



Digital wins in the pensions sector

By swiftly creating super-efficient response channels that offer end-customers digital choice and streamline interaction, pension companies can quickly and effectively drive out back-office inefficiency.

First, some figures. There are over 5000 UK private sector defined benefit pension schemes sitting on £1.4 trillion of assets. And 9.6 m members rely on those assets for their financial futures. Behind these numbers lies a sector back-office that is overflowing with paper-based processes.

There is a huge volume of administrative communication that goes out to members – from annual statements to tri-annual valuations, transfers out, address or next of kin changes and so much more. And there are frequent regulatory changes requiring processes to be amended, adapted and communicated.

Guided digital transformation

Digital transformation is often referenced as a solution to the paper mountain, but this is a term with many different interpretations. The phrase is commonly used to describe a business's long-term digital goal for the entire organisation. We prefer to talk in terms of *guided* digital transformation. This describes a more focused process which can happen either in parallel or in advance of any business's broader transformation goals. Here, smaller, tactical transformation delivers quick wins that solve immediate, everyday challenges.

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Another misconception around digital transformation is that it entirely eliminates paper from processes. Our work with the pensions sector is not about replacing all paper communication with digital processes or replacing existing digital solutions. Rather, it is about speeding processes up and reducing lag, driving back-office efficiency, capturing more accurate data, reducing the cost, and improving both the choice and the experience for members. Often, wider strategic transformation projects can arise from these more immediate tactical solutions.

GMP equalisation

Once such tactical requirement that has arisen recently is GMP equalisation which is a complex requirement to both calculate and administer.

In simple terms, some members of final salary pension schemes have a Guaranteed Minimum Pension (GMP) as part of their pension, which is calculated differently for men and women. This can cause men and women to receive different pension amounts. However, as a result of a court ruling, benefits now have to be adjusted to take account of unequal GMPs.

The process of GMP equalisation can lead to members being eligible for a top-up payment which can be received either as a payment to another pension scheme, a top-up payment to an existing scheme, or as a cash payment.

It is the administration of this process that we have digitised for our client Aon – a global professional services company and one of the UK's largest pensions administrators – through initial verification of identity and then through managing the member's choice relating to how to receive the payment.

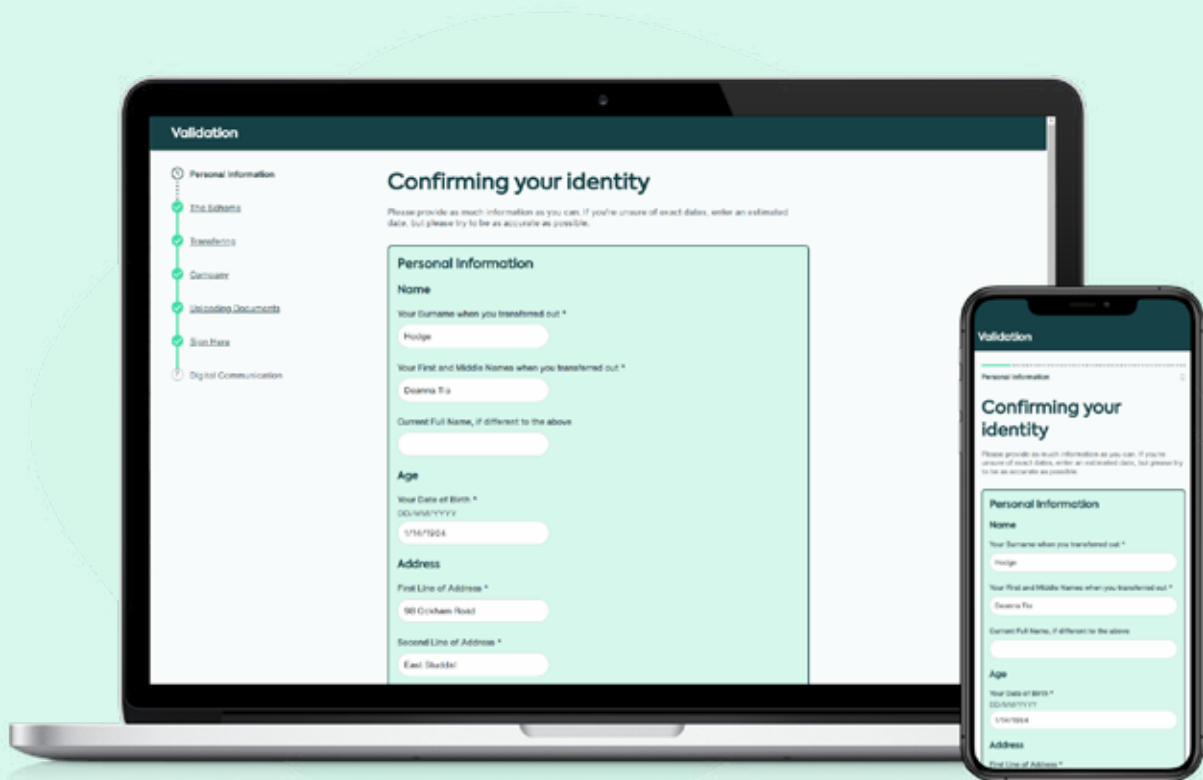
“Enabling a digital response serves to simplify actions and speed up responses.”

