GOOD PENSION SCHEME DATA

Why it matters and how to get it

CONTENTS

ABOUT JLT EMPLOYEE BENEFITS

Our specialist teams act as advisors, brokers and service providers in the areas of pension consultancy and administration, employee benefits and wellness, life insurance and wealth management. Through Benpal, our digital platform, we are able to provide individuals with visibility and control across their investments, pensions and benefits.

JLT Employee Benefits forms part of the Jardine Lloyd Thompson Group of companies, one of the world's leading providers of insurance, reinsurance and employee benefits related advice, brokerage and associated services. We have offices in over 40 territories with more than 10,000 employees.

EXECUTIVE SUMMARY

Good pension scheme data is a 'must have', not a 'nice to have'.

While there is a myriad of legal reasons for this contention, with penalties and other sanctions for non-compliance, it is actually the non-legal reasons for good data that are most compelling.

Investments, calculations, transactions, liabilities and funding are all based on personal data.

And, as online self-service continues to grow, along with concerns over fraud, it is becoming impossible to offer a '21st century pension scheme service' with poor data.

Scheme sponsors have up until now been reluctant to spend money on data validation exercises. Reasons cited are: the absence of explicit mandatory requirements; the time, the cost and effort involved and sometimes the poor return on the investment, the perception being that any improvements to data were outweighed by the costs of the exercise.

However, when you take into account new techniques applied to such exercises, the true 'price' of poor data can easily outweigh the time and effort involved in getting and keeping data that is accurate, up to date and fit for purpose.

With the General Data Protection Regulations now in force and increased focus from the Pensions Regulator on governance, the lack of mandatory requirements argument is also weakened.

According to the Pensions Regulator's latest corporate report, "improving standards of governance, record-keeping and data in schemes" is a priority for the next three years. It is also observed that "schemes' abilities to exploit opportunities around improvements in technology and automation will be dependent on their standards of governance, record-keeping and data management"[1].

If run properly, using segmentation and prioritisation techniques, data validation exercises are now so much more efficient and effective; in short, it is easier to get and keep good data, and exercises now provide a lot more bang per buck.

In essence, the days of thinking of good data as just a 'nice to have' are over. The mindset of all stakeholders should be that it is a 'must have' for so many reasons – legal, financial and operational.

Data is your most important asset, with data quality affecting both your service to your members and your management of risk. Invest in getting and keeping good quality data and it will save you in the long run.

While acknowledging our vested interest in pension schemes undertaking data validation exercises, we challenge readers of this report to reach any other conclusion.

1. *https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/corporate-plans.*

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GOOD DATA: THE LEGAL POSITION

INTRODUCTION

The fundamental duty for good data derives from centuries-old trust law under which trustees must account for their trust, maintain accurate records, and keep books and records available for inspection by beneficiaries. In addition, trustees in discharging their duties, including obligations on record-keeping, must ensure that they act in beneficiaries' best interests.

As explained below, this fundamental duty has been codified and supplemented by Acts of Parliament and a myriad of attendant regulations. It is also common for trust deeds and rules to impose scheme-specific duties on trustees in regard to record-keeping and data integrity.

PENSIONS LAW

There are now nine separate Pensions Acts with thousands of pages of attendant regulations made under them. In addition, tax law for pension schemes is now codified in the Finance Act 2004 (as amended) and regulations made under it. Provisions on record-keeping, summarised in Appendix I of this report, can be found throughout this complex legislative framework.

CODES AND GUIDANCE

The law is supplemented by quasi-legislation; in particular, the Codes and Guidance issued by the Pensions Regulator (and described in Appendix I).

DATA PROTECTION LAW

Last but by no means least, the General Data Protection Regulation (GDPR) came into force on 25 May 2018[2]. Also, the Data Protection Act 2018 received Royal Assent last year and is intended to provide a complete data protection system[3]. Trustees are 'data controllers' under the new legislation and, as such, must comply with the six data protection principles under the GDPR. Two of the principles are very relevant to data integrity:

- Personal data must be kept for no longer than is necessary for the purposes for which the personal data is processed.
- Personal data must be accurate and, where necessary, kept up to date.

GDPR also includes new accountability principles, under which data controllers must be able to demonstrate compliance with the data protection principles. Under the GDPR, the Information Commissioner's Office can impose fines for GDPR breaches of up to 20 million euros[4].

