

# Lower costs for greater benefits

With pensions auto-enrolment compliance due dates approaching, many companies are realising that they need to invest in modernising their employee benefits administration systems in order to comply.

**SBC Systems'** James Markham explains the importance of ensuring that these investments deliver the improvements needed so that auto-enrolment does not become a major administrative burden.



**C**hief executives use employee benefits to drive workforce motivation and productivity; however, the value of employee benefits can be limited if the cost of delivering those benefits is too high. Auto-enrolment is now a hot topic on the CEO agenda because it may bring not only additional pension outlay, but also considerable additional administration costs, according to James Markham, managing director of SBC Systems.

"The reward function is being asked to take on the delivery of a substantive new pension benefit; a benefit that, in principle, is more administratively demanding than any others in use: a universal, ongoing, highly regulated, tax-impacted and flexible benefit," he says. "To do this, existing processes and technologies will need to be substantially upgraded to handle the requirements without increasing delivery cost. The insurance industry, faced with a similar demand for more sophisticated services at lower cost, had to abandon its old semi-manual practices and implement not just self-service online purchasing, but also complete workflow and full straight-through data processing at the back end."

The reward function is at a similar crossroads. Future, successful benefits administration systems will handle any and all benefits on a single platform, integrate seamlessly (using STP) with internal and third-party systems, and provide a mix of better functionality, simplified processes and greater control for employees and managers. As a market leader in employee benefits technology since 1977, SBC believes its Lifeworks System meets these requirements, but other commonly used solutions do not.

## Challenging criteria

Many reward functions are making greater use of technology; however, most solutions are focused on improving employee engagement through self service. Markham warns that end-to-end system automation for pensions auto-enrolment is a more complex requirement.

"The reward function has yet to cost-effectively address the back-end data challenges that arise when complex reward items are delivered to employees online," he explains. "Such challenges are still predominantly handled manually in-house, through customisation of

the company's HRIS (for example, SAP, Oracle) or by requesting extra manual services from the payroll provider. These expensive options are unlikely to be cost-effective for pensions auto-enrolment."

CEOs are beginning to realise that their employee self-service technology may simply be a veneer covering a complex range of expensive semi-manual processes. In order to remedy this, reward functions will need to recognise the true costs of their reward data management and invest in appropriate back-end technology to substantially improve the level of straight-through employee data processing within their organisation and with their pension and benefit providers.

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## A full-spectrum solution

While pensions auto-enrolment is the first priority, Markham believes that the back-end technology automation required can also be used by the reward function to better deliver the whole range of benefits offered to employees, thus cutting the overall cost of making the required technology investment.

"Any reward function evaluating their technology capacity to meet auto-enrolment requirements will quickly recognise the cost and service advantages of implementing a fully automated end-to-end reward management process," he says. "This is not just for pensions auto-enrolment, but also for the whole spectrum of benefits and reward services provided to employees."

Advantage should be taken of this opportunity created by the pensions auto-enrolment legislation to provide an effective solution covering all benefits. ■

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