Technology Guide 2024:

A digital revolution on the horizon?

Featuring:

- Pensions in the digital era
- Launching pensions dashboards
- Using technology to increase pension engagement
- Open finance and holistic savings viewing
- AI streamlining pension processes
- The challenges of old administration platforms
- Company profiles

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Pensions in the digital era: Is the industry keeping up or falling behind?

The digital revolution is here to stay, but is the pension industry keeping up? What more can be done to encourage greater adoption of technology?

Summary
• Despite increased demand from members, the pensions industry as a whole continues to adopt technology at a slower pace compared to other sectors in the financial services industry.
• Many schemes have implemented technologies focused on improving member engagement, enhancing personalised communications and allowing members to manage their pension easier.
• Addressing member demand and regulation, such as the pension dashboard, will both play an important role in encouraging more pension schemes to embrace the digital revolution.

Many areas within the financial industry, such as the banking sector, have embraced technology, fundamentally transforming the delivery, management and consumption of their services.

The state of technology adoption

However, the pensions industry appears to be moving at a slower pace compared to other areas of the financial services sector, says Trafalgar House Pensions Administration director, Daniel Taylor.

"While other sectors have surged ahead, too many pension schemes are stuck in the past with no real digital presence. It's an embarrassing reality that needs urgent attention," he says.

Gallagher head of implementation and technology, Kris Elliot, agrees the industry is lagging behind. He notes the pension sector is typically slow to adopt leading-edge technology, largely due to its limited direct interaction with customers and the influential role of trustees in decision making.

"Ultimately, we can put technology in front of trustees, and while they may want to embrace it, they're having to make decisions and balance the risk and benefit of doing so because they're making decisions on behalf of the whole membership, as opposed to just them," he says.

It is also unsurprising that the pensions industry is falling behind other sectors, particularly the banking sector, as the pensions industry faces unique challenges compared to banking, adds Scottish Widows' workplace savings engagement and innovation specialist, Robert Cochran.

He notes that in banking, the technology needs were clear because customers engage regularly through various channels. Whereas pension members typically receive communication only once a year, making it harder to determine their specific technology needs.

"The challenge within pensions is to get people to engage, to get them to know what's in their pension, and then is it enough? What can they do next? In banking, the imperative is to let people do things like bank a cheque, pay somebody or move money around, which people are wanting to do on a regular basis," he says.

Taylor adds that although the pension industry is adopting technology more slowly, this is not because of a lack of demand from members.

"Members are crying out for more digital options. There's been a major shift towards digital because it's easier, more secure, and fits with how we live our lives today. The industry needs to catch up, fast," he says.

Technologies in use

Even though the industry seems to be falling behind, numerous forms of technologies have still been implemented into individual pension schemes.

Smart Pension CEO, Jamie Fiveash, says the most widely adopted technologies in the pension industry focus on three key areas: Removing the burden from employers, allowing members to manage their pension their own way and improving member education and information.

"Alongside those categories, two foundational aspects are tech that enables better value, which is an evergreen focus, and more recently artificial intelligence (AI) has become a hot topic," he adds.

PensionBee vice president for product, Martin Parzonka, says it has integrated an open banking provider to allow members to link their bank account to their pension account, so contributions to their pension are more seamless.

"Previously, customers would use standing orders from their bank account or a direct debit. Both of those come with negative consequences sometimes, so there's friction with sending money into us, which adds a lag to the time it can be invested. By enabling them to link their bank account directly to the pension account using open banking rails, it's seamless," he says.

Elliot notes that technology can also improve the personalisation of member communications, resulting in better engagement and education.

While many pension schemes have been offering digital benefit statements for a few years now, new technologies and data analytics are now providing even more personalised communications, he notes.

"If we can leverage the information that we've got now, we can provide an even further personalised communication. So, it's not just personalised to you or I, but it's actually information that's relevant, bearing in mind where you are on your journey," he says.

For example, the way a pension scheme communicates to a 20 year old that's just starting out on their retirement journey needs to be very different to somebody who's aged 55, he adds.

The positive impact of implementing technology in pension schemes on members is evident, says Moneyhub chief commercial officer, Dan Scholey.

"When polled, 84 per cent of users of Open Banking driven Pension Portals agreed they felt more in control of their finances after embracing the technology. A further 70 per cent felt they got better at saving or investing, with 68 per cent saying access to an app had helped them to better understand what they currently have for their retirement and how much they needed to achieve a chosen standard of living," he says.

"While other sectors have surged ahead, too many pension schemes are stuck in the past with no real digital presence. It's an embarrassing reality that needs urgent attention"

How can technology be further embraced?

Taylor says there is a real appetitive among trustees to embrace new technology, but many just don't know how to make it happen as full digital transformation, especially for DB schemes, remains a costly hurdle.

He recommends that there is a middle ground that every scheme should be aiming for – starting small and pushing forwards.

"We need clear, modernised guidelines that not only encourage digital adoption but make it the default. It's time the industry and regulators stepped up to meet the demands of the digital age," he adds.

Fiveash agrees that regulation will be important in encouraging more pension schemes to embrace technology, particularly the long-awaited pensions dashboard, which is a digital service that will allow members to access all their pension information online, securely and in one place.

