

Emerging Trends in  
**Pensions Administration**

# Welcome

Administration is not known for being the most glamorous area of pensions, but it is one of the most fundamental and, for your members, the most visible.

Of course, your members rely on effective administration to ensure their pensions are paid accurately and punctually. It has always been the case that whether or not your members have a positive experience of the scheme is largely dependent on the success of your administration.

We all know, though, that change is constant and pensions administration proves that year after year. It now not only underpins member experience, but is central to many of the strategic scheme projects you undertake. Whether these are projects driven by regulatory requirements, like GMP reconciliation, or by your own objectives, like pension risk transfers, administration is a crucial building block.

With robust pensions administration processes, projects such as the introduction of member options can be undertaken simply and seamlessly, while impeccable scheme data provides a firm foundation for any risk settlement activity your scheme might undertake.

So, while effective administration will always be key to member experience, it must be ready to deliver much more than that.

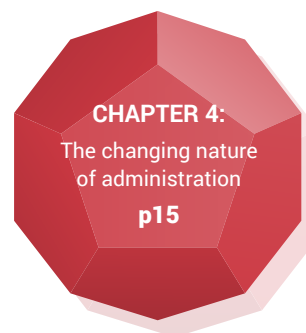
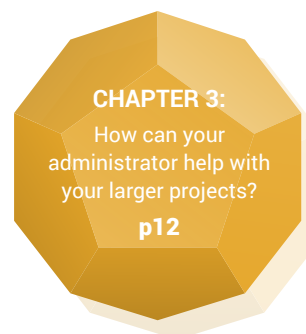
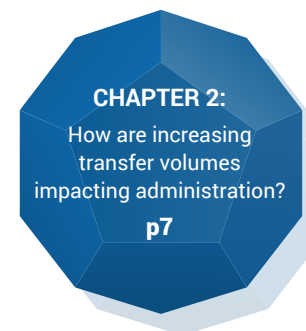
In the face of this constant change, trustees, sponsors and administrators must be ready for the challenges.

In this guide, Aon explores these changing circumstances, examines the ways administration is impacted by (and can impact) your priorities, and look at how you and your administrator can ensure your scheme is in the best place to deliver against your objectives.

We hope you find it useful.



**Gary Cowler**  
Partner, Aon



# The changing pensions administration landscape: What does it mean for schemes and members?

In recent years, pensions administrators have seen scheme member engagement increase significantly. The advent of Pensions Freedoms in 2015 and the increased choices faced by members have led to a sea-change in the levels and types of queries administrators are dealing with.

Here, we explore the way that the changing pensions environment has changed life for administrators – and how those administrators are responding to the evolving landscape.

## Member engagements with administrators increasing

In the last few years, administration work volumes have grown significantly. Our own data, as an example, shows that data change requests have leapt by over 50% since 2013. Retirement enquiries have increased by

more than 30% while transfer out enquiries have jumped by a staggering 200% in the same period.

This increase in volumes has been accompanied by heightened member expectations and an increase in IFA involvement. Members are more knowledgeable about pension benefits than ever before. This represents both a challenge and an opportunity for administrators – with the obvious challenge of an increased workload acting as an impetus to examine their processes and systems with a view to making member-focused improvements.

It also brings into focus the need to continue making efficiency and productivity improvements, so that administrators can not only provide a great member experience, but manage costs for the trustees/ sponsor as well.

## How are administrators responding?

Administrators' ability to handle a growing number of incoming enquiries is central to their success in dealing with these changes. Although online contact is growing, phone calls are also increasing, as members tend to find phone contact the quickest way to get in touch; it also enables them to talk through any further queries as their options are explained. Investing in ways to tackle increasing call volumes – which cover increasingly complex issues – is vital.

## First-time resolution

The best administrators have invested in their call handling capabilities, giving their people the knowledge and skills to resolve queries on a single call. As well as improving the immediate member experience, this has wider benefits too – at Aon, for instance, the fact that 75% of our enquiries are now concluded on the first call frees up the day-to-day team to focus on more technical transactions, driving further efficiencies.

## Consistency

Delivering consistent messaging is also important; members need to receive reliable

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information no matter who they speak to, which in turn depends on administration staff having access to the data they need and the knowledge required to interpret and communicate this clearly.

