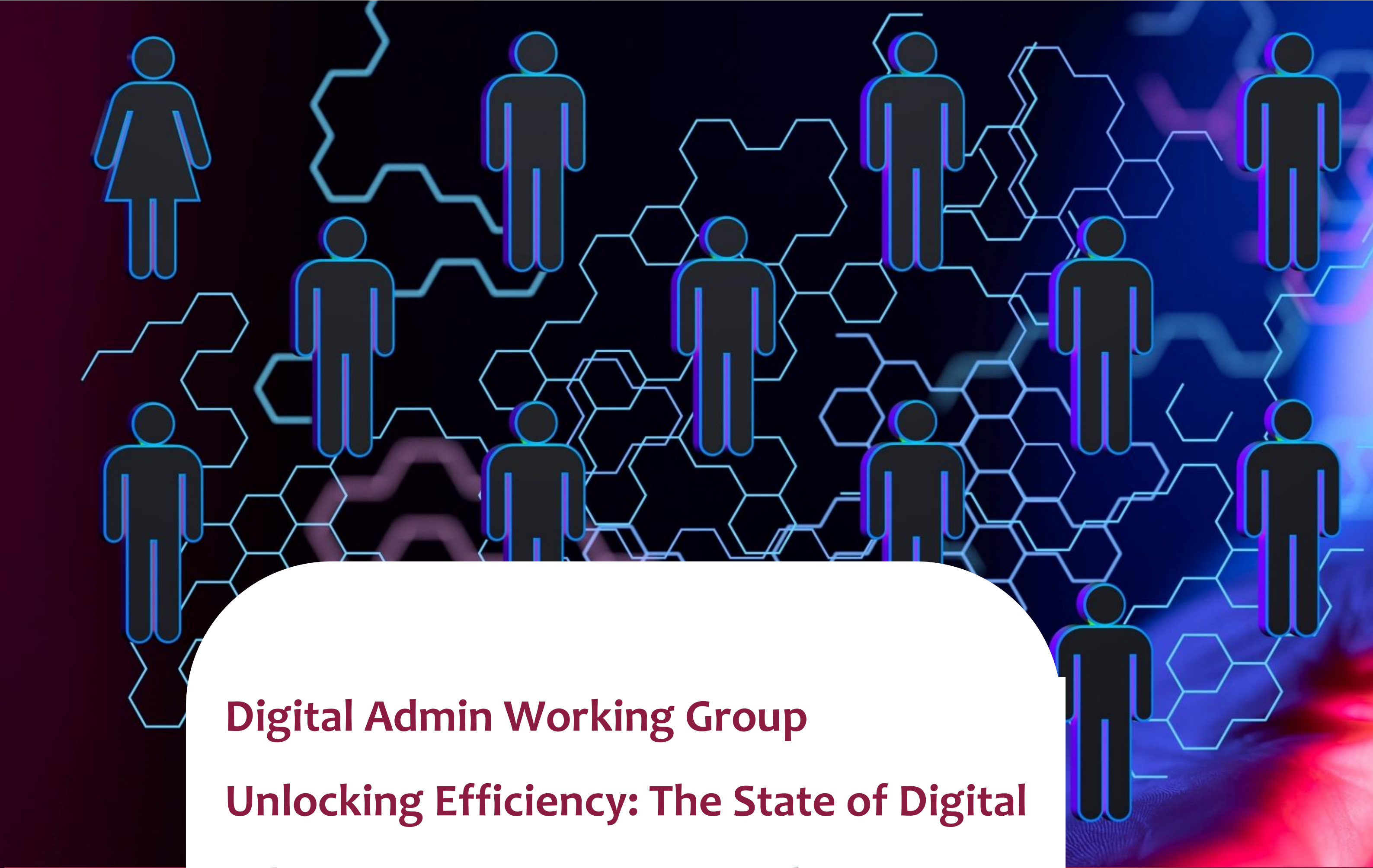

Digital Admin Working Group

Unlocking Efficiency: The State of Digital Administration in Pension Schemes

JUNE 2024

Produced in partnership with:

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PASA

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Acknowledgments

PASA is grateful to the authors of the Guidance and members of the PASA Digital Admin Working Group and their employers.

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Sian Jones (Chair)	**Heywood**
Banafsheh Ghaffori	**like minds (uk)**
David Welsh	**Heywood**
Graeme Riddoch	**Mantle**
Liam McGrath	**Procentia**
Russell Whitmore	**Evolve**
Sam Barton	**Smart**
Stephen Blakesley	**Aptia**

Executive Summary

In late 2023, PASA conducted a survey and industry interviews to understand attitudes and progress towards digital administration - what may have improved and what challenges administrators still face today. This follows on from previous research in 2021 which found digital admin efficiencies were appealing but many schemes were plagued by poor quality data. The discussion and outcomes of the previous interviews can be found in PASA's 'Focusing on a Saver-centric experience' paper.

