Ensuring scheme data
is fit for purpose

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Agenda

- Data regulations and legacy

- Data impacts and issues today

- PPF and scheme buy out issues

- TPR Record Keeping requirements

- Recommendations

Regulation and data

- Legal responsibility for data accuracy is with the trustees

  - Pensions Act 1995, 2004, 2008
  - Data Protection Act 1998
  - Disclosure Regulations 1996
  - Scheme Administration Regulations 1991

- Revised Guidance on Internal Controls (June 2010)

- The Regulator Guidance on Record Keeping 2009 (revised following consultation - in June 2010)

Recipe for poor data

- Origins in-house manual record cards

- Development of computerised records

- Benefit complexity increased

- Outsourcing to TPA admin systems

- TPA's often had to accept poor records

- Data degradation over time

- High volume and complex

Data legacy layer cake

Data impacts

- Membership data is 'Management Information'

- Good MI is essential (even more so in recession)

- Data impacts on :

  - the actuarial valuation
  - contribution rates
  - PPF levy
  - FRS 17 liability
  - scheme accounts
  - efficient and cost effective administration

- Data is a key risk that trustees need to manage

Top 6 data risks
(ITM survey 2009)

1.	Incorrect payment of benefits	39%
2.	Incomplete legacy data on system	22%
3.	Funding - valuation & longevity risks	20%
4.	Data does not support ETV/buy out	7%
5.	Change of administrator - data migration	7%
6.	Poor data can result in fraud risks	5%

Typical data errors

Incorrect pensionable salary	GMP incorrect (pre and post 88)
Incorrectly applied pension increases	Deferred pension splits incorrect at NRD
No address/post code	Equalisation splits incorrect
Data status says TV out but has deferred benefit	Member has a fixed TV in pension -not recorded in source data
Part timer data is not dependable and benefits wrong	Data shows deferred benefit – file shows TV out
Data shows pension in payment but deceased	All spouse benefits missing or incorrectly calculated

PPF Assessment data issues

- Data is simply incomplete or inaccurate

- Insufficient prior planning and thought on data impacts

- Age old problems have to be addressed quickly and can be costly - GMP resolution takes too long

- PPF Case Workers now have much better understanding of data impacts

- Impedes efficient admin and accurate Section 143 valuation - delays the Assessment process

Buy out data issues

- Both the Trustees and insurer need good quality data

- You can transfer data risk as part of the deal

- The deal may 'lock you in' – tight timing, quicker but it will cost more and may not be best for members

- In a recent deal - 30% of member records had errors adding 5% to the buy out premium

Reasons for TPR guidance

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- NEST & Auto Enrolment (2012)

- PPF Assessment

- Discovering unknown liabilities (not included in valuation)

- Expensive administration errors (rising TPAS complaints)

- Scheme de-risking (ETV-Buy Out-other liability reduction)

To overcome inertia !

TPR 'High priority' scheme change events

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Solution delivered...

Circumstances	Scheme type	TPR rationale
Change of administrator	All work based	Risk of data and knowledge loss
Buy out	DB	Accurately measure liabilities/ secure benefits
PPF entry	DB	Accurately measure liabilities/ secure benefits
Wind up (full or partial)	All work based	Accurately measure liabilities/ secure benefits

TPR 'Convenient' scheme change events

Event	Scheme type	TPR rationale
Issue of benefit statements	All	Verify data
Valuation	DB	Measure liabilities
System change (employer, administrator or investment manager)	All work based	Risk – data and knowledge loss
Cease contract out	All work based	GMP/PR reconciliation
Close to future accrual	DB	Measure liabilities
Change investment manager	All work based DC and DB AVC	Data reconciliation
Merger or acquisition	All work based	Risk – data and knowledge loss
Scheme rationalisation	All work based	Risk – data and knowledge loss
Insured legacy products	Contract based	Lack of product support

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Regulator data definitions

1. **Common Data …** to uniquely identify a member

- 11 prescribed items and common to all types of work based scheme including FSA regulated schemes

2. Conditional Data ..required for effective administration

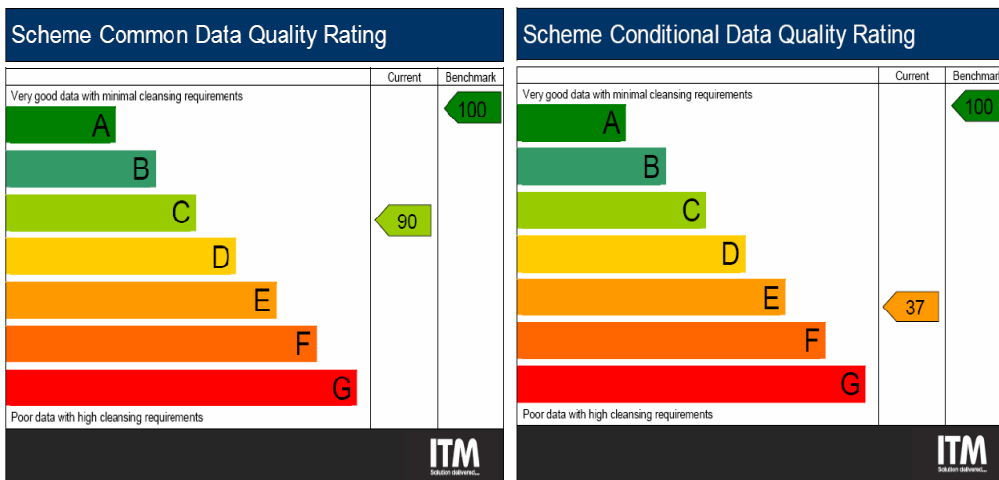- Not prescribed - Scheme type, design, system specific

3. Numerical Data …provides context to above

Regulator data targets

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Solution delivered...

Data Set	Common	Conditional
New Data (from June 2010)	100 %	scheme specific
Legacy Data (pre June 2010)	95% (by end of 2012)	scheme specific

Regulator data test scores & reporting

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Solution delivered...

Scheme Common Data Quality Rating | Current | Benchmark
Very good data with minimal cleansing requirements
A
B
C — 90
D
E
F
G
Poor data with high cleansing requirements
Benchmark 100

Scheme Conditional Data Quality Rating | Current | Benchmark
Very good data with minimal cleansing requirements
A
B
C
D
E — 37
F
G
Poor data with high cleansing requirements
Benchmark 100

Penalties

- TPR will monitor schemes via a '*pre-defined risk criteria*'

- Evidence of poor records *could* result in TPR enforcement actions:

  - Improvement or Third Party Notices (PA 2004)

  - penalty fines for failure to comply

  - prohibition of Trustees

  - publishing details of actions taken

Aligning data strategy with scheme objectives

- Wind up or de-risk 'journey'

- Review (change) of administrator or system?

- Internal controls – data fraud checks?

- Administration process & systems review?

- New / switch of investment manager (DC)

- Scheme closure / benefit re-design

- Actuarial valuation or investment review?

Incentives for Trustees

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- Compliance with the Regulator requirements!

- Greater awareness of data issues, impacts & risks

- Scheme administration should become easier and more effective as data improves & risks reduce

- The valuation and funding should be more accurate

- Reduced Trustee Liability Cover premiums

- Poor data will be more costly in the long term

Recommendations

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Solution delivered...

- Trustee training - further education and enablement

- Undertake a complete 'objective based' data audit

  …..not simply the Regulator data tests

- Implement a prioritised Data Strategy plan and monitor regularly

- Evidence it - Data Risk Management Certificate