

# Scheme record-keeping

A report on the 2011 scheme record-keeping survey

The Pensions  
Regulator

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# Executive summary

This report details the key findings of the second record-keeping survey conducted among a representative sample of trust and contract-based pension schemes with 2 or more members. The sample for the research was extracted from The Pensions Regulator's ('the regulator') own SCORE database.

## 1. Awareness of the regulator's guidance is lowest among smaller schemes and contract-based schemes

In 95% of schemes, the administrator was aware of the regulator's record-keeping guidance. Only 61% of the micro schemes were aware compared to 98% of the largest schemes. This proportion is also lower for schemes with in-house administrators (92%) than external administrators (97%) and lower for contract-based schemes (76%) than trust-based schemes (99%). Trust-based schemes also were more likely to have read the guidance in detail and taken action (42%) as compared to contract based schemes (14%). The proportion of schemes with administrators who have read the guidance and taken action has increased from 28% in 2010 to 37% in 2011, while the proportion with administrators who have scanned or read the guidance but not acted has risen from 43% in 2010 to 50% in 2011.

## 2. The proportion of schemes with processes in place (or planned) to measure common data is unchanged from last year. But administrator knowledge of their scheme common data score has increased since 2010 but remains relatively low

Overall, two thirds of schemes (67%) have processes in place to measure common data and a further quarter (23%) have plans in place to ensure common data will be measured. The proportion with processes in place has remained consistent across scheme type compared with 2010, with the exception of defined benefit (DB) schemes where the proportion has increased from 63% to 72%. One third (33%) of schemes overall know their common data score, compared to 20% who knew in 2010, an increase of 65%. This is highest among hybrid schemes (40%) and lowest among contract-based schemes (24%). Likewise, the proportion of schemes with a score above 90% has increased from 2010, with a quarter (24%) recording such an increase, this has increased most markedly among hybrid schemes (from 7% in 2010 to 28% in 2011).

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### 3. Knowledge of the conditional data score remains low and unchanged from 2010 although the mean conditional data score has increased

A relatively low 45% of schemes have processes in place to measure conditional data and a further 35% have plans in place to ensure that conditional data will be measured. The proportion of DB and defined contribution (DC) trust-based schemes that have processes in place have decreased since 2010 (from 56% to 48% and from 60% to 43% respectively). Across all scheme types there has been a substantial reduction in the proportion answering 'don't know' since 2010, which appears to indicate that even if processes are not yet in place, at least the principle of putting processes in place to measure conditional data is more readily understood. 16% of schemes know their conditional data score, the same proportion as in 2010. The mean conditional data score has increased among both trust and contract-based schemes (from 78 to 92 in the case of trust-based and from 82 to 97 in the case of contract-based schemes).

### 4. Smaller schemes and those that are contract-based tend to produce administration reports less frequently

The frequency of the provision of administration reports has remained relatively consistent with the 2010 survey findings. Three-quarters (75%) of all members are in a scheme where administration reports are produced at least every quarter. The smaller schemes tend to receive administration reports much less frequently, 11% of micro schemes report at least quarterly compared to 91% of the large/extra large schemes. The frequency is also lower among contract-based schemes (31% report at least quarterly) and higher among trust-based schemes (84% report at least quarterly). Finally, the frequency is lower where the administrator is not aware of the guidance (36% that report at least quarterly) compared to schemes where the administrator has read the regulator's guidance on record-keeping in detail and taken action (82% that report at least quarterly).

### 5. As schemes become smaller, the frequency of administrator attendance at trustee meetings decreases

Overall, for 77% of schemes, administrators attend trustee meetings at least every 6 months, for 12% they attend at least annually and in 6% of cases administrators never attend these meetings. There is a strong association between the frequency of administrator attendance at trustee meetings and the size of the scheme. Only 50% of small schemes – and just 12% of micro schemes – report that administrators attend trustee meetings at least every 6 months compared to 77% of medium schemes and 78% of large/extra large schemes.

### 6. Schemes with external administrators and the administrators of larger schemes are more likely to have offered additional services

Overall 37% of schemes had been offered additional services in the last year by their scheme administrator. This was higher for schemes with external administrators (48%) and lower for schemes with in-house administrators (28%). The offer of additional services is more common among trust-based schemes (42%) than contract-based schemes (14%). Scheme size is also a factor in determining whether additional services are offered: 41% of large/extra large schemes have been offered additional services compared to only 2% of the micro schemes.

