

Guide to managing scheme data - for Trustees and Pension Managers

WHY IS DATA MANAGEMENT IMPORTANT?

ACCURATE MEMBER BENEFITS

Reduces the risk of calculation and settlement errors.

IMPROVES DECISION MAKING

Valuation of liabilities is more accurate. Risk margins added to a transaction price and paid following true-up are reduced.

OPERATIONAL EFFICIENCY

Enables automation and online services, enabling faster service to members, delivered with less administrative effort.

SUPPORTS MEMBER ENGAGEMENT

Improves connection with deferred members. Increases the ways members can engage. Increases member confidence.

STRATEGIC NIMBLENESS

Allows you to maximise pricing advantages of transacting sooner than planned.

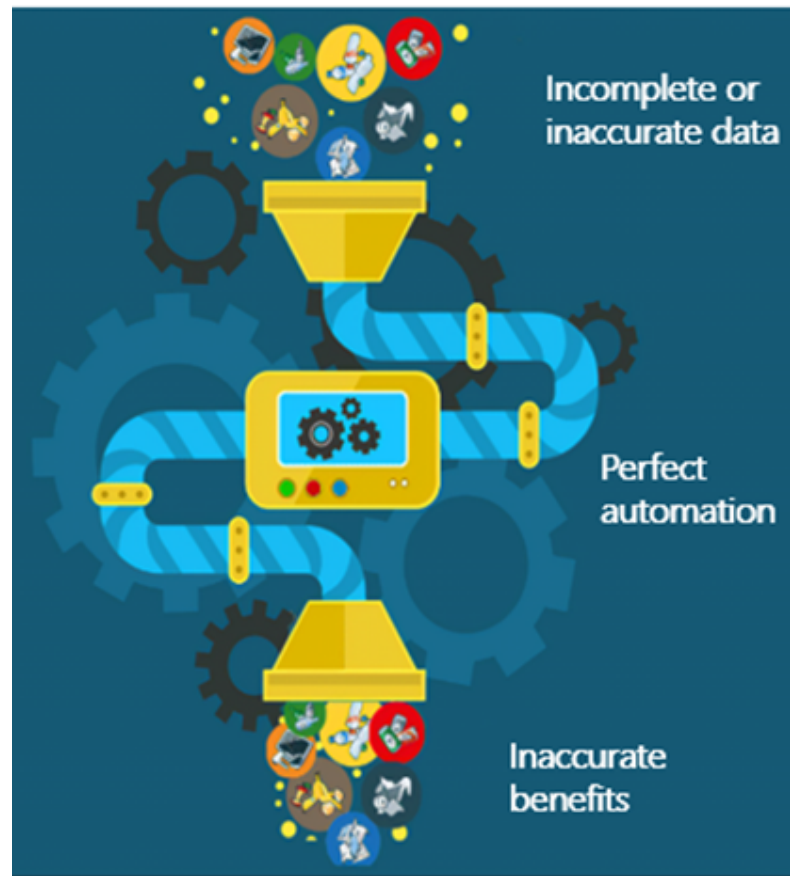
COST EFFICIENCY

Supports lower administration costs. Increases cost certainty when transacting.

About this guide

The effective running of a pension scheme depends on the quality of the data held within the administration system. Without good quality data, schemes would not be able to:

- Calculate the benefits to be paid to members accurately;
- Efficiently manage those ongoing projects which depend on having accurate records of member service and contributions;
- Calculate the value of liabilities;
- Produce and distribute effective member communications;
- Provide members opportunities to engage with the scheme in a manner that suits them (e.g. through member web offerings);
- Obtain optimal pricing in a de-risking transaction.



Data provides the foundation for every event that a scheme goes through. If that foundation is rocky, or incomplete, the outcome may be skewed. This guide will take you through some of the key stages that you need to consider when managing your data.

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So, why look at data now?



1. Why do some schemes think the quality of their data is better than it is?

If you are basing the quality of your data on the common and scheme specific data scores you receive, you may not be seeing the full picture.

What do the scores mean?

Your common and scheme specific scores are shown as a percentage. If data is present, in all of the expected fields, on all of the data tests performed by your administrator you'll likely score highly. But are the scores telling you the full story?

For example, how accurate are the pensionable service dates? The scores may confirm that you hold pensionable service dates for everyone, but the scores don't tell you those dates all accurate. Or, the scheme may have matched 100% on name identifiers, but what you have is initials and surnames, not full first names. A small point, but one that an insurer may take into account in a transaction situation, and it may be crucial for dashboard matching.

Scheme Specific Data

As you'd expect, your scheme specific data (previously known as conditional data) is data that is needed specifically for your scheme for the full administration and correct calculation of member benefits.

