Pension Risk Transfer:

Designing Customer Experience for Retired Baby Boomers

As the baby boom generation retires, traditional defined benefit plans, or pensions, are often a significant source of income. However, over the past three decades, most organizations have shifted from pension plans to defined contribution plans, and many are opting to sell their pension obligations to third-party insurers via pension risk transfer (PRT). In 2019, PRT investments reached $28 billion and are on the rise.

PRT transactions are subject to stringent regulatory and government approval processes but are a win-win for plan sponsors and insurers. Once an employer closes its pension plan and passes the risk and payout obligations to an insurance company, the insurer is responsible for administration of the terminated plan's liabilities and payment of benefits promised to participants.

Employers that use this strategy can offload the responsibility and investment risk of ongoing pension payments and eliminate the associated administrative costs. However PRT often fails on the customer experience side with retired baby boomers. Over the past few years, numerous incidents of improper handling of annuitant payouts have led to hundreds of lawsuits and significant fines against insurers. Pensioners complain of missing or late checks, incorrect payment amounts, lack of notification, and helpdesk assistance that is anything but helpful. The customer experience is utmost responsibility of the insurers who service annuitant's pensions.

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Ensuring pensioners have the similar or better retirement experience as they had with their plan sponsor requires insurers to design a user experience defined by customer personas. Baby boomers in the current retirement pool are often less tech savvy and need simpler, more intuitive interfaces. Many prefer paper statements, and while they may use smart phones, sophisticated apps may be frustrating and hard to navigate.

Taking a multifaceted approach to digital transformation enables insurers to create an experience specifically for this group. Transactions, portals and helpdesk interactions need to be simple, easy-to-use, accurate, timely and secure. In our experience, innovation should take a customer-centric view focused on:

Creating customized self-service options by understanding and catering to retiree personas.

Ensuring accuracy and timeliness of pension benefit calculations and distributions using intelligent business function rules to generate personalized quotes and projections.

Supporting back-office support teams with an IT ecosystem, that involves internal and external partners, peripheral systems, call center intake and servicing, workflow, correspondence, annuitant data and pension processing. This will empower call service representatives to quickly and efficiently provide accurate information to participants.

Designing documents and content delivery systems to align with the expectations of participants.

Enhancing business and operations processes, supported by a modern IT ecosystem will create an infrastructure that supports sustainable, consistent and predictable participant experiences. An enjoyable experience, coupled with personal guidance can empower and engage participants. In working with insurers to create experiences specific to the boomer demographic, we find these six key IT design practices enhance participant experience:

Personalized and accurate retirement benefit income quotes. Using intelligent benefit calculators to capture personal details from core plan administrations systems, insurers can provide real-time, projected or current benefit quotes and payout details. Numerous off-the-shelf platforms and tools are available which can be implemented through configuration or customization into member portals.

Digitized self-service experience with a personal touch. User self-service portal should be simple and intuitive with limited clicks and clutter for retiree personas. For example, Cognizant conducts persona research which becomes the basis for portals and user interfaces design.

A multi-channel participant experience that balances person-to-person and digital interactions. Having an effective contact management system that contains participant information such as status, eligibility and demographic details and can be easily accessed via phone, social, chat or other digital channels, enables service representatives to accurately service a request. Our subject matter and industry expertise, combined with technology skills, enables us to recommend the best system for our insurance clients based on their specific needs.

Tracking and enriching participant engagement across channels. An analytics-driven performance tracking and monitoring system uses data from core administration platforms to accurately measure channel usage at participant levels and type of interaction.

Accurate, effective and digitized back-office processing via workflow management transformation. Using an SLA-based system and process to measures accuracy and timeliness of information is the key to providing a great customer experience. Cognizant's digital operation team uses many tools such as Digital Operation Fabric, Cognizant's new business and underwriting platform or Cognilogix to track these key metrics. Based on a client's specific situation, we assess which tool is the best fit to provide the desired experience.

Digital experience enrichment for plan sponsors via dashboards and digitally delivered analytics. Dashboards help plan sponsors understand plan performance against new participant experience metrics. Data and analytics in easy-to-use formats provide visibility into participant activities, engagement, enjoyment and outcomes.

Cognizant helped implement several of these design principles for a global insurer undergoing a major transformation. To date, we have met more than 85% of the success criteria.

PRT is a valuable and effective tool for employers and plan participants and provides a huge growth potential for insurance companies. However, insurers need to modify their approach to retired boomers whose needs are different from the customer base looking for retirement planning advice. Designing customer experiences to meet the needs of this unique group is essential to providing a better retirement experience and will be a driving force to acquiring new business.

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Cognizant

Cognizant's Insurance Business Unit

Cognizant is a leading global services partner for the insurance industry. In fact, seven of the top 10 global insurers and 33 of the top 50 U.S. insurers benefit from our integrated services portfolio. We help our clients run better by driving greater efficiency and effectiveness, while simultaneously helping them run differently by innovating and transforming their businesses for the future. Cognizant redefines the way its clients operate — from increasing sales and marketing effectiveness, to driving process improvements and modernizing legacy systems, to sourcing business operations.

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