Changing Roles in the Modern Fund Office

A shift toward consolidation and changing member expectations are among the trends modern fund offices must respond to. New technology can be part of the answer, but fund offices also may need to consider new organizational structures.

benefits MAGAZINE

Reproduced with permission from *Benefits Magazine*, Volume 54, No. 11, November 2017, pages 46-52, published by the International Foundation of Employee Benefit Plans (www.ifebp.org), Brookfield, Wis. All rights reserved. Statements or opinions expressed in this article are those of the author and do not necessarily represent the views or positions of the International Foundation, its officers, directors or staff. No further transmission or electronic distribution of this material is permitted.

pdf/1017

by | **Susan Loconto Penta**

Public sector and multiemployer benefit plans continue to be overloaded by risk, compliance and regulatory changes, making it more and more complicated for fund administrators to run the fund office. Beyond the impact of these external forces, many fund offices are also experiencing pressure as unions consolidate into regional entities with the goal of achieving greater leverage and efficiencies.

Although administrators for small Taft-Hartley funds may think their operational challenges are different from those faced by public pension funds, research shows that they are struggling with many of the same issues.[1] While every benefit plan is unique, common themes related to technology, reporting and staffing models plague every fund office and spawn operational concerns about the future. This adds a new degree of complexity related to scope, scale, organization and even mission of the benefit fund office.

In today's world of spiraling health care costs, aging membership and diminished (or erratic) investment returns, trustees are also under pressure as they seek to cap contribution rates while maintaining the breadth and quality of member benefits. This puts pressure on the fund office to cut or con-

tain fund administration expenses, despite the importance of administration to member service and retention and its relatively small budget when compared with other fund expenses.

At the same time, older technology platforms may no longer support the complexity of today's benefit plans nor provide an adequate platform for excellent member service. Yet replacing those systems is risky and expensive and requires a coordinated effort between the trustees, fund office staff and external vendors.

In addition, member expectations regarding the availability of their own data (e.g., hours worked, benefits accrued etc.) have moved from ad hoc and infrequent to real-time and daily, which means data must be clean, available and served up in an easy-to-access but highly secure manner. Today's world of "always-on, real-time information" should be considered the new normal, which means the fund office must figure out how to deliver services in a new way. To achieve these goals without increasing staff, the modern fund office must rethink current organization models to better match underlying benefits administration systems, address trustee demands and meet member expectations.

This article will focus on how the modern fund office can respond to these operational challenges and will offer prescriptions for addressing those concerns for administrators of public sector and multiemployer benefit plans that should improve efficiency:

- **Match the fund office organizational structure to the design of the fund administration system and to accommodate local union changes.** A new system is not simply a better tool for doing yesterday's work. Today's systems should be thought of as new operating platforms that allow the fund office to address unmet needs and to redefine how work gets done. Fund offices should look ahead and identify disconnects between the current operation vs. goals and prioritize gaps to be closed by restructuring functions and roles. They should make sure their organization can accommodate a distributed model where regional fund offices manage core fund, systems and data administration functions while allowing for local service to members and employers.
- **Evolve the governance model for fund office operations.** Funds should consider ways to increase transparency between staff, management and trustees so that core administration functions can be centralized and member and employer service can be delivered locally. This can include new governance models such as board committees and more frequent but "lighter" reporting that incorporates operations activities. Standardizing how information is shared makes everyone more effective: It helps trustees do their jobs without interfering in day-to-day operations, and it makes the operations team more efficient by identifying exceptions and defects before they become problems.
- **Put service in the hands of members.** Even if a fund has an older system with no plans to upgrade anytime soon, adding a capability for members to access their data through self-service applications on smartphones, tablets and computers is a must to meet modern expectations. This will require changes to the roles and functions of front-line and back-office fund administration staff. Member self-service should no longer be considered a "nice to have" feature but rather considered a critical tool for keeping unions relevant.

Impact of the Changing Environment

Many outside influences are driving the need for change in the fund office organization model, but the impact of four key trends should be considered by administrators.

1. Local Union and Benefit Fund Consolidation

Small union offices are often as expensive to run as large ones and, in terms of dollar per member costs, they can be significantly more expensive. Combine this with the skyrocketing cost of health care, a corresponding increase in employer contribution rates and an environment of underfunded benefit plans, and expenses and rates both quickly increase. Many unions are therefore seeking to consolidate local unions and, by extension, benefit plans, in order to keep costs down and stem the tide of increasing employer contribution rates without compromising benefit packages. This drives a need to rethink the fund administration model, especially for self-administered funds, in order to maximize efficiencies without sacrificing the local, high-touch service that members and employers expect. With these larger fund offices come demands by trustees for additional controls and increased transparency to minimize risk.