"The upcoming Money and Pensions Service dashboard is going to push pension providers to embrace technology in a more meaningful way and Smart Pension is fully onboard with this. We're confident that this new interconnected system will help simplify pension saving and improve financial outcomes for savers in the long term," he says.

Parzonka adds the pension dashboard will help members recognise the importance of engaging with their pensions and foster communication between different providers, all supported by technology.

"The technology will enable the industry to connect together and understand what all consumers have in their pension pots, and those consumers will then log in to a centralised database," he adds.

In addition to the pension dashboard, upcoming regulations like the Digital Information and Smart Data Bill are set to promote the better implementation of technology. These regulations will simplify the use of data to enhance individuals' financial outcomes, adds Scholey.

"Things like dynamic saving, which will allow people to sweep spare cash via Open Banking's Variable Recurring Payments into investments and even pensions, will help people save for the long term. Combining this with digital taxation, means the impact will be huge and great news for consumers, providers and UK," he adds.

However, Elliot argues that regulation will only play a small part as it is generally behind the curve. Instead, the implementation of technology will be driven by industry capacity and consumer demand, he says.

"People expect accurate data and real time information," he says, adding, "it's that capacity and consumer demand that will drive the technology forwards, as opposed to regulation."

Written by Niamh Smith, a freelance journalist

Dashboards: Thought leadership, or thwart leadership?

David Rich explains how accurate data and a well-chosen ISP can help reduce the stumbling blocks to dashboards' launch – and provide members with a seamless user experience

It's frustrating when things don't work as they should online. Being thwarted from logging into an account because your password is wrong. The irritation of being prevented from accessing your digital banking app as it's down for maintenance. Or, how about when you enter your data to the pensions dashboards and the pensions you know you have aren't found?

That's the reality facing some members in the not-too-distant future, and it doesn't only create a poor member experience, it has the potential to develop into an administrative headache for pension teams too.

It's now under one year until the first schemes must connect to pensions dashboards, and preparations are, or should, be well and truly under way.

There are several important areas schemes must pay attention to in the run up to connection, not least prioritising data accuracy to ensure your members aren't thwarted and deciding how to connect your data to dashboards.

Among the helpful resources published is PASA's connection readiness guidance, which outlines the many steps that need to be taken. With the first wave of connections due to take place on the 30 April 2025, if you've yet to get started, there is no time to lose.

Most schemes not connecting directly to the dashboards ecosystem will have chosen, or be in the process of choosing an Integrated Service Provider (ISP) to handle their connection and provision of 'always on' data. A good ISP will guide you on the steps you need to take regarding your data, matching rules, and connection journey.

If you have not engaged with an ISP, it would be wise to do so now, as onboarding and implementation need to be planned, and schedules are filling up. No one will want to be caught up in a last-minute scramble to get over the line or miss the connection dates completely due to lack of preparation or ISP implementation availability, especially when it's entirely avoidable.

You will have heard so many times that data is increasingly key for all areas of pensions and when it comes to pensions dashboards, that is truer than ever. In fact, their entire success is contingent on accurate data. Inaccurate or incomplete member data can result in suboptimal member experiences, heightened administrative burdens, and potential exposure to legal penalties and regulatory scrutiny.

There are essentially two types of data key to pensions dashboards.

• Find data that matches a member to their pensions, and

• View data that is provided to a member, showing them the value of their pensions.

A good ISP will be able to audit your data to help you understand its accuracy and guide you on the steps you can take to improve it. Many will also be able to undertake the cleansing of personal data and validation and creation of benefit data to be used as View data.

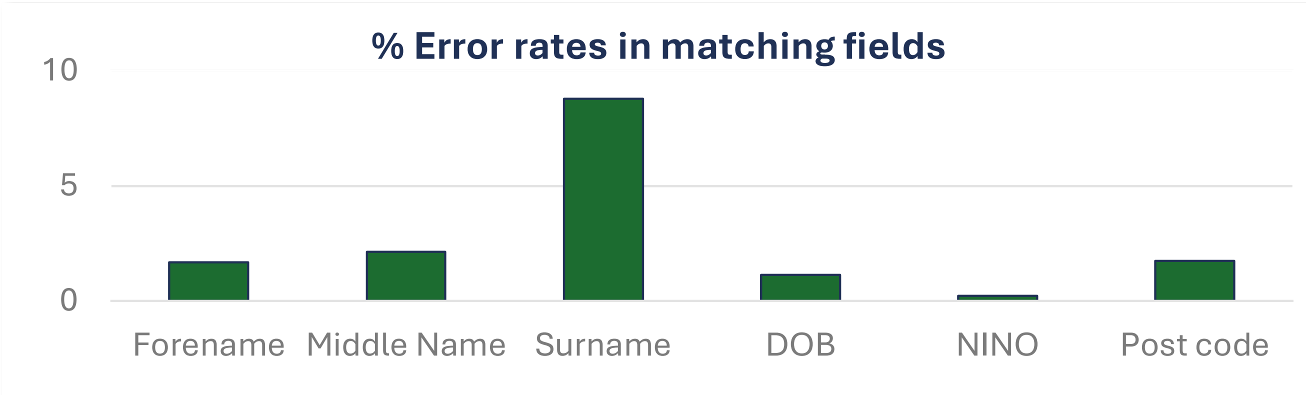
Not having current names, addresses or dates of birth for members will lead to incorrect matches for members. This will of course inevitably lead to poor member decisions and increased member enquiries.