In summary, the legal framework concerned with 'good data' is reason enough for trustees to take their record-keeping and data integrity responsibilities seriously. That said, there are also many reasons beyond the strict letter of the law for trustees to start thinking about data as their most important asset[5].

2. *https://gdpr-info.eu/.*
3. *https://www.gov.uk/government/publications/data-protection-act-2018-overview.*
4. *The higher maximum amount is 20 million euros (or equivalent in sterling) or 4% of the total annual worldwide turnover in the preceding financial year, whichever is higher.*
5. *See, for example, https://blog.thepensionsregulator.gov.uk/2017/03/22/why-data-is-the-new-oil-in-the-digital-economy/.*

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BEYOND THE LETTER OF THE LAW

'The world is one big data problem'.

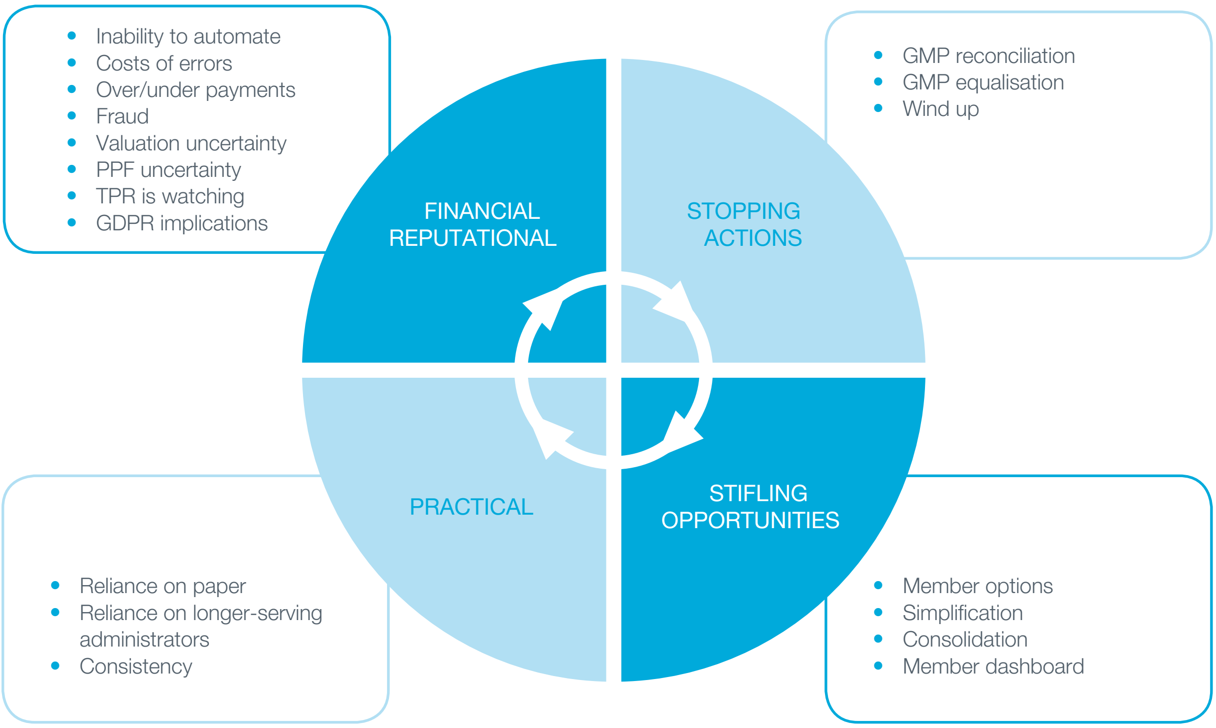
Perhaps, in the context of this report, the above statement[6] should be *'pension schemes are one big data problem'*.

Investments, calculations, transactions, liabilities and funding are all based on personal data, whether DB or DC, so data integrity is fundamental to reliable pension scheme administration and governance.

There are so many reasons beyond the strict letter of the law for having good data and these are explored in more detail in Appendix II.

The bottom line (illustrated below) is that, if the data is wrong, nothing else can be relied upon to be right – *'garbage in, garbage out'*.

ISSUES CAUSED BY BAD DATA



The case for good data has surely been made. What further reasons do we need? This is the time to act, and our focus should now be on the options for transforming 'dirty data' into 'good data'.

