Welcome to the Administration Age

Pensions administration is moving from the background of our industry to take its place at the forefront of pensions delivery.

A range of factors – including consolidation, demography, the cost of living, interest rates and even the ubiquity of the smartphone – are combining to put pensions administrators at the heart of improving the services our industry offers scheme savers.

And administrators must now rise to the challenges presented by what we at Aptia call the Administration Age.??

TPR recognises administrators' central role

The Pensions Regulator (TPR) underlined administrators' importance in September when it announced a step-up in engagement with administrators to drive better outcomes for pension savers.

TPR acknowledged administrators' vital role in safeguarding pensions. It also noted the challenges administrators face, including increased demand from savers, legislative change, new requirements such as pensions dashboards – as well as the need to modernise systems to meet today's savers' expectations.?

Through our engagements with TPR and other organisations it's clear that the profile of pension scheme administration is being raised. The job administrators do in creating good experiences and outcomes for scheme members is at the heart of why pension schemes were established in the first place. In turn, TPR, trustees, and insurers all have high expectations of administrators.??

Secular trends are transforming administration

TPR's focus on administration reflects secular trends that are transforming the role of the administrator. These include:

- **Risk transfer**: Buyouts of pension schemes hit a record last year, and regulators want to see more protection of pension savers through areas such as consumer duty. Once a scheme is bought out, the trustee, scheme actuary, legal adviser, and investment consultant fall away but promised benefits must still be administered. In some cases, the administrator stays in place; in others, a new administrator takes over.?
- **Maturity**: As the UK population ages, the purpose of many schemes shifts from accumulation of retirement funds to paying pensions to members and their dependants. Our data shows that more than 60% of the defined benefit (DB) members we look after are receiving their pension.?
- **Legislation and regulation**: Even where pensions administrators aren't directly regulated, they can be captured by rules to protect users of financial products they administer. For example, when schemes are insured, they become regulated products by the Financial Conduct Authority and must comply with the FCA's consumer duty and value for money regimes. All schemes should observe the spirit of these rules to protect savers.?
- **Rising expectations and technological change**: Consumer expectations have been driven higher by the ease and information provided by the internet and digital devices. People expect to manage their lives with a click on their phone or tablet – and that includes pension scheme members.

The pensions industry's focus is changing. I can feel it moving from actuarial, investment, and consultancy services to focusing on good quality administration – paying the right benefits to the right people at the right time. Engagement with members – helping them understand the consequences of big decisions and making sure they get the help they need – is also becoming the job of the administrator.?

This shift creates challenges and responsibilities. As TPR notes, administration has often fought a losing battle for resources with consultancy, strategy and other priorities. To provide members with the service they expect and deserve, we need to think deeply about who they are and their evolving needs.

Vulnerable members guide our thinking

As noted, at Aptia, many of our DB members are already drawing their pensions – and we have a large cohort of people in their mid-60s and upwards whom we might be looking after for 20 years or more.

This also means we will be serving more dependant members who have been bereaved. Our data shows 35% of these members are aged over 80 when they first contact us – and this has implications for the service we provide. ?

As the first point of contact for people in a potentially vulnerable situation, how can we make the experience easy for them – whether they are tech savvy or not? Technology can make life simple, but it can also exclude people.?

Some people may prefer to talk to a real person on the phone or fill out a paper form. That experience should be smooth and empathetic. We are exploring measures to alert us to vulnerable callers and redesigning our processes to reduce the administrative burden on the people who need our help.

For the growing number of people who conduct their affairs online, we are developing the ability for them to complete forms digitally, focusing on what they need and only asking questions that are relevant to their circumstances. We are also working on our first member app. And we've incorporated our thinking about members' accessibility requirements into the design.

For example, we're building the app so that people can configure features such as font size and colour in a way that works for them. We are also thinking about how to support members to talk to their loved ones about what happens to their pension and wealth when they die.

Our work won't stop there. As an industry, we must keep adapting as members' needs change, technology advances and expectations increase.

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