

**A**dministration has long been considered an overlooked and underappreciated area of the pensions industry. Is that still a fair description, or is it now getting the recognition it deserves?

**Girish Menezes:** The perception of pension administration is definitely changing, for three key reasons.

One is the members themselves. Members are demanding more. They're getting better experiences from their banks and so they are expecting much more from their pension schemes. Trustees are having to step up.

The second is the number of recent projects, such as GMP equalisation, dashboards and buyouts, which require more involvement from administrators. Therefore, administrators have to be involved right at the outset in terms of strategic decisions and timelines. That has given pension administration a seat at the table.

The third is the regulator, which has definitely stepped up its focus on the governance of trustees and pension administration. It is focused on data quality, investments in technology, and investments in people.

➤ **Bottlenecks, or capacity crunches, are regularly cited as a concern for pension administrators, as they grapple with additional projects, such as preparing for dashboards, while still delivering business as usual (BAU). How are administrators responding to this pressure?**

**Ian Wort:** Bottlenecks and capacity crunches are a regular concern for trustees and other advisers navigating these strategic projects. We think administrators are taking three different approaches to cope.

First is investing in automation and process improvement – speeding up BAU administration such as retirement quotes, address changes, and expression of wishes forms to free up administrators' time for



Isio partner, Girish Menezes



Isio senior solutions consultant, Ian Wort

# The evolution of pensions administration

➤ **Isio partner, Girish Menezes, and senior solutions consultant, Ian Wort, speak to *Pensions Age* about the key changes occurring within the pensions administration sector**

strategic projects. We want our experienced people – and those we're training – to focus on members and on complex tasks.

Second is an increased focus in apprenticeships and training. We know there's a general resource crunch within pensions. Therefore, can we build and grow our own administrators – the next generation – learning from experienced administrators who may now be approaching retirement? We are investing heavily in apprenticeships and structured training.

Third is offshoring. That's always an option, but it can't just be a 'lift-and-shift'. Moving poor quality data and processes to a lower-cost location doesn't benefit anyone. We have to ensure it's done properly.

➤ **How are administrators using new technologies to assist with their roles?**

**Menezes:** Artificial intelligence (AI) has already transformed our lives. People forget — for example, when we license a telephone answering system, it's already AI-enabled. Then you've got content management systems. The moment you store member documents in a repository, AI is switched on – you can search by keywords, criteria – so AI is already integrated into our lives.

The second thing is the so-called 'gold rush'. Organisations are saying: "Can I use AI for benefit specs? Data cleaning? Reporting?" We worry that people see AI as an objective in itself, rather than as a tool. But in reality, it's like in your personal life – you use it to analyse, to search. That's how we approach it.

For example, Ian and I know we're sitting on a vast treasure trove of data, such as processes, member interactions, requirements. So, we're using AI to analyse it, and we've gained priceless insights into what members actually need – not what we think they need.

They want encouragement, reassurance, guidance. It's not just about getting a retirement quote – they want to be supported as human beings through that process.

One note of caution: There's a lot of 'AI washing.' The USA's Securities and Exchange Commission has flagged it as a problem. Companies overhype their tech, use legacy systems, and call it AI. Or they implement AI that doesn't work properly, like those frustrating call centres where the AI keeps looping you around.

Ultimately, AI is only as good as the strategy that sits behind it. And for it to work, you need clean data.

➤ **Ensuring data quality has been a perennial issue for pensions administrators, and with pensions dashboards coming up, it's more vital than ever. How can new technologies help administrators tackle this issue?**

**Wort:** My observation is that there's often a stark difference between a trustee saying, "Our data is really good," and what we find when we analyse it.

We're now using enhanced tracing and ID verification functions to support administration firms with common data elements, which is especially relevant for the pensions dashboards.

Verification will be essential to access dashboards so the pensions industry should be using the same level of rigour – to ID people properly and use that information to improve data quality.

Now, the easy part is things like names and addresses. The harder part is scheme-specific data. That's more difficult, especially with legacy administration over 20, 30, 40 years.

AI and robotics can help. They can harvest data from member files, but that

means digitising. That's our first message to any trustee: If you've got paper files sitting in a castle in Scotland, they need to be scanned. There's so much valuable data in those archives. Digitising is critical – there's no longer a legal need for paper files. Digital has the same contractual value. We can then use AI and robotics to pull out information, validate, and enhance the data.

**"Administrators have to be involved right at the outset in terms of strategic decisions and timelines"**

However, it is important to remember that AI is a catalyst, not a cure. AI-driven validation tools need trustee investment – not just in tech, but in people, because people understand the data. You can't just tell AI, "fill in the blanks" as you don't know what it will find, what it will update.

So, trustees need skilled staff and robust processes, with ongoing audits.

➤ **For a long time, there was pressure on administrators to deliver more for lower fees – arguably a "race to the bottom". Now it seems the conversation has shifted away from purely cost and toward value for money and value for member. Is this the case?**

**Menezes:** The shift in perception around administration has driven a change in pricing perceptions too. High-quality member experience and cyber resilience are now seen as essential.

One reason is projects. If you're going through an expensive GMP equalisation or a buyout, you quickly realise you need a good administrator that has the resources and systems to deliver. The regulator's focus on administration has also made trustees think more carefully when appointing providers.

Also, administrators themselves have pushed back. There's been pressure in the

market, and everyone's recognised that the current model isn't sustainable. We have to charge a profitable, appropriate fee. I don't see many tenders going to the cheapest bidder anymore.

**Wort:** We've been reviewing admin pricing for 10–15 years. Yes, fees go up with inflation and demand, but expectations have changed. We're being asked to deliver much more.

Even after a big project there is still work. With dashboards, post-buy-in transactions, the administration doesn't get easier, it often gets more complex. There are different reporting, financial obligations, and so on, and so the increase in price reflects the reality.

➤ **What will be the main areas of focus for the pensions administration sector over the next few years or so?**

**Wort:** We've identified four key points.

First is data integrity; it underpins everything. Without trustee support to get the data right first, we risk giving members incorrect information.

Second is cyber resilience. As schemes become more digital, protecting member data is absolutely critical. We must also protect members from scams, fraud, and cyber threats. Member guidance is vital.

**Menezes:** Member-centric technology is another area of focus. With AI and robotics, members will expect a friction-free retirement experience.

Finally, the regulator's focus on administration is increasing. Therefore, we will need much more quantitative evidence – inputs and outputs – to demonstrate the quality of member communications, data quality plans and value for money, especially in DC. The regulatory environment will become much more evidence based.

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