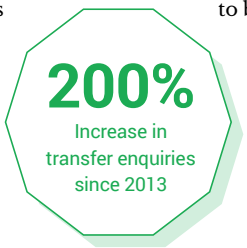
## Informed resourcing

Using the management information at their disposal enables administrators to analyse workflows and resource accordingly. When enquiries are known to jump – for instance, around the end of the tax year, or when new legislation comes into force – smart administrators will increase the available call handlers to ensure volumes can be dealt with efficiently.

**Communications**

These increased volumes further strengthen the case for administrators investing in automation, giving members a web self-service option for an increasing range of tasks. There is a growing interest in the use of artificial intelligence and robo-advice, and as these become more accepted – and costs continue to fall – it will inevitably play a bigger role in delivery of pension services.

While technology plays an increasingly vital role in delivering pension services, with the myriad of options members face at retirement one thing is certain: whether AI or more traditional methods are adopted, communications need to be clear in order to help members make informed, timely decisions.



This not only applies to project management, where a seamless process speeds results, but can also have broader positive implications. Working in tandem on communications, for instance, can give members or their IFAs a better understanding of the scheme, enabling informed decisions to be made more quickly. Working with actuarial or consulting colleagues, as well as clients/trustees, can help administrators to develop products or solutions that improve the entire retirement process for members, from pre-retirement information through to the initial enquiry, ultimate decision-making and resulting administration actions.

**Change – a challenge but also an opportunity**

While pension decisions may be growing more complex, and leading to increased workloads for pensions administration providers, the best administrators will use this as an opportunity to fine-tune their own processes. Adapting to an ever-changing pensions environment is an unending challenge, but by using member requirements as a springboard for improvement, proactive administrators can continue to deliver for schemes and their members.

**Integrated approaches**

For administrators that also provide consulting or actuarial services, close interaction between their teams is essential. Taking an integrated approach to member issues enables increasing member demands to be handled smoothly, efficiently and in a way that remains compliant with ever-changing legislation.

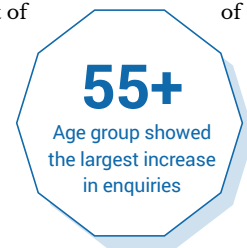
# How are increasing transfer volumes impacting administration?

It is clear from the first chapter that member engagement with pension schemes is increasing, and this is manifesting itself in increasing numbers of member interactions for administrators to deal with.

Here we look at one particular aspect of that interaction – the increase in requests relating to scheme transfers.

The introduction of Pensions Freedoms in 2015 introduced a new range of flexibilities to DB members, most of which are accessed by members transferring out of their existing DB scheme and into a DC arrangement.

For administrators, this has changed the volume and nature of enquiries, with a significant increase in the number of queries relating to potential transfers. Ultimately, of course, administrators also face the work involved in taking many of these queries to fruition as members decide to transfer out of DB arrangements.



schemes in response to pensions flexibilities.

90% of schemes surveyed reported an increase in transfer volumes, with 40% seeing a significant increase. This mirrors the increases we have seen across our administration business, where there has been a sevenfold increase in transfers settled since 2014.

Over the same period, our own data also shows a 13x increase in the number of transfers over £0.5m. For some schemes, this has required some fresh thinking around cashflow management to ensure members' expectations are met while disinvesting an appropriate asset type at the right time.

**Anticipating the need for increased resource**

Administrators need to plan for the resource implications of these increases, and target this resource where it is most needed.

Understanding the changing patterns in enquiries is essential to this, and good administrators will mine their own management information to see where they can expect increased call and email volumes.

For instance, our own data shows that the largest increases in enquiries have been

**The changing landscape for transfers**

Aon's Member Options Survey, carried out in 2018, evidences these increased volumes of transfer enquiries and requests. The survey examined the actions of around 300 DB

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among members aged 55+ and so it is among schemes with a more mature non-pensioner population where the transfer-related work has increased most. Matching these changing behaviours against scheme profiles and planned projects can identify where the 'spikes' might be and ramp up resource to meet them.

#### Scheme proactivity driving administration work

The survey also shows that schemes are planning to do more to communicate the

potential for transfers to members, which is expected to drive further increases in member activity.

**53%**  
of schemes describe transfer options alongside retirement quotations

Currently 53% of schemes describe the transfer option alongside a retirement quotation, without providing an indication of the transfer amount available.

