



Spinning plates

➤ **Laura Blows explores how administrators are facing up to the simultaneous pressures of special projects, such as preparing for dashboards and GMP equalisation, along with handling increasing numbers of buyouts and member enquiries, all while maintaining business as usual**

“It’s always nice to be wanted,” Pensions and Administration Standards Association board director (Pasa), Paul Sturgess, says, “but there’s been quite a regular stream [of additional pensions administration work] following closely on the massive adaptations required by the Covid-19 pandemic”.

Recently, it seems the ‘popularity’ currently enjoyed by administrators is rapidly turning into pressure.

Project pressure

“The pensions administration industry is generally very busy now, with peaks of work in several areas, including GMP equalisation, dashboards and buyout

Summary

- Administrators are currently facing additional pressure from projects such as preparing for dashboards and GMP equalisation, and the rise in buyout activity and member enquiries.
- These extra projects are in addition to the challenges of legacy technology and understaffing that some administrators face.
- The extra pressure risks a reduction in the quality of service.
- To tackle this, investment in resources and technology is required.
- Trustees and sponsors can help relieve the pressure in administrators by encouraging members to use online portals, and by including administrators when planning strategic objectives.

exercises,” XPS Pensions head of private sector business development, Darryl James, says.

“The dashboards and GMP equalisation project work are probably here for a while, so it is important that they are resourced correctly, with a clear delivery plan. Buyout-related project levels are likely to remain high too, based on current market conditions,” he adds.

Broadstone head of pensions administration, Gavin Giles, envisions the pressure of these major projects to remain “for a good number of years”.

“While many schemes are closed to new entrants and accrual, so fewer salary renewals are needed for example, they are maturing rapidly and so, therefore, is the incidence of retirement quotes, settlements and other member-related activity. This transition will take time and be a busy period for ‘business-as-usual’ teams. We do also anticipate the launch of dashboards will increase member engagement, with an increase in requests for quotations and transfer values,” he says.

However, member enquiries are already increasing, even before dashboards have been launched to the public.

“Over the past two to three years there’s been a fairly general and material increase in the volume of enquiries and correspondence being received from members,” Sturgess states, “in some schemes it has nearly doubled over this period.”

The increase in member activity volumes seems to be a ‘new normal’, he adds, calling it not dissimilar to the new benchmark increase in volumes flowing from the DC freedom and choice launch. “Like then, it’s affected most schemes.”

Some of this comes as a result of members engaging with their pensions, Sturgess says, “which has to be a good thing for the UK in the round, but it does create some very practical challenges”.

These practical challenges include potential knock-on effects with transfer

values, as administrators embed efficient scam protection measures to protect members, James notes.

These “big, strategic projects”, along with increasing levels of day-to-day contact with members, creates “a real risk of a capacity crunch for administrators who have not developed their resourcing model”, Aon partner, Becky McGowan, warns.

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Recently, Zedra Governance client director, Alison Bostock, noted that “there is a capacity crunch within pension administration at the moment, which is threatening to become a crisis. Providers simply do not have the resource and capacity to do the work that the market needs doing. The issue is across the board and certainly not within a certain type or size of provider, and this is not really something we have seen before as trustees – when something needed doing we could, in the main, just get it done. This is no longer the case and now we could be looking at a typical wait time of 12-18 months for big administration-led projects.”

Ongoing challenges

For some administrators, they were already facing challenges before these recent pressures added to their struggles.

“Many third-party administrators also have longer-term data problems, legacy systems and low levels of automation, all of which are expensive and time-consuming issues to address,” Isio head of pensions administration, Girish Menezes, says.

The biggest risk of these legacy issues,

coupled with resource-intensive projects, is poor quality due to lack of resources, he warns.

“This leads to expensive errors and poor customer service. This is compounded by administrators focusing resources on high-value projects, rather than business-as-usual administration,” Menezes adds.