Where a member's data does not adequately match the data entered into the dashboard, a possible match could occur. Possible matches will almost certainly create a significant administrative burden, leading to:

• increased workloads dealing with member enquiries,

• potentially delayed responses and

• poor member outcomes.



What the data tells us

It might be worth pausing here and looking at the data. Heywood examined six core data fields – first name, middle name, surname, date of birth, national insurance number and post code – from 3.2 million member records. The data shows pensions schemes have very few issues regarding invalid National Insurance Numbers, though even an error rate of 0.21 per cent represents over 6,000 members.

Post codes were then examined, where it was found that 1.74 per cent were incorrect, and for dates of birth, this figure was 1.13 per cent. The percentages may be small, but extrapolated across 3.2 million members, that is a lot of people missing correct information.

The real eye-opener and something for schemes to be conscious of is incorrect surnames. Over 8 per cent of surnames were found to be incorrect on average. This is likely to be down to marriage, divorce, or the occasional typo, but these discrepancies highlight the need for meticulous data maintenance.

TPR requires scheme reporting on possible match levels and will investigate where those levels appear too high.

The time required to cleanse data should not be underestimated. Whilst the actual cleansing can often be performed quite quickly, the new and cleansed data then needs to be integrated back into administration systems. Also, there will be data that requires further investigation and checking before it is adopted. This can take time and resources that need to be planned in, so the recommendation is to start now with an initial data audit early in the process.

As well as getting Find and View data in good shape, you will need to:

• decide what matching criteria provides the best level of good matching outcomes for your scheme,

• how you will deal with possible matches and

• how you will work with any AVC provider to ensure members see all of the correct information.

PASA has you covered here too, with helpful guidance on matching criteria and Value data guidance.

Whilst many steps can be taken alongside each other, testing and agreeing matching criteria should be conducted with cleansed data. Failing to do so will lead to unreliable testing results, exposing you and your members to unpredictable outcomes.

Not only will you need good data and matching criteria, but you should also ensure that you or your ISP can provide that data to the dashboard ecosystem in the correct format and with robust systems meeting the required availability and response times.

It is also important to consider how you will maintain good data quality all the time. Once you are live to the public, data will need to be correct 24/7/365 and it is essential that reliable and efficient business as usual processes are in place, not only for data, but for new and increased administrative workloads.

All of these requirements may feel a little daunting, but with the right planning, preparation, testing and guidance, it is possible to have a smooth journey and a positive impact on member's retirement planning and journeys.

Officially, the live connections of pension schemes to pensions dashboards will begin in April 2025, but the journey should be underway right now. Successful pensions dashboards implementation depends on accurate data, well-tested matching rules, and a capable ISP to ensure smooth onboarding and regulatory compliance.

The clock is ticking. As dashboards approach the room for manoeuvre is closing, but it's still not too late. If you haven't already embarked on your preparation journey, now is the absolute critical moment to start. Accurate data and a well-chosen ISP can get you back on track.

Your members deserve a thwart-free, seamless experience, and your scheme deserves the peace of mind that comes from being well-prepared.

Written by Heywood head of data propositions, David Rich

In association with HEYWOOD

Will tech solve the pension engagement conundrum?

Is pension engagement heading for a brilliant digital revolution, asks Robert Cochran

Since the turn of the Millennium, pension member technology has been on the march – and the pace of change is going to get faster.

Back in 2000, pension member comms were usually an Annual Benefit Statement, with some of the more sophisticated schemes having rudimentary websites.

Video Benefit Statements

Most members, though, didn't understand their Annual Benefit Statements, so some bigger schemes began sending them an explainer.

These became generic Video Benefit Statements (VBS) which have since evolved into personalised, on-demand ones. Members can choose when to generate their own video on how their pension is doing, but undoubtedly the biggest impact is where the video delivers a personalised nudge that can be actioned.

At Scottish Widows, 64 per cent of those who watch a personalised VBS take action. They get hyper-personalised nudges as the video knows their scheme rules, policy information and compares their pension savings with the PLSA's Retirement Living Standards.

With organisations such as Money Alive building in avatars, more schemes can access high-quality VBS. Delivering these in-app in a timely way, with actionable insights is something I expect to see a lot more of and, of course, taking this VBS model into the eagerly anticipated pension dashboard could revolutionise people's understanding of how prepared they are for retirement by pulling in all their pensions into one place where they can see what they've got.

Video as a pension communication medium is here to stay, it will just get ever more personalised and evolve to help them take action.

Meanwhile, other providers embrace innovation that borrows from the consumer space, such as Aviva's take on Spotify Unwrapped to produce something similar for pensions. There is something nice about the familiarity of this look and feel for consumers – the future though is about creating friction-free, next best steps.