Both the survey results and industry interviews conducted showed the penetration of digital admin is patchy and processes used to improve data vary wildly across the industry. Digital processes are largely standalone, with low levels of automation. This may be a limiting factor upon the adoption of digital admin, but this wasn't clear from the data.

While most schemes consider digital records to be very important, the level to which they're prepared to implement them varies across the industry. Most schemes appear to be on the road to being compliant with the UK's dashboards' data requirements, and the new guidance on connection dates should allow time for schemes to catch up.

Many schemes consider digital admin important, yet some don't recognise the benefits nor consider the potential benefits to be tangible. Automation remains a goal – and in certain applications, a clear benefit – but it's not a primary focus for all schemes, irrespective of size or whether they're DB or DC.

Ultimately, there's a mismatch between what some schemes say is important and what they're actually doing. A conclusion also reached by the PASA Data Working Group in a 2022 industry survey. Regulatory compliance trumps all other functions, including improvement of digital admin which would make compliance easier, cheaper and more meaningful. This is an anomaly the industry needs to address.

It was clear good data is essential and bad data isn't just an 'internal problem' to be managed and worked around. **Bad data is the enemy of digital admin. It perpetuates bad processes and creates more queries requiring manual intervention than would be necessary if the data was clean in the first place.** Improvements are possible and once enshrined in regular processes, need not be onerous. Data which is measured gets improved and once improvements have begun, schemes must continue to challenge their own assumptions in order to ensure data quality continues to improve.

Digital admin will allow new technologies such as BPA (business process automation), RPA (robot process automation) and AI (artificial intelligence) to be adopted. These innovations could be used to improve processing efficiency and responding to saver queries, leaving the already stretched human administrators to oversee more complex arrangements.

1. Introduction

Data quality remains crucial in 2024. DB schemes face steadily increasing reporting requirements for regulatory purposes, including the continued momentum behind GMP equalisation and the march towards an endgame, made more tangible for many by a considerable improvement in funding levels. The need for good quality data is no less critical for DC schemes, with regulators seeking greater efficiency and demonstrable value for money. Errors are more tangible in DC as they can't easily be corrected over time.

This report interrogates the latest survey data and industry interviews to analyse the current position of digital admin in the UK, to understand how far it's developed in the intervening years and what schemes, sponsors, savers and regulators can expect of their administration function over the next few years as dashboards are delivered.

Any mention of dashboards in this report refers specifically to the UK Pension Dashboard Programme (PDP), unless otherwise stated.

At the time the survey was conducted, the UK PDP had been paused while some specific delivery issues were addressed. On 25 March 2024, the Pensions Minister published a new staging connection timetable to take place between April 2025 to September 2026. This statement will have allayed many of the concerns held by the industry, which is reflected within the survey.

2. The survey – who's doing what, and how much of it?

The results of the 2023 survey revealed findings which were equally fascinating, encouraging, perplexing and worrying.

Where are we heading?

It's abundantly clear from the survey data there's a mixed level of digital implementation taking place among UK pension schemes. 64% have a digital records database which is neither scanned PDFs nor paper based. **While that may sound promising, this means more than one third still rely on non-digital means to record their pensions data.**

When we look at the frequency for gathering or improving digital data, three quarters of schemes complete ongoing data cleansing for mortality, but less than 56% complete existence checks. One third of respondents will only improve this within the next 18 months, Just over 40% of schemes undertake ongoing data enrichment to add details such as email addresses and spouse names, while 28% will be doing this within the next 18 months. However, almost one fifth don't yet have this on their digital roadmap.

Takeaway 1: The penetration of digital admin is inconsistent and processes used to improve data vary wildly across the industry.

A fragmented approach

The survey highlighted a worrying low level of automation across several different processes.

Fewer than half of schemes have automated their payroll process, a quarter have automated treasury processes and fewer than one third have automated their accounting processes. Treasury and accounting integration may only be particularly relevant to certain large or public sector organisations. But more worrying must be the fact just over a third of schemes have automated their administration processes.

This data could suggest pensions administration is being excluded, or at least held at arm's length by one side of the organisation or another. We didn't ask this particular question, but a number of possible reasons became apparent from our series of interviews. Indeed, the ability to share data with both internal (44%) and external (53%) departments or agencies appear noticeably low. Furthermore, just over half of all schemes have automated more than 80% of their benefit statements.

Given the high level of importance placed upon cyber security and threats from cyber-criminals in the interviews we conducted (see p9), it's surprising more hasn't been done to digitise the administration process as a whole. While it may be true a cyber-criminal would find it impossible to hack a shoe box or filing cabinet, efforts made to improve digital admin must improve awareness and readiness for cyber-attacks.

Takeaway 2: Low levels of automation of digital processes may be a limiting factor on the adoption of digital admin.