We found that 17% go further and quote a transfer amount alongside other retirement options and 14% currently provide this full range of benefits with access to online modelling tools and IFA advice.

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A framework where the administrator works in an integrated way, not just with the actuary but with the scheme's chosen IFA, has been seen to deliver the best results

Crucially, the survey also asks about future plans, and it is clear that these more engaged approaches will become more popular in the future.

This continuing trend towards giving members more choice and more support at retirement means that administrators can expect to see further increases in transfer enquiries. Pensions Freedoms mean a changed 'business as usual' for schemes and trustees – and administrators need to change in response.

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#### How can administrators deliver best practice in this new world?

From an administration point of view, delivering the best experience for members is the main priority, alongside the administrator's responsibility to minimise any risks for trustees and sponsors.

A framework where the administrator works in an integrated way, not just with the

actuary but with the scheme's chosen IFA, has been seen to deliver the best results.

Trustees and sponsors will have their own view on whether and how they provide IFA advice, but where schemes put in place a preferred IFA, they can give members access to a single, reputable, high quality advisor who knows the details of their scheme, and can build a relationship with the administrator and actuary.

Technology also has a role to play. Schemes that give members access to an online modeller provide their members with better insight.

This increased understanding can help to act as a filter that significantly reduces the number of members who engage with the IFA in the first place.

We see this improving the members' outcomes and focusing any IFA spend where it is adding most value.

The period since 2015 has also seen a sharp increase in enquires from IFAs as they seek to guide their clients – scheme members – through the options available to them in the new regime.

Monitoring the queries and identifying patterns has meant we can adapt our communication materials to tackle these head on.

This helps the member and the IFA reach an informed conclusion earlier and with less hassle, and creates efficiency for the administrator too.

We know that transfer values have been driven higher by lower gilt yields and this has played its part, making them attractive and so driving increased volumes. Some schemes have had a threshold, perhaps £250,000, above which transfers are reviewed by the scheme actuary. More

transfer enquiries, with even more of those breaching any such threshold, might mean delays for members and costs for schemes. This has been another good reason for a review of policy; looking at what can and should be automated and where the involvement of the scheme actuary adds most value.

#### Plan for increasing volumes of transfer enquiries and requests

With schemes planning to do more to communicate transfers, and many intending to offer personalised projections, scheme-sourced IFAs and other support, we can expect further increases in transfer enquiries and requests.

The best administrators will already have strategies to deal with these, and be working not just with trustees, but with their actuarial colleagues and any retained IFAs, to deliver integrated responses and the best possible member experience.

If you have not yet asked how your scheme's administrator is responding to the changing world of transfers, maybe now is the time.

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## How can your administrator help with your larger projects?

In the first two chapters, we looked at some of the challenges brought about by changes to day-to-day administration.

But increasingly from a scheme perspective, keeping up with routine administration demands is only half the challenge.

More and more schemes are focused on a clearly defined long-term objective. Although that objective might be defined in funding terms, administrators are increasingly being asked by schemes to undertake major projects that support the journey towards that objective.

Of course, such projects can be the result of an external trigger too; GMP reconciliation and GMP equalisation being very topical examples as we go to press.

Whatever the trigger, we have certainly seen clients undertake more – and more complex – strategic projects over recent years. As we drive through these later stages of GMP reconciliation and await direction on GMP equalisation, we are working on more projects to deliver wider member options than ever before; whether they be pension increase exchange offers, flexible retirement offers or other exercises.