Websites vs apps

Pension scheme websites allow various levels of view, projection and transaction capability. Taking largely a desktop approach, what's fascinating is when they're compared with a pension app experience.

Around 40 per cent of visits to our Scottish Widows web portals are via mobile phone, and it's increasing as people increasingly opt to manage their lives via their phone.

This affects how they manage their pension, too. While desktop and websites are popular during work hours, Scottish Widows' app is used most from 7-9am and 7-9pm. There is a real sense that the relationship with a workplace pension becomes more personal when it's managed on your phone, in your time.

Golden age of the app

Apps are of course where it's at, with the likes of Nest joining the growing number of pension providers and schemes offering one. Increased interaction is one benefit, with Scottish Widows' active app users logging in three times more frequently than active web users. The simplicity of clicking on an app and accessing it via phone biometrics makes it much more convenient.

What do people do in the app? Well, it's no surprise that they tend to follow three steps.

What have I got?

The number one thing people do is look at their pension value, although some go deeper and look at their investments, and perhaps even their impact on the world.

Is it enough?

Next is projection, with people finding out how making changes to their pension plan will affect what they are on track to get.

What can I do next?

Nudging people to take the next best action is something an app can really help with – and design is pivotal to improving engagement and making the completion of journeys super simple.

Everything together

Pension dashboards are coming but not quickly enough to answer to 'what have I got?' As people accrue pension pots and apps, it's difficult to keep track. Into this space have stepped all-in-one solutions, including bespoke dashboards employing APIs that link pension plans and wider finances together.

Scottish Widows has partnered with Moneyhub to let users connect financial products to their pension app, with other providers taking a similar approach. Stats in the first few months showed £1 billion of policies connected; nearly 80 per cent of these were from other providers as people created their own pension dashboards.

This is a positive sign for the industry-wide dashboard programme as people doing this now manually connect policies. When the industry dashboard is in place, it should be friction free.

The second question of 'is it enough' is also being solved: Once people have connected their policies, they can get a projection based on all their pension plans, including state pension.

Design excellence

Onto the third point – what to do next. The future success of digital engagement will come down to the design of digital journeys, with a positive outcome being a better engaged pension population likely to retire better.

Artificial intelligence (AI) can do vast amounts in the pension space too, including making it much easier for people to get their questions answered.

One of my favourite examples is how it's being used with video where expressive avatars make it easy to create personalised messages in a range of characters at speed. Imagine if you chose the person who speaks to you about your pension and every time you log in, they're ready with a personalised message.

Can we gamify pensions to engage more people?

At Scottish Widows we launched the Pension Mirror last year using AI and gamification to boost pension engagement. With 600,000 uses so far, we know it worked – but gamification in pensions can be much more.

Gamification works in education, with the likes of Duolingo, with health in fitness watches and Strava, and should be embraced to improve retirement outcomes. We recently launched in-app games to take members on learning journeys with loads more to come.

The future, ultimately, will allow people to play with scenarios to test ways to use their retirement money. For many who've grown up with gaming, it will feel like a natural step, and for everybody it will be a great way to learn. But let's park gamification for now – it could have an article all to itself!

Connected 20s

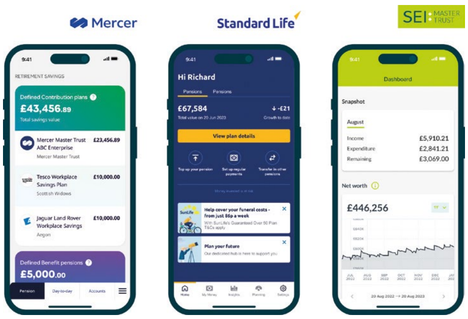
My view is that pension engagement is heading for a brilliant revolution driven by the free secure flow of data and the ability to see all financial assets in one place – not just pensions – to learn about them, model the future, get bite-sized advice and understand what it will take to make it happen. It could include investments, insurance and more, giving people a holistic view of their finances and putting them in charge of their money. None of this will happen, though, without brilliant design and it's something the pension industry hasn't quite grasped yet.

What about pension apps though – are they obsolescent? In the Connected 2020s we're in now where everyone's finances can be viewed in one place, will people just choose the one dashboard which pulls through their open banking, pension dashboard, and open finance solutions into one easy to manage place – and how will they choose?

Will it be Design? Brand? Convenience? Trust? Probably all those things and Pension Dashboards will be the first big test – designing them brilliantly and delighting people by finding lost pension pots – what a great way to start the next stage of digital pension engagement.

#Connected20s

Written by Scottish Widows engagement specialist, Robert Cochran



Monzo, Open Finance and the Pensions Revolution

John Parker highlights the importance of providing savers with a holistic view of their pensions and wider finances through Open Finance technology

Almost a year after its plans to move into the pensions market went public in August 2023, Monzo announced in July 2024 it will be launching a new pension consolidation solution that finds users' pension pots and brings them into one fund, accessible through the Monzo app.

The announcement comes as Monzo's research revealed that 51 per cent of UK adults don't know how much they have saved for retirement. It asked 2,000 people what would make engaging with their pension easier, and 38 per cent said a process that felt more accessible to manage alongside their everyday finances.