Dashboards are only part of the problem

Dashboards feature highly in the survey and interviews, with 86% considering connecting to pension dashboards to be an important matter and just over half considering it most important. This is to be expected, as it's a regulatory requirement, but it also came as no surprise no schemes declared they had completed connection readiness for dashboards implementation. For almost one third, this target lies more than 18 months in the future. Perhaps their size meant they wouldn't be captured within the first tranche of adopters. Yet there's a nagging concern arising from the survey data and some of our interviews - these schemes aren't close to starting and will have a lot of work to do once the project is restarted in earnest.

Dashboards aside, there are other aspects of digital administration processes many are lagging on. While half declared themselves ready for dashboards, fewer than 40% could verify digital identities, and less than 60% are able to verify bank accounts digitally. This is at odds with the importance schemes told us they place upon the threat of cyber risk.

Four out of five schemes said digital records are very important. Almost as many also consider ongoing data cleansing (ongoing mortality and existence checks, for instance) to be very important. However, when it came to ongoing data enrichment, covering such data points as adding spouses or email addresses, this figure dropped to less than half.

Takeaway 3: Most schemes consider digital records to be very important, but the level of detail held and verification completed varies across the industry.

Automation is a goal, but not necessarily a popular one

There's an ambivalence towards digital automation beyond the sphere of the pensions scheme – either DB or DC. Even though the vast majority of schemes (86%) consider it important, only a little over half (53%) consider it to be very important. This highlights a prevailing theme, while digital administration is considered important by schemes, it's clearly not their main focus.

While most favour payroll automation, when it comes to integration with other functions such as treasury and accounting, the interest drops considerably to a 50/50 preference. This shouldn't come as a surprise. A pension scheme is a complex machine with many moving parts, with many having a fiduciary, moral or regulatory responsibility which must be monitored and reported upon.

However, while many see automation and digital admin as important, there's a considerable number who don't. Almost two thirds consider automation very important and over a quarter quite important. Leaving little over 10% of schemes who don't consider it important at all.

Automation of connection to internal and external sources such as other finance functions or government agencies is relatively low on the agenda, being identified as important by 47% and 52% respectively. This contrasts starkly with the nine out of ten schemes which have implemented a saver portal, and 70% which have implemented a self-service portal. Almost all schemes said a saver portal is important and 86% confirmed self-service as important.

Industry conversations demonstrated having savers access their data directly has a material effect upon the workload of the admin team. In this context, digital admin can be clearly seen as a win.

Fewer than two thirds have implemented on-demand reporting for their scheme. There's no definitive data from the survey and the evidence from the conversations was anecdotal, but it seems reasonable the relative unwillingness to share data may be due to knowledge of the information gaps which exist and have yet to be plugged.

Takeaway 4: Many schemes consider digital admin important, but don't always recognise the benefits. Automation is a goal, and in certain applications a clear benefit, but it's not the main focus of schemes.

Blockages in the system

According to the survey, the key obstacles to achieving digital administration remain the cost of implementation, the time taken to implement and a lack of understanding about what it could deliver for the scheme. The final two elements show a lack of understanding about the potential benefits which is at odds with the high importance placed on digital admin as a concept.

Regulatory requirements are the primary trigger for data projects. The data shows schemes must constantly identify their priorities and suggests digital admin isn't considered important enough – or not all the key stakeholders have been convinced of the value of the spend. A future survey might probe whether a lack of consensus is at the root of this answer.

> **Takeaway 5: There's a mismatch between what some schemes say is important and what they're actually doing. Regulatory compliance trumps all other functions, including making digital admin better so compliance can become easier, cheaper and more meaningful.**

It's broken, but why bother fixing it?

Administration has developed a culture over the past 30 years of driving down costs at every opportunity. There's been an unwillingness to pay the price to achieve good administration to secure levels of data and service which are better than 'just' good enough to get by on. The result of reduced prices has been a reduction in quality. As a result, we can understand how so few schemes (fewer than 5%) believe they're fully embedded in their digital journey. Almost 30% consider themselves highly embedded with work still to do – such as projects like dashboards.

However you cut it, roughly one in five schemes remain at the early stages of the digital admin journey. Furthermore, almost half declare they're moderately embedded. Given the penetration of automation and integration demonstrated by the survey, this isn't an encouraging disclosure.

> **Takeaway 6: In 2024, fewer than one third of schemes believe they're highly embedded in their digital journey. This leaves a lot of schemes with an awful long way to go.**

It's not a cultural divide – it's a chasm

We've already established a mismatch between the aspirations of schemes to deliver digital admin and the reality of what's been achieved thus far. Almost three quarters of schemes believe digital admin will improve their administration with increased processing and over 60% by improving saver engagement. However, four in every five schemes admit they've not considered understanding their savers' needs.

Improved accuracy and a reduction in errors is important for more than half, then comes cost effectiveness, suggesting considerable tension when assessing the cost/benefit of digital admin, as it almost splits the industry in half.

The fact overall reporting capabilities are considered more important than regulatory requirements again suggests a focus on cost and a cultural divide which prevents schemes from pursuing their digital journey with greater vigour. More than a third see how digital processes could be used to bridge the skills shortfall that has become so acute within pensions admin in general.

