Beyond the back office

Summary
• Traditionally seen as a back-office function, pensions administration is becoming increasingly recognised as a vital part of strategic decision-making for trustee boards.
• Recent regulatory developments, including the Pension Schemes Act and initiatives such as pensions dashboards and GMP equalisation, are elevating the priority of administration in pension schemes.
• Despite its growing importance, challenges such as cost and governance continue to limit the prioritisation of administration, highlighting the need for a shift in perspective toward viewing it as a strategic asset rather than merely an operational necessity.

Pensions administration has typically been seen as a back-office function. However, Paige Perrin investigates how this perception is changing as administration plays a increasingly crucial role in major strategic initiatives

Administration, although not the most glamorous aspect of pensions, is often undervalued within the industry, often being seen as a back-office function rather than a strategic priority by trustee boards.

However, in the age of pension reform, consolidation and increased endgame planning, that perception is starting to change.

As schemes become more reliant on accurate data, is it time to reevaluate this attitude and instead see pension administration as something that no longer supports strategy but instead enables it?

Change in narrative

A recent Law Debenture study, which surveyed UK DB and DC trustees, found that 62 per cent of UK pension schemes have no plans to review or benchmark their administration arrangements, despite increasing regulatory scrutiny and growing expectations around member outcomes.

"Historically, administration has been viewed as a necessary operational function," Pensions Management Institute (PMI) chief strategy officer, Helen Forrest Hall, says. "That perception is changing as schemes recognise that administration underpins everything from regulatory compliance to member experience and strategic delivery."

Meanwhile, Lumera chief commercial officer, Peter Roos, suggests that high-quality data is becoming the "ultimate differentiator" in pensions administration, enabling trustees and providers to understand their membership, identify risks, and make better-informed decisions.

Pensions Administration Standards

Association non-executive director, Amanda Asante, says: "We still often see the administrator being brought into the discussion too late. It is important we start to see administrators brought in from day one."

However, she notes that The Pensions Regulator's (TPR) stance that administrators should be seen as strategic partners and that data is a strategic asset "helps drive this point home".

But regulation is only one factor behind this shift.

Industry-wide projects such as GMP equalisation, dashboards and transactions have also forced schemes and trustees to reconsider the role of administration.

Although these initiatives serve different purposes, they share a common requirement: accurate member data and effective administration.

Whether a scheme is undertaking GMP equalisation, preparing for dashboards, approaching an insurance transaction, or all three, the quality of administration is the common thread that determines success.

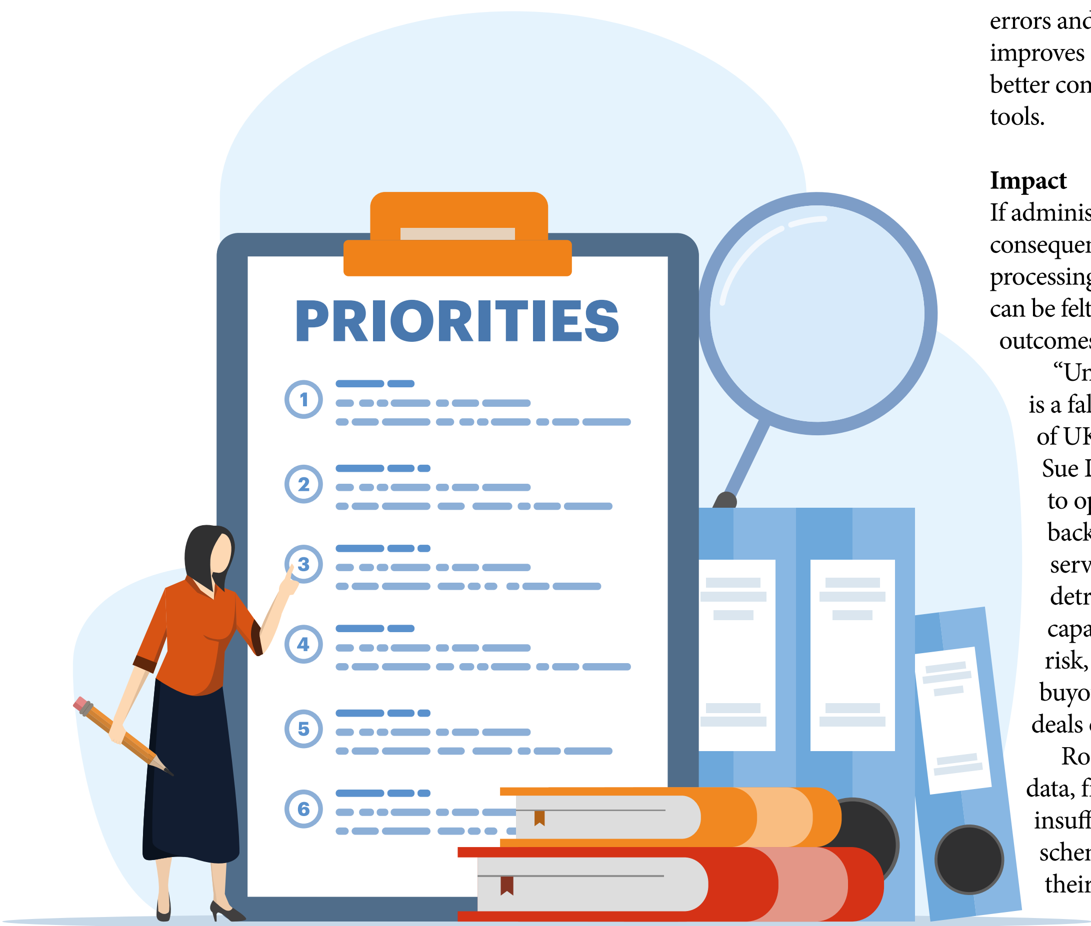
"All major industry initiatives now rely on clean, accurate and well-structured data. GMP equalisation, dashboard readiness and insurance transactions have collectively exposed the importance of strong data management and administration processes," Forrest Hall says. "These programmes have also highlighted where gaps exist, prompting schemes to review data quality, systems and resourcing more closely."