6. *Andrew McAfee, Co-Director of the MIT Initiative on the Digital Economy, and the Associate Director of the Center for Digital Business at the MIT Sloan School of Management.*

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TRANSFORMING DIRTY DATA INTO GOOD DATA

In DB schemes, fixing data issues used to be reserved for 'crystallisation' events such as retirement, death or transfers out of a scheme. Actuaries were less concerned with individual member records as they historically tended to look at membership in tranches and make a lot of assumptions about dependants, life expectancy, and other demographic and financial factors.

So, scheme sponsors have been reluctant to take on data cleansing owing to the high cost and perceived low need and thus low value.

DC had its own problems, but DC schemes, for a long time, were in the minority, so lacked significant attention or supervision.

Data cleansing relied heavily upon manual reviews of individual member files. This was time-consuming and would typically take about one hour per member in looking back through records, including hard copy. If one multiplies the number of members by one hour, it is easy to see that a data cleansing exercise will be expensive and so few trustee boards had any appetite for data cleansing without a particular and compelling need; there were enough pressures from sponsors to keep unnecessary costs down given the focus on improving funding positions.

In recent years, these funding pressures and the increasing maturity of DB schemes have led to widespread de-risking projects that require reliable scheme data. Trustees cannot ask members to make irrevocable decisions about their benefits based on unreliable information.

So, this has forced pockets of data cleansing activity relating to groups of members in scope for de-risking activity at various points in time. In addition, Guaranteed Minimum Pension reconciliation projects have raised levels of data integrity but only in respect of the period during which members were contracted out of SERPS or S2P before 6 April 2016.

Many lessons have been learnt on the back of these pockets of activity and the old method has long been abandoned in favour of the development of methods harnessing technology, making data reviews not only cheaper but also much swifter.

Today, as explained in more detail in Appendix III, there are many technologies and services that have evolved to analyse and cleanse data ranging from bespoke in-house tools to fully outsourced services. In all cases, good planning is essential. Any data cleansing methodology must be planned carefully and ensure that all the drivers for poor data integrity are identified and built into a structured methodology. A typical range of drivers that may make data unreliable include:

- Legislative changes resulting in service periods needing to be broken down into tranches for calculations and revaluation purposes.
- Sponsor/trustee benefit changes creating further need for benefit periods in tranches.
- Past periods where administration was known to be unreliable such as systemic payroll/HR errors, rules misinterpreted and changes in practice.
- Corporate activity and changes of administrator and/or computer system.
- The application of stand–alone subsidiary databases for specific periods of tranches of members.
- Membership before and after the life of contracting out, i.e. before April 1978 and after April 2016.

All of the above increase the level of scheme-specific data required to manage the scheme compliantly and form the list of data required against which to measure the level of integrity.

The key point for now is that trustees and sponsors simply cannot afford not to lock down their scheme benefits and then maintain good data integrity.

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THE JLT 'ADVANTAGE'

"Mr Deputy Speaker, what I am proposing is the most far-reaching reform to the taxation of pensions since the regime was introduced in 1921…"

March 2014 – George Osborne, then Chancellor of the Exchequer, delivered a Budget speech. On this day, the pension world changed; the behaviour, demands and outcomes for pension members began an epic transformation. Pension freedoms and choice had begun and members had woken up.

At JLT, we look after the pension needs of 6 million members and, increasingly since George Osborne sat down after delivering his 2014 Budget, *members are demanding more*:

More information	Average call length in our service centres went from 2 minutes to 12 minutes.
More transfers	The number of transfers out doubled over 2 years – £7m paid out by JLT every working day.
More retirements	The number of retirements increased by 50% over 2 years.
More options	Members at retirement were also requesting transfers at the same time as retirement quotes; 3 times as many.
With more money at stake	Average DC value went from £62k per member to £86k per member. Average DB value went from £112k per member to £310k per member.
And we were creating pension transfer millionaires	The number of £1m plus TVs went from 10 per annum to 225. That's 4 transfer millionaires created every week.

In response, JLT has invested in systems and processes under a project that we have named 'Advantage'[7].

This investment recognises that member behaviour has entered a new paradigm. Members are starting to engage, and age 55 is proving to be a critical and pivotal moment when this process starts.

The average age of non-pensioner members is 50-53. We are about to face a tsunami of members demanding more.