It's interesting to note improved audit comes just behind reducing the risk of fraud in order of importance. This makes the assertions about increasing engagement and efficiency appear rather ironic.

3. Industry Commentary

What the industry said

One of the key concerns about delivering digital administration is always the cost. To determine the breadth of the obstacles preventing a smoother transition to digital administration, we conducted a number of interviews with administration experts across private and public, DB and DC schemes, third party administrators (TPAs), employee benefit consultants (EBCs) and software providers. Some are quoted below, while others had their comments anonymised or aggregated into general comments.

> This is not a criticism of providers, but administration as a service hasn't been afforded the value it should have been over a long period of time. It's all been about driving down per saver cost to the lowest possible level. It hasn't been an attractive service line when there is investment money available, and so there hasn't been a proliferation of new ideas or new technologies coming forward.
>
> **Stephanie Nuttall, Head of Pensions Operations, Lloyds Bank**

Each scheme considers itself to be different, but many use this as justification for not doing something, because it will be too difficult and therefore too expensive. It's fair to assume a one size fits all approach doesn't suit the requirements of most schemes, and tailoring for each individual scheme will cost money.

> A lot is driven by the fragmented nature of the sector. Each scheme is quite specific, has its own requirements, with its own rules, regulations and membership. So it's hard to have a one size fits all approach in the way that maybe banking or investment products might have. I work in a local government pension scheme, which has a national scheme, but is administered locally by 87 different local authorities across England and Wales.
>
> **Jim Woodlingfield, Deputy Head of Service Delivery, Surrey County Council**

Takeaway 7: All schemes are different, but not so different as to stop them from introducing change.

Leave it to the professionals

Some of those we spoke with acknowledge TPAs would have to transform their businesses to fully digitalise their offerings. This won't happen within an environment where outsourced administration has seen prices driven down at the cost of flexibility and adaptability. This situation must change to provide value for money to savers as we move forward into a DC world.

Many suggested, unless you have an overarching reason for pursuing clean data in DB schemes for the reasons of compliance with legislation (i.e. satisfying requirements for GMPs, the PDP) or are nearing the end of the endgame roadmap, then biting the bullet on digital admin simply isn't going to wash with the scheme.

While digital admin may drive down costs, how the benefits are likely to be experienced, measured and monitored may not have been decided. There are always many other considerations for investment from a operational position, which means digital admin continues to be put on the back burner. For this reason, administration improvements are always driven by regulatory priorities.

> Legislative changes always take priority over any digital development, which presents resourcing challenges as a result of having to direct resource to any legislative changes.
> **Gillian Bell, Senior Administration Consultant, Hymans Robertson LLP**

Takeaway 8: As we saw in the survey results, some schemes believe digital admin isn't necessary as they don't understand how it will improve their processes or how they can extract more benefit than the cost of innovation.

Doing what's necessary – but a little more

In recent years, some schemes and administrators will have looked at the cyber risks and may have decided it's essential to transition to a new system to improve security and service, or to satisfy their insurers' requirements.

> Another obstacle to digital transformation is cyber, and we're constantly having to keep up to date and revise our software to remain cyber compliant.
> **Gillian Bell, Senior Administration Consultant, Hymans Robertson LLP**

As schemes move towards a DC environment, savers are increasingly asked to do more to help their scheme stay on top of data. Self-service systems, where they exist, are quite crude and little has been done to understand what information savers wish to see and what content could improve their engagement.

> We're constantly seeking new developments in software to make the savers' experience as smooth as possible, but also in a manner which can aid us in the back office, not hinder us. This means we don't always make everything really straightforward for the saver but given the level of complexity in the back office, it needs to address both.
>
> **Timothy Jenkins, Senior Team Manager, Digital Comms and Governance, Rhondda Cynon Taf County Borough Council**

Takeaway 9: There are many more risks today, with the addition of threats from cyber criminals, but this should not discourage schemes from embarking on change.

Everyone knows data is essential, but nobody seems to understand why

It's considered a universal truth that good quality data is important to a scheme. What seems to separate schemes is the level to which they're willing to embrace this 'truth' within their own processes.

> Data is absolutely key. It's one of those areas which informs all aspects of pensions, across actives, deferred and pensioners. It's what the liabilities are based on, so if your liabilities are wrong, your funding strategy could be wrong, as could your investment strategy. This can have a massive knock on effect.
>
> Member experience is also crucial. If information is wrong, or the process is slow because the person has to confirm things, then go back to their employer and find more details, this gives members a bad experience.
>
> **Jim Woodlingfield, Deputy Head of Service Delivery, Surrey County Council**

Poor data doesn't just cause problems with calculations but raises saver queries and requires increased intervention from administration teams or other advisors. This all undermines the efficacy of digital systems and adds considerable cost into a process which is already stretched.

