

Record-keeping: Supplementary details

(should be read in conjunction with the consultation paper *Record-keeping: A consultation document* issued on 23 July 2008)

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Chapter 1: Introduction and approach to the measurement of member data

- 1.1 This paper should be read in conjunction with the consultation paper *Record-keeping: a consultation document*.
- 1.2 It sets out some more details about the regulator's proposals for data measurement.
- 1.3 The proposals on which we are seeking views is for providers to measure the presence of some of the most important items of member data and to report the results of these measurements. The proposal is for the measurements to be based on a limited set of data items - it is **not** to measure all data.
- 1.4 Our suggested framework for data checking is illustrated in the following table. Examples of the type of data in each heading are included in chapter 2.

Report item	Purpose	What is recommended	Method
Core data	To measure the data that is completely fundamental to the proper administration of all schemes.	All data fields should be populated.	Measurement. The data and the tests are specified by the regulator in consultation with those involved with pensions.
Additional data	To provide a view of the data required for the effective administration of the scheme, and to allow providers or trustees to measure the change over time.	That the presence of additional data required to administer a scheme is known. That, where necessary, action plans are put in place to improve additional data. Such plans could involve improvement within a specified timeframe.	Scheme-specific measurement. The methodology is recommended by the regulator, but the actual data and the tests are specified by the trustees/provider. The regulator will collate information for possible future benchmarking.
Numerical information	To enable consideration by the trustees, providers and others of whether the core and additional data reflect their knowledge of the scheme.		Report.

Core data

- 1.5 Working with industry experts we have identified a core set of data that is completely fundamental to the proper administration of all schemes. An error in any of these core data items is highly likely to render the member's record unusable. We recommend that every item of core data should be present in all schemes.
- 1.6 Details of the items that we have suggested as core data, and the validation checks that we believe should be applied to these data items, are contained in chapter 2.
- 1.7 The proposed measure of core data is concerned with the presence of the records required to calculate and settle benefits, rather than the calculations themselves. Given that the proposed core is fundamental to proper administration, and is the first building block required to calculate members' benefits, we recommend that every item of core data should be present in all schemes.

Additional data

- 1.8 There is usually additional, more detailed data required for effective administration of a pension scheme. The nature of this data will vary from scheme to scheme, and will depend on many factors. We believe that scheme providers, administrators and trustees are best placed to decide the exact constituents of the additional data, based on an understanding of the requirements of their own scheme and administration system.
- 1.9 We do not think it would be desirable to try to produce a data specification covering every possible circumstance. Nevertheless, in conjunction with industry experts we have produced a list of the items that we believe could be regarded as additional data. This list should only be regarded as illustrative. Providers, administrators and trustees will need to make adjustments to the list of items to take account of the circumstances of their own scheme and systems.
- 1.10 The illustrative list of items that we have identified as additional data, and the validation checks that we believe could be applied to these data items, are contained in chapter 2. We are not suggesting that all data should be checked.

Numerical data

- 1.11 As well as the core and additional data, there is numerical information regarding membership records that will help employers (where appropriate) and trustees. It will enable them to consider whether the number of such records is broadly consistent with their knowledge of the scheme.
- 1.12 Some of the numerical information that we believe could be helpfully provided are contained in chapter 4. This would be reported at the same time as the data are validated.

Risk assessment, controls and action plans

- 1.13 The proposals above are intended to complement risk assessment and internal controls processes. The measurements are designed to be indicators of whether member record-keeping needs further consideration in the context of risks - it is not an end in itself.
- 1.14 Where tests of core and additional data indicate that there may be inconsistencies or errors, we suggest that providers and administrators will want to work with trustees and employers to develop action plans (including timetables) for further investigation and correction as appropriate.
- 1.15 We believe it is likely that records identified as having invalid core data are also liable to have other defects. When investigating these records we therefore believe it appropriate to that the whole of the member's record be reviewed.
- 1.16 Our suggested approach for good practice is one of continuous improvement with reports of progress against plans being made on a regular basis. Once any initial review activity is complete, then the limited measurement tests could be conducted on (say) an annual basis as evidence that controls are continuing to operate effectively.

