



HS ADMIN

THROUGH PREPARATION COMES STRENGTH

Inspired pensions data management

Member data is the lifeblood of every pension scheme – it helps trustees make informed decisions, plays its part in delivering accurate member benefits and ultimately dictates the level of sponsor liability.

Having such a powerful influence over so many things, it's understandable the Pensions Regulator has taken a keen interest in promoting the need for trustees to maintain accurate scheme records.

The Regulator's guidance on good record-keeping can help you to both appreciate the importance of maintaining good records and understand when you should review your data quality, practices and controls.

The Regulator's view

During these uncertain times, every penny counts. In the eyes of the Regulator, poor member records lead to unnecessary costs. And greater financial strain on your sponsoring employer can easily escalate into greater dependency on the Pensions Protection Fund (PPF) – something the Regulator is looking to avoid wherever possible.

The Regulator is keen to raise awareness of the potential consequences associated with holding poor member data, such as:

- more expensive administration for your scheme
- increased funding costs due to more conservative actuarial assumptions about your data
- inaccurate FRS17 liabilities
- higher trustee insurance premiums

Why review your data?

It can be difficult to appreciate the vast quantities of data your scheme needs before it can operate effectively. Indeed, the sheer volume of names, dates and personal information can be almost impossible to measure.

While this information may have been correct at the time your members joined, corporate transactions, changes in benefit design and fluctuations in membership make it easy to see how the fabric of your scheme can quickly unravel.

In a sample of 32 schemes*, the PPF found there were serious problems with several key items of data. For example:

- 40% of schemes had missing, incorrect or temporary National Insurance numbers
- 59% had missing or incorrect key dates such as dates of birth, dates of joining or leaving the scheme and pension start dates
- 90% had missing address or postcode information

*The Pensions Regulator, July 2008

While the Regulator has no immediate plans to enforce its guidance on good-record keeping, it has said that it expects the records of every work-based scheme to be good enough to allow the benefits due to each member to be calculated accurately at any time. This suggests that deferring data analysis or cleansing projects is simply delaying the inevitable.

When to review your data

While any time is a good time to improve the quality of your data, there are particular events that make it sensible or, in certain circumstances, even compulsory, to carry out a data management exercise. The most common of these events are:

- a scheme looking to stop future accrual or wind down
- a scheme entering an assessment period with the PPF
- trustees looking to improve the quality of their existing data as part of a good governance exercise
- change of administrator or administrative system
- the withdrawal of the employer, closure of the site or a change of payroll practices

If any of these apply, a controlled data management exercise will benefit your scheme.

Scheme closure or wind-down

For schemes looking to stop future accrual or wind down, a data management exercise should be seen as an integral part of the process. If your scheme is in this position, you may already be looking at securing your member benefits in bulk.

The Regulator has quoted that holding poor member data can add up to 5% to the total buyout cost for your scheme*. For those schemes sitting on several millions pounds' worth of benefit liability, missing or incorrect data could prove to be a rather expensive oversight.

Where an employer withdraws its participation in the scheme, a company site closes or internal payroll practices change, the scheme often loses valuable contacts which can help address any remedial data concerns. Quantifying and mitigating these concerns proactively is often more effective and cheaper than deferring action to a later date when data is no longer readily available.

Helping you cut buyout costs

We were asked to audit the member data for a large defined benefit scheme. Our data audit found:

- the scheme was continuing to pay pensions to deceased members
- there were members who had retired but hadn't yet received any benefit from the scheme
- the data held on members with a preserved benefit under the scheme wasn't enough to calculate or pay future benefits on time and to the right people

Following a data cleansing exercise, the scheme actuary found that the scheme liabilities had reduced by around 10%.

Change of administrator

Moving to a new administrator or administration system can introduce a number of different risks to the quality of your data. In these circumstances, your data can be easily lost, misunderstood or re-entered incorrectly.

Following a data management exercise, we can:

- confirm whether or not your data is portable
- highlight specific areas that need special attention
- suggest data improvements that could be made during the transition
- provide independent analysis to the new administrators of the quality of your data
- project manage the entire process if necessary

To give you extra peace of mind, we can also re-examine the data after it has been transferred to your new administrator or administrative system to make sure the data has been understood and migrated correctly.

*The Pensions Regulator, July 2008

Help with a PPF assessment

Any scheme that has applied to the PPF will automatically enter an 'assessment period'. During this time, the trustees will have to carry out a number of quality checks on both its member and scheme data. They'll also need to put a comprehensive project plan in place to assess how complete and accurate the data is, regardless of whether the scheme is eventually granted entry into the PPF.

During an assessment period, the scheme trustees will need to:

- reduce pensions to PPF compensation levels
- trace and verify all member personal data
- carry out a full review of their benefit calculation processes and results
- review the scheme's equalisation history and compare suitability with the PPF requirements
- verify each member's guaranteed minimum pension data with HM Revenue & Customs

We can complete this review on your behalf and, where possible, provide evidence that benefits have been calculated correctly.

Helping you prepare for a PPF assessment

As dedicated pension data specialists, we can help you significantly with a PPF assessment project. We have the expertise and experience to help trustees meet their goals - to exit the assessment period and either transfer into the PPF or buy out scheme benefits with an insurance company.

We're able to provide partial support to any PPF project or take on full management and delivery.

Improving your scheme governance

A data management exercise can not only help to reduce costs or help with a PPF assessment, but it can also give trustees peace of mind that they're paying the right benefits, to the right people and at the right time.

Having reliable member data will also give you a more accurate actuarial valuation and asset/liability allocation for your scheme.

Poor member data is often a symptom of another underlying problem. There may be gaps in the way your data is collated, or the systems used to store your data may need to be updated.

Helping to improve your data systems and controls

A data management exercise can not only tell you what's wrong with your data but can also highlight areas where existing data processes and controls can be improved.

We offer an independent consultancy service which can help you to:

- review your existing data processing arrangements, identify problem areas and suggest improvements
- redesign the way you obtain and hold your member data
- help you understand how to trace members who have left the scheme and, more importantly, suggest ways of keeping in touch
- verify each member's guaranteed minimum pension data with HM Revenue & Customs
- carry out a full review of your benefit calculation processes and results

Why choose us?

Data analysis isn't always straightforward. Changes to legislation and scheme rules have made pensions data increasingly complicated and a special range of skills is necessary to carry out this type of work successfully.

As acknowledged experts in the world of scheme administration and pensions technology, we're perfectly placed to help you. We offer a completely independent data service, individually tailored to meet the needs of your scheme.

We can provide accurate estimates of the timescale and cost of all work at outset. With robust data cleansing plans in place, you can focus on meeting your scheme objectives – whatever they might be.

Benefits to you

Our service is completely flexible and you can tailor it to meet your scheme's specific needs. We'll sit down with you to fully understand what you want to achieve and we'll suggest practical solutions to meet your objectives.

After our initial analysis, our clear and comprehensive reporting will help you understand the quality of your data. Where improvements need to be made, we'll help you build a strategy to tackle the main problem areas.

With the Regulator placing so much of its focus on data quality and internal controls, we can provide you with the assurance that:

- you've fulfilled your obligations
- your data is fit for purpose
- your processes are fit for purpose

Through our years of experience, you can be sure you'll have first-class support every step of the way.

**If you'd like to find out more about
our data management services,
please contact Steve Goddard on
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