

# Two heads are better than one

Outsourcing pensions administration software development to a partner firm can make sense in today's business environment

**T**wo heads are better than one; two of a kind; two's company, three's a crowd. Partnerships can be crucial to success, and no less so than in the case of pensions administration.

Outsourcing pensions administration to a partner firm can be used to enable the relevant participants to focus on the areas where they excel, and really do a good job. But does this actually work in practice, or is it an extra monetary burden that firms can do without in these tough financial times?

Some pensions companies are increasingly realising that they cannot cover absolutely every facet of pensions administration to the same high level

of quality, and that partnering with a company that provides a different type of service can allow each side of the relationship to 'stick to their knitting'.

Furthermore, pressures are undoubtedly increasing for trustees, employers and providers alike, and as the Pensions Regulator cracks its whip in the area of record-keeping, all participants are going to be forced to drive up standards.

Richard Thomas, principal and director of pensions administration at Punter Southall, explains: "What is important to us is delivering the best quality support to our clients and providing scheme members with excellent customer service.

Outsourcing the technology development and support functions to our partner, ITM, frees our staff up to concentrate on doing just that. We can say with confidence that our front office delivery to clients is supported by a flexible and robust IT support function and it is proving a very successful model."

## Outsourcing

It is certainly true that as time and cost burdens intensify, firms are looking for different avenues to explore, with outsourcing to a trusted partner being one of them. Hewitt Associates, for example, announced back in February that it had selected aquila as its administration provider. Derek Morgan, European benefits outsourcing lead at Hewitt, explains that they had been actively looking for a way to take the firm's administration service to the next level.

"This development allows us to move our strategy on and to drive forward our administration services based on the latest thinking in service delivery with innovative and leading edge technology," he says.

Ralph Tucker, head of propositions at Mastek, points out that when it comes to the technical areas of pensions administration, going to an expert in the field can help tremendously. "With a backdrop of legacy systems, lost in-house expertise and constant change both in responding to the industry and regulatory pressures, never has the burden on product provider IT departments been greater."

When a business



### Punter Southall and ITM

Punter Southall Limited (PSL) was the first firm to embrace the unique concept of teaming up with a partner in the industry to outsource their pensions administration software development. In this case, the firm in question is data management, administration consulting and IT specialist, ITM.

The story began around three years ago when Richard Thomas, principal and director of pension administration at Punter Southall, joined the firm.

He explains how Punter Southall provides a whole range of services to pensions schemes – rather like a “one-stop-shop for pensions and retirement,” and part of delivering every service effectively, is to recognise your own strengths and weaknesses. “What Punter Southall is really good at is developing long-term relationships with clients,” he adds, “and this should never be compromised.”

Since joining the firm, Thomas has been concentrating on pulling the pensions administration service together into a more focused and competitive proposition, and even though it had been developing its own pensions software for some five years, it became apparent to Thomas that this area was not one where the firm’s talents really laid.

“In order to be good at developing long-term relationships with clients you’ve got to have a slightly open-ended view of where you’re going, and what you’re focusing on is the process of keeping the client happy. In order to develop good software, however, you’ve got to have a very end-directed project management approach, and culturally these two are quite incompatible.”

Therefore ITM was brought in to advise Punter Southall on how best to manage the development and support of its administration software, PenScope, although it quickly became evident that this partnership could be further enhanced if ITM were to take over the entire operation.

This is why a year ago Punter Southall outsourced the management and development of its pensions

administration software to ITM, transferring staff over to ITM’s office in Guildford, Surrey.

One year on and Thomas reports that the partnership between the two has been an overwhelming success: “The result has been that the delivery of the development of the software is probably two and a half times better in terms of the volume of output compared to when we were managing it ourselves, and for much the same cost. So this has reinforced the conclusion that we were right to outsource.”

The strategic partnership has evolved even further with Punter Southall selling the intellectual property of PenScope to ITM. “Our logic,” says Thomas, “was to have the best software solution available and ITM have achieved this and created a market leading system which gives PSL an excellent competitive edge in the TPA market.”

But this is by no means a one-sided partnership. ITM has had a lot to gain from the deal as well, especially in terms of acquiring a corporate pensions administration system and continuing its development. Guy Ridley, managing director at ITM, explains that through its strategic partnership with Punter Southall, ITM was able to come up with a proposition that provides an outsourced software solution, with all the benefits of having a fixed cost and known timescale.

“That proposition has only come about because of the strong relationship we’ve forged with Punter Southall,” says Ridley, “and through understanding far better what a third party administrator (TPA) requires in terms of system support, what TPAs are looking for in terms of leading edge technology, workflow management and straight through processing.”

Ridley adds that the success of ITM ultimately depends upon the performance of its clients, or partners. And when it comes to the relationship between ITM and Punter Southall, “the partnership allows each other to excel at what they do, and that is what we want to bring to all the other partnerships that we have”.

decides to look for expertise externally however, there are a number of key elements to consider when doing so, according to Tucker.

“It is important to consider the track record, the technology platform and the scalability of the operation, but more importantly, does the outsourcing company share the same philosophy as you? Can they provide

more than just a cut price IT build?

“The importance of an IT partner company to be able to demonstrate understanding of the challenges of all aspects of the business, not just from an IT perspective, is critical to the success of the project.

“To be able add value in all areas of a project across business units from conception to design, build and

eventually implementation, will lead to stronger ties and a long-term trusting relationship that is beneficial to both parties.”

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