Pensions engagement in the UK

Earlier this year at Moneyhub, we conducted our own research[1] into consumer attitudes towards their pension and investment providers. We found that:

- 36 per cent of 35-44 year olds said too little information from their providers was putting them off adding to their pension or investments
- 2 in 5 (42 per cent) of all consumers say they don't find it easy to interact with their providers
- 4 in 5 (79 per cent) consumers "could save more money" if they had one app to view and manage all their bank accounts and financial products

And this lack of engagement is having a detrimental effect on financial health. Recent research has shown that around 88 per cent of individuals with workplace pensions have at least one pension that remains unclaimed[2] and there is an estimated £26.6 billion of lost pension pots in total and nearly a million pensioners in the UK are living in poverty[3].

The power of 'all in one place'

A holistic approach can lead to better outcomes, and it begins with virtual aggregation on an easy-to-use app, through mechanisms such as incoming pensions dashboards. Bringing pension pots together helps people understand their true financial position, and answer important questions like "will I have enough?" or "when can I retire?". It also helps people make better informed decisions based on the performance of their pensions over time, both financially and ethically, and explore options such as consolidation.

At Moneyhub we go one step further and bring other investments such as savings, shares and even property, debts and loans into that view. Quite often people will take a lump sum earlier, or draw down faster than they need to when they have other options open to them.

Monzo's solution reflects what we are seeing from major players within the pensions industry; pensions are one piece of the puzzle, and need to be understood in the wider context of someone's overall financial world.

Providers such as Mercer, Standard Life, SEI and Scottish Widows are taking a proactive approach to helping members engage with their pensions and understand what they have, and what they might need for a comfortable retirement. By using Open Finance to position pensions alongside daily spending, savings, investments, properties and all other financial accounts, these firms are increasing engagement and enabling better financial futures for their members.

The future of pensions and Open Finance

Monzo's announcement came hot on the heels of the King's Speech (17 July 2024) in which it was announced that the government will bring forward the Digital Information and Smart Data Bill, as well as a Pension Schemes Bill.

Paving the way for Open Finance legislation, the Smart Data Bill seeks to set a clear framework for consent-driven data sharing, offering new opportunities for innovation to firms, and improved transparency, products and services to consumers. The Pension Schemes Bill focuses the industry on value and outcomes for members. Paired with incoming and much needed commercial pensions dashboards, we see this as a positive step towards helping millions of consumers achieve healthier financial futures.

Written by Moneyhub sales director - pensions & wealth, John Parker

[1] https://www.moneyhub.com/gift-for-you-report
[2] https://www.pensionsage.com/pa/Nine-in-ten-uk-savers-have-at-least-one-unclaimed-pension.php
[3] https://www.theguardian.com/society/2024/apr/16/nearly-1m-uk-pensioners-deprivation-official-figures

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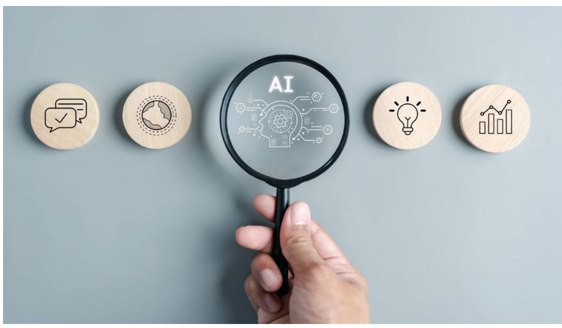
Can the artificial intelligence (AI) revolution help pension schemes?

An overview of machine learning algorithms and some AI applications for the streamlining of scheme data preparation and pension risk transfer processes



Artificial intelligence (AI) is rapidly becoming a reality that can transform the way we work. Unsurprisingly, it could have multiple applications to the pensions and insurance universe; it has the potential to streamline operations, enhance member care, manage risk, and identify trends and opportunities. This should not translate into jobs being lost – a fear commonly expressed in the industry and the media. At Just, we believe that AI will boost our industry's productivity and allow more professionals to use their specialist knowledge in a more rewarding and fruitful way.

Machine learning (ML) has been around for decades, but recent advancements in technology have made it more accessible and usable. If we want to make the most of AI in the pensions industry, it is crucial to understand what ML is, how it works, and where it can be useful. Our aim here is to give pensions industry professionals a bird's eye view of the sorts of problems that can be tackled with these powerful computational tools, and some of the techniques' limitations they should be aware of.

Before machine learning became popular, computers were mostly programmed with rule-based algorithms to solve data classification and regression problems. But this approach requires a deep knowledge of the subject matter at hand and also can result in complex computer programmes that must account for the many nuances associated with the problems they try to solve.

Conventional ML algorithms learn 'models' of data where a certain label or valuable characteristic is known: think of recognising a flower species from its petal and stem size, or predicting the sale price of a house based on its characteristics. These 'trained' models can then make predictions about new data where the labels are not known in advance. As such, this approach has traditionally been applied to tasks where there is a large pre-existing set of example data to train the model. For this reason, most ML algorithms are specialised for one task, and must be re-trained for each new task.

