Quality assurance for pension schemes: why it's vital and how we do it

Quality assurance for pensions administration is on the regulatory radar. With an experienced, established team doing this vital work, what lessons can we share?

This article is part of our monthly series looking at issues in pensions administration from a leadership perspective.

At Aptia, we've been saying for some time that this is the Administration Age for UK pensions and that the member experience is a top priority.

The Pensions Regulator has underlined this by strengthening its engagement with pensions administrators and requiring us to comply with elements of the Financial Conduct Authority's Consumer Duty.

And the Government Actuary's Department (GAD) has added its voice by publishing quality assurance guidance for pensions administrators. GAD wants administrators to have more rigorous, systematic quality assurance to minimise errors and keep the trust of members.

Quality assurance's role 'cannot be overstated'

In a blog post, GAD's Jemma Byrne set out the department's view:

"In pensions administration, precision is paramount; errors can have a significant impact on someone's post-retirement life. In the battle to mitigate and reduce errors, the role of quality assurance cannot be overstated."

We couldn't agree more. And at Aptia we have a Quality Assurance & Audit (QA&A) team whose experience and independence we believe make it stand out in our industry. In this article I'll tell you how we set up the team eight years ago, the essential role it plays in our UK business and how that role has changed. You can also listen to us discussing the subject in the latest edition of our podcast here.

In 2017, when what is now Aptia was part of JLT, I set up the QA&A team with my colleague Denise Crowe, who has run the team since its launch. Its job is to carry out independent checks on how our teams are performing and to help them improve.

At Aptia, QA&A means the way we assess the quality of the work we do in the pension administration business, and how we can improve it and make it better. It covers the accuracy and reliability of all our calculations, our processes and our member communications.

The team has grown as we have taken on responsibility for more pension schemes, and its role has expanded to meet new demands and challenges. These can be driven by regulatory initiatives, clients' requirements and – increasingly – the pace of technological change.

We have teams of quality managers in the UK and India that report to Denise, who leads the First Line of Defence for the UK business. We also have groups of data analysts in the UK and India, who work closely with the QA&A team.

Our team's independence is important

An important element of our set-up is the team's independence. Denise reports straight to me, as a member of the UK board, and not to any client-facing senior leaders. This means the team is independent of the operational side of the business and it is free to report frankly on what it finds. We established this independence from day one at JLT, and we believe it's one of the features that makes our team distinctive in the market.

In any organisation, things will go wrong. We administer more than 1,000 pension schemes with over 6 million members, and it's impossible to micromanage each of them. The main thing is that when things do go wrong, we find out as soon as possible and put them right.

The QA&A team's job is to help our teams do the best job they can. At first, we found that administration teams could be nervous about being audited, and that was understandable. But they now see it as a chance for them to talk to us and tell us what could be better. Ultimately, QA&A's job is to make administrators' lives easier and improve the service they provide to members and our clients.

The results of QA&A's audits are reported through our UK board and governance forums, and this plays an important role in telling us which areas can be improved and how we can make the changes we need to be better.

QA&A's role has grown and diversified

We set up the team to conduct regular internal audits of our administration teams and the work they do. It was an internal governance function, working behind the scenes. This is still its bread-and-butter work, but the team's role has expanded and diversified more than we could have imagined eight years ago.

QA&A's work now includes:

- Client-focused audits: a trustee or an Aptia client director for a pension scheme may ask the QA&A team to find out the reasons for service delivery challenges and make recommendations to put things right
- Automation audits: as pension schemes adopt robotics and automation, they are asking us to run regular checks to make sure these systems are working properly
- Periodic client audits: some pension schemes like QA&A's work and the information they receive so much that they commission regular audits to make sure things are working well
- New scheme onboarding: when Aptia starts to manage a scheme, the QA&A team may audit the project to check how we absorbed the data and that the correct processes were followed

To make sure member benefit calculations are accurate, it is important that we stick to our controls for managing and maintaining scheme information and member records. This is an important element of the QA&A team's audits.

When taking on a new scheme, it's important to confirm the integrity of the data we receive. It's no secret that many pension schemes' data is in bad shape, and that means we will always perform detailed data audits as a scheme comes on board.

Technological change creates new work for QA&A

QA&A's role keeps adapting, and we have two big initiatives that will see the team's role expand again.

First, as I said earlier, technological change is driving a lot of the work the QA&A team does, and that should be no surprise given the pace at which our industry is having to improve. After lagging behind other sectors, pension schemes are now under pressure to get their data in order, digitise, automate and embrace artificial intelligence.

At Aptia, we are investing to transform our business by digitising and automating while keeping the human touch that some members will always want for a complex, sensitive subject like pensions. The QA&A team plays a vital role here.

Our transformational project has a dedicated quality manager from the QA&A team who audits and oversees new services, processes, technologies and routines as they're developed. And a senior member of the QA&A team attends our transformational working groups and steering committees.

The QA&A team plays a vital role in ensuring the service we deliver for members is always improving – and that’s whether they are dealing with a real person or a robot.

Second, we recently launched our Continuous Quality Programme, or CQP. Until recently, QA&A would audit one team, one scheme or one process at a time. That could leave a significant time gap between audits, and we decided we could operate a little more effectively and efficiently.

From 1 June, the QA&A team carries out checks on process, procedure and our calculations across all our operational teams each month. This has improved audit coverage by more than 70% and means each team across our estate receives a degree of audit focus every month. And it allows us to keep a closer eye on member outcomes in terms of accuracy, speed of response and effective, clear and simple communications.?

If anything, we underestimated how much the team’s role would expand in the past eight years – and the value trustees would place on our independent audits. And with requirements and expectations rising all the time, we expect the QA&A team to keep adapting so that we can keep improving and deliver the service members need and demand.

Establishing this team from scratch would be a difficult task, but we think all third-party administrators will need a QA&A function along these lines to meet the demands our industry faces. The team is vital in our drive to improve our service to members so that when they engage with their pensions, their experience is seamless and efficient. And fundamentally that’s what we’re here to do.

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Image
Darren



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Author

Darren Brame, Chief Risk and Commercial Officer, UK, Aptia

Author photography

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Darren Brame