Record-keeping: A consultation document

The Pensions Regulator

From:

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Question	Comments
Question 1: Do you agree that record-keeping is central to all aspects of the administration of a pension scheme?	Yes, we agree that good record-keeping is central not just to the day-to-day administration of a pension scheme, but also to all decisions (including funding decisions) being taken by trustees. It might be helpful to identify more fully who are the relevant parties in record-keeping – trustees, in-house and third-party administrators, employers and individual members all have a role to play in ensuring that records are up to date and a good record-keeping policy will ensure that all these parties take responsibility for keeping records up to date.

Question 2: Have we correctly identified the costs of poor record-keeping and the benefits of good record-keeping?	Yes, we would agree with TPR's analysis. The 5% uplift on buy-out for poor data is in practice likely to be highly scheme specific.
Question 3: Do you agree that more standardised ways of providing and transferring data could help with record-keeping?	Straight-through processing (STP) is certainly desirable. However, it will not be able to deal with the legacy issues that TPR identifies as the most significant problem with record-keeping. Placing an overemphasis on STP could therefore detract attention from the worst aspects of record-keeping. A scheme with poor legacy data would be better to spend its funds investing in an audit of existing data rather than in investing in new technology for future records, especially if the scheme is now closed to new members.
Question 4: Do you agree that, while there are schemes and providers that achieve high standards, there is also evidence of problems with record-keeping?	Yes, although as identified under Question 5, the problems are primarily historic. This is not necessarily because of inherent problems with day-to-day administration in the past (although the use of manual records will not have helped), but rather because of the external factors identified by TPR (i.e. changes of legislation, rules and administrators).
Question 5: Do you agree that record-keeping problems, where they exist, are greatest with legacy data?	Yes, and for the reasons identified by TPR.

Question 6: What are your views of the proposed definition of core data?	A number of limitations of the proposed definition of core data should be noted: (1) The measure is for the data to be present not correct. A scheme could have 01/01/1900 birth dates for all its members and still meet the core data requirements. (2) The definition does not provide enough information for benefits to be calculated even if all the core data is present and correct. For example, it does not capture information on contracted-out benefits or on pre/post 1997 pension splits. (3) There is a risk that the core data proposal becomes the key message on record-keeping and detracts attention from wider issues about data quality. As indicated under (1) and (2), the core data may be neither correct nor complete. (4) It should be noted that the core items are of two different types – (a) essential underlying facts (e.g. National Insurance number, name, date of birth) and (b) event-driven information which will only be present if certain events have occurred (e.g. transactions, switches). So, if a member does not make any switches, that core data item will not be present. We suggest that the list of data items is split up to make this clear.
Question 7: What are your views of the proposal that every item of core	As indicated in our answer to Question 6 above, these 19

data should be present in all schemes?	items will not in fact be present in all schemes. A further example of a core item that would not be present is member contributions in a non-contributory DB scheme.
Question 8: Do you agree that the list of additional data is illustrative of the sort of information required for effective administration?	Yes, we agree, although we note that this can only be illustrative. For example, many schemes will also need to identify tranches of benefits accrued between dates other than 1997 and 2005 to reflect the changes experienced in their schemes.
Question 9: Do you agree that it is reasonable to recommend that providers and trustees measure the presence of the additional data required for effective administration?	Yes, but with the caveat expressed above that the presence of data is meaningless if the information is in correct. There is a risk that schemes will fill their databases with incorrect information in order to meet the 'presence' test, which could in fact be worse than having no information at all.
Question 10: Is it appropriate to set a timescale for when the presence of additional data should, if necessary, be improved? If so, what would you suggest?	Any timescale is likely to be highly scheme specific taking into account factors such as the existing state of the data, the complexity of the scheme design, the history of any changes and the existence or otherwise of employers that have participated in the scheme in the past. Rather than prescribing a particular timescale, TPR could recommend that trustees should set their own scheme specific timescales for improving data.

Question 11: What are your views on the possibility of the regulator providing benchmarks, for different sorts of scheme, of additional data?	The consultation does not make clear what sorts of benchmarks are envisaged. We would note that it may not be straightforward to identify "different sorts of schemes". It is not clear that distinctions such as 'large' and 'small' or 'DC' and 'DB' would be very helpful given the wide variation in the scale and problems in the data likely to be experienced by schemes in these categories.
Question 12: Do you agree that the following events give rise to an immediate requirement for data cleansing? • Wind-up • Entry to Pension Protection Fund assessment period • Buy-out	The first two certainly do. For the third, we are aware that some buy-out providers are prepared to take on schemes with poor data quality at a premium. This may in some cases be the appropriate decision for trustees to take into account – for example, if the employer is prepared to pay the premium for the poor data quality in order to achieve a swift removal of pension liabilities. Therefore buy-out will not always give rise to an immediate requirement for data cleansing, although data requirements will need to be addressed at some point by the buy-out provider.
Question 13: Do you agree with the proposal to report numerical information about membership records at the same time as the presence of core and additional data is measured?	The list of numerical records proposed seems a little haphazard, and it is not clear what might be achieved by such reports. Clearly such checks may be useful when checking whether a data migration has occurred successfully or in validating data from one valuation to the next. However, it is not clear what these records are intended to communicate in particular, and we therefore

	do not agree with the proposal.
Question 14: Do you agree that this is an appropriate aim for the regulator? (To ensure that the records of every work-based scheme are such that the benefits due to each member at any point in time and in any circumstances can be calculated accurately)	Yes, this has to be the ultimate goal. However, it has to be acknowledged that this may take a long time to achieve and may be impossible to realise even over a very long timescale for some schemes where historic data has been lost. TPR should place the emphasis on trustees developing a strategy for identifying data problems and improving data quality over a reasonable timescale rather than on numerical measures based on the presence of particular data.
Question 15: Should an annual statement by trustees about key risks and internal controls be included in the code of practice on internal controls?	We agree that it is good practice for such a statement to be included in the annual report and accounts. However, we are not convinced that this is appropriate to be included in the Code of Practice (which has a particular legal status).
Question 16: Do you think that education and enabling will be effective in improving standards of record-keeping?	Yes, we believe that it will be for many schemes.
Question 17: Do you agree with the assessment that, although measuring and improving data may lead to additional cost, it is a question of timing rather than of the cost not otherwise arising, and that good records can save costs?	We accept TPR's point that in the longer term, schemes are likely to have to address data quality at some point in the future, and agree that good records can save costs. However, that is not the same as saying that all schemes

	should conduct a full data audit now. In current economic circumstances, trustees may well not feel that a full data audit is the best use of scheme resources at a time when the employer is struggling to meet the recovery plan.
Any other comments	The consultation appears to suggest that TPR may consider an enforcement route in 2009 if its ‘educate and enable’ approach has not yielded significant results. It would be helpful if TPR could give some indication of the sorts of measures that it will employ to assess whether it’s ‘educate and enable’ strategy has worked. As indicated above, it is not clear that simply measuring whether the 19 core data items are present will be an effective measure of success.

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