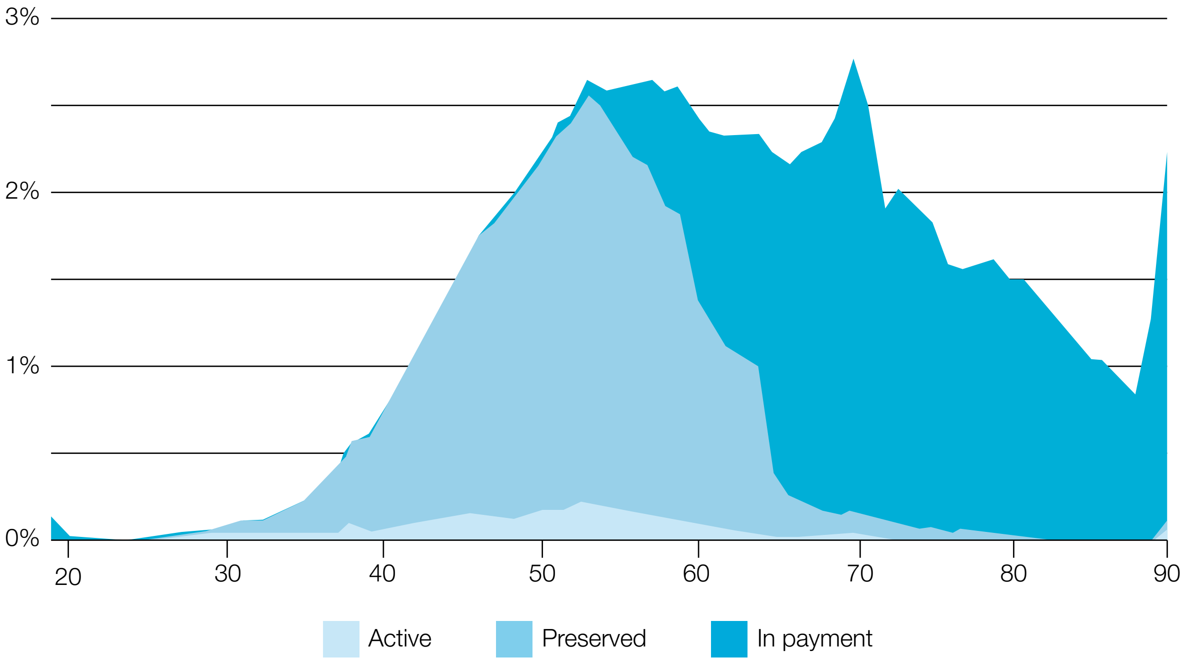
At the same time, finance directors and trustees are embracing the 'freedoms' and offering members even more options:

- Pension Increase Exchange.
- Full and partial transfers.
- Cash commutation.

And increasingly corporates and trustees are preparing their schemes for their ultimate end state: buy-out with insurance companies.

7. *For more information on Project Advantage, speak to your usual JLT Employee Benefits contact.*

MEMBER DEMOGRAPHICS: DB SCHEMES ON oPen



And if this weren't enough, the industry has had to cope with Guaranteed Minimum Pension reconciliation and now Equalisation.

These drivers place huge demands on the operation and administration of pensions. In order to maintain and improve service and meet the increasing demands, the industry needs to change by introducing:

- Better online and digital services.
- Self-service and slicker processes.
- Quotes and multiple quotes on demand.
- Modellers.
- Straight through processing.

And there is one thing that is preventing schemes from achieving the outcomes necessary, the member data.

Without accurate data that can be relied upon:

- It is impossible to set up effective online digital services.
- Members are unable to self-serve.
- Modellers have to be generic.
- De-risking exercises (such as Pension Increase Exchange and Freedom and Choice offers) cannot take place at all or are subject to lengthy delays.
- Buy-out is either subject to penal data clauses or at best increased costs with common estimates, based on JLT's own experience at 1% of the total premium.

Complete and accurate member data is a key enabler to effective scheme management. At JLT, we understand this and we will continue to press home our 'advantage' to revolutionise the pensions administration industry for the benefit of the thousands of schemes and millions of members who depend on it.

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APPENDIX I THE LAW

PENSIONS LAW

PENSIONS ACT 1995 AND SCHEME ADMINISTRATION REGULATIONS

Under Section 49 of the Pensions Act 1995, regulations have been made[8] which provide that trustees of a trust scheme must keep:

- Records of their meetings and books.
- Records relating to prescribed payment and transactions.

Records under the Scheme Administration Regulations must be retained for a minimum period of six years from the end of the scheme year to which they relate. Failure to comply may result in civil penalties of up to £5,000 for individuals and £50,000 for companies. The Pensions Regulator may also prohibit trustees from acting as trustees in future.