### 7. The majority of schemes say that in the last 12 months they have had no data problems to alert the scheme to, which is highest for the smallest schemes

Almost two thirds (63%) of schemes had reported the presence of no data problems to the trustees in the last 12 months. This figure rises to 68% of schemes with an in-house administrator and 94% of micro schemes. Larger schemes are more likely to have alerted trustees to data problems than smaller schemes. For example, 28% of large/extra large schemes alerted trustees to common data problems, compared to only 2% of all micro schemes.

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### **8. Trustees are confident that they are able to assess the quality of administrator's service**

Overall, 85% of schemes assess the quality of the service provided by their administrator at least annually. Around one-third of schemes (35%) assess quality at least every 6 months and this is higher for those with external administrators (45%) and lower for those with in-house administrators (24%). All schemes are confident (56% very confident, 44% quite confident) that the trustee board is able to assess the quality of service provided by the scheme administrator.

### **9. Trustees are aware of and engaged with the record-keeping guidance**

Almost all schemes (99%) were aware of the guidance, with indications that awareness increases with size of scheme. In terms of whether trustees have read and engaged with the guidance, 96% of schemes had done so to varying degrees. Similar proportions had either scanned the guidance (46%) or read in detail and taken action (45%). A further 5% had read in detail but not acted.

### **10. Trustees are being alerted to data problems by their scheme administrators**

Just over a third of schemes (36%) had been alerted to data problems by their scheme administrator. This figure was higher for schemes where the trustee had read the record-keeping guidance in detail (48%) and where the administrator had read the guidance in detail (47%). It was also higher for schemes where trustees said they received an administration report at least every quarter (41%).

### **11. Many trustee boards had requested additional services from their scheme administrator**

Almost half of schemes (46%) had requested additional services from their administrator in the last 12 months. This figure was higher for schemes with external administrators (62%) and lower for schemes with in-house administrators (27%).

### **12. Some trustee boards do not think they are solely accountable for the record-keeping of the scheme**

There is a significant body of law which requires good scheme records to be kept. For trust-based schemes, there is case law stating that a trustee who fails to keep proper records 'exposes themselves to grave risks.' However, our research shows that around 1 in 6 (15%) trustees interviewed believe that they are not solely accountable for record-keeping. Only 61% of schemes strongly agreed.

## About the survey: Background and objectives

This is the second annual record-keeping survey conducted by the The Pensions Regulator ('the regulator') among a representative sample of trust and contract-based pension schemes across the industry. The survey is designed to assess the extent to which accurate and appropriate record-keeping is being undertaken across the pensions industry, reviewing progress on the take-up of the regulator's guidance, and its effectiveness in addressing problems identified in the inaugural survey.

In 2009, the regulator undertook an extensive review of record-keeping, with emphasis on common (ie applicable to all schemes) and conditional (ie dependent on scheme type, structure and system design) member data requirements. Its findings identified conclusive evidence that for a substantial portion of schemes, standards in both in-house and outsourced administration should be subject to improvement and data cleansing.

Record-keeping is a fundamental daily activity of any scheme and is relevant throughout a scheme's lifecycle. Incomplete and inaccurate records and poor financial management controls can place significant risk on the security of scheme assets, eg it could result in the overpayment of benefits or misappropriation of funds. Poor records can also lead to increased costs at key events, eg scheme buy-outs, and these extra costs will fall either on employers or reduce member benefits.

The risks associated with inaccurate data, eg incorrect benefit calculations, can have short and long-term implications for schemes and beneficiaries.

Throughout a scheme's lifecycle, trustees need to ensure that accurate and complete membership data and records are maintained. This includes basic information such as a member's date of birth, date of retirement and National Insurance number. Trustees must be confident that controls ensure data is accurately recorded, regularly reviewed and all data fields are complete.

As a result of the record-keeping review in June 2010, the regulator issued a revised regulatory guidance describing the approach for measuring the presence of member data items and the need to take concrete steps to improve the quality of this data.

# Methodology

## Survey of administrators

The sample for the research was extracted from the regulator's own SCORE database at random (although for larger schemes where fewer schemes exist, the majority of records were selected for the research). In total around 2,900 records across DB, hybrid, trust-based DC and contract-based DC schemes were selected.

