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Whether it be booking a holiday online, paying bills or buying goods, your average semi-literate individual nowadays expects to be able to almost entirely run their life via the World Wide Web. Most people however, would not place pensions management very high on their list if surveyed on what they used the internet for.

But with the pensions industry being notoriously reticent when it comes to new developments, whether they be technological or otherwise, it is hardly surprising that accessing pension details has not become synonymous with the internet.

Alex Tullett, head of benefit communications at Jardine Lloyd Thompson (JLT) believes that there are three main reasons why many occupational pension schemes have not yet utilized the internet to its full potential.

The first, he says, is the concern that trustees naturally have for managing and protecting data. Then there is a worry that encouraging members to check their investment details in their defined contribution scheme for example, can encourage a short-term view – the very opposite of how those in a pension scheme should think. Thirdly, the money has generally not been available to develop web services of any truly useful kind.

"The use of personal information in regards to pensions has not rolled out as was expected in 2000," says Tullett. "Having a static website is basic and quite common so schemes do have a web presence in that sense, but a lot of schemes are waiting for technology to get cheaper."

Although cost is a major factor, particularly for small to medium-sized schemes, Chris Connolly, senior consultant at pensions administration software provider aquilaheywood, believes that circumstances have

## Exploring the web

**Marek Handzel asks why it has taken schemes so long to get on board when it comes to online pension management and examines what the benefits of investing in upgraded internet capabilities are**

equally held both sponsors and scheme trustees back.

"We've had a couple of years of very busy legislative years so people have been going through busy periods and put [web applications] on the back burner," he says. "Now that they've dealt with the changes after A-day they can get back to looking at how they can service the members."

Connolly also sees this as an opportune period for schemes to enhance their internet capabilities. He points out that consumer education and confidence in the internet surrounding security issues has significantly improved.

"When the internet bank Egg first launched, there were all sorts of horror stories surrounding them emailing customer passwords in plain text, for example," explains Connolly, "but now people trust Egg as a brand – the internet is no longer the 'lawless West' that it used to be."

### Security

Nevertheless, with identity theft in the news on a daily basis and the Government trying its hardest to undermine confidence in personal data handling, some fears remain.

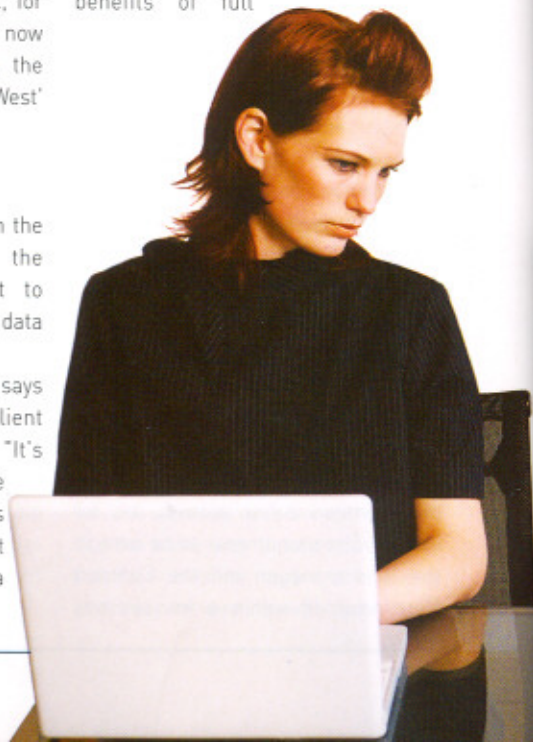
"Of course security is vital," says Michael Payten, director of client services at Xafinity Claybrook. "It's important that applications are cross-checked and many firms employ experts to carry out penetration testing to prove that a product is secure as it can be."

Connolly says that security is always a vital issue and although there is very little opportunity for a hacker to breach a system and make transactions or remove money from a pension scheme, members want to know that the site they are accessing is safe.

"The risk of financial loss is very low, but as a company you don't want the stigma of being on the front pages one morning for having all your employees' salaries emailed out to strangers – it also hits your bottom line if you're the service provider. But it is up to firms to decide what sort of level of risk or security they wish to adopt."

### Benefits

Pioneers in the field – mainly large corporations – have highlighted the benefits of full





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internet use for their pension schemes. These include eventual scheme cost reductions, improved communication and member engagement.

JLT's Tullett has found that flexible web access for members has particularly helped those trustees who have had to communicate scheme changes to their members.

"There are a lot of our clients who have moved from final salary to CARE or from final salary to DC and it gives people the ability to go in and choose the information they want to look at rather than giving them a thirty page booklet," he says.

He also points to the use of modelling online, which does run the risk of tempting members to think short-term, but allows them to track their pension savings in a manner that is more tangible to them and so captures their interest.

"The success of your cost saving is going to depend on what you have initially provided in the first place with your web offering," says Connelly.

He warns that costs are likely to go up at first as a scheme creates a new channel through which to provide

information, to sit alongside other existing ones. Phasing these other ones out, such as phone calls or paper communication, or diminishing their use, can be a long process.

One of aquilaheywood's clients have seen a major reduction in phone call queries since launching their interactive web service, thus freeing up time and resources to concentrate on offering further and better services to the members.

Connelly also believes that as member's become more used to the fact that they can check their pension details online, it will slot into their web-surfing 'routine' much as they access bank details and pay bills online, becoming almost second nature to them.

#### Education

According to Tullett, the web is under-utilised in the pensions education field. He believes that accessing personal details is only the tip of the iceberg, suggesting that trustees can use the internet to educate scheme members in various areas. Short sections explaining the effect that inflation, for example, will have on their benefits are relatively simple to construct.

"Trustees have an opportunity to use the web to educate and it's cheaper to put basic financial education on the web than on paper," he says. "The web only works if you re-invent it. In order to get value you need to look at the wider perspective."

Connelly shares Tullett's opinion, but warns that schemes have still to ensure that their communication remains appropriately tailored to their workforce, emphasising the need to make sure that your messages are understood. The tool may be different, but that doesn't mean that the thought put into the actual framing or approach used in communication can be neglected.

#### Operational advantages

Aside from helping the member, significantly upgrading a scheme's web capability can be of great benefit to the general day-to-day running of a pension plan, according to Xfinity Claybrook's Payten.

He has found interest in scheme's having a hosted service, allowing far greater freedom for a scheme's operational abilities. With many pension schemes outsourcing their IT to global corporations, they are finding it hard to make swift alterations when needed. "When hosting an application the client doesn't need to worry about hardware or technology - that's all handled by us which opens up an avenue of co-sourcing," explains Payten.

"For example, our sister company Paymaster may have schemes that hit bottlenecks with large redundancy exercises or periods of legislation when they get particularly busy and they then want to get help on additional areas and because it's a browser based hosted system it's very easy to get a third party to take over some of the administration."

"They can then focus far more on the value added side of their administration - that is brought about by the web's ability to give you that flexibility."

This is a major attraction, he argues, as until recently, if you had an in-house administration set-up then it would be a big upheaval to transfer it to someone else. But with the new software available, such a move is now as easy as effectively giving a third party administrator your Uniform Resource Locator (URL) to access any scheme data that is needed.

It seems that the dreams providers had for what the internet could do at the turn of the century for occupational pension schemes may well be soon coming to fruition.

