SCHEME MANAGEMENT

Rise of the machines

Nick Martindale looks at why pension scheme managers across Europe are spending more than ever on technology to meet their objectives

WRITTEN BY NICK MARTINDALE, A FREELANCE JOURNALIST

Unsurprisingly, the economic downturn led to a tailing off of investment in technology by many employers and pension scheme providers. But as the global economy started to pick up, so too did spending on IT, with employers in particular increasingly aware of the administrative and engagement benefits that can be delivered by implementing effective technology.

"In recent years we have witnessed an exponential interest in technology within the pensions industry," Dalriada Trustees director Adrian Kennett says. "Trustees are gradually starting to realise that emerging technologies can facilitate more efficient pension scheme management and lower operating costs. All parties are beginning to appreciate that effective pension scheme software is bridging the divide between sponsor, trustees and advisers, helping them work towards better outcomes for their schemes."

Motivations and catalysts

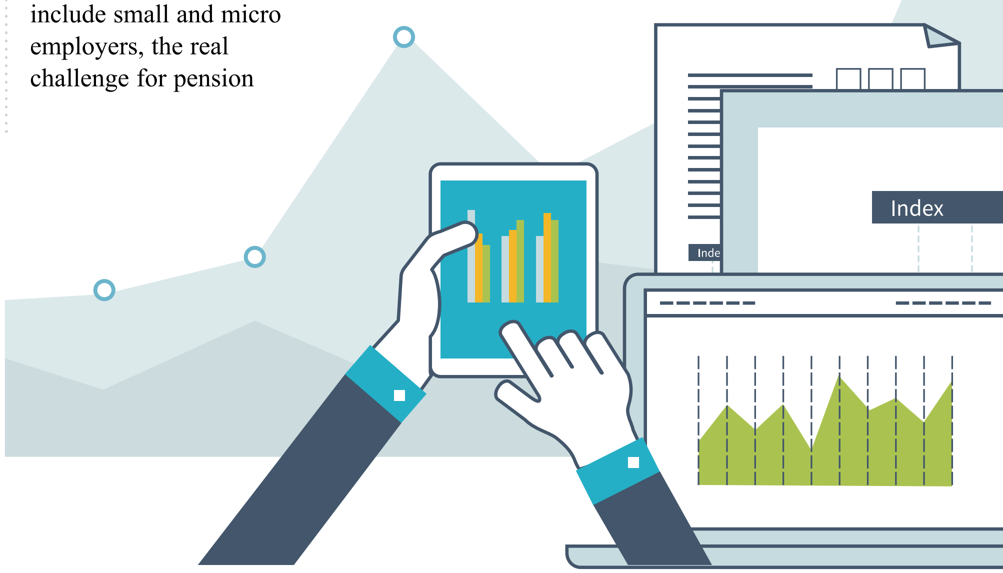
Equiniti managing director for data solutions Duncan Watson identifies three motivations for spending on new technology: a response to new legislation, a current platform reaching the end of its life or support for this being withdrawn by a provider, and a desire to improve the member experience or scheme efficiency.

"Spending on technology varies depending on what change is happening at a given point of time and is largely out of a scheme's control, depending on things such as contract dates," he states. "It will vary depending on availability of discretionary spend but also on industry trends, such as the rush to embrace digital."

In the UK, the recent pensions freedoms reforms and the introduction of auto-enrolment has proved a catalyst for investment, and many other European countries are now watching this closely, Altus Business Systems sales and marketing director Howard Finnegan comments, who estimates that spending on pensions technology has increased by around 15 to 20 per cent in the UK in 2015. "Ireland is likely to implement some form of auto-enrolment in the coming years," he says. "It has become an election issue in the forthcoming general election with the main political parties.

"In the UK, as the auto-enrolment staging process begins to include small and micro employers, the real challenge for pension providers targeting these markets is how to on-board and maintain the sheer volume of new employers and members cheaply and efficiently," he adds. "The only way to achieve this is through automating the entire end-to-end process." Many employers are also starting to invest in systems offering alternatives to standard annuities, he adds, to provide more choice to those coming up to retirement.

In some ways, though, the UK remains behind other European nations, Kennett outlines. "Traditionally, countries such as the Netherlands have led the way in integrating pension scheme management with technological solutions, and this is driven in part



by a regulatory environment that focused on prudent investment risk management and high standards of pension scheme administration. Technologically, many UK pension schemes are playing catch-up."

Investment in technology tends to centre around either engaging employees or making processes effective for employers. Much of the investment to date has focused around the delivery of information but increasingly this is extending to tools designed to get employees to engage more with their pensions.

"Some of the employee benefits consultants have invested directly and created their own online experience, including mobile functionality and apps," Teamspirit managing director Kirsty Maxey comments. "Some enlightened employers have taken this a step further; for example, Kingfisher has invested in an online game to engage the younger end of their employee audience."

Staff now expect the same kind of interaction and user-friendly system as they experience in their personal lives, Xerox HR Services senior consultant Lee Cook states. "End-users expect a 'consumer grade' experience due to their daily interactions with applications such as Facebook, Amazon and LinkedIn and will quickly dismiss ineffective solutions," he says. The use of robotics – automated programmes providing advice and guidance to employees based on their own risk profile – will also become more common, he believes.

Employers

From an employer perspective, technology is helping to provide much clearer – and more connected – management information to trustees and scheme managers. "In the DB sphere, inevitably, pension issues remain board-level agenda items and there is a greater corporate focus on managing deficits," Olswang senior associate Andrew Campbell mentions. "Used effectively, technology can progressively bridge the gap between companies, members and trustees, and the use of online, shared platforms will enable stakeholders to look behind the curtain and effectively manage risk across their scheme in a more transparent, shared way."

THE USE OF ROBOTICS – AUTOMATED PROGRAMMES PROVIDING ADVICE AND GUIDANCE TO EMPLOYEES BASED ON THEIR OWN RISK PROFILE – WILL BECOME MORE COMMON

Online systems can also help enable trustees undertake regular monitoring of scheme performance and allow members or HR teams to amend personal information, European Actuarial & Consultancy Services (EURACS) chairman Colin Mayger says.

"Trustees are increasingly using technology to monitor their funding and investment strategies in real time, and for financial risk analysis, including asset-liability modelling," he adds. "In each case trustees will want to satisfy themselves with new systems that add value, either by