

### Summary

- Accurate, complete data helps every pension scheme in every aspect of day-to-day operations, but also helps it to comply with regulatory or legal obligations; and to prepare for integration with the pensions dashboards, and for bulk annuity transactions.
- The Pensions Regulator (TPR) is making improvement of pension data a priority within its new digital, data and technology strategy. Both TPR and the Pensions Administration Standards Association (PASA) have released comprehensive guidance on data management and controls.
- There are many service providers, including consultants, administrators and technology providers, that are able to help schemes improve data management, but a strategic approach, incorporating continuous improvement, is essential to minimise cost and risk.



# The pursuit of perfection

**With the deadline for the dashboards appearing on the horizon, there is a renewed focus on the importance of pension schemes holding accurate, complete data. But there are also other important reasons why the time has come to clean up every scheme's data, as David Adams discovers**

Almost every aspect of the modern world depends to some extent on effective data management. That can be a bad thing: The algorithms designed to encourage maximum interaction with social media, for example, are using data to cause at least as much harm as good. But when harnessed to serve large groups of people, such as the members of a pension scheme, use of data can fulfil a very positive purpose, by helping to improve the efficiency of every part of a pension scheme's operations, to future-proof it against regulatory change, prepare for its endgame; and, ultimately, to help achieve the best possible outcomes for scheme members.

But the potential to enjoy those benefits is diminished or destroyed if

the pension data, member data and other information held by the scheme is inaccurate or incomplete. Inaccurate data leads to mistakes when paying benefits, and to increased administration costs, as problems are addressed on an ad hoc basis. It can derail member communications or engagement; and may undermine national initiatives that depend on exchanges of accurate data, such as the pensions dashboards.

It can also lead to breaches of pension-specific or data protection regulation. It may delay or prevent schemes completing bulk annuity transfer exercises. And it means that any decisions made by trustees are more likely to be flawed, because they are based on inaccurate or incomplete information. So every pension scheme needs to try to

improve its data management.

The Pensions Regulator (TPR) is increasingly restive in relation to this issue. Its General Code and guidance make it clear that scheme data should be reviewed regularly and proactively; and that schemes should create a data management plan. But in October, TPR launched a new digital, data and technology strategy. It includes a pledge to reduce unnecessary regulatory burdens by reducing the need for schemes to provide the same information to multiple agencies, instead capturing it once and reusing it; and a commitment to explore use of open data standards.

But the regulator also said it wanted "to start a conversation with the pensions industry about modernising systems and improving data sharing". It has contacted some schemes preparing for the launch of the dashboards, reminding them of the expectations set out in the General Code, and warning that it will challenge schemes that cannot demonstrate how they will meet those expectations; and that "regulatory action may be taken if necessary".

The push to prepare for the launch of dashboards has certainly encouraged some schemes to seek to improve data quality. But while 90 per cent of schemes surveyed by the Pensions and Lifetime Savings Association (PLSA) in October said they were confident in their ability to integrate securely with

the pensions dashboards, data quality was cited as a concern by almost half (49 per cent). Problems listed included difficulties linked to data formatting and standardisation, consolidation of data from multiple sources and complying with data protection regulations.

### Every scheme needs clean data

Alongside the dashboards, the obligation to complete Guaranteed Minimum

Pension (GMP) equalisation, and the need within many schemes to prepare for the possibility of bulk annuity transactions, are encouraging some trustees to address this issue.

But every scheme should be seeking to clean its data, whatever its current circumstances might be, says Rory Murphy, an experienced trustee who has served as chair of both the Merchant Navy Officers' Pension Fund and the

Ensign Retirement Plan. "We need accurate data to pay the pensions every month: and to know that the people we're paying the pension to are alive," he points out.

Murphy highlights the problem of being unable to pay retired members for which a scheme no longer has up to date contact details. There are services providers, such as LexisNexis and Target, able to find missing members who are still living in the UK, but finding lost members becomes significantly more difficult if those members have moved abroad.

Some of the schemes for which Murphy has served as a trustee have worked with technology provider Heka

Global to search for those members. Heka uses an AI-enhanced solution to search the global internet for digital traces of these missing individuals, on social media, or through their use of other smartphone-enabled services like WhatsApp.

"Every scheme should be doing the utmost they can, using all the tools available in the modern world, to find out where your members are and if there's any fraud being committed," says Murphy.

**"One might say better data management was a matter of common sense: Here's a strategy that makes everything else a scheme does work more easily and effectively, while reducing overall costs and risk"**

Trustees wanting to work towards best practice in data management can draw on TPR's guidance, but also on the work of the Pensions Administration Standards Association (PASA) on data management and controls. PASA states trustees should undertake data quality audits to identify gaps in their data; and conduct data accuracy reviews. These should include benchmarking of accuracy, assessment of the impact data inaccuracy might have on running, funding or de-risking the scheme; and recommendations for prioritisation and cost/ benefit analysis of any necessary remedial actions.

There are many different service providers, including consultants, administrators and technology providers, able to help schemes complete these sorts of exercises. But WTW pension data solutions head, Philip Titchener,



highlights the importance of schemes working with more than one adviser or provider to ensure the effectiveness and integrity of data projects.

“You need partnerships, with legal advisers, administrators, your actuary and a data specialist, if you have one,” he says. “In the past, projects were completed with fewer eyes on them, probably with less governance. Today, trustees need a really good audit trail for everything they do.”

PASA Data Working Group chair, Kristy Cotton, who is also a director at adviser and technology provider Isio, urges trustees to address these issues proactively and comprehensively, rather than addressing data projects on a piecemeal basis. “Planning for project requirements up front is the best way to address them,” she says.

### Continuous improvement

The other important principle upon which the regulator, PASA and data experts all agree is the need to implement a process of continuous improvement in data management; and to make this part of business as usual for the scheme. PASA advises implementing repeatable data validation tests, themselves reviewed and refined regularly; while maintaining a data management plan and a clear audit trail of data updates and testing.

How well are the UK’s pension schemes doing at getting their houses in order? Cotton points to the results of a survey PASA ran in 2023, which revealed both promising and worrying signs. Just over two-thirds (68 per cent) of schemes had a data management plan in place, while 56 per cent had a data improvement plan. But almost eight out of 10 (79 per cent) said they could be doing more to manage the quality of pension data. And 58 per cent said they were not assessing data accuracy in any way. In addition, about 60 per cent of survey respondents reported holding some member data outside administration software and

55 per cent were making some use of paper-based files.

Murphy suspects that larger schemes are often in a better overall position than smaller schemes, in part simply because larger schemes can draw upon more extensive resources.

Heka Global business development manager, Max Lack, agrees. “Smaller schemes often struggle to get [service providers] to pay attention to them, and often have to struggle with a commoditised approach, because it’s difficult to justify customisation for a small scheme,” he says. “The sector needs to be more creative, to think about delivering economies of scale to smaller schemes.”

Titchener agrees that the level of resources available to a scheme can be important, but he also stresses the importance of trustees of any scheme recognising the importance of this work, and of good governance in general.

“Schemes that are forward-looking and have a high standard of governance will find themselves in a better place,” he says. “They will have a strategy, rather than tackling projects in a piecemeal fashion.”

One might say better data management was a matter of common

sense: Here’s a strategy that makes everything else a scheme does work more easily and effectively, while reducing overall costs and risk. Perfection may not be possible, but a combination of the right technology and a good data management strategy could reap huge rewards for schemes and their members, for years to come.

**Written by David Adams, a freelance journalist**

