Summary

- Connecting technologies are required for the successful running of the pension scheme. They join the front-end member portals and workflow-processing applications with the back-end system of records.
- Years of on-off IT investments, resulting in one system after another have left many pension firms with a complex technology legacy, involving numerous formats across their divisions and functions.
- Efficient access to data is vital in ensuring systems and services are able to function effectively. Enterprise service bus (ESB) technology can act as a communications hub.

Connecting the dots

Nick Martindale explains the importance of, and challenges achieving, integrated pension technologies

Any occupational pension scheme needs technology to work effectively, from members self-selecting options for investments to ensuring regular payments are taken from payroll systems. Yet with a multitude of different systems involved on both the employer and provider side, it is connecting technologies that hold it all together, and are an essential – if unsung – ingredient in the success or otherwise of a scheme.

Sharing information

"The range of connecting technologies is constantly evolving within the pensions administration space," says Profund managing director Malcolm Johnson. "The technologies joining the front-end member portals and workflow processing applications with the back-end system of records are vital in ensuring a robust foundation for effective and reliable administration processing. Service-orientated architecture is the glue that binds these layers together."

Yet there is often a reluctance from corporates to grant access to systems to third parties, even if they are responsible for operating the pension plan, meaning some form of data transfer is inevitable, says Pegasystems European insurance director Tony Tarquini.

Legacy challenges

There are a number of potential options to transfer data. From a trustee perspective, one solution would be to have a single data source that is common to both administration and payroll records, suggests Johnson. "This would make sure there is no data duplication or manipulation," he says. "Another solution would be to provide pension scheme members with a transactional experience akin to what they encounter on a daily basis in their personal lives by way of straight-through-processing via the internet."

For employers constrained by legacy systems, moving to a new platform may make sense, despite the potential cost implications, believes Capita Employee Benefits client relationship director Geraldine Brassett. "Many providers have only one strategic platform going forward and this is likely to be the vehicle where connecting technologies are maximised, so if trustees wish to avail themselves of new technologies and their arrangement resides on a legacy platform, then often the only way to take advantage of these is to transition to the newer platform," she says.

Providers, too, can find themselves wrestling with legacy systems. "Years of on-off IT investments, resulting in one system after another have left many pension firms with a complex technology legacy, involving numerous formats across their divisions and functions," points out Hyland financial services specialist Colin Dean.

Rebuilding systems may not be an option here, he says, and suggests the use of enterprise information platforms which can link all legacy systems into a single hub. "The ideal system would be able to integrate an intelligent capture system so that paper documents are rapidly digitised, can cope with new digital platforms – such as self-service websites for clients – and double as a tool for management looking to secure operational efficiencies."

Tarquini, too, suggests the concept of "wrapping legacy in modern technology". "When done properly this can relegate legacy systems to simple background databases and create joined up and modern capabilities," he says. "For example, staff can concentrate on the job in hand without having to open on average seven windows on screen and log on to disparate systems, and copying/pasting or rekeying between them. It also allows them to rapidly make changes to respond to regulatory developments."

Accessing data

Efficient access to data is vital in ensuring systems and services are able to function effectively. Altus senior consultant Jon Dean says enterprise service bus (ESB) technology can act as a communications hub, receiving files from payroll software, connecting with the sponsor and member websites, linking together internal systems such as policy administration and illustration software, and enabling trading instructions to be passed to fund managers. "Without the ESB, all this technology, and other programmes such as general ledger, workflow and reporting software, have to be connected by bespoke interfaces," he says. "This makes replacement of any one component much more difficult and expensive."