Overcoming the Hurdle: Approval for a New Pension Admin System

INTRODUCTION

Pension administration system (PAS) replacements have become an increasingly popular option for North American pension funds to help modernize the member experience, improve information security, and streamline fund operations. A new PAS implementation is a serious undertaking that requires a complete and well-reasoned business case to justify the investment and measure success both during the implementation process and in post-implementation. Benefits, costs, organizational constraints, and the relationships among them need to be understood, in detail, during the business case phase to provide the foundation for overall long-term program success.

OVERALL ORGANIZATIONAL COSTS NEED TO BE UNDERSTOOD

The following factors will significantly drive the initial implementation costs:

- The number, complexity, and variety of plans that exist in the legacy PAS.

- The vendor's out-of-the-box and configuration abilities to address plan rules and calculations.

- The data integrity of legacy systems and the quality of data schema/format documentation.

- The number of internal and external systems to be integrated.

- Internal resource availability to explain plan rules, data, forms, documents, integration points.

- Testing participation. The necessary test scripts need to be created as early in the project as possible to enable effective, efficient testing throughout the program to drive quality.

Additionally, your business case needs to include the cost of allocating key business and IT resources to the project starting in its initial stages. The early and significant involvement of these resources will significantly influence your project's success. They'll ensure that the vendor and any system integrators use the correct business and technical requirements needed to execute the project, including functional requirements and other testing that your fund will use to measure success.

These key resources also help to ensure senior executive and overall organizational buy-in for the business case and implementation. They will often lead the training, knowledge transfer, and change management efforts for your fund to ensure correct usage and maximum value is acquired from the new platform post-implementation. These key resources will have to dedicate enough time to the PAS implementation while balancing their daily duties.

Finally, pension funds need to consider PAS vendors' annual subscription fees. With the trend toward public cloud implementations, annual subscription fees that include continuous, more frequent software releases and security patches have mostly replaced upfront and perpetual license fees. Pension funds need to know what is and is not included in annual subscription fees to plan accordingly. The role that pension fund employees will play in ongoing support for major releases and upgrades also needs to be taken into account.

INCREASED MEMBER SERVICE AND PROCESS AUTOMATION ARE IMPORTANT BENEFITS

Pension funds want modern administration platforms and digital engagement approaches to communicate and collaborate with their members more efficiently and securely. The limitations of legacy administration systems have resulted in staff members conducting many core business functions manually. Many benefits from a new PAS will come from process automation and streamlining – but pension funds should be aware that a new PAS is not a silver bullet for fixing broken processes. Rather, the new PAS should be a primary element of broader process simplification and member service improvement efforts.

Vitech recommends using a qualified strategy and process consultant to help quantify the benefits of a modernization that includes a new PAS. High-value member interaction types you should organize your business case around include: 1) providing retirement benefit estimates accurately and consistently across all servicing channels; 2) simplifying frequent updating transactions such as address and beneficiary changes, income verification, and W-4 withholding changes, and making these available via self-service; 3) allowing retiring members to apply for benefits without multi-page, error-prone forms; 4) having members start receiving pension payments quickly after their last paycheck; and 5) in the future, using mobile self-service offerings to answer payment status questions like "When will I receive my benefits?" and "Did you receive my payment?"

Other Benefits to Support Your Case

- **Secure, omnichannel servicing.** With one source of truth for data, rules, and calculations, easy integration with your members' devices of choice, and process simplification enabled by the new PAS, member self-service rates can increase significantly from the current average of 5% of members across public pension funds.[1]

- **Knowledge transfer**. Retirement rules have become more complicated over time. This knowledge is currently held by key staff members. If rules knowledge is inherent in a modern administration platform, pension funds can improve efficiency and processing consistency while mitigating the negative impact of retiring staff.

- **Operational resiliency.** For the modern PAS platform, complex technology needs such as application and infrastructure-level information security become a significant responsibility of the PAS vendor and cloud service providers like AWS, who provide the underlying infrastructure. These cloud service providers spend billions of dollars each year on these capabilities to keep them world-class.

- **Staff productivity and satisfaction**. Call center and back-office staff should have access to an easy-to-use system that provides a 360-degree view of members, streamlines screen flows and workflows, increases their service levels, and gives them time to focus on more important tasks that provide member value. Supervisors can leverage analytics and reporting dashboards to help them allocate resources to improve financial and service outcomes and catalyze continuous improvement efforts.

CONCLUSION

Pension funds desire modern administration platforms and digital engagement approaches to communicate and collaborate with their members more efficiently and securely. They need to build a comprehensive, accurate business case to justify the implementation and measure success over the long term. Aligning the key internal business and IT resources to build the correct future state will provide the vision to achieve broader organizational buy-in and define the highest value achievable from a new PAS replacement journey.

ABOUT VITECH

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1   A Future Glimpse: Five Pension Systems That Are Leading the Way in Online Member Experiences