> I think good quality data is critical. Inaccurate data just prevents so much work being done. It also generates queries from savers. If you're looking at self-service or online portals and have mismatching data, it prevents automation. If you're automating and you've then got 20% fallout because the data isn't accurate. It's not helpful.
>
> **Senior Scheme Manager**

Schemes completing regular data updates – and even enrichment of data – must commit to ongoing continual efforts in this area.

> Once it's up to date, it starts to degrade and the best thing you can do is have regular data enrichment. It's not cheap, but… it's cheaper once you've cleaned it, and then the regular updates can be part of the service agreement.
>
> **Russell Whitmore, Head of Administration, Evolve Pensions**

Bad data makes for bad admin. Data gathering isn't a one and done undertaking, so it must be repeated regularly. Even those who are cool on digital admin understand data is critical to a scheme, because without it, transactions cannot be executed.

Takeaway 10: It's clear from both the survey and industry interviews good data is considered essential, and bad data isn't just an 'internal problem' to be managed and worked around. Bad data is the enemy of digital admin, as it perpetuates bad processes and creates more queries requiring manual intervention than would be necessary if data was clean in the first place.

What good data looks like

There's no single view of what good data looks like. One scheme told us "it's whatever TPR says it is". Others think good data requires proactive gathering and collaboration with other employers within their group to ensure it's not only gathered in a timely fashion, but consistently and to the same standard. This way, the administration function can provide each employer with a consistent level of service. When it comes down to individual schemes, each scheme focuses on what makes them different and what must be achieved within the priorities of each scheme. A number of schemes interviewed are introducing more regular reporting to ensure data is current and they're able to identify any weak areas.

Jim Woodlingfield at Surrey County Council told us he tries to give trustees as much information as possible so they can make governance decisions about the data and administration function.

> They [the trustees] can then decide what is an acceptable level of data. We can give them additional context, but we also want to test the quality of the information, to ensure it isn't simply random information.

Schemes who complete regular data searches, enrichment, or even projects such as GMP or dashboards, may find it easy to believe they now have good data. Yet, the data gathered for different projects may be good data within the context of each project. Schemes must understand the utilisation case for the data within the context of how this improves their overall processes.

How schemes allocate time and resource to administration projects varies wildly. Often, it's done on a last minute or ad hoc basis. At other times there are regular projects. As Jim Woodlingfield told us: "what gets measured is what gets done". If you're not measuring something, you can't be sure any progress made is aligned with your ambitions.

Takeaway 11: Improvements are possible and once enshrined in regular processes, need not be onerous. Data which is measured is improved and once improvements have begun, schemes must continue to challenge their own assumptions to ensure data quality doesn't deteriorate.

How will it work for us?

Ultimately, some schemes should consider whether full digitalisation of administration is advantageous for them. Is there a benefit for a smaller scheme to be fully digitised? As part of the process to achieve full digitalisation, a scheme may need to undertake regular projects on aspects of data and these projects will have to compete for resource which might be used elsewhere, which may go a lot further in the short term.

There's confidence in the conversations and the survey data, that improving data quality will also improve administration over the long term. All transactions will be better, not just those at the top of the inbox today. Part of this will depend on which group of stakeholders is leading the charge. It's clear the responsibility for driving change and improvement within administration may come from any of the key stakeholders in addition to the admin function.

> The importance starts from the trustees' appetite and as a pensions manager, you respond accordingly. We have translated this into very regular reporting on data quality going through each level of our governance and actually dedicated resources within our team with a skill set and with the bandwidth to focus on data, data quality and data cleansing.
> **Stephanie Nuttall, Head of Pensions Operations, Lloyds Bank**

Takeaway 12: Digital admin may not be for everyone, but if you want a more efficient scheme, it should be a top priority.

Keeping an eye on the prize

Some of our industry commentators acknowledged it's quite common, and reasonable, for trustees and other advisers to defer to administrators on points of administration. It's therefore too easy for them to become complacent about the possibility for change or improvement.

> We're constantly asking our staff and our colleagues to challenge everything we do because it's really easy when you get into the habit of 'this is how we've always done this to keep doing it' because it works. Yes, it works, but technology has changed. Data transfer has changed. So many things have changed, so we should always be stopping and challenging: Is this best practice now or is there room for improvement? Are we asking for something unnecessarily? Is there a better way of collecting this information from employers?
> **Timothy Jenkins, Senior Team Manager, Digital Comms and Governance, Rhondda Cynon Taf County Borough Council**

Groupthink – or complacency – may be at fault for the conflict we see in attitudes towards digital admin in general. Most respondents accepted digital admin would improve costs and drive saver engagement. Given the increased need for self-service, and the eventual arrival of pension dashboards, it's strange most haven't considered understanding savers' needs. This may come from an assumption the vast majority of savers don't wish to engage with their pensions yet. Communication is difficult and encouraging people to update their addresses will be a major breakthrough in itself. However, this won't satisfy requirements for DC schemes in the future. A number of schemes suggested the old school DB paternalistic approach can result in a subconscious 'we know best' attitude developing as groupthink, even within DC schemes. Stephanie Nuttall of Lloyds Bank said she didn't think this comes from a place of arrogance, rather it's from a historic understanding of what the role of a trustee has been and what DB schemes were there to provide.

