



# Dream machine

▣ The use of automation to carry out tasks within the industry is increasing, particularly for DC pensions, but will we get to a point where human input is no longer needed, or is that the stuff of dreams?

Over the past decade automation has crept into our everyday lives; from Alexa already having turned the lights on when you get in from work, to the thermostat that will heat or cool to whatever temperature is required; they are subtle changes that have made life easier.

Within the pensions industry, automation is self-service, says Trafalgar House client director Daniel Taylor, which means that the end-point user can initiate and complete the whole transaction without anybody else being involved.

## Changing processes

There are, however, vast differences between the amounts of automation being used across the pensions industry. In the defined contribution (DC) market, automation is standard, Taylor explains.

Pensions Administration Standards Association (Pasa) board member, Chris Tagg, adds that the newer group personal pensions and master trust type arrangements are in a much better position for automation.

“They should have been thinking about this at the design stage and have all the data in place. They are large organisations that are running the schemes and are looking for efficiencies themselves; they will be the ones investing in things like programming

and robots for answering calls to increase automation,” he explains.

On the other hand, in the defined benefit (DB) market it is rare to see full automation, Taylor says, adding that it is even rarer to see partial automation. He says this is because schemes and administrators have not invested enough in automation.

Tagg adds that some legacy DB schemes have been in existence for 50/60 years. Therefore they have used different methods at different times, as well as having data in different places and formats. All this, as well as being closed to their end game, makes automation a hard sale, he says.

However, on the advice and guidance front, automation is playing a key role. Wealth Wizards CEO, Andrew Firth, notes that automation has changed the way relevant information and guidance on pensions is delivered. It can now be delivered digitally to members and employees, supplanting the need for face-to-face sessions or on-site seminars, he notes.

ITM director, Matt Dodds, summarises: “The pension industry today is more automated than ever, but, as a rule, is still decades behind other industries. As an industry we’ve progressed from paper files, through microfiche, electronic databases, admin and case management systems to digital-only admin. But not every provider/scheme is at the same stage of their automation journey – if they were the

pensions dashboards wouldn’t be such a challenge.”

## Humans need not apply?

Automation is having a huge impact on jobs within the pensions administration sector. Taylor refers to the ‘utility metric’ that administrators use to measure how many administrators are needed per members. The variation between DC and DB highlights the impact that automation is having on jobs.

“You can potentially get one administrator looking after around 10,000 to 15,000 members on DC, and on DB it’s about a third of that; at a stretch you can probably get around one administrator looking after 5,000 members,” he states.

So for the DB side of things, it appears that the need for humans will continue. As Tagg notes: “At the moment there is so much consultancy required to interpret data, it’s not push button”. He adds that at his consultancy firm, it would be a struggle to convince many of its DB clients to spend a lot of money to go down the automation route.

## Working in sync

As Pasa chair Margaret Snowden once said, the incorporation of robotics in the pensions industry is an “opportunity to be seized” rather than dismissed. Automation need not be seen as a threat, but it could also bring about many benefits to those working behind the scenes.

One of those benefits is less human error when undertaking tasks. Blue Prism account manager, Adam Reynolds, who spoke at a *Pensions Age* data seminar, in association with ITM, earlier this year, raised this point.

The company's Digital Workforce, he explained, is software that emulates what humans are doing. "It interacts with your current systems and applications the same way your staff do; there's no invasive techniques and it's code free." There are many benefits to the software, Reynolds said, but one of them is that no human errors are made, which take time to rectify. "That's one of the main things that customers come back to me and say they have realised," he noted.

Taylor also notes that people love automated pension schemes: "It gives them so much more job satisfaction, it eases the process, but actually eases everybody's process. What we're seeing now is that most schemes going through liability management exercises need bulk calculations performed in fairly short order to a high degree of accuracy.

"Unless you have automation then actually it slows everything down, so the ability to buyout or go through a bulk annuity exercise becomes very difficult and expensive, because you haven't invested in that underlying automation."

Currently, rather than making humans redundant, Taylor says he is seeing a shift within his company. He says they are seeing the technology teams grow as quickly, if not quicker, than a lot of member service and delivery teams.

"We're seeing that investment in technology actually pays dividends, it makes your business more efficient and it gives administrators a margin.... We're experiencing it at live time; we're seeing that migration of roles from administration into systems and technical roles," he says.

Furthermore, Wealth Wizards' Firth says advisers and paraplanners are finding that because key parts of the advice process are being made more

### Summary

- Automation has crept into our everyday lives but the use of it varies in the pensions industry. In DC schemes it is widely used but, for legacy DB schemes, automation is a hard sell.
- Within the DC market it has changed the way members interact and engage with their scheme. It has also had an impact on the guidance and advice sector, with this journey increasingly starting digitally.
- All this is having an impact on jobs within the industry, but it is possible to work in sync with the technology rather than see it as a threat.
- Experts disagree on whether there will also be a role for humans in the future but the types of jobs being done will certainly change.

efficient due to automation, they can focus more on understanding their clients' needs and objectives, and offering their services more widely.

When it comes to advice, he believes that advice journeys will increasingly begin digitally, and clients will be able share data such as their employment and pension details automatically (with permission) rather than having to fill out forms.

"Advisers will be able to focus their time and attention to understanding and helping the client, particularly where they are faced with significant and complex choices, and will be able to serve a broader range of clients with less complex needs. Automation will radically increase the efficiency, consistency and evidenced compliance of the advice delivered.

"AI capability will bring further automation into even the more complex areas of advice, enhanced compliance checking, and process efficiencies through voice to text and image recognition," he adds.

### Will there always be a role for humans?

In the future, Taylor can see a time when there will only be a requirement to look after the infrastructure. "I think customer service tools will progress to such a point that at some time in the future, probably the next generation, they'll be able to get online support from bots and automated customers service channels that won't even require somebody in the back office to tell them what to do," he says.

Not all experts agree, however, with Tagg noting that the industry is complicated and it will always be that way. "Whilst you can introduce a lot of automation for things like dealing with data, communicating with members, calculating benefits, even down to things like ID verification, one-click retirement and sorting out all of your benefits payments...there's still going to be people who are running these schemes or responsible for overseeing them and they are going to need that human interaction to bridge the understanding gap."

He adds that if we can get to a utopia where everything is automatic, there are always going to be cases where it doesn't work. "You are going to need to be able to have people to spot potentially when it isn't going to work in advance or deal with the repercussions when it hasn't worked to put things right," he says.

Dodds is in agreement, noting that because pensions are intrinsically linked to money and lives, some things will always need a human touch.

"The role may be different – it may be responding to multiple chat windows instead of answering the phone or typing letters or designing member portals instead of annual benefit statements. And then there's the next Pensions Bill that will need actioning – humans need to have the ideas, create the solutions and write the code that allows technology to help deliver it."

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