The client saw huge benefits in digitising this regulatory process and in giving clients the option of responding digitally. The paper process would typically take 2-3 weeks, with a great deal of inertia at each stage and a high likelihood of an increase in inbound enquiries regarding the completion of forms. Enabling a digital response serves to simplify actions and speed up responses. The digital solution provides additional information and guidance and forces accuracy in form completion. As a result, the number of queries coming into the call centre is significantly reduced.

Data quality and response efficiency

Another key benefit is improved data quality. Often, with paper-based forms, the quality of data that businesses get back can be poor. Members will either end up providing too much information or will miss information out because they haven't correctly followed the response flow of the form. Additionally, when forms are digitally scanned they can often throw up considerable errors; and manually processed forms can often be unreadable. With a digital process, our client is able to steer responses and ensure that members are only shown sections that are relevant to them. Digital responses can also be more easily validated.

This solution stands apart from many so-called 'digital' offerings which initially engage with customers digitally – perhaps via a web-link or email – only for subsequent, follow-up stages of the process to be entirely paper-forms based. Our GMP equalisation solution sends an initial hard-copy letter to each member explaining the requirement and asking members to validate their identity and the information held on them. The letter then offers the choice to continue the process via paper forms or via digital.



Agile solutions

The introduction of GMP equalisation regulation meant that the client wanted to start straight away. However, given the regulation was new, the client wasn't simply re-inventing a legacy paper-based process – it was having to start from scratch. Typically, the solution design and development stages are defined and separate. Here, design and development happened almost simultaneously and collaboratively.

In fact, digitally transforming a process can take as little as two months. This timeframe was all that was required to radically transform a service for another blue-chip financial services organisation. The client was making compliance-driven changes to its default fund management process. The provider needed to contact over 140k customers to inform them of the changes and to ask whether those customers wanted to opt-in or opt-out of the new structure.

The client wanted to create a solution that captured customer responses digitally, with the ability to also capture any hard-copy responses. They needed a partner with the ability to send out personalised letters based on variable content blocks (at volume) and with the expertise to also set up a portal that could enable authenticated customers to interact online.

Our team created a hosted application which delivers personalised pages triggered by flags in each person's authentication data (such as date-of-birth, account number, etc.). Thus, each page is pre-populated with an individual's data, resulting in a smoother, more efficient user experience. Members are only shown options on the form that are applicable to them. Then, as they progress through the form, subsequent displayed options will be tailored to the inputs they make.

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The client has been able to replace a very outdated paper process with a solution that digitally streamlines the fund management journey for customers. The process is also more cost-effective through the elimination of a large percentage of postage costs. Response rates are three times higher than they were when only a paper process option existed, and 90% of these responses are now digital.

Our digital transformation tools enable us to streamline numerous processes. We have componentised solutions ready to plug in – such as a database, a processing engine, digital journey templates and a cloud-based front-end. We can then engineer the client's data so that it fits into this plug-and-play platform, ingesting the data in the right format, and building logic into the solution to deliver the necessary personalisation. These tools and processes lend themselves to the digital transformation of a vast array of legacy customer engagement processes.

Efficiency and choice

To reiterate, this isn't simply about replacing paper-processes. Rather, it is about offering digital choice and streamlining interaction quickly and effectively. We're empowering companies in the pension and other industries to drive out inefficiency and lag and to swiftly create super-efficient response channels that are a win-win for client and end-customer alike. Certainly, with the introduction of Consumer Duty, solutions that put the customer first are more important than ever.

We're particularly expert at working with clients to identify obvious points of entry for guided digital transformation – often centred around new legislative challenges or internal changes. Once these quick wins have been identified, and solutions implemented, decision-makers within companies have far more confidence in tackling bigger, more strategic digital goals.