More recently, a new family of 'generative' machine learning models, now commonly referred to as 'AI' models, have gained widespread public attention due to their capability to adapt easily to new, unseen tasks and generate new content. This generality is achieved by training the models on enormous sets of data from many domains. These models are more flexible, since they have many more trainable parameters: billions, relative to thousands in conventional ML.

The excitement around generative models stems from their versatility across various scenarios with minimal training examples. However, this may occasionally sacrifice output quality, requiring vigilance. Think of conventional ML as a reliable old machine, and generative AI as a keen yet novice assistant – the first excels in a single task, while the second has broader but shallower potential and so needs supervision.

At Just, we believe there is value in combining the benefits of both approaches, but in a responsible way.

Some AI pensions applications

There are a number of ways AI can be applied in the pensions arena.

One of the biggest immediate potential applications of AI for pension schemes is the enhanced ability to manage scheme data. This is especially true where data are needed by parties outside of pension schemes themselves, such as buy-in and buyout providers like the Just Group.

Third-party administrators are at the centre of an active de-risking market and are increasingly under pressure to quickly prepare and finalise scheme data for de-risking exercises.

Imagine the benefits of being able to instantly validate scheme data and get a quick report on the quality and completeness of the data, including the detection of potential errors. Envision being able to generate a detailed summary report about scheme data at will, or being able to automate the extraction and tabularisation of relevant parameter values for use in pricing models. This is an application that we have advanced at Just, with the result that pre-pricing data preparation in minutes is close to becoming a reality. These ambitious goals can be achieved through a judicious use of a blend of rule-based algorithms, and conventional and generative machine learning models.

At Just, we think that a careful integration of AI in existing processes has the potential to transform a scheme's ability to cleanse pension scheme data – and thereby smoothen the scheme journey to buyout – as well as removing some of the pressure from scheme administrators.

Another particularly significant discriminative AI application that can be implemented to safeguard our customers is fraud detection – particularly in regard to scamming attempts.

A common thread in the pensions press over the past few years has been the damaging outcomes from pension scams, whereby customers have been mis-advised to cash in valuable defined benefits in exchange for (sometimes) fraudulent investment schemes. These scams have left some individuals bereft of their retirement savings.

Both ML and AI could be put to good in this scenario. Using data on historic scams from The Pensions Regulator and the FCA alongside our in-house data, we could teach models to recognise the hallmarks of fraudulent activity, alerting members at the point of offers being made, or at the point where transfer requests are made to us by members. Automation of these alerts and subsequent actions would provide an invisible and 'hassle-free' layer of security for our members.

Generative AI excels at language understanding and text generation: think of 'Large Language Model' (LLM) applications such as ChatGPT and Microsoft Copilot. At Just, we are applying these models to improve customer literature, setting the perfect tone-of-voice when communicating with our customers. In the future, we aim to tailor our communications and tone to individual customer's needs. Importantly, we want to continue to value the human element at the centre of our work: we use AI to empower our workforce, not replace it, to improve service, not to put a computer on the end of the phone.

We are also already applying LLMs to understand customer feedback, giving us the ability to have command over the quality of every dimension of our customer interactions. We are also using these models to process the large volumes of regulatory literature and internal guidelines to allow our workforce to work more efficiently for the customer. Furthermore, our software developers are using LLMs to more quickly develop new software to give our customers and clients a smoother and more enjoyable experience.

The reality of effective AI adoption is that the pensions landscape has a lot to gain from intelligent use of machine learning and artificial intelligence. It is not however without its challenges.

Challenges

For conventional ML to make accurate, it is crucial that the dataset used for training models meets certain quality and size standards. Specifically, considerable effort should be invested in ensuring that training data are unbiased, thereby preventing the generation of biased predictions. Also, the amount and breadth of data necessary to train a machine learning algorithm must be appropriate to the complexity of the problem being solved: More complex tasks require a higher quantity of more varied data. This necessarily also means that the model itself needs to be more flexible.

Another inevitable challenge arises from a rushed and imprudent use of LLMs. Although LLMs can produce highly convincing and accurate outputs, their outputs result from a sophisticated but ultimately approximate process, so they should always be verified and not taken as absolute truth. As a rule of thumb, we should also always strive to be able to challenge first, and then explain the results obtained with AI, which in itself has value in terms of understanding the underlying data and processes better.

A further challenge, which is particularly true when using LLMs, is the ability of ensuring the secure handling of sensitive data. Currently, LLMs are typically offered as online services that operate on the provider's servers. To process the data, they must be transferred to these servers, which requires a secure approach and arrangements with the providers to guarantee the integrity of shared data. However, there is also the option to run open-source models, such as Meta's Llama, on private local servers, provided that the servers possess the necessary hardware capabilities to run the models.

We all recognise that we are amid a technological revolution fuelled by machine learning. The pensions industry should seize this opportunity to enhance and streamline its operations. In order to do so it is essential that high quality data are collected and stored in a convenient format for accessibility.

While machine learning, and in particular generative AI, can be a potent tool, it must be used with caution. There are no guarantees of accurate or consistent outputs, and it remains the human user's ultimate responsibility to verify the correctness of their output before using it. Perhaps most importantly, particularly for Just, although ML and AI can provide great value, we must not forget the value of human input and ingenuity over automated processes and decision-making.