All selected records were sent an introductory letter or email signed by the regulator in early January 2011 explaining that IFF Research would be calling within the next month. In addition, the letter offered some background for administrators on the nature of the survey.

Fieldwork took place between 10 January and 7 February 2011. In total, 530 interviews with scheme administrators were achieved. Each interview lasted on average 15 minutes.

Each respondent was asked a series of questions about a pre-specified pension scheme. They were also asked whether they were an in-house administrator for this scheme or whether they carried out the administration of several pension schemes. Those who were involved in more than 1 scheme were then asked the same series of questions about up to 2 other pension schemes that they administer. As such, each respondent answered about up to 3 schemes and the 530 interviews conducted covered 795 schemes in total.

A number of screening questions were asked to ensure that all the schemes discussed were active (ie not in full or partial wind up), that they were private sector work-based schemes and that they had 2 or more members. The screening also ensured that only individuals with some administration responsibilities for the pension schemes in question (ie that they complete administration tasks such as the collection and management of the scheme member records) took part in the study.

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Table 1 below shows the 530 interviews broken down by the size and type of the named scheme. Table 2 underneath shows the breakdown of all 795 schemes discussed by size and type.

**Table 1**

Final interviews conducted by size and type of scheme  
(2011 administrator survey: named scheme only)

Scheme size (number of members)	Scheme type (benefit structure)				Total
	DB	Hybrid	DC trust	DC contract	
2-11 (Micro)	24	5	85	27	141
12-99 (Small)	21	11	61	15	108
100-999 (Medium)	54	50	31	9	144
1,000+ (Large/Extra large)	49	49	28	11	137
Total	148	115	205	62	530

**Table 2**

Final interviews conducted by size and type of scheme  
(2011 administrator survey: all schemes)

Scheme size (number of members)	Scheme type (benefit structure)				Total
	DB	Hybrid	DC trust	DC contract	
2-11 (Micro)	26	5	109	29	169
12-99 (Small)	36	12	77	22	147
100-999 (Medium)	124	66	45	16	251
1,000+ (Large/Extra large)	95	69	49	15	228
Total	281	152	280	82	795

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Data was weighted to reflect the membership profile of all schemes with 2 or more members on the regulator's SCORE database. Table 3 below shows how the achieved (unweighted) sample profile compares to the weighted profile (based on the SCORE database).

As in previous waves of the study, larger schemes were over sampled to ensure they were adequately represented and to facilitate further sub-group analysis.

**Table 3**

Achieved sample profile compared to weighted sample profile  
(2011 administrator survey: all schemes)

Scheme size (number of members)					
		DB	Hybrid	DC trust	DC contract
2-11 (Micro)	Sample (%)	3	1	14	4
	Weighted (%)	>1	>1	1	3
12-99 (Small)	Sample (%)	5	2	10	3
	Weighted (%)	1	>1	>1	5
100-999 (Medium)	Sample (%)	16	8	6	2
	Weighted (%)	5	2	1	5
1,000+ (Large/Extra large)	Sample (%)	12	9	6	2
	Weighted (%)	39	30	6	3

Some questions were asked only of the first scheme discussed, some were asked about each of the schemes discussed and others were non-scheme specific (ie relating to the administrator rather than to an administered scheme). Where data was collected only for the first scheme, the unweighted base of responses is 530; where data was collected for each scheme discussed, the unweighted base of responses is 795. In both cases, the data is weighted to the population of members (c. 19 million). Where data was collected on a non-scheme specific basis, the responses were applied to each of the schemes discussed, giving an unweighted base of 795. Again, these figures are weighted to the population of members.

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## Survey of trustees

A new requirement for the 2011 survey was to select a number of trust-based schemes, and conduct an interview with the trustees of the same scheme, with the objective to provide a more comprehensive overview of how schemes approach record-keeping.

Schemes were randomly selected from those covered in the first 'loop' of the administrator survey (ie those that were pre-specified), as trustee contact details were appended to the information provided on the SCORE database for these schemes. Contract-based schemes were excluded as they have no trustees. Fieldwork took place between 24 January and 5 February 2011. In total, 100 interviews were achieved with trustees. The trustee questionnaire was shorter than the administrator questionnaire: each interview lasted around 5 minutes.

