It’s time to digitise your pension scheme – and start planning

Digitisation of pensions administration is now a necessity – but the process isn’t straightforward. To succeed, you need a plan.

Pension schemes have been talking about digitising data for many years but progress has been limited. The Pensions Administration Standards Association (PASA) highlighted the problem in a recent report.

PASA’s key points included:

- Most schemes think a move to digital records is important but for too many this isn’t backed up by action
- Adoption of digital administration is patchy, and processes to improve data vary greatly across the industry
- The main reasons for lack of progress are cost, time and lack of understanding about the benefits
- The main trigger for data projects is regulation rather than the intrinsic benefits of digitisation

While the report was interesting and insightful, there is a danger of being overly critical of our industry. It’s now widely acknowledged that there has been a lack of investment in pensions administration and that it has been considered the poor relation to investment and consulting services. This has to change so that administrators can make the investments needed to facilitate digitisation.

Quick fixes aren’t good enough anymore

Trustees have often relied on administrators fixing data at the point of need instead of making the commitment to a digitisation programme. However, that approach is coming to the end of the road as conditions and requirements make digitisation essential.

For example:

- Defined benefit (DB) schemes heading for buyout need to fix their data or pay a large premium to the purchasing insurer to cover data risks
- The pool of DB administration skills is diminishing so digitisation is essential for maintaining standards and coping with volumes
- Guaranteed Minimum Payment (GMP) equalisation requires schemes to cleanse at least the GMP elements of their data, preferably all of it
- Pensions dashboards demand that we work in a digital environment and this is only possible if we have high-integrity datasets

And digitisation allows your scheme’s members to get the information they need quickly and easily, leading to better engagement, experience and outcomes.

Administration is now in the spotlight after decades in the shadows. It’s no wonder there is some catching up required to create a digital environment.

What is a digital environment?

By digital environment, we mean an end-to-end process that doesn’t require human intervention at any point. For example, imagine being able to order a retirement pack online and then make your choices and request payment

all in a matter of minutes.

And for people who want the human touch, end-to-end processes can sit behind helplines so that the call agent can go through that process on your behalf while you are talking to them.

“Where do I sign?” you might ask. Well, it may not be that simple. You need a plan to break down the barriers that can stand in the way of digitisation. Broadly speaking, these are the steps:

- Set out your vision for what kind of service you want to deliver in the future
- Identify the barriers to success – typically these involve the availability of reliable data that forms the bedrock of pensions administration
- Identify the range of automation required including calculations, processes and document production
- Check whether you need to change a portal or implement a new one to enable access to the digital environment
- Build your plans, get your deliverers in place and acquire the budget

The payback comes with care and time

The payback doesn’t come as a big bang. Instead, it develops as you implement change – and this needs careful management. Administrators will be working in a different environment, and their skillsets may need to change or be redeployed.

This overview is the first in a series of insights we will publish about how to approach digitising pensions administration. We’ll cover the importance of non-member data, supporting vulnerable members, and acknowledging complexity. Look out for more over the next few weeks.

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