2. Heightened Focus on Member Retention and Satisfaction

Keeping members happy means maintaining an attractive benefits package, but fund offices also must focus on mem-

ber service quality. Many fund offices now regularly measure and report on member satisfaction, which means there must be resources to incorporate these programs into regular operations and skilled staff to analyze and report on the data collected. For many members (and certainly for their families), the fund office represents the face of the union. An organization that provides high-quality service (rapid response times, accurate and timely information, quick resolution of problems) is not just an expense line at the fund office, it is a critical element to a union's commitment to its members.

3. Platform Upgrades and Technology Improvements Demand Different Skills and Organization Models

Although overall staffing levels in the fund office have not changed significantly in the past few years,[2] technology modernization is driving a change in roles. Many fund administrators are updating systems and cleaning up data, but these systems are designed differently from older platforms, which tended to be silos of information segregated by fund. Modern designs use a single, consolidated member database that serves all benefit funds and creates the need for a member data function that maintains a single, clean member data record.

Modern systems can encode and automate the application of plan rules, which should free up analysts to focus on helping members with unusual or urgent issues. In a similar way, well-designed self-service capabilities let members answer many of their own questions without needing to call the fund office. As a result, the mix of jobs is shifting:

- Toward the front lines of member service, where individuals provide personal, one-on-one, high-touch interactions, such as helping members with complicated pension eligibility scenarios or health claims
- Toward the back office, in technical roles where individuals are needed to continuously update and maintain benefits administration systems—both for staff to use when servicing members and for members to use in a self-service capacity.[3]

4. Widespread Use of Smartphones and Tablets Changes Expectations on Access to Data

Today virtually everyone has a mobile device, which changes the dynamic between members and fund office staff by shifting member expectations around communication channels, turnaround time on benefit applications and access to accurate, real-time information. The onus for upkeep of demographic data (names, addresses, phone numbers, etc.) is being pushed onto the member, but the resulting increased transparency into hours and benefits demands that the data be complete and up to date. This, in turn, increases the need for rigor in data management and cybersecurity policies and shifts the need for resources toward technology, data and systems upkeep.

Match Organization Structure to Operating System Design

A larger, newer benefits administration system without a modified organization model and refreshed business processes will not yield the efficiencies needed.

A good way to think about the inside of a fund office is as a benefits administration "factory." In the past, the "assembly line" for benefits administration was comprised of people using their judgment, recording those judgments in a system and communicating the results to members. Now technology is automating those assembly-line tasks and eliminating the need for individual judgment on rote activities such as determining basic health eligibility or calculating estimated monthly pension benefit amounts. This naturally forces a shift in staff focus to ensuring that plan rules are documented, encoded in the system and working correctly (requirements and testing) and that member data is complete and accurate. To match the organization and system for optimum results, fund administrators should:

- Assess the organization model in the context of the structure of the fund administration system. Make a

takeaways

- Trends including local union and benefit fund consolidation are driving a need for change in the organizational model for benefit fund offices.
- Modernization of fund office technology platforms is pushing a shift in staff roles toward more employees providing one-on-one services for urgent issues and filling technical back-office roles to maintain benefits administration systems.
- Fund offices face new demands from plan participants who want real-time access to their personal data and want to access it with their mobile devices.
- In addition to changing the staffing structure, benefit funds should consider adapting their governance models to accommodate new administration systems and organizational structure.

list of the key modules or functional blocks in the system, and consider the organization structure.

—Does the fund have a single member database? If so, is there a member data function or department to handle all member and dependent demographic data and life events, independent of the business lines?

—What about contributing employers? Are there a handful or hundreds? Are the employer agreements complex with ever-changing rates? Segregating the activities related to maintaining employer data, agreements and rates from employer service could be a consideration.

—Who is supporting the business lines (i.e., pension, annuity, health, etc.) in the translation of plan rules into technical specifications? Does the plan have sufficient business analysis resources with both knowledge about the funds and an understanding of technology? If not, plans should consider staffing this function modestly on the inside and supplementing with an outside consultant to support these tasks.