This is in a year when our Risk

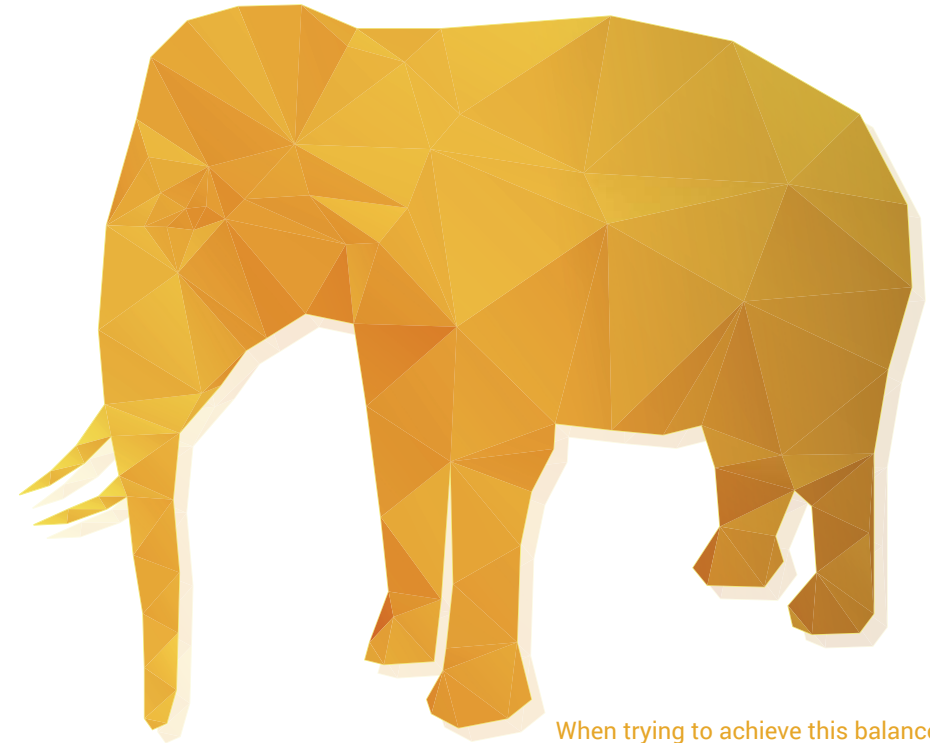
Settlement experts predicted that the bulk annuities market will exceed £30bn for the first time ever.

Underpinning all these exercises will be good data, a topic the Regulator is focusing trustees' minds on, and administrators will always be central to measuring, monitoring and improving schemes' data.

When we add all these things together, it is clear the demands on administrators for additional project work show no sign of slowing.

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When trying to achieve this balance, a few areas are key:

**1. Resourcing:** Ensuring they can service both workstreams is one of the key challenges facing today's administration providers. Sponsors and trustees need confidence that their administrator's structure protects the day-to-day service while also delivering on the strategically important projects.

The scale and flexibility of resource matters, but another key to success is ensuring the right people are doing the right jobs – and are supported by the right infrastructure.

What does that mean in practice? It is about recognising that the skillsets needed for the special projects differ from the skills needed in providers' day-to-day administrators, and structuring teams accordingly.

### Balancing the everyday with the exceptional

Day-to-day, the role of a pensions administrator is to support schemes in delivering better outcomes and a great experience for members.

This now means both the routine – handling queries quickly and accurately; ensuring member communications are clear and timely; settling the right benefits on time – and the additional projects that support longer-term objectives.

If you are a trustee or sponsor, how can you assess your current – or a prospective – administrator's ability to keep both of these plates spinning? Can they deliver on major projects without risking day-to-day service?

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Some projects can impact thousands of members in a short period of time. Being geared up to support those members, via telephone, email and web, is crucial

**2. Robust processes:** Good administrators also put in place robust processes to support their people. First-class project management is crucial to the success of projects; driving the right outcome, keeping to time and budget – and learning for next time with an eye on continuous improvement.

Some projects can impact thousands of members in a short period of time. Being geared up to support those members, via telephone, email and web, is crucial. A simple solution might be ensuring sufficient people are available to answer the phone in the days following a mailing, ready with access to member details and armed with FAQs to give a prompt and accurate response.

This helps to ensure calls are resolved first time, increasing efficiency and giving members the best experience; by taking this approach, our own administrators, for instance, are able to resolve 75% of queries on the first call.

**3. Investment in technology:** Of course, the role of technology has increased dramatically. For administrators internally, this means building the right tools and automation to run large projects with the

speed, efficiency and accuracy necessary to meet the scheme's needs. Externally, putting in place online member solutions – modellers, for example – supports a better experience. A great example of this in recent years has been the development of modellers available to support members through the wider and more complex range of retirement options that might be available in a bulk member options exercise; our experience of members using the Aon Retirement Options Modeller in these cases shows it drives better member insight and decisions.

**4. An integrated approach:** So many of these important projects require a range of specialist teams to contribute to make them a real success for trustees and sponsors; administrators, actuaries, investment consultants, lawyers and even IFAs or insurance companies.

