



Aquila Heywood

Aquila Heywood's response to The Pension Regulator's Innovation Plan



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1 Introduction

We welcome the opportunity to respond to The Pension Regulator's Innovation Plan.

Details of our response are set out in the following sections. To put our response in context, we have provided details about Aquila Heywood and our customers in the Appendix.

2 Our response

2.1 Have you found us to be supportive of innovation in the pensions industry?

Aquila Heywood has developed a number of solutions relating to initiatives led by The Pensions Regulator (TPR). In general, we have found TPR to be supportive of innovation. Our experience is summarised below, along with some suggestions as to how TPR may be more supportive of innovation.

For automatic enrolment, we developed a solution in conjunction with the Workplace Pensions team at Fidelity. The guidelines published by TPR were a particularly useful reference as the solution was being developed. The documentation is clearly laid out, easy to read, contained examples and is easy to reference. The manual is a comprehensive guide for software developers, from which we continue to reference and benefit.

To assist pension schemes to meet their record-keeping requirements, we have developed a record-keeping service. We found the record-keeping guidance a useful reference when building the service, and our customers have found the categories defined by TPR useful when explaining the test results to their trustees.

With regards to improvements, we feel that the following recommendations would improve TPR's support of innovation in the industry:

- Create supporting material earlier in the process – this is a challenge, given that regulations are usually still being developed, but the alternative is the industry having to develop a significant proportion of a solution well ahead of detailed content being published.
- Provide testing data – from a software developer's perspective, examples are really useful. The conversion of these examples into test data would accelerate development cycles for all software developers.
- Engage software providers early in the process – it would be beneficial to engage with software developers early in the innovation process. Software developers often find scenarios where the regulations may be contradictory or where the outcome of implementing the rules does not reflect the intended goal. The opportunity to provide this feedback earlier in the cycle will be of benefit to TPR, the software providers and the industry in general.

2.2 What innovations/new technology are you aware of that are not covered in the plan?

Technology will be a significant driver to improving member outcomes, especially in the area of automated advice, often referred to as 'robo advice'. There is a clear advice gap in the 'middle market', which is precisely the segment of the population most impacted by pension freedoms. We believe 'robo advice' should and will play a significant part in shaping individuals' investment and retirement choices, helping to address the growing advice needs.

Within the trust-based workplace market, the decision to offer advice solutions to members resides with the trustees and falls under the auspices of TPR. However, the Financial Conduct Authority (FCA) is responsible for governing any advice given. This leads to the scenario where advice is being given on a range of funds or retirement options selected by Trustees. We believe that TPR and FCA should be working in partnership to ensure members achieve appropriate outcomes, especially in the area of advice in the workplace market.

2.3 What more could we do to adapt to new technology/innovation?

As well as the solutions above, there are several initiatives on which Aquila Heywood is working that we feel could be of benefit to or support for TPR.

2.3.1 Individuals' right to data

The consultation makes reference to the engagement of scheme members in the saving process being a priority and some of the technologies that are being used to assist with this. We believe TPR should be supporting the individual's right to access their data online in an initiative similar to the Midata initiative in the banking and energy industries.

With the rise in the use of digital channels to access information, we believe TPR should be recommending that all schemes provide online access to their members. While this is prevalent among larger schemes, a significant number of smaller schemes do not currently offer their members a self-service offering. In addition, in the life company market, many trust-based schemes are managed on older, legacy technology. Some life companies have invested in giving members online access to these older systems, but many have not, with members therefore suffering poorer service. With the advent of pension freedoms, the challenge of legacy technology is exacerbated to the members' potential detriment, as members cannot easily access their information to enable retirement income planning. We would like to see TPR pushing much harder for all schemes to give complete digital access to data and for members to be able to access full pension freedoms.

2.3.2 Pension dashboards

Several initiatives are currently underway to develop pension dashboards. However, these are being driven more by providers and platforms in the contract-based defined contributions sphere, with very little representation from trust-based schemes. Many parties involved with the initiatives feel that, for dashboards to be a success, they need regulatory support to ensure universal coverage of both pension schemes and members. Therefore, we would like to see more TPR involvement from an earlier planning stage, to ensure that the necessary regulatory support is provided to ensure the success of these initiatives.