- Assess what technical skills staff should have to keep the fund administration system humming and data flowing into and out of the fund office. Funds should make an active decision about which skills and resources they should have internally vs. which are more appropriate to hire or retain from the outside. Funds should consider the location, corporate culture and salary constraints since these are often at odds with recruiting and retaining topnotch technical professionals.
- Make realistic choices about how quickly to evolve the organization. A systems overhaul often results in a sea change in the skills required for fund office staff, which can create turnover. While some turnover is healthy and even productive, it is important to avoid a majority of institutional knowledge leaving at once. Changing roles and functions will necessitate changes in supervision, training, goals and measures, and doing this in a reasonable time frame is key to success.

In order to lead and operate a modern fund office, fund administrators need to understand and care a lot more about technology, systems and data—and the skills and resources required—than they did in the past. The modern fund office does not need to look like a software development organization, but it does need to master many new technical skills and break down the barriers between member service, employer relations and technology.

Evolve the Governance Model

Fund trustees focus on their fiduciary responsibility to ensure that the fund can cover liabilities and that investment guidelines are being followed. In the last five to ten years, the amount and nature of information that board members need to process has changed dramatically because of increased regulation. When evaluating proposals for major investments in new platforms and technologies, trustees must consider return on investment, timetable and operational impact.

At the same time, trustee expectations for increased internal controls as well as communications from the fund office around performance and operational measures are changing. The fund administrator is on the hook to help the trustees be effective in their role, and the best way to do this is through transparency; easy access to data via regular, standardized reporting; and the capability to accurately answer ad hoc questions.

Fund administrators can meet these expectations through:

- **Teamwork, transparency and trust.** Transparency is the basis of trust, and trust is the basis of good governance. The fund office handles considerable sensitive information (financial, medical, personal) and also must provide easy, efficient access to the data trustees need to fulfill their duties. Staff needs both proficient

learn more

Education

Certificate Series—Basics of Employee Benefits Administration
March 12-13, 2018, Las Vegas, Nevada
Visit *www.ifebp.org/certificateseries* for more information.

Essentials of Multiemployer Trust Fund Administration
June 4-8, 2018, Brookfield, Wisconsin
Visit *www.ifebp.org/essentialsme* for more details.

From the Bookstore

Trustee Handbook: A Guide to Labor-Management Employee Benefit Plans, Eighth Edition
Lawrence R. Beebe. International Foundation. 2017.
Visit *www.ifebp.org/trusteehandbook* for more information.

technical skills and good judgment to provide high-quality service and determine what information is appropriate to share.

- **A business model that defines the boundaries for back-office and service delivery operations and keeps them in sync.** Operations may be in separate offices, but modern technology allows information to easily move between locations, eliminating this obstacle.
- **Governance and reporting models that cover three angles of information:**
  1. Standard, scheduled reporting with summary and detailed information. A library of reports, including financial summaries (e.g., dollars received), activity summaries (e.g., benefits granted) and operating statistics (e.g., average time to process an application), should be delivered to various constituencies on a regular basis. The reports should be standardized so they are clear, consistent and unambiguous.
  2. Regularly scheduled exception reports. These reports help identify anomalies as early as possible so that corrective actions can be taken. The operations team is the typical audience for these reports, but they also can be important to consider in governance decisions. For example, if the fund office finds that the number of members without a valid Social Security number has been increasing, trustees may decide to create new policies about how to handle that situation.
  3. Ad hoc reporting. Fund offices may be asked to provide reports on questions such as "How many members who moved into our region in the past 90 days have more than three children?" Staff needs to understand the context of the question as well as the skills to answer the question with real data from the fund office system.
- **A board committee to oversee fund office operations and technology.** This committee should be separate from the executive and benefit fund committees; should focus on organization model, service model and technology (investments, expenses, partners, etc.); and also can be charged with helping other trustees understand and consider the link between plan changes and the implications on technology and operating processes.
- **Professional but knowledgeable fund office management.** No longer can the executive administrator be expected to know all the details and operate as a "sole proprietor." Rather, administrators must recognize the gaps in their own knowledge, recruit and retain staff who can fill those gaps and implement management systems that provide enough information to make the right decisions. A management team representing different domains of expertise and focus is required in today's complex environment, and it is often worth investing in professional development and team-building initiatives (just like any competitive commercial business would).

Put Service in the Hands of Members

Adding the capability for members to access their data through self-service applications on smartphones, tablets and computers is a must, even for funds with older systems and no immediate plans to upgrade. Empowering members with their own data (regardless of whether they can change anything), will change the role of back-office and front-line staff. Members will stop asking familiar questions because they can look up the answer on their own, but they may start asking new questions ("Why doesn't this look right?").

