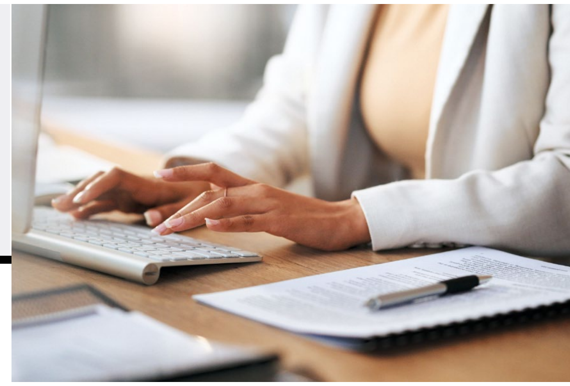
Summary
- There is a growing demand – and potentially appreciation – for administration services in general, with a capacity crunch leading to changes in costs.
- Dashboard integration, the ongoing review, a single code, tax changes and more schemes approaching endgame means it will be a very busy period.
- Requirements are broadening out, with administrators increasingly required to enhance member engagement functions.



The trends set to shape pension administration in 2025

The next 12 months are set to be a busy period for administrators, as the scale and complexity of their caseloads continues to grow

Going into 2025, the consensus among industry experts is that pension administrators have a very busy year ahead of them. This is due to a combination of factors, from regulatory developments to general trends in the industry. The latter has seen a rising number of pension schemes preparing for buyout in recent years, which can lead to more work for administrators with some schemes even swapping out this function. Broadstone head of pensions administration, Gavin Giles, says this is resulting in a greater need for administrators to not only project manage this process but also ensure business as usual (BAU) excellence.

"This shift reflects an increased demand for administrators capable of delivering a seamless end-to-end service that meets both immediate project needs and long-term operational requirements," says Giles. "This is against the backdrop of a 'capacity crunch' in the administration industry, with growing costs for project delivery placing additional pressure on schemes."

This is creating an "unprecedented demand" for their services, according to Capita director of global pensions policy and propositions, Anish Rav, who points out this also requires expertise around critical functions like data cleansing and portfolio de-risking.

"We are also seeing the role of the administrator being increasingly valued by trustees and other stakeholders, becoming more of a strategic partner in line with other advisers and expect this trend to continue," adds Rav.

However, schemes looking for administrators that can handle all of these functions may struggle. Barnett Waddingham partner, Andy Greig, is also seeing demand heighten for talent within administration circles, with greater emphasis being placed on recruitment.

"Managing BAU, dashboards and other activities would be easier if there was adequate resource at the right level available," says Greig. "These concerns have prompted some third-party administrators to put in place apprenticeship or graduate schemes to ensure talent is coming through within pension administration."

Despite a premium being placed on those that can provide it all, this has yet to be reflected in administrator's prices. Zedra Governance client director, Alastair Meeks, complains there is a "profound reluctance" among pension schemes to pay more than the "bare minimum" for administration.

"It's all well and good for commentators to stress the importance of good data for dashboard projects, buy-ins and so on," says Meeks. "The long-established revealed preference of trustees is to try to do these things on the cheap."

There are signs this could change in 2025 though. Broadening administration requirements have not gone unnoticed and Meeks says, due to the scarcity of talented administrators available, more actuaries are tackling these challenges themselves and "discovering the joy of administration".

"In the long run this is likely to be a good thing for both actuaries and administrators, as actuaries learn of the difficulties of sorting out the practical consequences of strategic decisions and administrators gain a new respect from their lofty actuarial colleagues," he adds.

Pensions dashboards

In 2025, the long-running pensions dashboards saga will come to a head with connection deadlines from 30 April. Integration is staggered throughout the year, based on scheme size, but Giles says this will be a major theme for administrators across the industry.

"Trustees will need to establish

an upfront plan that addresses key project decisions and secures the right approach to meet their connection date obligations," says Giles. "Failure to plan appropriately could see schemes struggling to meet deadlines, further exacerbating existing administrative capacity challenges."

This is largely due to the complexities dashboard integration pose for pension schemes, with many things to align from an operational, governance and logistical perspective. While this may pose more work initially, Trafalgar House managing director, Garry Wake, is remaining optimistic and keeping in mind the benefits this initiative is ultimately aiming to deliver.

"While they add another layer of complexity, they are also driving long-term improvements in areas like data quality, automation, and member experience," says Wake. "*[Dashboards]* are forcing a sharper focus on data management, from cleansing basic details to automating the production of value data. These improvements aren't just about dashboards – they will enhance operational efficiency and accuracy for years to come."

Greater TPR scrutiny

This year is likely to present more regulatory change for the pensions industry, not least because 2024 saw the introduction of TPR's long-awaited General (or Single) Code. This consolidated 10 of The Pensions Regulator's (TPR) existing codes, setting out what arrangements, policies, processes, and systems a scheme should have in place in order to comply with

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the statutory requirement to have an effective system of governance and internal controls. This will rumble on, with Meeks calling it a "sleeper trend" for 2025.

"When trustees set up their Effective Systems of Governance (ESOG) as required by the General Code, they undertook to delve into the guts of administration," explains Meeks. "As they start to carry out their own risk assessments, they will be compelled to do just that. Administrators will have both the blessing and the curse of much closer interest from trustee boards and they're going to have to get used to that unfamiliar sensation."

In many ways, the regulatory environment for administrators is becoming increasingly complex. XPS head of administration business development, Darryl James, points out that the industry is still "reeling" from the abolition of the lifetime allowance, with additional checks now required in most member-related events.

"The decision in the 2024 Autumn Budget to introduce certain elements of pensions to an inheritance tax charge will have a significant impact on administrators and risks causing lengthy delays to the payment of any death benefits," adds James.

Against this backdrop, many administrators will also be dealing with dashboard integration, increasing work volumes, risk transfers and GMP equalisation. It also can't be ignored that the government is currently carrying out a pensions review which, though focusing on the DC market, will likely be far-reaching. James is watching this with interest, in particular with how it could lead to new requirements around member engagement and communication efforts.

"Interactive platforms, personalised insights, and digital self-service tools are becoming the norm," says James, highlighting how administrators are increasingly being required to cater to a broad range of member needs. "Meeting expectations of members for personalised, seamless interactions – while balancing regulatory compliance and cost efficiency – is a significant challenge but it brings huge potential for improved service delivery and member experience."

Endgame

It can't be ignored that more schemes are nearing their endgame, with some kind of risk transfer a more plausible objective for many. Greig sees this is a major theme for the year: "Whilst the focus for many is on the flight path to buyout, with the rise of interest rates since early 2022, there are many others who are aiming for self-sufficiency, with pension schemes paying off their liabilities over time."

Getting schemes in shape for such a process creates more work for all stakeholders, another reason why so many administrators will be busy in 2025.

"The administration processes required to assist in these transactions are lengthy and complex, and insurers' demanding data requirements, as well as the level of reporting required, are adding additional resource and knowledge requirements on administrators," says James.

It remains to be seen how this impacts the administration industry, where there is already a dearth of talent. Interestingly, Wake expects to see this drive standardisation and enhance key processes among administrators, while potentially aligning with another trend approaching financial services at large: AI.

"New tools are entering the market that revolutionise how we manage member experiences, from sophisticated communication platforms to innovative specification and calculation tools," he says. "AI's potential in automating and simplifying processes will be transformative."

Written by Jon Yarker, a freelance journalist