



Consulting

Case study



Automating pension administration

“If I can build you a missile that hits its target 100% of the time, why can’t you automate my pension calculations?”

We worked with this defense contract industry leader to do just that — and hit the mark.

Our client’s business is to make the world a safer place. It provides air missile defense, radar, sonar, torpedoes, electronic systems for ships, air traffic control, battleship sensors, space and airborne systems, and cyber-security. The \$23 billion company has about 61,000 active employees.

Our client’s Manager of Retirement Plans explained the daunting challenge this goal represented.

“We embarked on a mission to really, really do some industry-leading automation of our plans,” he said. “We have 6 qualified pension plans and about 40 different plan designs — every flavor you can imagine: contributory and non-contributory, bargaining groups, career average and final average earnings, cash balance, non-qualified excess plan, SERP — with all sorts of complexities: plan transfers and service breaks, a lot of acquisitions and divestitures. We have 29,000 active members and 65,000 term vested, and about 69,000 retired in payment.”

When they said “100%” that’s exactly what they meant.

“We set ourselves the goal of getting 100% automation of all pension calcs. And at this company, 99.99% isn’t a hundred.

I’d never heard of that before in my 34 years in pensions, but that’s where we wanted to be. Anecdotally, we were at about 80% when we started, though that was really kind of a squishy number, we really didn’t know what that included. Our goal was also to have everybody able to run their estimates online, and also to run retirement kits online. We wanted obviously to reduce a lot of errors that go along with doing manual calculations. Our culture is vastly engineering, and the engineers demanded this.”

Getting to that point was a “monumental amount of work.”

“We had to document all the requirements for all these different scenarios. We had breaks in service, transfers, death benefits, disability pensions, those affected by 409(a), retroactive annuity start date comparisons for early retirement, FICA tax calculations, rehired retirees, small vested groups in file cabinets, with calculations done by pen and paper.

So as we were automating all this it became clear first of all that one of the benefits of this was documenting all this logic for future reference — and what did it take for you to get the automation system built. And we had a tremendous amount of work on all our communication materials, forms, and letters.



Our team lead talked about working with this client:

“This one really tested our limits. First of all, we do have a calculation automation playbook. But we learned so much working on this project we supplemented it with quite a few chapters to update the techniques we can use to update the calcs. All of us understand how occupied we get with the day-to-day terminations, retirements, and so on. We usually don’t get a chance to step back and analyze things. We set up a project team to focus on quality — to identify any potential issues such as data inconsistencies or calculation flags.”

“In addition to moving the calcs online, we found non-vesteds and flipped them over, and that helps the actuarial valuations — the calcs are tighter and that reduces risk and liability. It also improved participant satisfaction, improved operational effectiveness, and reduced manual labor — the payoff is huge.”

Some of these pension calculations ran to 80 pages long — and engineering folks want to see all the calculations. The other thing we had to do was data cleanup, and a lot of programming and a lot of testing. It was a tremendous amount of work.”

And the results?

“We process about 350 retirements a month.

And I’m very happy to say we reached 100% over the last three months. All our calculations are now automated, and 98% are done online on the Web — so they’re not bothering the Call Center folks or the administrators so much.”

Let’s talk

To learn more about this project, get in touch with us at **1 866 355 6647** or **talktous@buck.com**.

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