Adding self-service functions also exposes new challenges such as who is responsible for data integrity and the implications for data security. If members share the burden of maintaining their data, fund offices must decide what happens when a member enters an incorrect address. Does that need to be verified by fund office staff? Or is it simply up to the member to get it right? New policies regarding who can do what will need to be defined and likely approved by the trustees.

Data delivered to the member needs to be clean and accurate. Putting it in the hands of members is a double-edged sword, since members will see any errors in the data and will expect plans to correct them immediately, creating more urgent work. The organization must be trained and ready to deal appropriately with all scenarios and methods of member interaction (by phone, e-mail, text, chat, etc.). In addition, the fund office will need a few new functions to support self-service users (e.g., technical support to deal with passwords and technology-challenged individuals), along with updated training for member support staff to handle increased call levels whenever changes are introduced or when problems arise.

Case Study: Fund Redesigns Processes to Improve Data Quality

Whether a benefits administration system is brand-new or decades old, the challenges of bad addresses and returned mail are a constant drag on resources and efficiency. Worse, fund administrators often find themselves confronted with the prospect of perpetuating the cycle during technology upgrade projects by transferring known bad address data into newer, more modern systems.

An administrator for a large Taft-Hartley fund in New England was in exactly this situation after spending many millions of dollars to upgrade its benefits administration platform. The administrator consolidated member and dependent records from multiple sources into a single database housed in its new system and supporting all benefit funds but continued to receive thousands of pieces of returned mail each month.

To address the problem, the administrator assessed the state of its member data after going live and discovered that while much member and dependent demographic data had been remediated prior to conversion, some bad address data remained and continued to accumulate. In addition, updated information on members and their dependents often was provided to different fund office staff members during interactions and treated inconsistently. This discovery spawned an initiative with two main objectives: Clean up the existing bad address data, and rethink the organization and processes for maintaining the integrity of the data going forward.

The administrator:

- Formed a new member data team, separate from the retirement and health and welfare service teams, with a sole focus on and responsibility for maintaining the cleanest member and dependent demographic data possible—from names and addresses to life events and proof documents
- Added new system functionality to support the new standalone team, including address management functions and bad address flags that connected directly to batch mailings so that correspondence could be removed before it was mailed
- Created processes to leverage new reports that exposed data challenges, such as members with multiple primary addresses, and that enabled the member data team to manage exceptions and streamline communications with the membership, keeping bad data out of the system and, ultimately, allowing for better service
- Modified policies to leverage the new member self-service capability and mobile application so that address discrepancies could be reported and rectified in real time, cutting down on "fire drills" and shortening remediation time cycles.

Forming a new department and allocating dedicated resources to reflect the burden of maintaining individual data and matching the new system design (a single member database supporting all funds) ensured that clean-up initiatives and ongoing data surveillance got the time and attention they required. Within six months, the fund office improved efficiency and drastically reduced the volume of returned mail and the number of bad addresses.

bio

Susan Loconto Penta is co-founder and a managing partner of MIDIOR Consulting in Cambridge, Massachusetts. She holds a B.S.E.E. degree from Worcester Polytechnic Institute and an M.B.A. degree from Cass Business School in London, England.

Conclusion

Fund administrators are under pressure to alter their business and organization models, triggered by external factors ranging from union and fund consolidation to platform modernization and shifting member expectations. Given the importance of benefits administration to the life of a member, the fund office plays a critical role in both member retention and satisfaction. It is therefore important to carefully transform the administration model to account for scenarios that include both centralized, shared services and high-touch local services.

For funds that have newer systems, matching the organization model to the design of the system will help to ensure efficiency. In addition, adding board oversight through an operations committee and more frequent but lighter reporting will allow trustees to fulfill their fiduciary obligations despite more distributed fund administration. Finally, adding member self-service capabilities will help the fund office share the load of maintaining excellent member data.

Fund administrators should plan for the mix of jobs to evolve toward individuals on the front lines, servicing members and triaging complex or urgent scenarios, as well as those developing and maintaining benefits administration systems that accurately reflect plan rules and are underscored by high-integrity data.

Endnotes

1. MIDIOR Consulting, *The Modern Fund Office: 2016 Study of Public & Taft-Hartley Benefit Fund Operations.*
2. Ibid.
3. Ibid.