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Optimize the Pension Service Delivery Model

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In a recent survey, plan sponsors overwhelmingly expressed their desire to improve operational efficiencies in their defined benefit plans. Show me a solution that saves me both time and money is the plan sponsor's expectation from service providers. This is not surprising. We all want more for less, yet our practical side is skeptical of the possibility. In my role as Defined Benefit Administration Practice Leader at Findley, I was intrigued by the idea of a service delivery model that returns time and money to our clients.

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Pension administration is optimized when consistency and automation is maximized. If two employees each request a pension distribution, the process by which they receive their request should be the same regardless of their personal differences. This is not always the case though if there are differences between the employees such as gaps in historical data or a grandfathered benefit that is not automated. In these situations, technology cannot be fully utilized relying instead on manual steps that cost both time and money.

The goal then is to commit to a pension service delivery model that reaches and maintains an optimized state. It takes a commitment from your service provider to continue developing automated processes and scrubbing and cleaning data well beyond the implementation period. By measuring and improving platform optimization, we are more time efficient and spend fewer dollars dealing with costly compliance issues. For example, Findley measured the impact on client's time and professional fees incurred and observed a negative correlation with our technology platform optimization. As optimization improved, associated client time and costs decreased.

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Another possible return on time and money is technology improvements. Pension administration is technology intensive. Platforms evolve as new technology emerges and employees' needs change. A portion of the fees you may be paying to your pension service provider includes technology investments. As a client, you should expect an annual return on this investment through new and improved employee experience, enhanced plan sponsor reporting; better call center service metrics, or the latest security improvements to guard against cyber-attacks on your employees' personal data. Still skeptical? I don't blame you. Many of the pension administration provider's technology platforms are feeling the effects of age and may not have a return to share. But that will be a topic for another time.