Section 41 of the Act requires trustees to provide scheme documents to members and others, including:

- Audited scheme accounts.
- Auditor's statement that the scheme has received the required contributions.
- For defined benefit pension schemes, a scheme actuary's valuation or report and statement of funding principles.

Failing to provide these documents can and has[9] resulted in the Pensions Regulator imposing fines on trustees.

Detailed requirements are contained in the Disclosure[10] and other Regulations (see page 8 – Regulations on pension scheme record-keeping).

As a pre-requisite to complying with these requirements, trustees must keep proper records.

PENSIONS ACT 2004

Section 249A of the Pensions Act 2004 and delegated legislation[11] provides that the trustees must establish and operate internal controls that are adequate for securing that the scheme is administered and managed in accordance with scheme rules and the law. Internal controls are:

- Arrangements and procedures to be followed in the administration and management of the scheme.
- Systems and arrangements for monitoring that administration and management.
- Arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

As stated in the Pensions Regulator's Code of Practice on Internal Controls[12], *"The ultimate responsibility to establish and operate internal controls rests with the trustees."* The Code is about more than just good data, but reinforces the importance of accurate record-keeping.

AUTOMATIC ENROLMENT

Starting in June 2012, provisions made under the Pensions Act 2008 require all employers in the United Kingdom to automatically enrol eligible workers in a qualifying pension scheme and pay mandatory minimum contributions. These duties are accompanied by prescribed requirements to retain records relating to automatic enrolment.

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8. *Scheme Administration Regulations, SI 1996/1715.*
9. *http://www.thepensionsregulator.gov.uk/airlines-pension-scheme-fined-for-failing-to-get-accounts-audited-for-two-years.aspx.*
10. *Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, SI 2013/2734.*
11. *Internal Controls Regulations 2005, SI 2005/3379.*
12. *http://www.thepensionsregulator.gov.uk/codes/code-internal-controls.aspx.*

HMRC REQUIREMENTS

The Finance Act 2004, which introduced the single tax regime for pensions in April 2006, makes provision for trustees of a registered pension scheme to maintain appropriate records for the scheme for a minimum of six years from the end of the tax year to which they relate. These records must cover:

- Monies received by or owing to the scheme.
- Investments or assets held by the scheme.
- Payments made by the scheme.
- Contracts to purchase a lifetime annuity in respect of a member of the scheme.
- The administration of the scheme.

Regulations (see below) emphasise the importance of maintaining documents for relevant periods and in a suitable manner. HMRC has also stressed to trustees of formerly contracted-out schemes[13] the imperative of maintaining their own records of accrued contracted-out entitlements.

REGULATIONS ON PENSION SCHEME RECORD–KEEPING

- Occupational Pension Schemes (Contracting-out) Regulations 1996.
- Occupational Pension Schemes (Scheme Administration) Regulations 1996.
- Occupational Pension Schemes (Scheme Funding) Regulations 2005.
- Occupational Pension Schemes (Transfer Values) Regulations 1996.
- Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010.
- Registered Pension Schemes (Provision of Information) Regulations 2006.

MONEY LAUNDERING REQUIREMENTS

New obligations were imposed on trustees in June 2017[14], under which trustees must maintain and provide information about trusts and their beneficiaries. Trustees must, among other things, maintain accurate and up-to-date written records about beneficial owners (members).

CODES AND GUIDANCE

In addition, the Pensions Regulator has published explicit guidance on record-keeping for trustees[15], which sets out good practice in respect of record-keeping and, moreover, targets for standards of member data. Member data is split into three different categories:

- Common data: the basic information all schemes need to uniquely identify individual members, such as name, date of birth and National Insurance Number.
- Scheme-specific data (formerly known as conditional data): member data that trustees require to enable them to administer their particular scheme.
- Numerical data: scheme membership information that enables the trustees to put common data and scheme-specific data into perspective.

