

# Automating pension payments in the post Pension Freedom world

## SUMMARY

Award-winning technology

£5.2bn assets under management

Investment management, support and intuitive systems all in one place for straightforward investing.

## BACKGROUND

Launched in 2007, Parmenion is one of the UK's fastest growing platform providers. It has won a number of awards for its technology and platform service.

With over £5.2bn of assets under management and working with over 1,000 adviser firms, Parmenion's vision is to make investing straightforward, simple and accessible to all. In early 2016, Parmenion became part of Aberdeen Asset Management – now merged with Standard Life to become Standard Life Aberdeen; and is one of the world's largest asset management businesses.

## THE CHALLENGE

When Pension Freedoms were launched in April 2015, they radically changed the way investors access their retirement savings by introducing new options. Pension providers had been using off-the-shelf payroll systems to process pension payments on a monthly basis. Now, however, customers expect to access their pensions a lot more flexibly; and that generates a number of problems when processing payments through a payroll system. To start with, they can often only process monthly payments, which could mean a delay of up to six weeks for pensioners to receive their money. Tax on these payments need to be treated differently, which creates two risks: the first, pension administrators risk reporting incorrect information to HMRC, and pensioners themselves risk being over or under taxed. Recent figures revealing that pensioners have overpaid £305 million in taxes only show how big a problem this could be. Finally, individuals with multiple pensions are often treated as multiple payroll records, which could lead to less favourable tax treatment.

Parmenion was only too aware of these problems, but continued to work through them using an off the shelf payroll software provider. However, it quickly became apparent that a new payroll system, focusing on the particular needs of pension payments in the post pension freedoms world, was required for Parmenion to be able to deliver the level of service their customers expect and are accustomed to.

"The difference that APG has made to our payroll process is huge; two days of effort has been reduced to 20 minutes. The added benefit is that we can now feel completely confident that each and every client has been taxed correctly."

**Diane Jones**  
SIPP Technical Manager, Parmenion

## INNOVATION AND COLLABORATION

Altus and Parmenion have enjoyed a long partnership. They worked together in 2013 to integrate Parmenion's systems with the Altus Transfer Gateway (ATG). Altus was a trusted software provider.

On the back of its work on the Altus Pension Gateway HMRC Reporting solution, Altus shared its observations on the problems pension payments now presented. The impact of Pension Freedoms on HMRC rules was not well understood by the industry and this meant that pension providers were just not given the opportunity to adapt their systems to meet new demand. A new payment solution specific to pensions was required, and Parmenion was keen to work with Altus to create one.

Altus and Parmenion partnered to build a completely unique proposition. Combining Parmenion's domain expertise with Altus's experience of dealing with HMRC reporting, they created a brand new solution that could deliver pension payments effectively, accurately and in a timely way. Drawing on its customers' experience and the challenges of its existing payroll system in the brave new world of Pension Freedoms, Parmenion guided the requirements for the software. Altus modelled Parmenion's existing business process and took the time to understand its current and future business requirements to define the system's capability.

Through system testing and parallel running, Altus made sure that APG's security was robust enough to protect the sensitive data handled by the system. Altus provided ongoing support to Parmenion throughout the development, deployment and go live phases.

## THE OUTCOME

Both Altus and Parmenion showed absolute commitment to developing a pension payroll system that would be fit for purpose from go live date, and within three months, APG was successfully implemented.

Prior to the system's release, the manual processing of pension payments took Parmenion two days to complete. The automation capabilities of APG mean that it now takes a couple of hours. Critical to its proposition, Parmenion can now process payments on a weekly or daily basis, meaning their customers have a much shorter wait to access their pension funds. By processing all FPS and EYU returns made to HMRC, APG records details of all payments processed and builds summary information. This allows Parmenion to have a view of the total payment amounts, any payment recoveries, as well as the total tax collected and refunded. Thanks to these features, Parmenion is able to calculate the net tax due, therefore protecting their customers from any overpayments. APG provides a detailed annotated tax calculation for each payment, and facilitates tax refund by calculating any overpaid tax.

## THE FUTURE

The collaboration doesn't stop here. Pensions change, and so do pensions freedoms. Altus and Parmenion continue to work together to future proof APG with additional capabilities.

Together, Altus and Parmenion have delivered an automated and robust process, perfectly suited for the post Pension Freedoms world.