

During the last 18 months in particular, my colleagues at Punter Southall and I have seen an increased desire from clients for the reduction in running costs of pension arrangements. All professional fees, including administration fees, have been under pressure from trustees and employers.

Requests for fee reviews, the removal or suspension of previously agreed annual inflation increases, or the decision to place services out to tender on the basis of cost, have been commonplace. Of course, this has always been the case, but it seems that this activity has seen a marked increase as general economic conditions have taken a downturn.

Administration has never been a high margin business, and active price based competition between administrators has already forced the industry to become efficient.

Hence there is only a relatively limited ability to respond to client pressure on fees without also having to find ways to reduce costs.

Various routes that firms have taken to reduce costs include reducing headcount, consolidating offices, off-shoring services to lower cost locations, introducing service centres, and deploying more process technologies. All of these carry the risk if not properly executed of diminishing the quality in the service to members.

The need to improve the quality of administration services, both to trustees and to members, is surely of equal importance to the control of costs. In fact it is arguably of greater importance. We need to ensure that the way we create efficiency does not result in the quality and service to members being sacrificed.

In fact, introducing technology solutions can achieve both efficiency improvements and an improved member experience if implemented appropriately: If the technology is introduced in a way that supports the

The technological answer

Delivering efficiency and a high level of service is possible with the right technological approach, says David Watkins

staff, that reduces the risk of human error, and which allows staff to focus on dealing with the needs of the customer and reducing the time they spend on complex and time consuming calculations, then it should be advantageous.

Focus on the member

For Punter Southall, the fundamental point about pension administration is that in the end, the job is about helping members. The removal or reduction of the human element in this interaction can be a serious mistake and one that ultimately creates more risks and issues than a person based process ever could. The key therefore, is to

ensure that the technology aids the administrator and supports the provision of a quality service.

Technology should not be implemented in a way that constrains and controls the people using it, as this results inevitably in a reduction of knowledge and skill – where the administrator no longer uses the technology to support the delivery of services to members.

Instead, administrators are forced to follow a rigid process to produce work that is despatched with little or no regard to a member's personal circumstance or requirements.

We are all familiar with the end point of this process – it is an all too



common experience to find oneself endlessly navigating the automated voicemail system of a bank or insurance company in the vain attempt to respond to a letter that the 'system' has issued based on some automated instruction.

Instead we need to ensure that members are given the ability to contact people, either the person responsible for despatching the work or someone who is empowered to help them to resolve their query. The process of establishing contact needs to be as straightforward as possible, while still ensuring satisfactory identification. Technology can clearly play a part in this, so long as artificial barriers are not created between the administrator and the member or the trustees. These can be created when large scale call centres are introduced, or off-shoring strategies are employed even when customer contact is restricted to the UK.

The risk is that technology solutions can create the illusion that pensions are a commodity, a simple straight through process that can proceed unimpeded by considerations of individual knowledge, personal ownership and the need for a tailored customer service.

Don't make the member do the work

For a significant period of time the banking industry has been viewed as a model to which other financial services providers should aspire. In particular there has been a use of web enablement to shift work from the back office administrator to the customer, allowing on-line processing of customer transactions, particularly those relating to defined contribution (DC) arrangements. The industry has also attempted to move the processing and reconciliation of contributions or personnel files back to the company payroll or HR departments, using the same web based solutions.

In this pursuit of efficiency and

margins, the retail banking industry adopted call centres, off-shoring strategies and significantly reduced its high street presence. The result has been that banks, never known in general for their focus on customer service, have further lost touch with their customers.

Our industry is going down the same route – pension scheme web portals are now common place and are more often than not quoted as a key requirement by most trustees during a tender process. Yet, at the same time, it appears that take up rates for online web access remain very low, which indicates to me that a significant number of people still want to deal with people and not with technology. It is right and proper for there to be effort expended in encouraging people to use available technology, but that should go hand in hand with recognition that it doesn't suit everyone and arguably never will.

Proceed with caution

I am certainly not advocating a return to the paper and pen, far from it, but it is critical to recognise the importance of customer service and quality when technology is introduced and for the desire to drive costs down to be tempered by the fact that we surely want service levels to be improved and for the needs of the member to be placed at the forefront of the process.

The introduction of NEST and all that it entails will no doubt prove to be a further catalyst for the use of technology and again that is no bad thing. Technology can certainly introduce greater opportunity and access for members and can help to mitigate operational risk from an administrator's perspective.

The use of on-line web technology will only increase in importance and we do need to find ways of encouraging members to utilise it and to benefit from the advantages it offers, but at the same time we need

to offer alternatives to those that simply refuse to sign up.

A renewed focus from fund managers to support the application of straight through processing applied to investment dealing protocols between themselves and administrators would be welcome. This is an area where the use of technology can only be an advantage and can deliver real benefits to the members through reduced out of market exposure and less complexity in the dealing process itself.

However, there does need to be a renewed focus and appreciation of the basic requirements of the administration role; to deliver accurate and timely services to members and trustees with high levels of member satisfaction.

In many instances, administrators are the only link a member has between themselves and the trustees, and that relationship has to be more than a link to a website or a response from an automated voice message service. There is an obligation to deliver against promises made and that requires members being placed at the forefront of administrator thinking, processes and technologies.

Fundamentally, any introduction of efficiencies and actions designed to improve margins should not be at the detriment of service to members.



David Watkins is a principal and head of technology at Punter Southall

Sponsored by



Punter Southall
PENSIONS ADMINISTRATION