Table 4 below shows the 100 interviews broken down by the size and type of scheme.

**Table 4**

Final interviews conducted by size and type of scheme (2011 administrator survey)

Scheme size (number of members)	DB	Hybrid	DC trust	Total
2-11 (Micro)	3	–	2	5
12-99 (Small)	5	2	13	20
100-999 (Medium)	16	15	5	36
1,000+ (Large/Extra large)	16	18	5	39
Total	40	35	25	100

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The trustee questionnaire was designed to reflect the administrator questionnaire, comprising a number of complementary questions that would enable us to compare and contrast the findings for trustees and administrators. A number of questions were included 'in their own right.' As such, trustee data is analysed in 2 ways in this report: a) on a standalone basis; and b) in comparison to the scheme administrator responses for the equivalent question.

Trustee data was weighted using the same weights that were applied to each scheme in the administrator survey. As only 100 schemes were covered, the weighted data reflect only a subset of the total population of members rather than the entire population.

### **Reporting conventions**

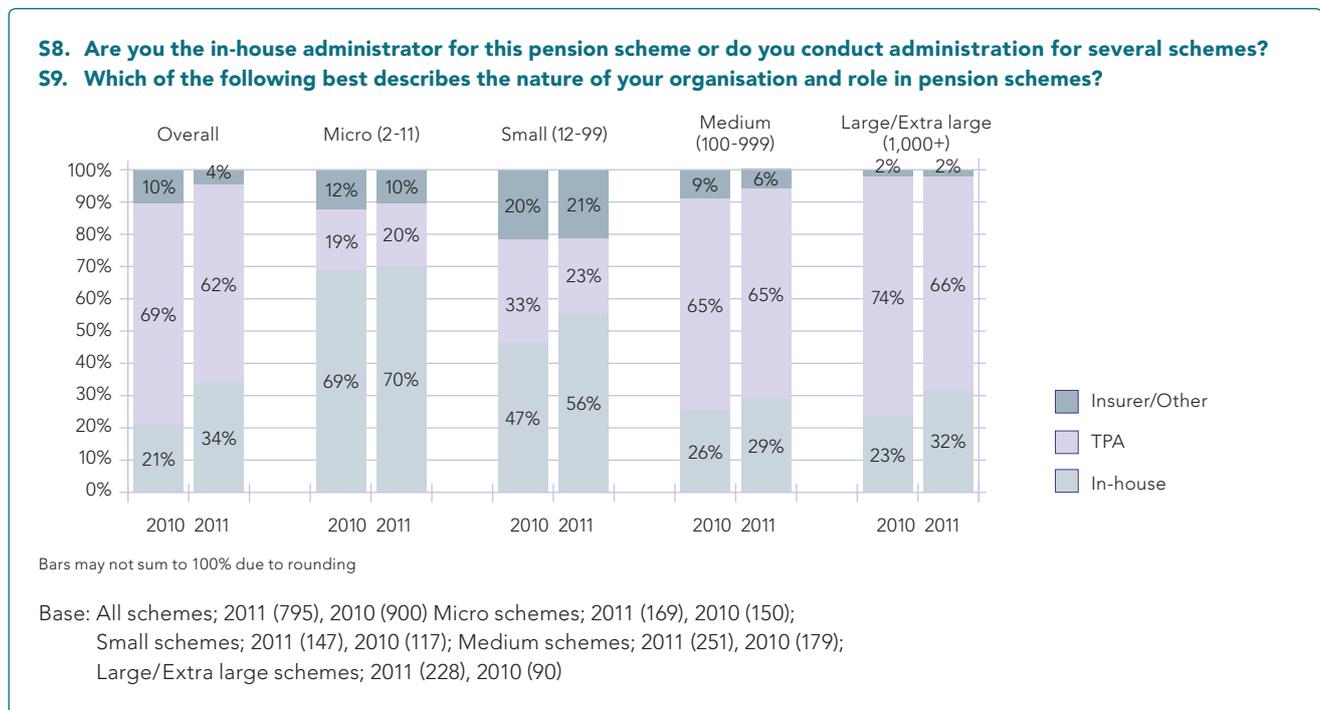
Where we refer to 'schemes,' we are referring to schemes in terms of the proportion of membership they represent rather than the actual number of schemes.

Any differences reported between sub-groups of the overall sample, or between 2010 and 2011 data, are statistically significant at the 95% confidence interval.