TAKEAWAY 13: Groupthink is the enemy of strong digital admin. Once you start improvements, keep challenging assumptions to improve data quality.

We’re all in it together – how the industry can help schemes to help themselves

When asked if there was more the industry might do to assist schemes to improve adoption and implementation of digital administration, there were some interesting responses.

Considerable support was shown for PASA and the PMI, for their efforts in trying to instil a notion of best practice and to assist those trying to achieve improvement. However, many thought much could be achieved by schemes coming together in order to share information and resources. This is commonly achieved in the public sector and LGPS, where schemes derive great benefit from employer groups sharing data and ideas to find something of benefit for everyone. It’s more difficult for the private sector and there’s a feeling everyone is trying to reinvent the wheel. There’s, of course, a commercial advantage for providers and administrators because any work required to tailor a basic system will attract fees. While every scheme is different, there’s a feeling more might be done to achieve a better, more flexible ‘vanilla offering’ which could be updated, improved and augmented quickly and cheaply in the future.

Some schemes will never be able to afford to put in place a bespoke digital scheme. Yet perhaps elements of their scheme can be improved which will help reduce costs, drive up saver engagement and potentially improve their interaction with regulatory authorities. Perhaps if schemes came together more formally to discuss their needs with administration providers, more common ground might be found.

Unfortunately, only the need to comply with regulation is considered a strong enough driver to force all schemes to look at fully and properly enriching and improving their data quality.

Takeaway 14: Mutually beneficial scheme/industry groups should share best practice and make digital admin and data enrichment a group project.

Invisible threats

Cyber risk is increasingly driving schemes towards considering changes. This was apparent in our conversations, and the survey data. While each scheme states cyber security is of great importance, this doesn’t mean there’s consensus about how it should be addressed.

One argument suggests the more information uploaded, the more a scheme is exposed to cyber risk. Others argue retaining partial processes online, such as old self-service portals on increasingly obsolete platforms, will only increase the risk from cyber criminals. Going fully digital doesn't necessarily satisfy, or even protect every saver. It won’t be easy, or even possible, to ensure every saver will be able to use two factor authentication on a self-service account. Not everyone will have smartphones to enable this, or even an email address to set up their account in the first place. These may not be insurmountable issues, particularly as increasing numbers of older people engage with digital media.

The Capita data incident in 2023 has convinced most a more robust policy towards cyber risk, and therefore digital administration, will improve security overall. One scheme summarised “just because you’ll still be a target isn’t a good reason for not being hot on cyber risk”. However, every scheme is starting from a different place and a general improvement from each scheme won’t bring the industry in step.

Technology: The next generation

Many schemes expressed interest in how technology such as RPA might be applied within pensions admin. Unlike most ‘cost savings’, this isn’t so much about replacing people, but rather filling the gaps which already exist in an industry which is failing to replace skilled workers as older admin experts retire. Schemes hope to use RPA to free up some administrators to focus on more complex aspects of the administration process, while leaving the bulk of the number crunching to the machines.

Jim Woodlingfield at Surrey County Council was one of those who was interested in looking at the use of AI. He sees an opportunity for it to be used to engage with savers through the use of natural language programming and replacing more text based chat bots. But there are two other, more powerful applications. The first is to use AI to improve the saver experience by rendering personalisation via video reports and annual statements. This takes a generic video template and populates it with just the information for a particular saver. The other is operational, where AI might be used to turn over in the background as a kind of early warning system. He says it wouldn’t, replace spot checking, but it might identify trends not apparent to administrators until much later.

Russell Whitmore at Evolve Pensions commented “you could run chat bots with AI and which would take a lot of the heavy lifting out of the first contact with members. This would take pressure off head count and be used to help people self-serve.”

Stephanie Nuttall thinks AI could take this further to address the advice gap and offer something like true robo-advice or guidance

> That's a great area of potential because people have more choices than ever before now, but they don't feel equipped to make those choices or to manage their own pension affairs, which is fair enough. We don't get taught this stuff, so finding a way that isn’t training 50,000 new IFAs to plug the gap I think is one of the biggest things we can do for savers as an industry and that's got to be an area where technology could really support us.

Takeaway 15: Digital admin will allow new technologies such as BPA and AI to be adopted. These might be used to improve processing efficiency and support savers through most queries, leaving the already stretched human administrators to oversee more complex arrangements.

Machine, teach the next generation…

One senior scheme manager sees great potential for using AI to not only backfill the gap in the admin market but to educate a new generation of administrators. “Beyond the obvious benefits for servicing the members experience, we still need people who can administer those schemes. So why not adopt AI for training purposes rather than relying on existing senior staff to try and train joiners while overseeing the rest of the business?”

