

First Briefing, January 2018

Record-keeping

Summary

Following its original guidance in 2010ⁱ, The Pensions Regulator (the Regulator) has returned to the topic of record-keeping, publishing guidance in November 2017 on measuringⁱⁱ and improvingⁱⁱⁱ the quality of pension scheme data. The Regulator has also included new questions on scheme data in its 2018 Scheme Return questionnaire^{iv}.

What does the November 2017 guidance say?

Data measurement

The Regulator makes it clear that it expects trustees to consider both the presence and the accuracy of data – past guidance has focused on measuring just the presence of data. Whilst the Regulator doesn't expect trustees and administrators to check every item of data they hold, it does suggest running:

- Consistency checks – for example, that the various dates are in the order expected, or that the amounts of pension tranches add up to the total pension payable to the member;
- Validation checks – for example that National Insurance Numbers match the formats used by HMRC; and
- Specific processes – for example checking that members are still alive from time to time, or checking birth certificates at the point benefits are put into payment.

The Regulator also suggests that scheme data should be reviewed at least once a year.

Data improvement

The Regulator expects pension schemes to view data improvement as a continuous process and not a one-off exercise. Trustees should therefore regularly review their data and if there are any gaps or errors, put an improvement plan in place to address them. The guidance suggests that trustees should prioritise data improvements that have the greatest impact on the ability to run the scheme effectively, in particular paying member benefits correctly.

The Regulator will take enforcement action where evidence indicates severe record-keeping problems. As part of their evidence gathering, the Regulator has added questions on record-keeping to the Scheme Return for occupational pension schemes:

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Part 2: Scheme details

8.3 Record keeping

These questions relate to the quality of your scheme data, as assessed within the last three years.

Common data

When did you last measure your common data?

Not measured in the last three years

What percentage of this data have you assessed to be present and accurate? %

Not available

Key scheme-specific ('conditional') data

When did you last measure your key scheme-specific ('conditional') data?

Not measured in the last three years

What percentage of this data have you assessed to be present and accurate? %

Not available

Clarity on measurement scores

The Regulator provides an example that makes it clear that it expects the scores to reflect the proportion of member records that are complete and accurate.

For example, if 50 of 100 records were missing the member's address, then the common¹ data score would be 50%, even if every other data item was present and accurate for all members.

¹ Common data is that which all schemes are likely to hold such as names, membership status, National Insurance numbers and addresses. Scheme-specific data (referred to as 'conditional' data in older Regulator guidance) is that which depends on the particular benefits provided by an individual scheme. See our [2009 guidance](#) for more detail.

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Some scheme's existing data testing may instead focus on the presence of individual items. For example, if there were 10 items of data per member in the same example, there would be 1000 data items to be tested (10 items for 100 members). If 50 addresses were missing, but all other items were present, then the overall score reported would be 950 out of 1000, or 95%. In this scenario, trustees should understand that the quality of the data has not deteriorated overnight – rather care needs to be taken to compare like with like when tracking scores over time.

What does the Regulator want trustees to do?

Trustees should contact their scheme administrator to confirm when their common and scheme-specific (conditional) data was last reviewed. Trustees should also consider asking their scheme administrator to prepare a report on the quality of the data held for their scheme. Where the report identifies gaps in the quality of the data held, an improvement plan should be prepared with the scheme administrators to resolve the problems. Trustees should also agree fees with the scheme administrator before carrying out any work that is not covered in existing agreements.

Where a report has been prepared and an improvement plan is already in place, trustees should ensure the data is tested on a regular basis to measure progress.

Conclusions

It is entirely appropriate that the Regulator continues to encourage schemes to look to better understand the quality of their data and, where necessary, put plans in place to improve it. This guidance, however, seems to have been issued later than intended by the Regulator (it was dated September 2017 but emerged in November). Therefore, the full impact of the guidance is something which will be discussed by trustees and their advisors early in 2018, at the same time scheme administrators are completing the Regulator's return. This may lead to a rush to complete fresh data reports, or update existing ones to align with the new Regulator reporting requirements.

It is worth noting, however, that in its guidance on completing the 2018 Scheme Return, the Regulator includes the following:

We won't take enforcement action on the basis of scores alone, but if we have concerns that our standards are not being met we might engage with individual schemes. This may result in us taking action where trustees fail to demonstrate they are taking appropriate steps to improve their records.

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This suggests that rather than feeling pressured to produce new data reports ahead of completing the 2018 Return (or even update existing ones to ensure the scoring is consistent with the Regulator's new reporting requirements), a better use of scarce time and resources might be for you to:

- tick the not measured and not available boxes on the 2018 Scheme Return;
- work to put the reporting (and, where necessary, improvement plans) in place in good time for completing the 2019 Scheme Return; and
- be ready to discuss these plans should the Regulator 'engage' with your particular scheme.

Where First Actuarial provide pension administration services, we will be issuing further details on your common data scores and proposals for your scheme specific data shortly.

Further Information

For further information, please contact your usual First Actuarial consultant.

i <http://www.thepensionsregulator.gov.uk/guidance/guidance-record-keeping.aspx>

ii <http://www.thepensionsregulator.gov.uk/docs/measure-data-guide.pdf>

iii <http://www.thepensionsregulator.gov.uk/docs/improve-data-guide.pdf>

iv <http://www.thepensionsregulator.gov.uk/docs/db-scheme-return-checklist.pdf>