Written by Just Group's Pretty Sagoo and Ted Mackereth

Administration platforms: Starting again

Graeme Riddoch explains the challenges old administration platforms face in tackling today's pension scheme needs

"Well, I wouldn't have started from here."

There's an old joke about getting directions to somewhere hard to find. The punch line is "well I wouldn't have started from here". It's a pretty good metaphor for the technology underpinning DB pensions.

The technology and processes have grown up over decades. As such they are often disjointed and inefficient with data being moved between administration platforms to actuaries and other scheme advisers.

Many of the administration platforms were conceived years ago and as a result struggle to deliver to the needs of schemes and members now.

Typically, there can be a myriad of technology platforms used to run and support a DB scheme.

The administration platform

Often legacy platforms struggle to automate all benefit calculations, with the resulting inefficiency and delays in meeting member requests.

Having their roots in the distant past, few can deliver a modern engaging digital member experience, as they were never designed to.

Allied to a lack of full automation is the difficulty in serving estimated retirement incomes (ERIs) to the pensions dashboards. If you can't do it automatically then it's a manual process with the associated cost. One scheme we know of just received a £600,000 bill to validate data & calculate ERIs. You could replatform for that and still have money to spare!

Actuarial systems

Typically, the scheme actuary will require a data cut from the administration platform at least every three years to allow for the valuation. That requires an extract that needs to be formatted and loaded to the actuary's own system, with the associated cost.

It's hard to get a live funding position as calculations are only as current as the member data and asset position. This knocks on to decision making.

Where there is a corporate actuary, they typically will need their own data cut, which will require different configuration to marry up with their valuation software.

The related issue is that as different actuarial systems are being used with different calculation routines. Results can vary even when based on the same underlying data.

All this extraction and manipulation adds time and cost to the process.

What about the member?

The member is often on the receiving end of the service that can be delivered, rather than the service they should get. This is primarily a function of the capability of the administration platform to enable a responsive first-time right service, allied to the number of administrators supporting the scheme.

Trying to get to an efficient modern model, you wouldn't start from here. With a clean sheet of paper, you would start with a single system that would deliver first class administration whilst meeting the scheme's requirements, and that of all the advisers.

An administration, actuarial and risk management system running from live member data and asset feeds would always be up to date. Valuations would be available daily, resulting in improved decision making. Change the member data and it automatically feeds into the valuation calculations.

All scheme advisers could access the system with appropriate permissions to extract data or run their own calculations.

DB pensions lag other sectors such as banking in terms of online member services. That's generally due to the inability of the administration platform to serve up accurate numbers.

The key to getting members online is an easy registration process. Smartphones are now the way that most people access the internet, with apps predominating.

Hooked up to a modern fully automated administration platform, an app would make it easy for the member.

The other benefit of making it easy for the member to self-serve is reduced demand on the administrator, by up to 30 per cent.

Conclusion

Going back to first principles on systems can benefit all stakeholders.

If you look after the data well you get 100 per cent automation of calculations, which acts as the foundation of all the scheme services meaning:

- Operational costs reduced.
- Visibility improved.
- Decision making improved.
- Dashboard calculations are easy.
- Members get the service they deserve.

Written by Mantle head of sales and marketing, Graeme Riddoch

In association with mantle

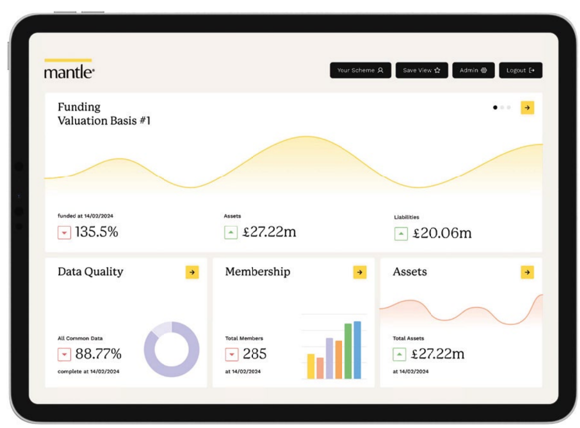
Transforming Pension Management with Mantle

Different by Design

Mantle Services is a pension software provider with a difference. Our solutions range from DB administration platforms to actuarial and asset liability modelling.

We are on a mission to transform the way that DB schemes run via,

- 100% automation of benefit calculations, guaranteed
- Integration of treasury, payroll, accounts and actuarial
- Making it easy for scheme advisers
- Making it easy for members to transact online
- Affordable transition costs



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Company Profiles

Heywood

With nearly five decades of experience, Heywood has established itself as a leading provider of pension administration solutions. The company is committed to simplifying complex pension management processes, offering seamless and stress-free services to its broad customer base.

Heywood has been involved with the Pensions Dashboards Programme from the outset in 2016. In June 2021 Heywood was appointed as an Alpha Integrated Service Provider (ISP) for early participation to help create a strong foundation for the programme. As part of the programme, Heywood were one of the first providers to build, connect and test its ISP solution to the dashboard central architecture and one of only three ISPs to have connected and tested.