13. *Contracting-out was abolished from 6 April 2016.*
14. *The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, SI 2017/692, implementing the Fourth Money Laundering Directive in the UK.*
15. *http://www.thepensionsregulator.gov.uk/guidance/guidance-record-keeping.aspx.*

It is noted that, during the life cycle of a pension scheme, there are events that offer trustees a convenient opportunity to review record-keeping:

Circumstances	Scheme type	Reason for validation
Valuations	DB	Accurate measurement of liabilities
Scheme closure to future accrual etc	DB	Accurate measurement of liabilities
Ceasing to contract out	All work-based	Accurate assessment of contracted-out liabilities and reconciliation with National Insurance Services to Pensions
Scheme rationalisation	All work-based	Risk of data and knowledge loss. Benefit entitlement may 'crystallise'
Merger and acquisition	All work-based	Can trigger many of the other circumstances. Accurate measurement of liabilities, risk of data and knowledge loss
System change by employer, administrator or investment manager	All work-based	Risk of data and knowledge loss
Change in investment manager	All work-based DC	Potential for reconciliation issues (note – this also applies to DB scheme AVCs)
Insurance products closed to new business	Contract-based	Lack of support for product
Benefit statements issued	All	Opportunity to verify some data items

Starting from 2018, trustees must report on record-keeping in their annual scheme returns.

In addition to a Code of Practice, mentioned above, the Pensions Regulator has also issued guidance on internal controls[16]. This covers key risk areas, one of which is poor record-keeping. Under the guidance, trustees should have a proper framework for evaluating data and, where there are data deficiencies, trustees should develop an improvement strategy. It is recommended that trustees have service level agreements in place, which include agreements for checking and cleansing data[17].

With the continuing trend for defined benefit pension schemes to be replaced by defined contribution arrangements, increasingly for existing as well as new members, there are Pensions Regulator publications covering data and record-keeping that are specifically aimed at defined contribution benefits, including a DC Code[18]. Related guidance highlights the importance of data accuracy in areas such as contributions and investment reconciliation, life-styling and flexible benefit access[19]. The Pensions Regulator expects data review exercises to be carried out at least annually.

Record-keeping and data integrity continue to be a priority for the Pensions Regulator. Its latest Corporate Plan[20] cites "improving standards of governance, record-keeping and data in schemes" as a priority for the next three years. It is also observed that "schemes' abilities to exploit opportunities around improvements in technology and automation will be dependent on their standards of governance, record-keeping and data management". The topic of pension scheme automation is covered in Appendix II.

16. *http://www.thepensionsregulator.gov.uk/codes/code-related-internal-controls.aspx.*
17. *http://www.thepensionsregulator.gov.uk/guidance/guidance-relations-with-advisers.aspx.*
18. *http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-occupational-dc-trust-based-schemes.aspx.*
19. *http://www.thepensionsregulator.gov.uk/trustees/administration-in-your-dc-scheme.aspx.*
20. *http://www.thepensionsregulator.gov.uk/docs/corporate-plan-2018-2021.pdf.*

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APPENDIX II BEYOND THE LAW

PAYING THE RIGHT BENEFITS TO THE RIGHT PEOPLE AT THE RIGHT TIME

Pensions administration has evolved over time; the baby boomers who joined the workforce in the 1960s and 1970s are retiring now and their records, originally held on paper with manual calculations, have since been computerised following manual input and been through multiple changes of system and administrator. These risks have been compounded by multiple benefit changes, legislation, Guaranteed Minimum Pension (GMP) issues and corporate activity.

No scheme can expect to have escaped some or all of these trials and tribulations.

However, scheme sponsors have been reluctant to take on data cleansing owing to the high cost and perceived low value; so, we now find ourselves with big data problems.

If this problem has been around so long, why worry now? What has changed?

DELIVERING A 21ST CENTURY SERVICE

We have reached the point where it is no longer tenable to tolerate unreliable data. There are so many reasons why good data needs to be considered a 'must have' and not just a 'nice to have'.

- 'No hiding place'. The Pensions Regulator now requires schemes to report data integrity scores in the Annual Return, thus exposing data issues and any lack of action.
- 'GDPR'. Trustees, as data controllers of pension schemes, are required to correct data that is out of date, incorrect or missing, and holding data that is not necessary for the administration of the scheme is not acceptable at all.
- 'Member option exercises'. To make informed (and usually irreversible) decisions, members must have confidence in the data supplied to them.
- 'Dashboard readiness'. Members will be directed to the Pensions Dashboard at some point from the end of 2019 and will rely on the information held there to make decisions that will affect their financial well-being in retirement. The dashboard is an important aspect of bringing pension schemes into the 'brave new connected world'[21] and should not be allowed to fail through poor data.
- 'Do it yourself'. As online, self-service grows, schemes with poor data integrity will not be able to offer these facilities and will find the cost of administration, and member dissatisfaction, rise as a result. Clean data and automation = faster turnaround, fewer mistakes, and happier members and employers. Poor data is a barrier to automation and member engagement.