Another scheme manager was very keen on how technology could not only identify and quantify emerging risks but help frame the concerns about cost within a broader context. “If we start now, we know there’s a cost, but it's likely to be worse later down the line if we must react rather than act proactively. There are always going to be restrictions and discussions around costs – and everyone wants to keep costs as low as they can – to protect the funding position of the (DB) scheme, but I do think cost isn't looked at in isolation and it’s seen as part of a bigger piece. There’s an understanding everything comes with a cost, but why don’t we assess the benefits to understand how this could help us in the future by possibly even lowering costs.”

Takeaway 16: Technology like AI may not just revolutionise processing but could be put to work teaching the next generation of pensions administrators and freeing the time of experienced administrators, many of whom are close to their own retirement.

5. Conclusion

The past few years have seen considerable development of digital capabilities, yet it appears from our survey and conversations many schemes remain at or near the start of their digital journey. Despite acknowledging digital admin will improve efficiencies and increase member engagement, levels of digitalisation, automation and connectivity remain very low.

Special projects won’t resolve the issue

The admin market – and most schemes’ approaches to their own operational development – remains fragmented. Major projects are run on a ‘just in time’ or ad hoc basis, with larger jobs coming under the auspices of special projects. This isolates important development work from key work such as improving scheme data, relegating it to an expensive ‘one off’ cost. Data is often ‘improved’ under special projects, which is neither the most cost or operationally efficient way to develop better scheme data.

Cost will always exist – focus on the benefit to savers

Cost is still perceived as the greatest obstacle to a more structured and pragmatic approach to improving data, but cost is only one aspect of what’s really a cultural problem. The industry has spent decades driving down the price of admin in the name of efficiency. Expectations of admin are very low and all projects therefore appear expensive so few schemes commit to long term projects to improve and enrich data. As a result there’s little understanding about how spending money now, or on an ongoing basis will reduce costs and improve engagement in the long term – particularly on DB schemes seeking buyout.

Compliance is king, but don't lose sight of the bigger picture

Regulatory projects will always take precedence and there's a lot of regulatory change ongoing in both the private and public sector, none of it quickly. This further delays schemes from embarking on a journey to improve data. Better data isn't a one and done project, but a new way of managing pensions data in the future.

Where do we go next?

Schemes, administrators and all stakeholders should be further along their journey towards digital admin than they currently are. Cost remains a major obstacle, it shouldn't be the end of the conversation instead perhaps it should encourage an assessment of alternative approaches. Schemes have a lot to contend with and resources are limited, but how many have assessed how much has been spent on the 'drip, drip' effect of special projects over the past decade and for what benefit? We need to analyse whether this resource would have been more effectively used as part of an ongoing programme of data cleansing and enrichment.

Some of those we spoke with suggest digitalisation and regular data cleansing and enrichment can have a transformative effect not only on admin, but across all aspects of a scheme. **Better data will inform investment and funding strategies, and assist engagement, particularly as schemes are being asked to consider a cradle to grave retirement role.**

Advisers such as scheme actuaries and investment consultants should encourage schemes to raise their game on digital admin, for the holistic benefits it may offer. Many schemes would also benefit from greater assistance from across the industry. Industry groups like PASA, PMI and PLSA should find best practice solutions which may be more easily adopted by those schemes with insufficient resources.

There's a role for new technologies within digital admin. RPA and AI could greatly improve the accuracy and security of pensions admin and improve the user experience. Many believe these technologies should be used to address the structural weaknesses which are currently holding back the pace of change. These weaknesses include the need for administrators to manually intervene in many processes, to take up basic administration to release administrators for more technical tasks and to combat the general shortage of administrators by using AI rather than senior professionals to assist in training of the new generation.

Without digital transformation, schemes will continue to struggle with the huge reporting and regulatory burden weighing over them, which will only increase over time. Maintaining old and inefficient systems is expensive and may leave schemes open to the threat of cyber-criminals.

With endgame, consolidation, GMP equalisation, Value for Money and dashboards round the corner, together with the potential for regulatory creep of consumer duty, schemes have plenty of good reasons to get to grips with digital admin and reassess where they are on this journey.

Schemes may be expected to offer additional support to savers in making and executing their at retirement decisions, and this will require a level of data and flexibility of processing being achieved in some parts of the retail world with open finance. They will need help, and plenty of it. The industry must join together to help schemes understand the benefits of digital admin. Continuing to defer this transformation may be the easier choice, but only makes data processing much more involved, disruptive, painful and expensive.

In such an environment, the saver will always lose out, as the scheme is constantly paddling against the current to remain where it is. This isn't only a sub-optimal position to be in, but it could be a choice taken away from schemes in the future. The debate has moved on to include compulsory consolidation for schemes performing below minimum thresholds the regulators expect. Admin is certainly going to be one of the metrics used to assess saver value.

Appendix 1: Methodology

The quantitative evidence produced in this paper was conducted in late 2023 among a number of UK private and public sector schemes, DB, DC and hybrid schemes and TPAs.