"The industry is moving in the right direction, but administration needs to be recognised as a fundamental part of scheme success instead of merely a support function"

WTW head of outsourcing GB, Gareth Strange, argues that these initiatives are not only changing the administration's role, but also how administration teams are structured, with "far more people than ever before involved in project work relating to data, dashboard, transactions and GMP equalisation".

Administration directly affects members.

As Heywood chief strategy officer, Chris Connelly, notes, strong administration "evokes trust", reduces errors and turnaround times, and improves member engagement through better communications and self-service tools.



Impact

If administration is under-resourced, the consequences extend far beyond slower processing times. Experts warn the effects can be felt across governance, member outcomes and even endgame planning.

"Under-resourced administration is a false economy," Aptia head of UK pensions administration, Sue Doughty, says. "It can lead to operational failures such as backlogs, errors and declining service, ultimately causing member detriment. Poor data and limited capacity also increase transaction risk, particularly for buy-ins and buyouts, where issues can delay deals or drive up pricing."

Roos also warns that inaccurate data, fragmented processes, or insufficient resources can hinder schemes' ability to fully understand their liabilities, membership, and future obligations.

He emphasises the importance of this understanding given the current focus on significant strategic initiatives such as consolidation or endgame planning.

"These decisions require confidence in the underlying information and the ability to respond with agility," he remarks.

"Weak administration also increases the risk of failing to meet dashboard requirements and ongoing regulatory reporting obligations."

But if the benefits of administration are becoming clearer, why are trustee boards still struggling to prioritise it?

Asante notes that cost and lack of understanding are two key barriers that still prevent administration from being treated as a strategic priority, saying: "Ultimately, costs will always be the driving factor. Trustees have limited budgets that are being pulled in many directions, and they have to make decisions on where to spend and why."

Building on this, Gallagher managing director, pension administration services, Lee Cook, describes the perception of administration as an isolated cost to be controlled as "frustrating".

"This mindset ignores the reality that it is absolutely central to scheme health. The industry is moving in the right direction, but administration needs to be recognised as a fundamental part of scheme success instead of merely a support function," he says.

In addition, Doughty notes that governance can also cause issues if it is fragmented and if administration sits across multiple stakeholders, which can dilute ownership and focus.

"Good administration is typically invisible – only attracting attention when issues arise," she says. "Overcoming these barriers requires a cultural change, recognising that administration underpins almost every strategic objective for a scheme. Treating the administrator as a trusted partner is a key part of that evolution."

Strange also argues that "in many parts of the industry there is still a lack of understanding of the complexity of pensions administration".

He surmises this is because administration is far more technology-driven than the more consulting-led areas of pension scheme management, which could lead to a misconception that the administrative element of a project is less complex than the consulting work.

Regulation also contributes to the problem, as highlighted by Cook, who explains that currently, there are no mandatory legal standards for administrators from TPR.

"When a board is managing tight budgets and limited time, it will naturally focus on the areas where the rules are strictest. Until we change that mindset and see administration as a core part of the wider scheme strategy, it will keep sliding down the priority list," he warns.

Outlook

Few expect the growing importance of administration to diminish. If anything, experts believe the next five years will place even greater demands on administrators as reforms introduced by the Pension Schemes Act take effect.

According to Forrest Hall, the PMI "expects to see greater focus on data readiness, technology, and professional standards within administration, alongside stronger integration with governance. In that context, administration will not just support strategy – it will shape it".

Meanwhile, Doughty emphasises the importance and role administration will have in delivering scheme objectives and endgame strategies, saying: "As schemes move toward buy-ins, buyouts or consolidation, success depends on clean, real-time data, strong governance and scalable operations."

Whether schemes are pursuing a buyout, long-term run-on or consolidation, strong administration has become the common thread running through every major strategic initiative.

Once viewed as a necessary back-office function, administration is becoming one of the foundations on which modern pension schemes operate.

Written by Paige Perrin