21. *Girish Menezes, Director, PASA, Pension Funds Insider, May 2017.*

- 'Loss of experience'. Related to the above, as longer-serving administrators, with valuable knowledge of scheme histories, leave or retire, it is essential that records are up to date and that more reliance can be placed on automation of benefit calculations.
- 'The growing costs of dirty data'. In Smith v Sheffield Teaching Hospitals, the High Court allowed an appeal against a £500 Ombudsman award and substituted £2,750 for repeated provision of incorrect information[22].
- 'Over and underpayments'. A risk compounded by the thousands of baby boomers coming up to retirement and claiming their pension or enquiring about a transfer of benefits; an incorrect transfer value, once paid out, can be impossible to rectify without legal proceedings[23].
- 'Fraud Prevention'. £144 million. This is the amount the Government has saved over just two years by using data to help detect and prevent pension fraud and overpayments[24].
- 'GMP equalisation'. Following a recent High Court ruling[25], it is clear that benefits must be equalised for the effects of GMPs, although more than one equalisation approach is possible. The first step must be to get data in order (which schemes should already be doing through GMP reconciliation) by reconciling both the scheme membership and the level of GMP.
- 'Consolidation and simplification'. Pension scheme consolidation is very topical at the moment, with some suggesting that the circa 5,500 schemes (of all shapes and sizes) in the DB universe may be reduced to as few as 500 large schemes; in addition, especially after GMP equalisation, there is considerable scope to simplify benefit structures, but both consolidation and simplification are dependent on good quality, reliable data.
- 'Pension Protection Fund Levy'. A reduction for good governance has been mooted in PPF consultations whereby schemes with good data could pay a slightly lower levy.

When something goes wrong, rectification is complex, time-consuming and costly. Poor data will threaten the confidence in, and credibility of, the trustees, administrators and employers.

Investments, calculations, liabilities and funding are all based on personal data. If your data is good, you are in a good position to drive down administration costs; if unreliable, nothing else can be relied upon to be correct.

22. *[2017] EWHC 2545 (Ch).*
23. *Public sector overpayments are a case in point, with member overpayments exceeding £120m - https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN04919. How many millions might have been saved had data validation work been undertaken when issues were raised in the 1990s?*
24. *https://www.gov.uk/government/news/government-saves-300m-in-two-years-by-preventing-fraud-and-error.*
25. *http://www.bailii.org/ew/cases/EWHC/Ch/2018/2839.pdf.*

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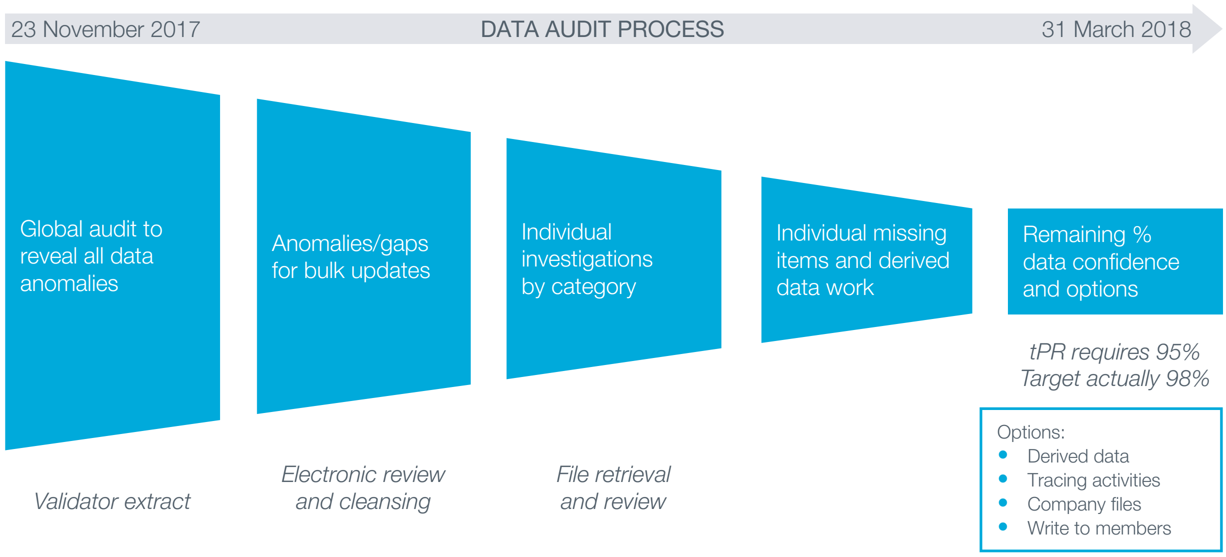
APPENDIX III
THE PROCESS

A BETTER WAY: LESS COST AND BETTER RESULTS

A METHODOLOGY FOR CLEANSING DATA



The funnel approach, above, is an example of the various stages in a structured approach. It is based on a real data review and cleansing project that was highly successful and the stages are described below.