The respondents declared their respective roles to be:

- pensions manager (46%)
- in house pensions professional (35%)
- TPA (13%)
- trustee (5%)

There were no responses directly from employers/scheme sponsors.

The types of scheme covered by the respondents' answers were:

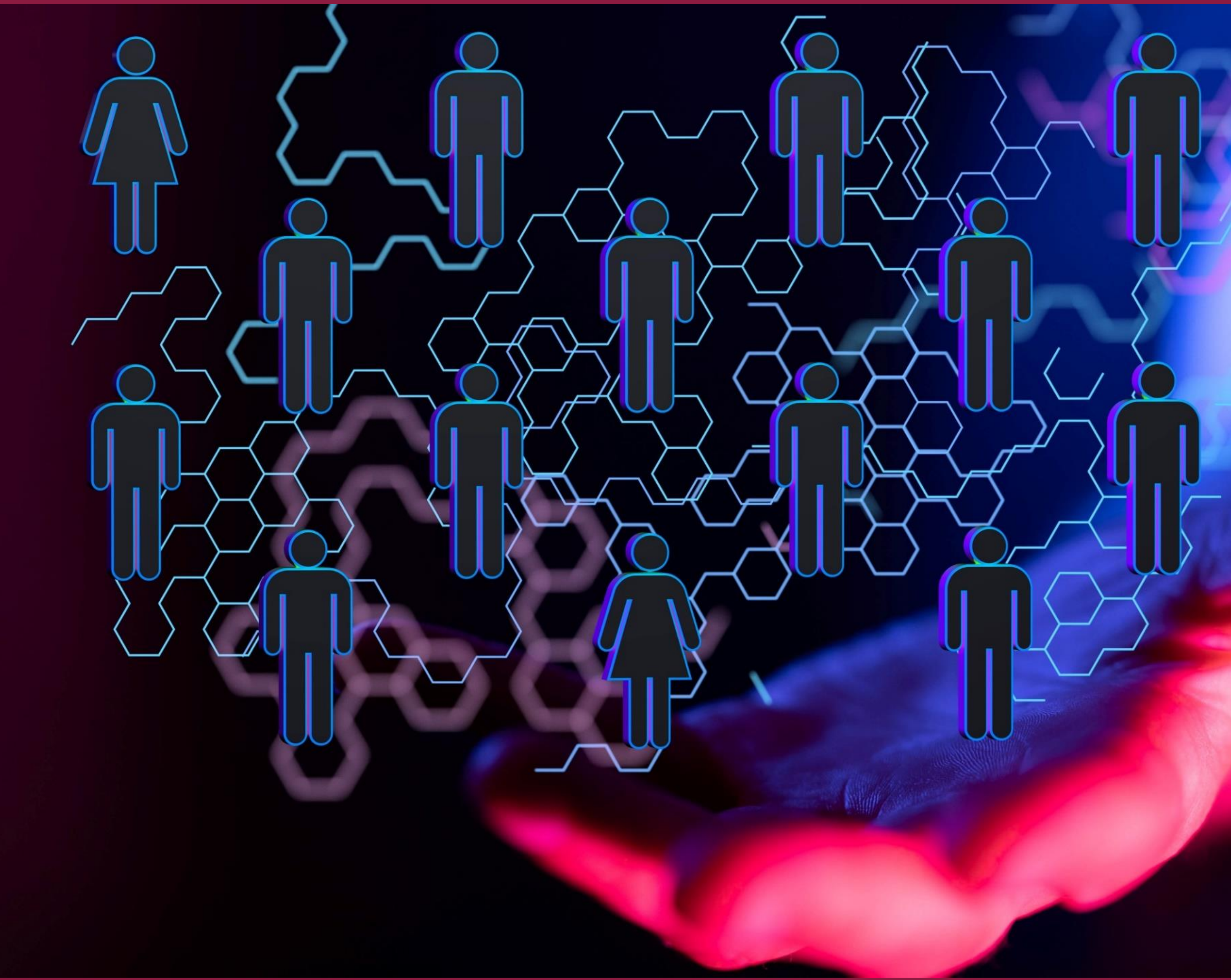
- DB (89%)
- hybrid (19%)
- master trust (8%)
- DC single trust (5%)
- other (3%)

The aggregate of these numbers exceeds 100%, as TPAs were asked to select all the types of scheme they administered with various sponsors running multiple schemes.

The vast majority (81%) represented large schemes of more than 10,000 savers (81%). Schemes of between 1,001 and 10,000 savers made up 9%, while 501 to 1,000 and under 500 savers were 4% and 3% respectively.

The 100% aggregate figure is skewed by organisations with multiple schemes under their administration.

The qualitative evidence for this paper was drawn from a series of in-depth interviews completed in January 2024. These interviews were conducted with a broad cross section of senior pension professionals representing each of the types of scheme surveyed by PASA.



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