

Changing Pension Administration Software Vendors? Three Key Considerations

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Changing pension administration software vendors is a significant strategic decision for any organization. While software features are an important part of the equation, pension administration projects are complex, long-term initiatives with implications that extend well beyond a software change. Success depends on evaluating both operational and strategic considerations before moving forward.

Below are three considerations organizations should assess when switching pension administration vendors.



1. Strategic Fit

Not all vendors operate the same way. Differences in communication style, governance structure, implementation approach, and overall culture can significantly influence the success of a long-term pension administration relationship. A vendor that is technically capable but culturally misaligned can introduce friction during implementation and ongoing operations.

When switching vendors, organizations should assess how the new vendor works in practice. This includes implementation approach, decision-making and governance processes, responsiveness, flexibility and willingness to adapt to the organization's specific needs.

Strong alignment of style and culture helps ensure smoother implementation and a more productive long-term partnership.

2. Vendor Experience

Product fit is important, but vendor client experience matters just as much, particularly for pension administration where regulatory requirements, plan complexity, and data accuracy are critical. Organizations should assess the vendor's experience with similar plan types and regulatory environment.

Key questions to consider include:

- How many comparable implementations has the vendor completed?
- Does the vendor have demonstrated expertise in defined benefit, defined contribution, or hybrid plans, as applicable?
- What is the vendor's track record for successful implementations and long-term client retention?
- Has the vendor proposed experienced or veteran staff to work on the project?

Understanding a vendor's experience helps mitigate implementation risk and sets realistic expectations for timelines and outcomes.

3. Total Cost of Ownership

When planning for a new pension administration platform, understanding the total cost of ownership is essential.

Beyond the initial purchase or implementation costs, organizations must account for a wide range of factors that impact ongoing expenses and operational sustainability. A comprehensive approach ensures that all financial, technical, and operational considerations are thoroughly evaluated before a final decision is made.

As part of the due-diligence process, organizations should determine the:

- **Expected life of the system.** Pension administration platforms are typically intended to operate for decades. It's important to forecast costs over the system's full expected lifespan, including enhancements, upgrades, and maintenance.
- **Internal costs and resource requirements.** For on-premises solutions or solutions that are maintained by internal IT staff, evaluate all associated costs — including hardware acquisition and replacement, software upgrades, system redundancy, data backups, and ongoing staffing. These expenses should be compared directly with vendor-hosted alternatives to ensure a comprehensive understanding of total cost.
- **Redundancy and disaster recovery.** Assess the costs related to establishing and maintaining robust redundancy and disaster recovery capabilities. This includes backup systems, failover processes, and recovery planning, which may differ significantly between hosted and on-premises options.
- **Support and maintenance.** Factor in ongoing support, warranty, and maintenance expenses. Vendor-hosted solutions often bundle these into annual fees, while on-premises models may require separate contracts or in-house expertise.
- **Scalability and future needs.** Consider the platform's ability to scale and adapt to future requirements. Costs for expanding capacity or adding new features should be anticipated and included in total cost calculations.
- **Compliance and security.** Include costs for ensuring regulatory compliance and maintaining robust security protocols. These may involve regular audits, software patches, and infrastructure upgrades that vary by hosting model.

By thoroughly evaluating these components, organizations can make informed decisions and avoid unexpected expenses, ensuring the long-term sustainability of their pension administration platform.

Getting Started: Develop a Structured Evaluation and Transition Plan

For a smooth transition, organizations should carefully evaluate key factors, such as vendor compatibility, expertise, and overall costs. By making informed choices early on, an organization can minimize risks and ensure that the platform meets long-term needs.

To be sure to take these considerations into account, organizations should build a structured evaluation and transition plan that includes:

- Clear requirements and scoring criteria
- Reference checks with comparable plans
- Validation of implementation methodology and resourcing
- Contractual protections for service levels and continuity

Changing pension administration software vendors is more than a software decision; it is a long-term operational and strategic commitment. Organizations that take the time to define their needs, understand vendor differences and plan for implementation, governance and ongoing support are better positioned to select a partner that can meet today's requirements while adapting to future needs.

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