1. Review the scheme rules, including historical rules that are still applicable. Create a long list of data requirements and associated parameters together with exceptions and relevant members.

2. Undertake a scheme-wide validation exercise looking for the presence of all required data fields. It is desirable to include some basic verification routines. This validation exercise should be consistent with the Pensions Regulator's data validation guidance and should generate a measure of data integrity. This process should provide a list of all missing data, and data that is held in the wrong place or is obviously incorrect, e.g. dates of birth inconsistent with scheme eligibility, pensionable pay below the minimum, contributions significantly in excess of the maximum, child pensioners over the age of 23 etc.

3. Create bulk routines to derive data wherever possible, from within the database, e.g. move individual data into the correct fields, calculate final pensionable salary using the available salary histories in the database and calculate missing spouses pensions from member benefits.

4. Use search facilities or agencies to:

   - Verify pensioner populations using searches of registers of deaths; there are a number of providers of this service, and they are not high cost.
   - Conduct address searches using one of the many professional services available, with some operating on a no find, no fee basis.

5. With remaining unverified data fields, the options include:
    - Searches of imaged records (there are technologies that can scan and pick up key words and phrases which cut down time spent on manual searches).
    - Searches of archived files.
    - Contacting employers where HR records may reveal missing data or point to the correct information and values.
    - Writing to members to gain or verify information.
6. Estimate the potential effect of the remaining missing data. If the missing items are not key to the benefits or the ability to make payment, the trustees may decide to ignore them or make informed assumptions with the help of advisors.

A simpler way of describing the substantive elements of this process is:

- Start by thinking about what you actually need.
- Then see what you already have.
- Check what you still need and, equally, what you can get rid of.

GDPR ACCURACY PRINCIPLE (ARTICLE 5(1)(D), GDPR)

This is a concern for trustees as it is likely that relevant information will change many times over the course of a person's membership of a scheme. One possible method for managing this is to supply all members with a copy of their data on record and ask them periodically to check and amend their details. While this is not a foolproof system, it may go some way towards satisfying the accuracy data protection principle.

PRIORITISING CLEANSING ACTIVITY

Faced with a major data cleansing exercise, it is sensible to segment membership populations, prioritising cleansing activity according to those groups that will have the biggest impact on the certainty of liabilities. Priorities might include:

- Membership groups with the largest pension values and/or the longest service periods as these will have the biggest impact on overall accuracy of liabilities.
- Proximity to age 55 when members can choose to take benefits out.
- any populations in scope for personalised de-risking programmes or scheme change exercises in readiness for communication of benefits.
- any populations in scope for buy-in or buy-out, as accurate data will help to reduce the costs.
- any populations known to be high risk for specific reasons, potentially historical.

In general, prioritisation is dictated by need and the size of benefits to be derived.

KEEPING DATA ACCURATE

The pensions industry has gained a lot of valuable experience in how to capture and maintain quality data and now has in place some very effective tools and methodologies that are efficient and more cost-effective than in previous years.

All the old manual processes are now very much in the past. We can now utilise technology to minimise all those old risks. Such technologies include:

- Automated data uploads and reconciliation routines; data can be returned to source for fixing anomalies.
- QR codes on forms, letters etc, so that the system recognises them and where to record the information.
- Online address verification.
- Online member verification removing the need for birth and marriage certificates.
- Automated death alerts.
- Effective use of scanning and image storage in member records.

All these functions facilitate the reliable capture of data which, when coupled with robust reconciliation and validation routines, increases the integrity of the data and strengthens the reliability of benefits and funding.

However, one of the biggest problems for pensions administrators is the reliability of data received from employers. Until recently, administrators have sought to fix employer data anomalies. This is time-consuming, slows down investment of contributions and does nothing to resolve the problem.

In order to achieve straight through processing in DC schemes, employers must take responsibility for supplying accurate data and fixing data anomalies themselves. Only then can our industry make significant leaps forward in data integrity.

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