Events which cause changes to a scheme

- 1.17 During the life cycle of a pension scheme, events occur which cause significant change to the scheme itself, or to the members' benefits. These events may present additional risk of data errors occurring, or increase the need for data accuracy. A list of the events that we have identified is in Appendix 2.
- 1.18 Some of the events listed in Appendix 2 give rise to an immediate requirement for data cleansing, for example entry into a PPF assessment period. Other events that are listed, while not requiring immediate action, present the providers, administrators and/or trustees with a good opportunity to review record-keeping. We have differentiated between these types of event.

Obtaining and reporting on data

- 1.19 We acknowledge that there are numerous systems in use for recording data. These include:
- systems provided by specialist pensions software providers;
 - systems designed and run by insurance companies;
 - systems designed by schemes administered by an in-house pensions department;
 - manual systems.

We are also conscious that many computer-based systems are supplemented by paper and microfiche records.

- 1.20 The amount of checking that we propose is defined as a small set of core data fields and a limited number of scheme specific additional fields. It is not a proposal for a check of all data. In this context our proposal should not be unduly onerous.

We expect that most computer system providers would be able to provide programs to perform data checks at this level and produce reports. Some products probably already do something similar, if not more. Where data is not held on the computer system, then providers, administrators, trustees and employers should consider whether this is the best method of holding records and whether their internal controls over this aspect are appropriate.

Chapter 2: Details of the suggested data to be measured

- 2.1 We recognise that different systems will hold data in different ways, that systems which are similar may have been configured to be used in different ways, and that schemes have particular characteristics which may impact on data held. The tables below set out general descriptions of each test and its purpose. They do not attempt to be technical specifications which would, at this point, be difficult to prescribe.

Core data

- 2.2 The most basic data items required for the determination of a member's benefits are largely common to all schemes. It is therefore possible to test the overall quality of recording of these data items at scheme level. As all these items are completely fundamental to the proper administration of schemes, these fields should be fully populated; for example, a member benefit calculation is highly likely to 'fail' totally if just one core data item is missing.
- 2.3 There would inevitably be a need for providers, administrators, trustees and employers (as appropriate) to identify the cause of a poor result in any tests. As well as the scheme-level summary, a member-level breakdown of the data item failures should therefore be available.
- 2.4 A list of the suggested core data items is given below, together with an indication of the tests that we propose should be carried out, and a summary of the reason for selecting this item. The test is checking for the presence of data which is valid and appropriate to the type of field described.

Core data tests

Test	Test Type/applicability	Brief test description eg	Reason for test
Unique ID	Status validation	Check that a Unique ID is present for each member and return duplicates	Ensuring a valid status exists for each individual. Where more than one record exists that this is for a valid reason and each is unique to a period of membership.
Status	Status validation	Check that the system holds a current status for each member	
Active record	Status validation	Check that an active member has an active record only	
Deferred record	Status validation	Check that a deferred member has a deferred record and active record only	
Pensioner record	Status validation	Check that a pensioner member has a pension record and pension has not ceased	
Surname	Basic details	Check that a surname field has been populated	Ensuring member identity and basic details are held.
National Insurance number	Basic details	NINO is 9 characters in a standard format or is a valid temporary NINO consistent with sex and DOB	
Sex	Basic details	Check that a sex is present (and is consistent with the title)	
Date joined scheme (DJS)	Basic details	Check that the DJS is present and consistent (>DOB, <DJC), or is a recognised false date	

Test	Test Type/applicability	Brief test description eg	Reason for test
Date of birth	Basic details	Check that DOB is present and consistent (<DJS, DJC,DOR,DOL), or is a recognised false date.	
Salary history	Active details	Check that there is at least one salary within the last 12 months	For actives, checking that contributions are being posted to members' records
Contributions (DB)	Active details	Check that a total to date contribution (either derived or explicit) is present	
Contributions(DC)	DC fund details	Check that a contribution exists for each period in the current scheme year	Evidence that contributions are being posted and investments made for appropriate periods.
Transactions	DC fund details	Check that there is an equivalent transaction for each contribution	
Switches	DC fund details	Check that switch sells and buys balance (eg to within £1)	
Date of leaving (DOL)	Deferred details	Check that a DOL has been populated and is after DJS	Checking for gaps/inconsistencies which can lead to error
Total pension – basic	DB deferred details	Check that a total deferred pension is present (either derived or explicit)	
Date of retirement (DOR)	Pensioner details	Check that a DOR has been populated and is after DJS	
Total pension - basic	Pensioner details	Check that a total pension is present (either derived or explicit)	

An example layout for a report on core data quality, including statistical analysis, is given in Appendix 1.

