

The Pension Regulators guidance on record keeping: Does your data meet the mark?

In June 2010 the Regulator issued targets for pension scheme data accuracy and completeness. All schemes are required to review their member records and where necessary put in place plans to improve them.

In our newsletter this month we outline the costs of poor data to the Trustees, members and the sponsoring employer and the benefits of reviewing and improving it.

The importance of data quality

Pension scheme data has a long shelf life. It has often been through significant changes such as system migrations, change of administration providers and legislative changes. As a result data is often incomplete or incorrect. Trustees and sponsoring employers are now recognising the implications of having poor data and are beginning to review their data to fully understand the extent of and remedy any data issues.

Historically, Trustees have been reluctant to undertake full data cleansing exercises due to the one off costs associated with these projects. Administration providers tended instead to check data at the point a member's benefits became due. However, Trustees make decisions largely based on data held by an administrator (whether in-house or third party), for example member data is used to establish the scheme funding position and this in turn can impact Trustee investment decisions. The more robust, consistent and accurate the data, the more effective the decision-making process and end result.

As well as cleaning up historical data, it is also important that current administration processes are sufficiently robust to ensure that new data items are updated correctly on an ongoing basis. If, for example, data relating to money purchase investments is incorrectly updated, it can very quickly become extremely complicated to unravel and correct the error.

As well as managing risk, data cleansing can provide cost and service benefits, including:

- Reduced administration and actuarial valuation costs
- Higher levels of process automation
- Improved member web services and other forms of communication.

The Regulator's expectations

The Regulator expects all schemes to have measured the quality of their data. Where tests indicate problems the Regulator expects plans to be put in place to resolve them by the end of 2012.

Schemes are expected to retest their data at least annually to provide evidence of changes in the quality of the data.

The Regulator has identified four circumstances that give rise to an urgent need to review record-keeping, irrespective of any longer-term plans.



These are:

- Wind-up (full or partial)
- Entry to Pension Protection Fund assessment period or the Financial Assistance Scheme
- Change of administrator
- Buy out

The Regulator's accuracy targets

Testing and reporting is required in three key areas:

Common data

This data is applicable to all schemes.

Data created after June 2010 – Target 100% accuracy

Data created before June 2010 – Target 95% accuracy

Conditional data

This is scheme specific data and depends on the scheme structure and IT system design.

Targets for conditional data are to be agreed between the trustee and administrator, based on their understanding of the scheme.

Numerical data

This data is used to help understand and validate the results derived from the common and conditional data checks.

Regulator Enforcement

The Regulator has stated that it will take enforcement action where record-keeping appears to be of such low quality that it indicates a failure to maintain adequate internal controls. It is less likely that enforcement action will be taken where Trustees are able to demonstrate that they are in the process of implementing realistic plans to address their identified data problems.

In March 2010 the regulator warned that "pension administrators, whether in-house or third party, will be an increasing focus for us, as we look to improve standards of data and administration across the industry".

Data Risks

Examples of failures that have occurred in some schemes and the potential impacts are summarised in the table below.

Data failure	Data type	Likelihood of impact		
		Financial	Administrative	Compliance
Employer and/or employee contributions are missing	Conditional	HIGH	HIGH	HIGH
AVC contributions are missing	Conditional	HIGH	HIGH	HIGH
Dummy data held in Date of Birth field	Common	HIGH	HIGH	MEDIUM
Deferred pension total does not equal the sum of all deferred pension tranches	Conditional	HIGH	HIGH	MEDIUM
Deferred pension amount is missing	Conditional	HIGH	HIGH	MEDIUM
Final pensionable earnings are missing	Conditional	HIGH	HIGH	MEDIUM
Spouse pension details are missing	Conditional	MEDIUM	MEDIUM	MEDIUM
Member address is missing	Common	-	MEDIUM	MEDIUM
National Insurance number format is incorrect or is a temporary number	Common	-	MEDIUM	MEDIUM

Actions for Trustees

Trustees should work with their advisors and administrators to undertake a full review of the quality of their scheme data and put in place plans to rectify any significant issues. As a minimum this should be undertaken in accordance with the Regulator's guidance, which is available on the Regulator's website: <http://www.thepensionsregulator.gov.uk/guidance/guidance-record-keeping.aspx>

In addition Trustees should consider whether to undertake a review of their administrator's processes to ensure that records are accurately updated on an ongoing basis. For example, how often is pensioner mortality screening undertaken? Many schemes are now undertaking this task on a monthly basis.

A thorough review would give rise to a one off increase in costs, but the benefits of ensuring that robust processes and accurate data are in place are clear.

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