aquilaheywood's response to the Pensions Regulator's consultation on record keeping

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Introduction

As the leading supplier of pensions administration software solutions, address tracing and mortality screening services in the UK, *aquilaheywood* welcomes the opportunity to respond to the consultation on record keeping and measuring of member data.

Please refer to the consultation document titled Record-keeping: measuring member data (www.thepensionsregulator.gov.uk/docs/record-keeping-con-doc-2010.pdf). The details of our response are set out in the following sections: Summary of our Main Concerns and Response to Individual Questions Raised.

To put our response in context, we have provided the following details about *aquilaheywood* and our clients.

aquilaheywood, the Group comprising *aquila*, *heywood* and ATMOS, is the leading supplier of pensions administration software solutions in the UK. The pension schemes for nearly ten million members in more than 200 major organisations are run using the Group's administration software solutions. These solutions cover the whole range of available schemes and products including DB, DC, hybrid, career average, cash balance and stakeholder, as well as SIPPs, Wraps, income drawdown, flexible retirement and annuity payments.

The Group provides solutions to the Financial Services, Third Party Administration, Corporate and Public Sector pension scheme markets in the UK, Ireland and the rest of Europe. Our clients include Prudential, Aviva, BBC, Asda, BP, Diageo, the European Central Bank, Aon Consulting, Hewitt Associates and the vast majority of local authority schemes. We also provide software and services to Central Government, including for the administration of the Scottish Teachers Pension Scheme and the Scottish NHS Pension Scheme.

Through its ATMOS Data Services arm, the Group also helps clients reduce the costs and risks of poor data by offering address tracing, mortality screening and data improvement exercises.

Summary of our Main Concerns

Whilst we support this initiative by the Pensions Regulator ('the regulator') and believe that it will improve standards in administration, improving the quality of data alone will still not address many of the issues members have with pension schemes. In recent workshops held by the regulator many of the examples were about outcomes, especially late payments of benefits.

We feel that it is as important that the regulator has a focus on ensuring that outcomes are regulated, although we do agree that poor quality data may be an indicator of poor administration practices that can lead to adverse member outcomes.

We agree that the suggested standards are achievable for new data, but for legacy data the standards may be harder to achieve. For example, a scheme may have bought out their liabilities with an insurance company, the scheme may then have been wound-up and the company could subsequently have gone into liquidation. The insurance company will then have to go to the member of the scheme who may not have received full records, may have misplaced his/her records or the records provided may not have the full information required. Overall, it is difficult to apply modern standards of processing to legacy data and systems.

One final general point on the record keeping consultation is that there is no indication of the steps a trustee is supposed to take to ensure that the data items present are indeed correct. The presence of a data item does not necessarily mean that the data is correct; indeed an incorrect data item could lead to more errors/issues than a missing data item. An indication of the steps the regulator will be taking to assess the data would be helpful to ensure trustees can take similar measures to ensure the correctness of the data.

Response to Individual Questions Raised

Our response to the individual questions raised in the consultation paper are outlined below.

1. Do you agree that the [above] conclusions are reasonable?

In light of the number of recent initiatives announced by a number of third party administrators and the number of companies that are now offering data cleansing services to pension schemes we feel that the conclusions drawn by the regulator are reasonable.

2. Do you agree that more work needs to be done to improve record-keeping standards?

We are happy that the regulator issues guidance on what records are expected to be obtained and kept by the scheme, but we believe the regulator should accept that schemes rely upon many external parties for the provision and maintenance of such data. Any guidance needs to reflect the steps that trustees must expect their administrators to follow. In addition, any adverse outcome that results from a lack of response from an external party after such steps have been followed should not be the responsibility of the scheme or the trustees. The guidance needs to reflect these situations.

3. Do you agree that it is appropriate for the regulator to set specific targets for the standard of common data, and that the targets quoted above are reasonable?

We appreciate that it is appropriate to set standards for new data and that 100% of common data is an acceptable standard benchmark. However a 95% standard for legacy data, or in fact any percentage, could be difficult to enforce. If the scheme has tried to obtain a current address through the NICO, tracing services and the last known bank account for the member but still has no success in trying to find a current address then they may not be able to achieve 95% coverage. It may be better to regulate on the improvement in coverage for legacy data and the steps that the regulator expects to be taken by the trustees/administrators to try and improve the coverage in line with an expected benchmark of 95%.

Another point is how the 95% is to be regulated? Is this 100% of members with 95% of the data, or 95% of members with 100% of the data? The former is more preferable for all parties, but we believe the proposed guidance allows for the latter.

Also which data items are more important? A date of birth is more important than a current salary for deferred members, but a spouse's date of birth is more important for pensioners and deferred members than for active members. There is no indication of this in the guidance.

4. Do you agree that a scheme specific approach is appropriate to measuring the quality of conditional member data? Should targets be set by the regulator for conditional data, and if so what should be appropriate for different scheme types?

The approach taken by the regulator is an appropriate approach, with data being conditional on both the type of scheme and the status of the member. We feel that targets for conditional data are appropriate for new data and that the same coverage should apply for conditional data as common data, that is 100%. For legacy data obtaining such coverage would be more difficult owing to the nature of the data required; again it may be more appropriate to ensure trustees make best endeavours to improve their coverage, and accuracy of their data than to stipulate a benchmark figure.

5. Do you agree that, in the period up to the end of 2012, these targets will help achieve the higher standards that are essential to protecting members' benefits and efficient running of schemes? What milestones might be appropriate here?

We agree that guidance will help ensure higher quality of data and improvements in ongoing data maintenance. Trustees should be clear as to what they are expecting of their administrators and administrators can amend processes and ensure they have adequate systems and controls in place to record the expected data for new members.

Correct data is one element to ensure the efficient running of schemes but there are others such as well trained and motivated staff and modern systems. Having a correct date of birth is no use if the administrator does not use the data correctly, or if dates of birth are stored and maintained on a separate system which does not automatically update the date of birth used for benefit processing.

6. What reasons for their not being able to resolve data problems should the regulator consider legitimate when considering whether 'all reasonable endeavours' had been made?

The regulator should consider the scenario where the administrator/trustee relies on an external party for the information. For new members this could cover where the employer does not provide information in a timely fashion or the member does not provide information that the employer does not know (such as a spouses' date of birth).

For legacy data this could also include where the member has gone away or the member is unable to provide data which was historically provided to a member (such as a GMP split) but not recorded on the system.

All reasonable endeavours should depend upon the status of the scheme and the employer. Legacy data may be harder to obtain where the employer has gone bankrupt and the scheme wound up.

Summary

We support initiatives by the regulator to improve standards in pension administration and feel that the consultation is a good starting point. Initiatives are already underway in the industry to improve the quality of data prompted by previous work undertaken by the regulator. Our two main concerns are:

1. The presence of data does not necessarily mean the data is correct. What steps should a trustee undertake to ensure the correctness of data?

2. That a focus on the quality of data may divert resources away from ensuring timely outcomes for members.

As a final point, it should be noted that because a scheme can decide what scheme specific tests should be undertaken, two similar schemes can undertake a different approach to testing and therefore have different levels of data quality from similar underlying data.

aquilaheywood
aquila house, 35 london road, redhill, surrey, RH1 1NJ

www.aquilauk.co.uk
www.heywood.co.uk