“There will undoubtedly be a risk of a worsening day-to-day experience for members where administrators have not invested in automation and are still heavily reliant on manual processing,” McGowan adds. “A greater risk may well be the ability to complete strategic projects in time as many schemes compete for the same resources.”

The increased pressure of these projects must have an impact, Sturgess agrees, noting that the pool of available skilled, experienced administrators has been shrinking due to consolidation amongst suppliers and individuals’ retiring and leaving the sector.

“This is especially true in the DB area and it’ll take the industry a while to





adapt. Some schemes are maintaining high service levels, but it's far from universal. Many schemes will have witnessed limits in the industry's ability to support project activity, some of which is very important to sponsors," he adds.

Response

So, as Sturgess states, "it is fair to say pressures, or to look at it more positively – the opportunities – have increased".

But what are administrators doing to respond to these challenging 'opportunities'?

According to McGowan, automation has become 'critical,' rather than a 'nice to have,' as "schemes will need to invest in supporting automation and full data digitisation in order to maintain member service levels".

Sturgess also highlights the importance of being "brave in taking advantage of digital opportunities", as "smart organisations are looking at data quality and persuading trustees, managers and sponsors to invest in improving data because this means better and more effective automation with less inefficiency".

However, he warns not to fall into the trap of thinking digitisation is all about DC. "Pasa members administer DB schemes where members carry out large numbers of DB transactions through online functionality hundreds of thousands of times," he explains.

Technology is not a cure-all though. The effective utilisation of people's skills is also essential.

When managing the extra projects, it is vital that dedicated resources are ring-fenced to be able to deliver any analysis and cleansing work required, so that day-to-day administration work is not affected, James says.

"Having a dedicated projects team will allow the member-facing administration team to focus on business-as-usual work," he explains.

This may require some adaptations of resourcing models, Sturgess suggests.

"There has been additional hiring, but the talent pool is restricted so that won't get you far. Flexible and remote working has helped some administration suppliers access resource in the best way, so the old adage of adapt and thrive/survive remains true," he states.

Administrators have already introduced several initiatives to tackle the problem of increased pressure, Menezes notes.

This includes apprenticeships and "hiring administrators as expensive contractors on a day rate", he says, while "a number of administrators have given up on local resources and are driving forward with their offshore agenda".

For any in-house administrators facing capacity issues, considering "outsourcing to an appropriate provider is recommended, even if only partially; for instance, project work or specific workstreams", James suggests.

Collaboration

No matter the solutions implemented, pension administrators should not have to tackle these challenges alone.

Sponsors and trustees can help in the extent they lead and embrace members using digital offerings, Sturgess states.

James agrees that allowing members to be self-sufficient through web portals, "could free up time for administrators".

Arguably of greater help is ensuring a mutually beneficial relationship between the trustees/sponsor and its administrator.

"Too often administration has been seen as the 'poor relation' of running the pension scheme, with an emphasis on their more glamorous actuarial and investment cousins. That has changed in the past few years but needs to change more," Giles states.

The issue, for Menezes, is that trustees continue to want cheap administration and bespoke services, without cleansing data.

"This creates a complex delivery environment, which becomes even more difficult to deliver when understaffed, staffed by inexperienced staff, or when the service is offshored. Supporting good administration practice ensures better member outcomes and allows the trustees to focus on strategic matters," he says.

For Sturgess, the time has come for change.

"Pension scheme managers and trustees need to be aware the challenge is real and sustained. A traditional master/slave relationship with suppliers won't help, neither will hanging on to an old cost and service model. This is less about inadequate suppliers and more about market dynamics," he warns.

Administrators are 'wanted' now more than ever for their services, but they should also be wanted for their strategic insight, McGowan suggests.

She says: "Pensions administration has long been undervalued. If we want to maintain consumer confidence in our industry, trustees and sponsors will need to invest in their pensions administration. It is important to have the administrator round the table when considering the scheme's strategy, as the administrator will be vital in ensuring those strategic objectives are agreed."

➤ **Written by Laura Blows**