Illustrative additional data

- 2.5 The components of additional data, and the extent to which all items need to be present, will be *specific* to each scheme. Providers, administrators and trustees are therefore best placed to decide the constituents of the additional data required for effective administration, based on their understanding of the requirements of their own scheme and administration system.
- 2.6 We recommend that trustees and providers measure the presence of the additional data required for effective administration and that, where necessary, trustees and providers develop a plan for improving it.
- 2.7 We suggest that the statistical reporting of core data quality should be supplemented by a commentary based report on detailed data records. An evaluation of the results should be quantified in order for meaningful comparisons to be made at intervals. We would want to survey the results, in order to assess data quality in the industry as a whole, and to see whether the suggested approach is making an impact.
- 2.8 An illustrative list of additional data is set out below. It is important that providers, administrators and trustees understand that we do not regard this list as definitive, and we expect them to tailor the list to the requirements of their own scheme and administration system by excluding irrelevant items and adding any extra scheme-specific items.

Additional data tests – examples

Test	Test Type/applicability	Brief test description eg	Reason for test
Last status event	Status validation	Check that the last status event is equal to any separately held 'basic' status	Checking for gaps and inconsistencies
Initials	Basic details	Check that initials have been populated with a non-blank alpha string and are consistent with forename(s)	
Date joined company (DJC)	Basic details	Check that a joined company date is present, consistent and valid	
NI History	Basic details	Check that there is a NI history for each year of GMP or PR contracted out service	Important in the calculation of benefits. Gaps/inconsistencies could lead to calculation errors
Salary history	Active details	Check that a salary exists for each of the last 5 renewal periods and is greater than £1	
Part-time hours	Active details	Check that where a member has part-time hours, that this is consistent (ie Full time hours > Part-time hours)	
Contributions	Active details	Check that there is a contribution amount present for each year of active membership	
Contributions (DC)	DC fund details	Check that a contribution exists for each period of active service (and is consistent with salary etc)	Problem here could indicate issues with processes or internal controls, or the effective management of the scheme
Transaction completion	DC fund details	Check that there is a matching transaction for each contribution and is invested (within x days)	
Investment balances	DC fund details	Total investment fields match sum of individual transaction elements.	

Test	Test Type/applicability	Brief test description eg	Reason for test
Investment splits	DC fund details	Check that investment splits sum to 100%	
Life style	DC fund details	Check that lifestyle switches in the current year are completed in accordance with instructions	
Balances	DC fund details	Check the total individual transactions against the sum of the history	
Fund at A-Day	DC fund details	Check that the accrued fund at A-Day is recorded	
Target retirement age	DC fund details	Check that the target retirement age field is populated and is consistent (> DOB, DJS, DJC, > age 50 (or 55 if after April 2010))	

Test	Test Type/applicability	Brief test description eg	Reason for test
Address	Basic details	Check that an address is present and does not contain 'unknown' or 'gone away'	Member tracing
Postcode	Basic details	Check that a postcode is present if address is not identifiable as being overseas	
Total pension	DB deferred details Pensioner details	Check that the total pension field is equal to the sum of the components	eg checking total pension is consistent with individual components
Pre 88 GMP	DB deferred details Pensioner details	Check that a member with at least one month pre 88 contracted out service has a pre 88 GMP	