The best outcomes can be achieved when advisers and administrators work closely to understand the real objective of any projects and every stakeholder is clearly focused on achieving that. This requires a collaborative approach and a seamless implementation process. If a single firm is providing the key services in an integrated or bundled fashion then, with clear and absolute accountability and nothing allowed to fall down the cracks, this should be easy to achieve.

Where a number of firms are involved, fostering that shared objective and collaboration becomes especially important; the role of the project manager is crucial.

Whatever your scheme's objectives, it is likely you will have major projects to task your administrators with. Take the time to make sure your provider can tackle both the routine administration and the project, so you can ensure you get the best outcomes from both.

## The changing nature of administration: How should schemes respond?

**M**embers' evolving needs and expectations are driving changes in scheme administration.

As the pensions landscape inevitably continues to change, how will your scheme's approach need to develop to keep pace?

We have looked already at the increases in member enquiry and request volumes and their impact on the ways schemes approach administration.

But these are not the only trends that trustees and sponsors need to be aware of.

### People working longer

The implications of people retiring later have been talked about a lot – potentially affecting the jobs market and the nature of work, and with knock-on effects for insured benefits and pension payments.

### Communication expectations

Then there are changes in communication and requirements around speed of service. In today's 'instant' culture, letters and hand-filled forms are no longer quick enough to satisfy member expectations.

Email, text messages, social media and web-based communications are now the norm. In future, the growth in AI and so-called 'robo-advice' may see more automated solutions to member queries.

This adoption of new technology and the growth in communication channels reflects an increased interest from members in their pension options, with the Pensions Freedoms driving renewed engagement as a result of the choices members can now make.

### Growing interest in financial wellbeing

It also ties in with a wider trend in financial wellbeing; Aon's 2018 EMEA Health Survey and Financial Wellbeing Survey both show that financial wellness is a key issue and growing priority for employees and employers. One of the ways this manifests

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itself is in a member population that is more interested and active in their pension choices within the context of their wider financial and savings situation.

**Taking a proactive approach to change**  
What can a trustee or sponsor do to respond to these changes? First, work closely with their administrator to explore potential new approaches and solutions to the challenges they face. The pensions industry is ever-

evolving, and a good administrator will use lessons learned and solutions developed in response to past changes, using their experience to inform their approach to the future.

They will use this knowledge to ensure they – and their clients – are on the front foot when it comes to this ever-changing landscape.



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There is no shortage of potential solutions, technological or otherwise, to the administration challenges you face. Find out which solutions fit with your approach and priorities, and whether the provider you work with, or are considering, has adopted them.

Early engagement with your admin team on the issues you face will help you to identify the solutions that work best for you. Similarly, if your administrators have a close working relationship with your actuary and investment advisers, either as part of the same firm or as a close-knit team across different firms, they can be aware of legislative changes and other initiatives that will impact members, and collaborate on solutions and approaches to address them.

Administrators that successfully anticipate future developments can help their clients to be future-proofed against a rapidly evolving regulatory and economic landscape. This might involve taking on major strategic projects, as we explored in the previous article, or devising more efficient ways to deal with routine administration.

It is also crucial for schemes to remain focused on what is most important for their own needs. For example, getting the most appropriate delivery model in place is one of the keys to ensuring your administration is a good fit – price-wise and service-wise – for your scheme. Reliable service at a reasonable price is quite possible in pensions administration – but schemes need to be open-minded about the way that service is delivered.

Working with a proven and standardised service delivery model with the rigour and risk control that brings will be important; bespoke options will often be necessary, although schemes should be careful that the value these add is worth more than the

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Schemes should check that their service delivery model is right for them and their members, now and in the future. Whatever the future holds for pension schemes, it is probably safe to say that the pace of change will continue

increased cost and risk they may entail.

Being open to the advantages of offshoring, exploring the use of service centres or call centres and increasing the use of member self-service are all examples of how schemes can generate flexibility and rigour in their delivery model and benefit from economies of scale.

Schemes should check that their service delivery model is right for them and their members, now and in the future. Whatever the future holds for pension schemes, it is probably safe to say that the pace of change will continue. While this brings challenges, it should also introduce opportunities for greater efficiency and closer working between schemes and their administrators, as well as between administrators and other providers.

Talk with your administrator about the ways you can collaborate to deliver better ways of working, and ensure you are prepared for the ever-evolving pensions environment.



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