# The pensions administration landscape

The proportion of schemes using in-house administration services has increased from 21% in 2010 to 34% in 2011, as shown in Chart 1 below. The proportion of large/extra large schemes (those with 1,000 or more members) using in-house administration services has also risen from 23% in 2010 to 32% in 2011.

**Chart 1**  
Administration arrangements by scheme size



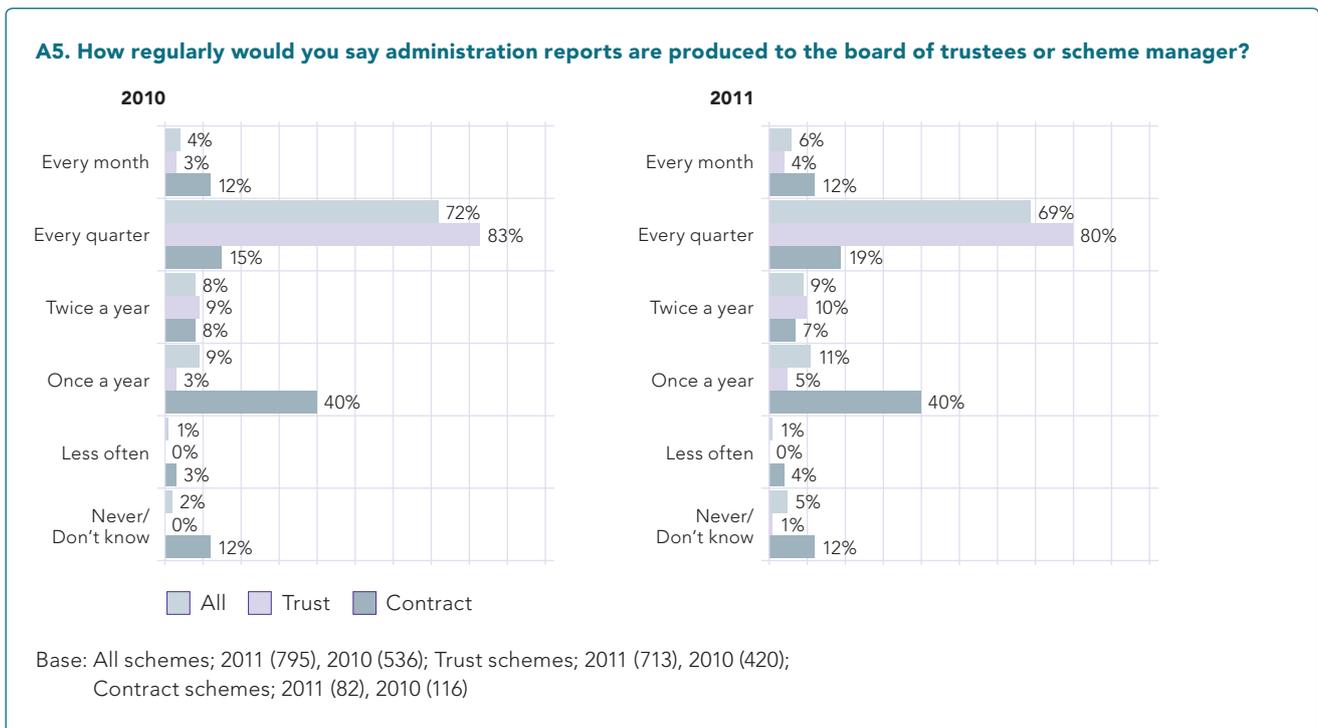
# Frequency of administration reports

Smaller schemes and those that are contract-based tend to produce administration reports less frequently.

The 2011 survey shows that the frequency of the provision of administration reports has remained relatively consistent with the 2010 survey findings. Three-quarters (75%) of all schemes produce administration reports at least every quarter,

as shown in Chart 2 below. However, the frequency of administration reports is lower among contract-based schemes (31% report at least quarterly) and higher among trust-based schemes (84% report at least quarterly).