The reason that this is termed scheme specific is because benefit design will differ from scheme to scheme and will often differ by status. There are hundreds of tests! However a few examples might be:

1. Salary information
2. Transfer in information
3. Contributions

Common Data

The foundation of a member record, this information is needed to:

1. Identify the member
2. Confirm the member's status
3. Identify the member's pensionable service
4. Provide the member's address details
5. Generally speaking you would expect your common data score to be relatively high - although missing addresses, especially for deferred members, can lower this

What about our scheme specific data?

Ideally you will have agreed an appropriate set of scheme specific tests to run to get an accurate score for your scheme. If you haven't discussed this, then your administrator may be using their 'house' set of tests, which may be narrower than you think, and you may not be getting the full picture.

An example that some schemes are experiencing is the data required for GMPE. It's really common for an administrator not to test for the presence of pensionable salary for deferred members and pensioner members. Benefits have already been calculated, so this information isn't needed for the day to day administration of the scheme.

What this data is often needed for, however, is GMPE calculations.



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Another example might be your pension increase data. If your scheme has always applied the same pension increase for all tranches, the data may be recorded as one figure on the administration system, but the insurers will need different pension elements split out.

Do these scenarios sound scarily familiar? Linking up your administrator's data measurement processes with what you need to progress your scheme objectives is key. If you don't have a data management plan in place already, then this is a good place to start. Data measurement & management is about more than scores, however your common and scheme specific data scores will form the foundation of your plan.



2. The benefits of having a data management plan

By addressing data holistically, rather than during individual projects, schemes are likely to reap a number of benefits which will help with the day to day running of the scheme, including:

Automation – Accurate and present data will allow for more calculations to be automated creating efficiencies and reducing the chance of errors occurring through manual intervention.

Member experience – Automation enables members to better self-serve, and good data will improve the ability for schemes to communicate with their members, and vice versa – leading to a more engaged membership.

Accuracy of liability calculation – Ensure that your liabilities are calculated accurately which could provide you with a clearer vision of your scheme's journey and potentially reduce the queries that your administrator receives during

valuation period. Meaning that your administrator has more time to focus on BAU and your actuarial team can produce results faster.

Obtain optimal pricing in a de-risking transaction – Due to the number of schemes able and interested in pursuing a transaction, insurers can be choosy about the schemes they choose to prioritise. If your data is incomplete, or there are any questions regarding the accuracy of the data, then you may find less insurer interest than you'd like, or the premiums are loaded to account for this. This 'loading' can often be significantly more than it would have cost to cleanse the data! Having a well thought out data management plan, which is reviewed and monitored regularly will keep everyone on track.

Addressing your data remediation activities may be a large project. If your timescales allow, it might be sensible to break the project down to focus on your key priorities and bundle those things that can be efficiently tackled together in stages. It's important that someone has overarching responsibility for the data management plan, who has insight into the Trustees priorities, to ensure that the data plan comes to fruition and meets the scheme's needs. Communication between the various stakeholders is key to ensuring that schemes benefit from the holistic approach.

What does a robust data management plan look like?

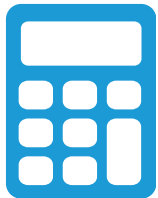
- ✓ *Includes details of data items required to be held, the purpose of each data item and the dependencies between each data item.*
- ✓ *Covers the processes for sharing, receiving and managing data.*
- ✓ *Details the Scheme's approach to measuring data quality*
- ✓ *Defines key roles and responsibilities of each party involved in data handling, management and improvement.*
- ✓ *Includes (where necessary) a data improvement plan.*
- ✓ *Includes a record of all decisions made in relation to the management of data.*

3. The importance of data to your strategic projects

The presence and accuracy of data is required by all schemes to enable them to:

- Reconcile and rectify their GMPs
- Implement GMPe
- Enable online solutions (calculation modelling and transactions)
- Ensure they are 'dashboard ready'
- De-risk

Some schemes are also embarking on projects to review their administration operational model, or the platform used to manage the administration service.



GMP

Without completing a full reconciliation, can you be confident that you have a record for all of your members? Are there members on HMRC's records that you don't have? Without full details how could an insurer correctly price terms?



GMPe

If the benefits haven't been equalised are you paying your members too much? Or too little? Your duty is to ensure that members are being paid correctly. The further this project is delayed, the higher the potential costs.



Dashboard readiness

Accurate names and addresses will be key for matching, can you afford a spike in your administration's BAU (and a potential impact on other projects) if members cannot access their information on the dashboard?



De-risking

Insurers will be making sure that the risk that they take on is mitigated. They'll want full contingent spouse's data, confidence that pension tranches are correct, proof of transfers-in recorded correctly, as well as full address, names and marital statuses.

There will be overlapping data items on all of these projects, for example; a transferred in benefit. If projects are not managed holistically, the member's record could be reviewed and potentially updated four separate times



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Is a change of direction on your agenda?

