknowledging, then seeking to quantify and address this particular problem must be the first step. But, as with the development of the dashboards, it might also help administrators and the schemes they serve to improve their management of member data more generally, leading to a range of helpful positive changes in running the scheme, making life a little easier for trustees and improving the chance of a better outcome for members.

Written by David Adams, a freelance journalist