Automation of individual and bulk occupational pension transfers

Alongside the Government's challenge to the industry to develop a Pensions Dashboard prototype by March 2017 (full Dashboard by 2019), the publication of the 'Improving Pensions and Investment Transfers and Re-registrations' consultation paper in December 2016 will have left the industry in absolutely no doubt that dealing with delays in pensions and investments transfer times is a key Government target in its overall pursuit of improved consumer outcomes.

Responses to the paper must be in by **Sunday 31 January**, giving the industry under two months to gather its thoughts and put them down on paper - another indication that this is an issue the Government wants to resolve as quickly as possible.

The delays experienced from manual pension transfers have of course been highlighted by the introduction of the Pensions Freedoms. The frustration of consumers who are now very familiar with carrying out transactions online, cannot understand how what seems to be a simple process, takes our industry weeks or months to complete. After all, bank payments that used to take days to transact can now take place in hours. Consumer expectations have been raised.

Such delays do not apply in every case; automated transfers typically complete in a matter of days with some transfers being carried out in minutes.

Since Pensions Freedoms, there are issues to consider of proper due diligence and protection of consumers against pension scammers and liberators. Recognising that transfers must be safe and allocating time for safeguarding benefit checks must be taken into consideration.

However, if the industry is to tackle transfer delays, automation of the process is essential. It comes as no surprise, therefore, that electronic processing is a key solution highlighted in the December consultation paper as the means to quickly report performances and help improve the overall process and outcome for the consumer.

Automation of bulk pensions transfers

It follows that attention will turn also to bulk pension transfers, which are still largely based on manual processes. Spreadsheets and other unsecure methods are still being employed to pass data between administrators.

In a digital world, manual systems are not going to be tolerated for very long and both pension scheme providers and third party administrators (TPAs) are likely to encounter criticism and member frustration where unnecessary delays occur.

The crazy thing is that administrators could not only improve their service to members and trustees by automating their bulk pensions transfers processes but could also save themselves considerable sums of money and reduce data security risks too. Automation of member transfers and enabling schemes to conduct the transfer of members' assets in a bulk process, can bring natural efficiencies and savings.

Anyone who wants to find out the kinds of savings that can be made – and we are talking tens to hundreds of thousands of pounds a year, depending on the levels of plans ceded and received – can have access to a proprietary calculator developed for this purpose. As an example, a pension administrator that wins 30 schemes in a year with an average of 1,000 members per scheme could save around £150,000 a year. That figure would increase, of course, for any transfers out that occurred in the year, which often are more expensive and labour intensive to undertake. Smaller scheme transfers can also make significant savings running into tens of thousands of pounds, simply by employing an automated bulk transfer system.

Every scheme is different and the calculator is designed to provide a tailored assessment for individual companies based on their specific business levels. You can access the calculator on our website.

Game changer

By adopting an automated transfers service, not only can you demonstrate your commitment to ensuring your members receive the service that is expected but one which is also in-line with Government expectations too. A good automated transfers service will also provide monitoring and co-ordination, and prompting of actions, with full start-to-complete MI and audit trail for review and compliance requirements.

Secure and efficient automation of bulk transfers between providers, TPAs and employers is a game changer for the industry. By doing away with manual and risky unsecured data processing, huge efficiencies and cost savings can be achieved while also enabling a 21st century service to members. ▪

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