

Public Pension Systems Can Benefit from Operations Modernization

INTRODUCTION

Today's U.S. public pension systems play a critical role in funding the retirement of more than one million state and local government employees. As of the second-quarter 2021, the Federal Reserve reported that current public pension assets were a reported record \$5.51 trillion.¹ Of the over 5,000 public retirement systems in the U.S., the largest 75 systems account for more than 80% of all participants and assets.² The largest public retirement system has assets of more than \$350 billion, with more than one million active and retired members, while the smallest systems have assets of less than \$1 million.³

Irrespective of size and funding differences, many pension systems face the same challenges, in particular the technology challenges, that result in inefficient, manually dependent, and inflexible operations. These archaic technology systems are not only a ticking time bomb for current benefit recipients, but also for the impending wave of baby-boomer retirees estimated to join U.S. public pension systems over the next five to 10 years. Yawning technology gaps for these public administration systems (PAS) include efficient, straight-through processing, enhanced member self-service, and effective campaign management with customer relationship management (CRM). With comprehensive operations modernization, public pension systems can provide superior service and scalability, and ultimately meet the financial needs of its members to ensure security and dignity in their retirement years.

PENSION SYSTEMS' TECHNOLOGY NEEDS

Most of today's public pension system RFPs cite the same solution needs, namely "improved business processes," "automated manual and workaround tasks," and "enhanced stakeholder communication." Many public pension systems nationwide use legacy mainframe solutions that were state-of-the-art when first installed 20, 30, or 40 years ago. Therefore, most public pension systems are experiencing the niggling effects of old legacy systems and need new PAS' for efficient, straight-through processing and overall streamlined operations. A modern PAS can satisfy the most pressing needs of today's public pension systems, namely efficient, straight-through processing, enhanced member self-service, and effective campaign management along with comprehensive CRM.

Efficient, straight-through processing.

Since so many legacy systems are still in use across the nation's public pension systems, many have retained preexisting, manual internal processes and paper-dominated customer engagement methods

¹ National Association of State Retirement Administrators (NASRA.org) pg. 1

² *Ibid.*, <https://www.nasra.org/states>

³ *Ibid.*



that result in internal inefficiencies and poor customer experiences. Case in point: a recent Vitech client analysis noted that due to their system's limitations, they must maintain 46 different transaction types that require paper documents and wet signatures. This also necessitates close to 8,000 document scans per month, creating extra manual and time-consuming work for staff. This labor also takes staff away from more critical assignments, leaves room for human error, and often yields low morale. To eliminate these manual processes, public pension systems require a PAS with increased straight-through processing, as well as natural language processing, which will remove inevitable repeated, manual data entry. It will also help integrate and consolidate the multiple data streams necessary for onboarding and continuous record keeping, to avoid backlogs and reporting inaccuracies. For staff, this frees up time previously spent on mundane tasks, providing them with the time for higher-priority duties or professional development.

Enhanced member self-service.

Enhanced digital self-service puts administrative capability into the hands of system members and other constituents, for 24/7 omni-channel servicing. Without member self-service, members are overly dependent on system staff, plan administrators, and employers for customer support, which is often time-consuming and requiring mailing and hand-delivering of important documents. This manual labor also takes staff away from more critical assignments and leaves room for human error. With comprehensive self-service, members can perform administrative activities across multiple channels at their convenience, saving them and system staff time and effort. One example includes a public pension client that partnered with Vitech to implement a next-generation digital solution for enhanced member self-service. The client's objectives included: 1) Improving on basic account viewing on their website; 2) Increasing member service and engagement; and 3) Enhancing the security of member information by not relying on physical mail to send and receive sensitive information.

After the client's 500,000 active members were transitioned to the new member self-service application three months after a soft rollout to 50,000 tech-savvy users of the previous self-service application, the client experienced 38% adoption by active members and 23% adoption by retired members in the first year. The client ultimately realized a reduction of \$800,000 per year in paper, printing, and mail charges, with 1.9 million documents now paperless. (When members activate member self-service, they default to paperless delivery of the relevant documents.) Through the enhanced member self-service, the client recognized 68,000 beneficiary nominations, 25,000 address changes, 32,000 income verifications, and 84,000 retirement benefit estimates online in the first year of the new application. Future self-service capabilities will include more complex transaction types within the member self-service offering. Members will also be able to track the status of financial transactions within member self-service by having questions addressed such as "When will I receive my benefits?" and "Did you receive my direct deposit payment?" to generate a status of the transaction and prevent a significant volume of calls to the call center for added member convenience and operational efficiency for plan administrators.



Effective campaign management with CRM.

Effective campaign management with CRM offers a powerful combination for public pension system members. With these important elements, systems can provide critical retirement process information to members pre- and post-retirement, so they can make appropriate planning decisions. This includes keeping members fully informed of the process throughout their active public sector careers, with alerts about contributions, deadlines, service time records, and legislation that could affect their eligibility and payouts. It also includes offering the right counsel regarding potential opportunities and best practices, including supplemental plans and service credits. Even if members are not proactive, the system should be on their behalf, by offering financial simulations and calculation tools so members always have complete retirement information at their disposal, via safe, secure portals.

Ideal campaign management supports emails, texts, physical letters, and secure messages, and works with digital self-service to encourage ongoing member engagement for ultimate pension mission success. Where CRM comes in is as a comprehensive repository for maintaining current contact information, so member benefits can be regularly dispensed and promptly received. Pension systems that do not perform due diligence on locating members for benefit payouts can receive stiff penalties, including substantial, multimillion-dollar fines for noncompliance.

With a strong CRM infrastructure, systems can also develop a complete paper trail of retirement activity for each member account, to provide thorough, transparent reports for plan participants and regulators. Administrators can also track member activity and analyze the resulting data to better understand participant preferences for future personalized campaigns that will encourage member engagement and proactive retirement preparation. Combined, CRM and campaign management can build a secure repository for member data, personas, and analytics, as well as an ongoing, collaborative communications experience.

CONCLUSION

Comprehensive public pension system transformation via PAS modernization will optimize service for system members, staff, plan administrators, and employers, while providing opportunities for organizational improvement. Upgraded systems that include efficient, straight-through processing, enhanced member self-service, and effective campaign management with CRM can build collaborative and successful ecosystems that can lay the foundation for a sound retirement for millions of U.S. public sector workers for years to come.



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