2.3.3 Standard API for reporting in the public sector

The consultation refers to the benefits realised from the industry by adopting standard APIs for data transfer. Working directly with the Government Actuaries Department (GAD), our customers and a number of actuarial firms, we were able to produce an agreed set of Universal Data Specifications for our public sector customers. These are a set of standard data extracts designed to cover the immediate and anticipated future requirements of both GAD and the Department for Communities and Local Government (DCLG). This enables data to be provided by the Authorities on demand to both bodies, without the requirement for new reports or programs to be created.

As the regulator for the LGPS, we anticipate that TPR is likely to require regular data feeds from the LGPS and Pension Boards. We would welcome the opportunity to work with TPR to produce a similar set of specifications and APIs that can be reused across the LGPS, benefiting all parties.

2.3.4 Employer data submissions to public sector schemes

While payroll and HR systems are highly automated, the data transfer process between payroll and pensions still remains a manual process. PAPDIS has been a great improvement for defined contribution schemes in helping to standardise and automate this transfer. For public sector schemes, however, files submitted to the pension scheme are frequently populated manually, and there is no standard that can be adopted by pension schemes or payroll providers. Most of the delays in the issue of annual benefit statements last year for English and Welsh LPGS administrators were as a result of employers failing to submit the required data on time.

Mandating monthly submissions from public sector employers to the LGPS in a standardised format would eliminate the current inefficient end-of-year submission and reconciliation process. This would enable Annual Benefit Statements to be issued earlier than the regulatory deadline. It would also allow administrators to monitor the quality of data, with regular reviews and reconciliations of the data and contributions being passed from the employer. As part of the monthly submission process, any data required by TPR for data analytics could be shared automatically, providing efficiencies for both the LGPS and TPR.

As an example, we have developed a solution called i-Connect which sits between payroll and pensions and takes a standard extract of data from payroll every pay period for submission to pension funds. It automatically identifies and processes new joiners, opt-ins, re-enrolments, opt-outs and leavers, together with pay and contributions, thus fulfilling record-keeping requirements and providing operational and process efficiency for both employer and pension scheme.

2.3.5 Record-keeping

We have been working with customers since 2010 to test and improve scheme data in line with TPR's record-keeping guidance. With the adoption of Code of Practice 14 in 2015, we have extended that knowledge and experience to our public sector customers.

The targets laid out for common data within the private sector were welcomed because they set a benchmark for all schemes to follow and enabled easy comparison across sectors and industries. The improvement in the quality of data was of benefit to pension schemes, the administrators and members.

Setting similar targets and standards for conditional data, especially for public sector pension schemes, would allow for meaningful analysis of the data and the earlier identification of trends at both scheme and industry level. These trends can help to reduce the risks that poor data holds toward member outcomes and assist in the identification of at-risk participating or sponsoring employers. In the public sector, this would also enable a minimum standard of data tests to be created, which would comply with Code of Practice 14 and with the relevant legislation. If a standardised set of tests could be developed, sharing data across the LGPS would ensure consistently high data standards across the sector as a whole and may lead to agreed benchmarking levels.

In addition, these standards would allow system providers to support the testing and measurement of data quality by developing innovative solutions to address scheme needs. This will lead to data quality testing to become a repeatable and rule-based activity, similar to the robotic process automation that is gaining popularity within pension administration driving efficiencies and cost savings while improving outcomes for members.

Given TPR's position as the regulator for the LGPS, it is uniquely positioned to drive this initiative forward.

We hope our comments are useful, and look forward to working with The Pension Regulator on future initiatives.

Luke Carter
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3 Appendix - about Aquila Heywood and our customers

Aquila Heywood is the leading supplier of life and pensions administration software solutions in the UK. The pension schemes for ten million members in more than 200 major organisations are run using our administration software solutions. These solutions cover the whole range of available schemes including DB, DC, hybrid, career average, cash balance and stakeholder, as well as a full range of other group and individual products including Group Risk, Individual Protection, SIPPs and Wraps, Income Drawdown and Annuities.

Aquila Heywood provides solutions across a diverse range of markets including Financial Services, Third-Party Administration, Corporate and Public Sector pension schemes in the UK, Ireland and the rest of Europe. Its customers include Aviva, Fidelity, Irish Life, Scottish Widows, British Airways, BBC, ASDA, Diageo, Tesco, Aon Hewitt and most local authority schemes and Central Government in Northern Ireland.

For more details about Aquila Heywood, email enquiries@aquilaheywood.co.uk or visit our website: <https://www.aquilaheywood.co.uk>