Test	Test Type/applicability	Brief test description eg	Reason for test
Post 88 GMP	DB deferred details Pensioner details	Check that a member with at least one month post 88 contracted out service has a post 88 GMP	
Pre 97 excess	DB deferred details Pensioner details	Check that a pre 97 joiner has a derivable pre 97 excess based on the stored pension elements	
Post 97 pension	DB deferred details Pensioner details	Check that a post 97 joiner has a derivable post 97 pension based on the stored pension elements	
Post 05 pension	DB deferred details Pensioner details	Check that a post 05 joiner has a derivable post 05 pension based on the stored pension elements	

Helpful numerical information

2.9 Some scheme numerical information should be made available to providers/trustees. This will enable them to check that the scheme's data is broadly consistent with their own understanding of the scheme and its history. The suggested items to be reported are set out below. We would normally expect to see much of this in an admin report anyway. Reporting on the numbers will help put some of the other measurement results into perspective.

Test	Test type	Brief test description	Reasons for reporting
Membership statistics			
Number of benefit categories	Basic details	Number of benefit categories that give rise to a separate benefit structure (eg staff/works, different section, previous acquisition etc.)	eg could have different benefits for different groups etc.
Status	Basic details	Membership statistics (active, deferred, in payment)	Consistency with other reporting
Pensioner type	Pensioner details	Pensioner membership by type (member, spouse/dependant/civil partner, child)	
Specific data statistics			
Part-time	Active details	Number of active members with part-time service history	Aid to understanding of the scheme
Lifestyling	DC fund details	Number of DC active and deferred members with a lifestyle investment strategy	
AVCs	AVCs paid	Number of active and deferred members who have payment of AVCs recorded	
Transfers in	Transfer in details	Number of active members with a transfer in recorded	

Test	Test type	Brief test description	Reasons for reporting
Divorce (pension sharing)	Pension sharing	Number of members with a pension sharing order	
Divorce (earmarking)	Pension earmarking	Number of members with an earmarking order	
Temporary absences	Basic details	Number of members	To assist in reconciling to membership statistics and aid understanding
Maternity leave	Basic details	Number of members	

Checking calculation results

- 2.10 Even when a member's data is complete and consistent it does not guarantee that any benefits recorded for that member have been calculated correctly. The proposals are concerned with the presence of the records required to calculate and settle benefits, rather than the calculations themselves. Nevertheless, benefit calculations are also self-evidently crucial, and we expect that providers and trustees will aspire to reassure themselves about the integrity of their data by implementing checks of these calculations.

Appendix 1: Example report on data quality

The formats shown below are intended to be helpful indicators of the type of reporting which might be produced. They are not in any way intended to be prescriptive. We would expect different formats to be developed, many of which will be enhancements of reports already being produced for clients or internal use.

1 Numerical information

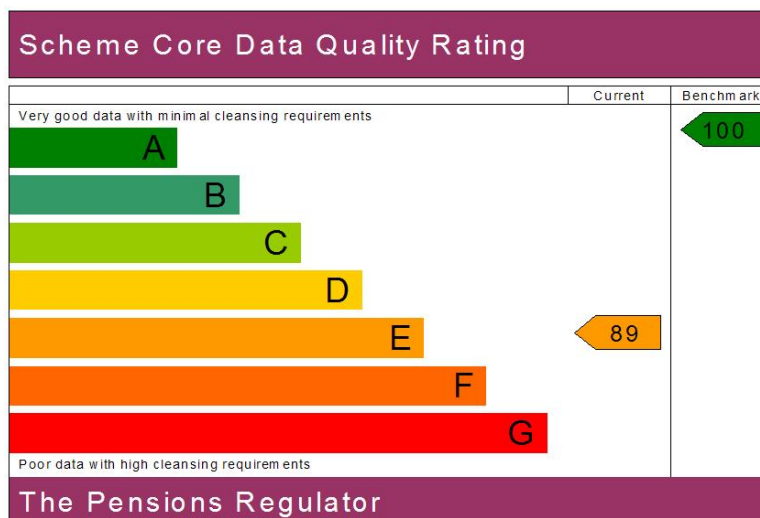
1. Membership statistics	
Number of benefit categories with separate benefit structure	4
Total active members	2
Total deferred members	2846
Total pension in payment members	122
Member pensioners	111
Spouse/dependant/civil partner pensioners	10
Child pensioners	1
2. Additional data statistics	
Number of active members with part-time service	2
Number of DC active and deferred lifestyle members	127
Number of active and deferred members with AVCs	208
Number of active members with a transfer in record	116
Number of active and deferred members with a pensions sharing order	1

