U K pensions administration has come a long way over the years – once the last item on any pensions agenda, it was often forgotten by trustees and sponsors when making scheme decisions and not given much thought or consideration. Today, however, it is clearly recognised that a strong administration offering is essential for effective pension provision.

That's not to say it is as good as it can, and should, be. While parts of the industry have embraced the new technology-led world we live in, so much more can be done with e-administration (e-admin) to ensure that pensions not only keeps pace with other sectors, but is doing everything it can to ensure the best possible service for its members.

"Overall, the pensions industry, especially in the defined benefit (DB) as opposed to defined contribution (DC) space, is somewhat behind other parts of financial services when it comes to e-admin, so there is some catching-up to do," says Aon partner and co-lead of UK pensions administration, Gary Cowler. "We have of course seen progress in automation for example and, at Aon, have been pleased with how that has improved member experience and helped better control risk. That said, we all need to do more, so it's an area we continue to invest in."

Pensions Administration Standards Association (Pasa) e-administration working group chair, Kim Toker, agrees that, while things are moving in the right direction, a lot more needs to be done.

"Change is definitely happening – it is slower in pensions than other parts of financial services, but on the plus side, this means the pension industry can learn from what's being done elsewhere – those areas that have been thoroughly tried and tested by the banks and the insurers. The pensions industry can look at best of breed and adopt what's best practice in other parts of financial services."

Toker also sees the divide between different parts of the pensions space: "We definitely see that DC is ahead of DB. DC

❯ Summary

• The pensions space has come some way in the area of e-admin but there is much more to be done.
• There is a divide between DB and DC, and between in-house admin and TPAs, in terms of progress.
• Pasa has published guidance to assist the industry in getting their administration to where it needs to be.

Putting the e into admin

❯ **Francesca Fabrizi looks at how e-administration is developing in the pensions space, who is leading the way and why it's essential that schemes and administrators don't fall behind**

also has a younger audience that is much more comfortable using smartphones and apps. So, while more can be done even in the DC space, DC is definitely ahead."

Premier Pensions head of administration, Girish Menezes, argues that the divide is more complex than DB versus DC. "The bigger divide I feel is between third-party administrators (TPAs) and inhouse. A lot of TPAs have really invested in technology but with in-house, you don't have economies of scale and it's non-core for the sponsor. So they really struggle. Saying that, even some of the smaller TPAs are still working on spreadsheets and paper member files.

"Similarly, some DC arrangements are good but some are sub-standard, including some insurance companies. The lack of automation and integration in some of these really large DC arrangements is surprising. So one of the biggest problems is that, on one side, you

have organisations like ours that have invested in technology and data; but on the other hand, you have a lot of examples of extremely bad practice."

Pasa guidance
In recognition of the shortfalls in the pensions e-admin arena, Pasa's e-admin working group launched suitable guidance earlier this year. *The Journey to Full eAdministration: People and Technology Working Together* aims to help administrators, trustees, pension managers and sponsors understand what e-admin really means, how they can approach it at various stages of their journey, as well as help remove the misconception that it has to be a complicated and expensive exercise.

Toker comments: "Everybody talks about e-admin and we felt we needed to define what it means and highlight the fact that there are multiple components

to it. There has also been a reluctance to invest in technology because people think it's going to be very complicated and expensive. So we wanted to remove some of that perceived complexity and break it down into bite-sized chunks – encourage people to look at their entire journey. They may have started their journey, for example, by digitising records, so what then are their next steps?

"Also, when people talk about technology, they just throw out terms like AI, machine learning, robo-advice, but the awareness of what those actually mean is lacking, which is why we also published our Jargon Buster last month to explain some of these terms."

The guidance outlines four key stages for schemes to go through, starting with their data quality and storage, as the guidance states, 'good quality, accurate and complete data, which is easily accessible and appropriately stored, is the foundation upon which the technology infrastructure will be built'.

"Data storage and data quality is key," emphasises Toker. "For GDPR, it's really important that data quality of member records is kept as accurate as possible, while the dashboards are also pushing schemes to really think about their data. There's a lot of data that is still in box files, or on microfiche, or paper-based. You can't send data to the dashboards if you've got paper-based files, so you need to be storing your data electronically and working with providers to be able to get the data to the dashboards."

The second stage highlighted in the guidance relates to the upgrading or replacement of legacy systems – processes should be automated and connected to member portals, reducing the requirement for manual intervention, including allowing online service for ID verification and not needing paper certificates, thereby reducing risk and minimising fraud, errors and inefficiencies, it states.

Third, the guidance highlights the role of digital interactive member portals, which it suggests will be more engaging

than the paper-based communications most members currently receive. Allowing members to 'self-serve' allows administrators to focus on the more value-add tasks, making themselves available for interactions with members and assisting vulnerable members, it continues. Finally, once the foundations of data quality are in place, automating calculations and reporting should be straightforward and deliver significant benefits.

Member views

While all this may sound expensive, comments Toker, it doesn't always have to be: "How expensive an exercise is will depend on where a scheme is on their journey and what's been done to date, and which areas they need to enhance."

It's key also that, where money is spent, it is for the good of the member, not just for innovation's sake: "Some TPAs have put some good tools out there," says Toker, "but it's important that they talk to the members and actually find out what they want and need, and deliver that service for them on that basis."

