Silent partner

⌵ **Laura Blows explores why pension payroll integration with administration needs to be a more regular topic of conversation**

"I t is a big part *[of administration]* but it is not often talked about; it really should be talked about more."

Can you guess which mysterious, unassuming part of administration Pensions Administration Standards Association (Pasa) chair, Kim Gubler, is talking about in the quote above?

The answer is… payroll integration. Of course. Were you one of the ones to answer correctly, or are you one of the many for whom it fails to make a big impression in their mind?

It is not unusual if that's the case, but it is somewhat surprising. According to Gubler, payroll integration is always a key part of the project plan when moving administrators, for instance when moving from in-house admin to a third-party administrator. "It is a big part of it but it is not often talked about; it really should be talked about more."

This lack of conversation may be the reason admin and payroll are sometimes more of a disjointed process than it needs to be.

"Admin/payroll should so obviously in my view, (and certainly in database terms) be two sides of the same coin but I'm constantly disappointed and amazed to find out how disjointed they sometimes are," Quantum Advisory pensions administration project manager, Matthew Elguezabal, says.

"We (quite rightly) have both on the same database, with a live line of communication between the two. But I've lost count of the take-ons where they are two separate data sources (often in different formats) where even the member reconciliation doesn't add

up, so not only do you have disparate address info etc but you also have admin pensioners not on payroll cut (perhaps dead and long since removed from payroll but still 'alive' on admin and never closed off) and/or pensioners not on admin cut (so no background or set up figures to validate pension in payment).

"These are issues you shouldn't really have to deal with or question but you'd be amazed at the time and money spent sorting this out on transition just to get to your correct starting point. Communication and teamwork is key."

Muse Advisory consultant, Damon Lacey, also notes that some organisations run pension payroll on their staff payroll system, so it is completely separate from the pension administration, meaning that there is a significant requirement to reconcile these systems from month to month. "Effective integration is really important, but sadly that doesn't always work as well as you might hope or expect," he says.

If you were starting from scratch, it would be very unusual for an organisation to maintain a separate payroll package, Lacey adds.

Thankfully, payroll and pensions admin systems are increasingly integrated, providing many benefits, such as not needing to spend time, and introduce risk, in maintaining and reconciling two different databases, as well as ensuring that members retiring are automatically pushed through to the payroll system without any intervention or button-pushing needed, therefore avoiding people slipping through any manual processing net, Lacey explains.

"Where you have a single packaged
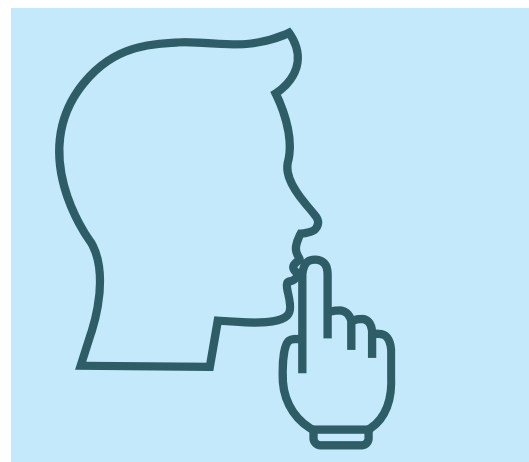
system that includes both the core admin database and the payroll, the integration is ready-made and the systems will speak to each other seamlessly," he says. "Where integration is being built between different systems, it can achieve similar degrees of interaction but may require more work to test and maintain as systems develop over time."

How much attention and focus that gets put on to systems in a selection process is down to the individual trustee board. Some will want to get under the skin of the systems and understand more about the architecture, the integration and the security, while others want a high-level of comfort that systems enable efficient and accurate administration, have clear controls around processes and don't have obvious gaps between systems where data is potentially at risk of being lost or forgotten, but leave the detail of how that works to the provider, Lacey notes.

Whichever approach a trustee board takes, the key thing is to remember that how the systems interact is fundamental to a good systems set-up. As Lacey says: "Payroll is clearly a critical piece of that puzzle and having good integration with the core administration database is a minimum requirement."

So something this 'critical' could always benefit from more conversations.

⌵ **Written by Laura Blows**