



**The future of occupational pension schemes:
Digital communication – now!**

Franziska Kühnemund und Claudio Thum

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Digital communication – now!

The need for digitization in occupational pension schemes is increasing due to administrative burdens, skill shortages, increased service demands, and cost pressures. Effective digital communication with members is the key to meeting future requirements.

The administration of occupational pension schemes is under increasing pressure. There are many reasons for this: an increasing administrative burden and shortage of skilled staff due to demographic change, higher member demands for service levels and quality, and cost pressures.

It is therefore not surprising that digitalization has been one of the top issues for HR managers in German companies for years. Nevertheless, there is a clear need to catch up in some areas. For example, many companies communicate with their employees only partially digitally and, above all, continue to use analog media to communicate with retired employees and pensioners.¹

Why is progress in digitalization so slow?

The pension landscape in Germany is complex. Many companies are faced with many different plans that have grown over time. This makes digitization difficult. For pension plans with a small number of members, the payback period for the necessary investments is long, so HR managers cite the economic aspect as one of the main barriers to digitalization. Other barriers include lack of resources, technical limitations, and lack of knowledge.

<p>Key barriers to digitalization:</p> <ul style="list-style-type: none">• High complexity due to historically grown structures• Lack of resources and knowledge, technical restrictions• Long payback period of necessary investments

But what are the arguments in favor of rapid digitalization?

Reason 1: Demographics make administration more cost-intensive

In the coming years, the generations born between 1955 and 1969 (the so-called baby boomers) will retire.² As a result, the number of workers in Germany will fall and the number of pensioners will rise. The same will happen in many companies. In some companies, a large number of employees will retire within a short period of time.

In addition, members' demand for information will increase as the relative level of benefits provided by the state pension scheme declines. Employees will become more involved in their own retirement planning, including occupational pension provision. The importance of the services provided by occupational pension schemes will increase for the individual applicant.

The administration of occupational pension schemes will have to manage these changes:

- Increasing demand for information from the members
- More old-age pension cases
- Burden of multiple entitlements
- Managing more retirees

Reason 2: The administration is missing more and more specialists

The organization of occupational pension schemes is also directly affected by demographic change. According to expert forecasts, the shortage of labor will be exacerbated in the coming years by the decline in the working population.³ This will primarily affect the administration and its organization:

- The difficulty in recruiting pension experts indicates an unbalanced age structure in the community.
- The situation is exacerbated by the fact that, due to the high degree of specialization, it traditionally takes a very long time to build up the knowledge of new talent.
- In addition, the pensions community has traditionally struggled to promote the attractiveness of jobs in this market and to differentiate itself from other labor markets, despite bright career prospects.

Reason 3: Service requirements have changed

Members' expectations of the scope and quality of occupational pension services have changed fundamentally. Excellent member services in the consumer goods sector are responsible for this demand. Leading players are setting the standard for fast, convenient, personalized communication and business process execution. Members expect the same level of interaction in their relationship with the company, so corporate functions must meet these benchmarks. This also applies to services related to occupational pensions. Only then will occupational pensions be perceived as a valuable benefit.⁴

This fundamental change was also confirmed by a recent WTW survey of pension function managers.⁵ Occupational pensions must therefore become more digital, faster, and more transparent.

Management of occupational pension schemes must meet the following future challenges:

- Increased service scope and quality requirements
- Becoming more digital, faster, and transparent with a strong focus on member experience
- Consumer goods market as benchmark for member experience

Is there a business case for this digital transformation?

These reasons support fast digitalization since demographic change and higher service demands have become a reality. Doing nothing is not an option as the cost of administration will increase. These foreseeable increases in costs must be included in the economic efficiency considerations.

Certainly, there is no general patent solution for a comprehensive digitization of occupational pension schemes. However, a quick start of gradual digitalization is feasible, and the investments are usually amortized very quickly. One key element is to establish a digital communication channel for all members. This channel can be implemented quickly and easily. Based on this channel, further digitalization steps of the value chain can be planned.

To summarize this as a best practice solution:

- Digital communications platform is immediately feasible with a standard solution.
- Investments are usually amortized very quickly.
- Communication channel is the basis for further digitization steps.

Read more about how to achieve fast digitalization success based on WTW's communication platform: [Digital communication: fast digitalization success⁶](#)

Sources

¹ [Sylvia Hessler, Marie Rieber and Claudio Thum: Digitalisierung in der bAV-Administration 2023, WTW, Juni 2023](#)

² [Claudio Thum and Silke Übelmesser: Challenges and opportunities of demographic change in Germany, WTW, August 2023](#)

³ [Lisa Mühlner and Claudio Thum: More talents for the occupational pension sector!, WTW, February 2023](#)

⁴ [Claudio Thum: For a sustainable occupational pension scheme, WTW, December 2022](#)

⁵ [Sylvia Hessler, Marie Rieber and Claudio Thum: Digitalisierung in der bAV-Administration 2023, WTW, Juni 2023](#)

⁶ [Franziska Kühnemund and Claudio Thum, Digital communication: fast digitalization success, WTW, October 2023](#)



Dr. Franziska Kühnemund

Senior Director

Willis Towers Watson GmbH
Am Heilbrunnen 47 | Wettinerstraße 3
72766 Reutlingen | 65189 Wiesbaden
Germany

Phone: +49 160 9898 0595
franziska.kuehnemund@wtwco.com



Dr. Claudio Thum

Senior Director

Willis Towers Watson GmbH
Am Heilbrunnen 47 | Wettinerstraße 3
72766 Reutlingen | 65189 Wiesbaden
Germany

Phone: +49 160 9622 3040
claudio.thum@wtwco.com
<https://www.linkedin.com/in/claudiothum>

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