Capita Pension Solutions digital solutions director, Stuart Welsman, echoes this sentiment and believes this is one area where the pensions space is experiencing real improvement: "I am seeing more of a focus on member experience than ever before and that's been a big change in the pensions industry as a whole. If we go back even five years, I don't remember many conversations about member or customer experience. The industry seems to have moved on to understand that if you build something that's member-centric, that then works for the member, the employer,

and the trustees.

"But it works for the administrator too in that, if you get it right, you get good adoption in terms of digital services, and if the digital services have straight-through-processing, then that helps with the overall efficiency of the operation. All of these are inextricably linked and one really helps the other."

Capita Pension Solutions business development director, Colin Hamilton, concurs that, while it may still be behind other industries, pensions is definitely catching up. "Things that automation has allowed and facilitated and that we are starting to take to clients today are really encouraging. More importantly, this isn't about automation for the sake of automation. Yes automation may reduce overheads and it may make things quicker and obviously reduce errors, which is all great, but what's key is what it means for the members."

Open architecture

One positive move, adds Welsman, is that systems are moving more towards open architecture. "For example, within Capita, we have our Hartlink platform, which is a tried and tested platform in the industry, but that system has been evolving to be much more open architecture – which means we can actually plug and play different components. That's starting to open up a whole new world for organisations that go down this route because you can effectively look at best of breed services and bring them together.

"For instance, we have a partnership with Intellica – we can leverage off Intellica's skills and knowledge around data and bring that in as part of our

proposition. We have also recently launched WebChat and AI powered ChatBot services; members can even use their favourite messaging platforms e.g. WhatsApp, to communicate with us."

Consumers want pint-sized chunks of information or nudges in the right direction, explains Welsman. "So, with our WhatsApp capability, we might nudge somebody to remind them that they haven't nominated any beneficiaries – they can then respond straight away, if they are out and about or on the train, and we will update their records.

"So making things more accessible to people will get engagement and will hopefully bring better information to them where they need it. We are definitely investing a lot of time and effort into how we change communications to reflect how people live their lives today. And one thing experience has shown us is that it isn't enough to make the functionality available – we've seen a five-fold increase in member take-up of digital services from clients who have participated in a comprehensive engagement strategy."

Furthermore, he adds, this isn't just interesting to the Millennials, or the younger generation, "but because of the way that technology works, if it's simple and easy to use, the older generation will use it too – older people are using Facebook, they're using iMessage. They're using these channels".

Finally, concludes Welsman, this is not about forcing e-admin on everyone: "We want to offer the ways of connecting with us that best suit that member. That doesn't mean we don't want to encourage the use of digital, but we're not going to stop doing paper or switch off telephones. We want to give people the opportunity to engage with us how they want to.

"What we're aiming for is to give members the best possible way of answering their query. This may mean that they use the digital capability and digital channels for anything that's simple and straightforward and contact us by telephone to deal with queries that are complex, sensitive or difficult."

Incentivisation

Hamilton concurs that incentivisation rather than compulsion is crucial: "People talk about 100 per cent automation; that's not what we are aiming for. But by introducing digital, it allows the experts to use their expertise and not to be dealing with things that can be automated. It's about getting the right level of automation. It helps with schemes, it helps administrators, and obviously, the key thing is it helps the members."

Driving greater levels of automation has been a big part of Aon's pensions administration transformation too over recent years. Crucially, explains Cowler, this is not just about calculations but about the wider process and it has, he says, delivered better member experience and better risk control too. "Automation of some aspects contributed to the uninterrupted service we delivered during the pandemic; for example, automated and online ID verification for members removing the need to be sending certificates when the government was asking us to work from home."

Of course, the investment in the operating model and in automation continues. "The key focus in 2021-22 is in extending what members can do online, so, beyond viewing and modelling benefit outcomes, we will roll out the capability to choose and settle benefits online where members want to do this."

Aon also recognises that they serve very different member populations with different preferences, "so we remain committed to a multi-channel approach to working with members. This means continuing to invest in other channels such as voice and mail, as well as online, so that members can choose the one that suits them best".

Looking ahead, says Menezes, the industry needs to up its game if it wants to provide a service that consumers have come to expect. "The firms that are doing this well are doing a really good job. They're almost giving the retail experience. For example, 75 per cent of our cases are turned around in 48 hours. And that's what you should expect. You go to Amazon, you find what you want and you buy it. Then two, three, five days later you've received it in your house. We are providing a retail experience and there are other firms that are providing this retail experience. But it's not the norm, so how do we get there? How do we set the benchmarks and how do we get the entire industry to do the investment to get them to where they need to be?"

It all comes down to where you sit in the industry, he continues. "If you're subscale, there's no reason you should be in this business. You shouldn't, it's non-core, you're too small. You need to outsource to a large provider. I don't think there's any question about that. On the other hand, if you are a third-party administrator, or a master trust or an insurance company, you need to make that investment in automation, integration, online services, robotics and biometrics."

There's also a huge onus of responsibility, he adds, on scheme trustees and sponsors: "They've gone through years of under-paying for administration. They need to realise that, if they want good quality administration, they need to clean their data, they need to back-scan their files, and so on.

"This is all about looking at things from a different lens as an administration professional. That's why we created Pasa. Pasa has made a huge difference to the way pension administration is perceived by sponsors, by trustees, and by The Pensions Regulator.

"It's really changed the perception of pension administration as a professional body that needs to be respected in terms of their requirements, rather than viewed merely as a supporting service. Where we are today is a strong position, and just building on that, that's going to make a difference."

▶ **Written by Francesca Fabrizi**