Are you thinking of changing your administrator? This could be a perfect time to weave some of the data cleanse work into your transition:

- Initial communications to member could trigger an address trace (improving data required for dashboard and potential transactions, not to mention day to day administration).
- Go live communications could include a marital status check and expression of wish form (warming up to improving the data for a transaction).
- Your new administrator and their transition team will spend a huge amount of time ensuring that they can map the data they receive to their administration system – incorporate a gap analysis piece and work with them to update your data improvement plan to include their findings.

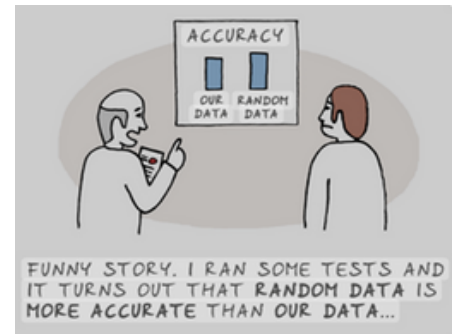
Your data management plan should link between where your current data is and where you want it to be to meet your strategic objectives.

Without a holistic approach, you may end up reviewing the same member files, and updating member records multiple times, effectively duplicating work, which will take longer and cost more in the long term.



4. Why you need to start looking at your data sooner than you'd think...

If the last 18 months in the industry have taught us anything, it's that preparation is key, and to expect the unexpected! Schemes that have a transaction related endgame in mind should be considering their data as a high priority. In a competitive market, spending money 'getting your house in order' can ultimately save money in the long run and will give you more options in the market when it arises. PASA has been a long-time advocate of this approach and if in doubt, their guidance can act as a good starting point when understanding the impact of data quality.



Whilst for many this may be a long way off, being prepared for the unexpected can certainly have its advantages.

Transaction ready data, or a detailed plan as to how the scheme will achieve transaction ready data, can be very attractive to insurers. Not only will they be able to use what has already been carried out as a starting point for their own checks, but it also demonstrates that the scheme is well managed. Getting ahead of the big data questions now, can ultimately lead to:

A smoother journey for your membership	More accurate and potentially more competitive pricing	Faster transactions	The ability to act more quickly	No critical 'show stopping' questions at an untimely point
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A large number of the data items that you need for a transaction could be addressed alongside other projects, so that when that pivotal moment in the scheme's journey occurs, you can be confident in your next steps. A 'show stopper' for an insurer is the potential for missing beneficiaries, as, quite rightly, they will not want to take on the risk of unknown claimants. Your GMP reconciliation (if applicable) will help in this area, as will a clear paper trail of any decisions made. Along your data journey you'll have the added benefit of:



Planning is key! There will be data gaps that shouldn't, or can't be filled immediately, if you are, say, targeting transaction in eight years' time, carrying out a spouse's verification exercise too far in advance will add little to the day to day running of the scheme and will be a costly exercise. Addressing this too late, could lead to delays at a crucial point in your journey. Consideration of the scheme's overall data requirements at every point during your journey, and planning accordingly can help you determine the right time to address gaps.

Preparing for your endgame is key, as even if there are years left, there will still be actions that can be taken now to ensure that when you do get there, the process is as smooth as it can be.

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5. When and how to work with your administrator

Your administrator is an important partner when building your data management plan.

You'll need to understand;

- If they can manage the workload involved;
- Whether separate project teams will be picking up the work;
- If so, what controls do the administrators have in place to ensure project teams and the BAU administrators are speaking to each other as often as they should be;
- Who else needs to be involved and at what point? This will be especially pertinent when assessing data for project work, as actuarial input may be required.

Contingency time should be built into the plan, for example, if data is not stored electronically, this might mean an extra step is required to review member files or to agree and implement a model to re-create the missing data.

What if my administrator is too busy?

We have seen schemes starting to engage other administrators, or data specialists to assist with their data work. As with any approach there can be advantages and disadvantages to engaging another party.

Advantages	Disadvantages
BAU team not overstretched	Risk when transferring data
Independent view	Can be more expensive, when taking into account the data specialist cost and administration time
Ability to move at a faster pace	Still needs administrator buy in
May utilise advanced technology	Could still be a lengthy process
Defined roles and responsibilities	Risk that scheme knowledge isn't shared

Whether you choose to work with your administrator or engage with another firm, there will be a lot of moving parts, good project oversight and management will ensure that all of those moving parts come together when they need to.

Good data is an enabler of new solutions, innovation and improvements – but it's key to ensure that the governance behind your data project is robust.



6. So, why look at data now?



Can you reduce administrative errors by cleansing data?



Can you shorten timescales by automating systems?



Can you reduce future costs by investing now?



Can you create a more streamlined way in which you can contact your members?



Can you take steps to ensure that the information your members receive is accurate?

In most cases, the answer to these questions will be a resounding 'Yes', so let's start the journey to providing the best outcomes for members and for the scheme as a whole.

What are the next steps and how can we help you?

Have you been wondering how to take the next step in your data journey? Would you like someone to bring it all together?

Contact Jo, Tom or Robyn for help and independent advice at:

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