

First Briefing, February 2021

Record-keeping and scheme-specific (conditional) data

Towards the end of 2019, The Pensions Regulator (TPR) issued a press release outlining its plan to crack down on poor record-keeping.

Here are the key points:

- The trustee boards of 400 schemes were asked to conduct a data review within six months
- The review covers the presence and accuracy of common **and** scheme-specific data
- Failure to comply carries a fine of up to £50,000
- 1,200 trustee boards will be contacted to remind them of the importance of carrying out this type of review each year.

This move comes as TPR tightens its regulatory grip to drive up standards of governance and administration. The aim is to deliver better outcomes for pension savers.



What data should be reviewed?

TPR published a list of 11 common data items which it expects all trustees to hold in order to administer their pension scheme effectively.

The data items that should be considered as part of a scheme-specific data review will vary. Different data is needed for different types of scheme. To run a Defined Benefit scheme, for example, the information the administrator would need would vary considerably from that needed for a Defined Contribution scheme. Pension schemes also have different benefit structures, so certain data items will be more relevant to some schemes than others.

When considering data presence and accuracy, it is important for trustees and their administrators to work together to select which data items are particularly important for their scheme.

Who is responsible for reviewing data?

TPR has clearly stated that responsibility for reviewing data rests with trustees and scheme managers. Trustees are expected to measure their common and scheme-specific data scores and report these to TPR on the annual Scheme Return.

Trustees with poor data scores will be expected to work with their administrators to draw up improvement plans and rectify problems.

TPR has indicated that they intend to engage with trustees who have poor scores, or who do not submit a score in the Scheme Return, to get a better understanding of the reasons behind this in each case.

Record-keeping and scheme-specific (conditional) data

Why review your scheme-specific data?

TPR expects trustees to understand their data, be clear on what needs improving and, if necessary, have a plan in place for corrective action.

High-quality, scheme-specific data can help trustees mitigate risks such as:

- Financial risks – For example fraud, and poor data which can lead to incorrect benefits being paid
- Funding risk – For example missing data, which can result in the need for additional assumptions in actuarial valuations
- Reputational risk – For example member complaints if inaccurate benefits are paid.

Trustees with high-quality scheme-specific data will be in a stronger position in the event that they:

- Carry out benefit corrections, for example GMP equalisation uplifts
- Approach an insurer for a buy-out quotation
- Provide information for the Pensions Dashboard.

When should data reviews take place?

TPR has indicated that trustees should review their common and scheme-specific data scores on an annual basis, and provide updated scores in their Scheme Returns. TPR will consider the frequency of data reviews and, where possible, improvements in data scores when monitoring the overall governance of pension schemes.

In its 2018 Scheme Return guidance, TPR stated:

“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.”

TPR has recently demonstrated that they will engage with trustees, but it appears that they are prioritising those trustees who have not carried out any data reviews.

What should trustees do now?

If you have not carried out a review of your common data, or have not reviewed your common data score within the last year, you should speak to your scheme administrator.

Trustees should also work with their scheme administrator to agree a plan to review their scheme-specific data. This will involve agreeing:

- The key data items that will be reviewed
- The presence and accuracy of the agreed data items
- A data improvement plan (if appropriate)
- The frequency of future data reviews.

It is advisable to carry out common and scheme-specific data reviews so scores are available for submission in the 2020/2021 Scheme Return.

Further information

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