In 2024 Heywood were appointed to the ISP and Provision of Member Data Services LGPS Framework, as the only supplier awarded all seven lots.

This achievement reinforces Heywood's position as a comprehensive end-to-end supplier for Pensions Dashboards ISP and data pensions services, for all pension providers and all sectors.

Heywood's team of seasoned experts is dedicated to delivering exceptional support to pension schemes and providers. Through streamlined processes, the company helps clients save both time and money. By adopting agile methodologies, Heywood can quickly adapt to industry changes and develop innovative solutions that meet evolving needs.

With a strong emphasis on quality, Heywood has built a solid reputation within the industry. The company's software plays a crucial role in safeguarding the financial futures of millions of people.

Scottish Widows

Scottish Widows enjoys a proud history of helping people plan for their financial futures for over 200 years. Today, as one of the most recognised and trusted brands in its sector*, they have over six million customers across a broad product range including life cover, critical illness, pensions, annuities, savings and investments.

Scottish Widows is committed to supporting advisers and their clients, using all of their experience to take on the future together. They do this by providing market insight and guidance, and continually innovating and improving their service, support and propositions. One of the key initiatives is 'Techtalk' which provides insight into industry changes and regulation affecting pensions, protection and investments. They also have a longstanding research programme on UK financial planning attitudes, and continue to promote the value of saving in pensions through involvement in the industry wide Pension Engagement Season initiative.

In 2023, Scottish Widows were recognised by intermediaries, securing a 5 Star rating for the Scottish Widows Platform and a 4 Star rating for Investments, Pensions & Protection at the Financial Adviser Service Awards, as well as winning Best Personal Pension Provider and Best Critical Illness Provider at the Investment Life & Pensions Moneyfacts Awards.

The organisation has a focus on sustainability and have launched a number of publications about their approach. This includes their Responsible Investment Framework and Stewardship Policy and their Climate Action Plan, which includes a key target of decarbonising all investments by 2050.

For more information on Scottish Widows, visit adviser.scottishwidows.co.uk

* Spontaneous Awareness rank: 2, Trust (Character) rank: 3, Trust (Competence): 3. IPSOS, December 2023.

Moneyhub

Moneyhub's goal is simple; to work with our clients to improve the financial wellness of people, their businesses, and their communities.

Hundreds of companies including Aon, L&G, Mercer, Scottish Widows, SEI, and Standard Life use our award-winning Open Banking, Open Finance and Pensions Dashboard technology to better understand their customers through data so they can comply with Consumer Duty, increase retirement savings engagement, and automate money management to ultimately increase their capacity to spend, save or invest more. To find out how to give the gift of financial wellness, and reap the rewards, visit www.moneyhub.com.

Just Group

Just (Just Group plc) is a FTSE-listed specialist UK financial services company.

Just is a leader in defined benefit (DB) de-risking, individual retirement income, and care markets. We've completed over 400 transactions since entering the defined benefit de-risking market in 2013.

Just reported record total DB sales in H1 2024 of £1.9 billion, up 31 per cent, and completed 55 transactions, compared to 35 transactions in H1 2023.

The >£17 billion of DB premiums we've secured have been invested to ensure we achieve the predictable cashflow required to pay the pensions of scheme members. We've invested billions of pounds sustainably, across social housing, utilities and infrastructure including offshore wind farms and solar. These investments deliver value for pension scheme members and help the UK economy to grow.

Just has over 650,000 customers and has been trusted to manage more than £25 billion of customers' retirement savings and has helped customers release over £6.8 billion from their properties. Just provides a wide range of products, advice and professional services to individual customers, financial intermediaries, corporate clients and pension scheme trustees.

Marketed products

- De-risking solutions for pension scheme trustees who want to remove the financial uncertainty of operating defined benefit pension schemes;
- Individually underwritten retirement income products delivering a guaranteed income for life;
- Long-term care plans that provide those people moving into residential care with peace of mind by knowing a regular payment will be made to the care provider for the rest of their life;
- Lifetime mortgages for people who want to safely release some of the value from their home.

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- Regulated financial advice and guidance services for individuals wanting help in using their pension savings and/or releasing some of the value from their home; and
- A range of business services tailored for our corporate clients, ranging from consultancy and software development to fully outsourced customer service delivery and marketing services.

The companies within Just Group are authorised and regulated in the United Kingdom by the Financial Conduct Authority and / or the Prudential Regulation Authority.

Company Profiles

Mantle Services

Mantle Services is a pension software development business with a difference. Developed in 2010 by a small group of passionate, pension professionals united by one mission. To create a unified solution that seamlessly integrates actuarial precision with efficient administration.

Our solutions range from Administration platforms to Actuarial, Asset Liability Management and much more. We have designed our modern, contemporary solutions to deliver the outcomes schemes and advisers need now, without the baggage of legacy systems. We license our software to in-house pension schemes and to third party administrators, actuarial firms and buyout providers.

For further information, contact us at enquiries@mantleservices.com or visit our website at www.mantleservices.com

Pensions Age

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