2 Core data recording

ID	Test type	Population	Fails	Result
1	Status validation	2970	34	98.86
2	Basic details	2970	0	100
3	Active details	2970	2	99.93
4	DB deferred details	2970	11	99.63
5	Pensioner details	2970	0	100
6	DC fund details	2970	280	90.57
9	All tests (not an average)	2970	321	89.19

Test name	Max population	Fails
Unique ID	2970	0
Status	2970	0
Active record	2	2
Deferred record	2846	32
Pension record	122	0
Surname	2970	0
Sex	2970	0
DOB	2970	0
DJS	2	0
Salary	2	1
Contributions	1	1
DOL	821	0
Def pension	821	11
DOR	111	0
Ret pension	122	0
DC conts	2029	280
DC trans	2029	0
DC switches	2029	0
Total	25787	327

A graphical representation of the result may look like:



3 Commentary

Each relevant section within the commentary could include a statement on data issues and the quality of current data. This could be presented with supporting evidence, for example a report listing information recorded on the system.

3.1 Active data

Areas to cover include salary histories, key service date recording and reconciliation of membership with HR and payroll records.

3.2 Deferred member data

Areas to cover include splits of pensions in accordance with scheme rules, IR maxima details, GMP accuracy and completeness.

3.3 Pensioner data

Areas to cover include splits of pensions in accordance with scheme rules, contingent spouse's/dependant's/civil partner's details, reconciliation of membership and pensions between administration and payroll systems.

3.4 DC investment recording

Areas to cover include contributions and investments, switches, lifestyle investments, reconciliation of fund holdings with investment manager details.

3.5 Transferred in benefit recording

Areas to cover include previous service dates, benefit details, GMP information, consistency of data recording and confirmation that all members with transfers in are identified.

3.6 Part-time members

Areas to cover include consistency of data recording, correlation with payroll and HR records and confirmation that all part-time members are recorded as such.

3.7 Divorce data

Areas to cover include pension credits and debits, and confirmation that all members with pension sharing and earmarking orders are identified.

4 Data quality improvement

This section should include commentary on improvements made in data quality since the previous report and plans for maintaining and improving data quality in future.

Appendix 2: Scheme change events

- The following events are those that we consider give rise to an urgent need to review record-keeping irrespective of any longer-term plans. When one of these events occurs, we will expect providers and trustees to give high priority to reviewing and cleansing the scheme's data.

Circumstances	Scheme type	Risk basis for validation
Wind-up Entry to Pension Protection Fund assessment period	All work-based	Accurately secure benefits
Buy-out	DB	Accurately measure liabilities and secure benefits

- We believe that the following events offer providers and trustees a convenient opportunity to review record-keeping. We believe they increase the risks of errors arising if data are incorrect. Some of them also present a risk that the event itself will give rise to a deterioration in data quality.

Circumstances	Scheme type	Risk basis for validation
Valuations	DB	Accurate measurement of liabilities.
Scheme closure to future accrual etc	DB	Accurate measurement of liabilities.
Change of administrator	All work-based	Risk of data and knowledge loss. All data becomes legacy data.
Ceasing to contract out	All work-based	Accurate assessment of contracted-out liabilities and reconciliation with NISPI.
Scheme rationalisation	All work-based	Risk of data and knowledge loss. Benefit entitlement may 'crystallise'.
Merger & acquisition	All work-based	Can trigger many of the other circumstances. Accurate measurement of liabilities, risk of data and knowledge loss.
System change by employer, administrator or investment manager	All work-based	Risk of data and knowledge loss.

Circumstances	Scheme type	Risk basis for validation
Change in investment manager	All work-based DC	Potential for reconciliation issues. (Note – this also affects DB scheme AVCs).
Insurance products closed to new business	Contract-based	Lack of support for product.