**Chart 2**  
Frequency of administration reporting by trust-based and contract-based schemes

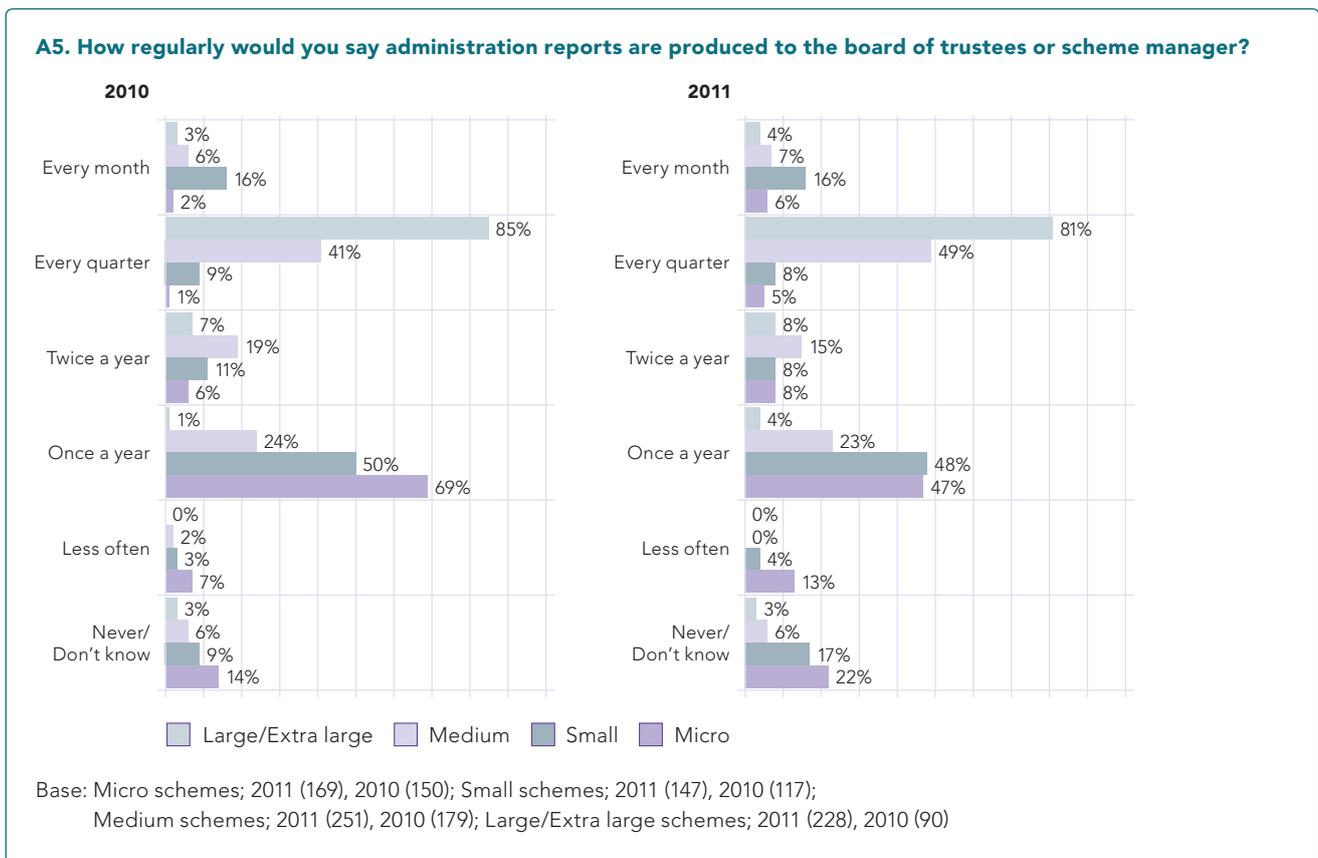


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In addition, the frequency of administration reports is much lower for the micro schemes (11% report at least quarterly) and higher for the large/extra large schemes (85% report at least quarterly). Overall, these findings are similar to those from the 2010 survey, although the proportion of micro scheme schemes that report once a year has decreased from 69% in 2010 to 47% in 2011. Chart 3 below shows the frequency of administration reporting across all scheme sizes.

**Chart 3**  
Frequency of administration reporting by scheme size



The frequency of administration reporting is also lower for schemes where the administrator is not aware of the guidance (36% that report at least quarterly) and higher where the administrator has read the regulator’s guidance in detail and taken action (82% that report at least quarterly). The frequency is also lower among schemes that have no measures in place to measure common data (49% of that report at least quarterly) as compared to those that have measures in place (77%).

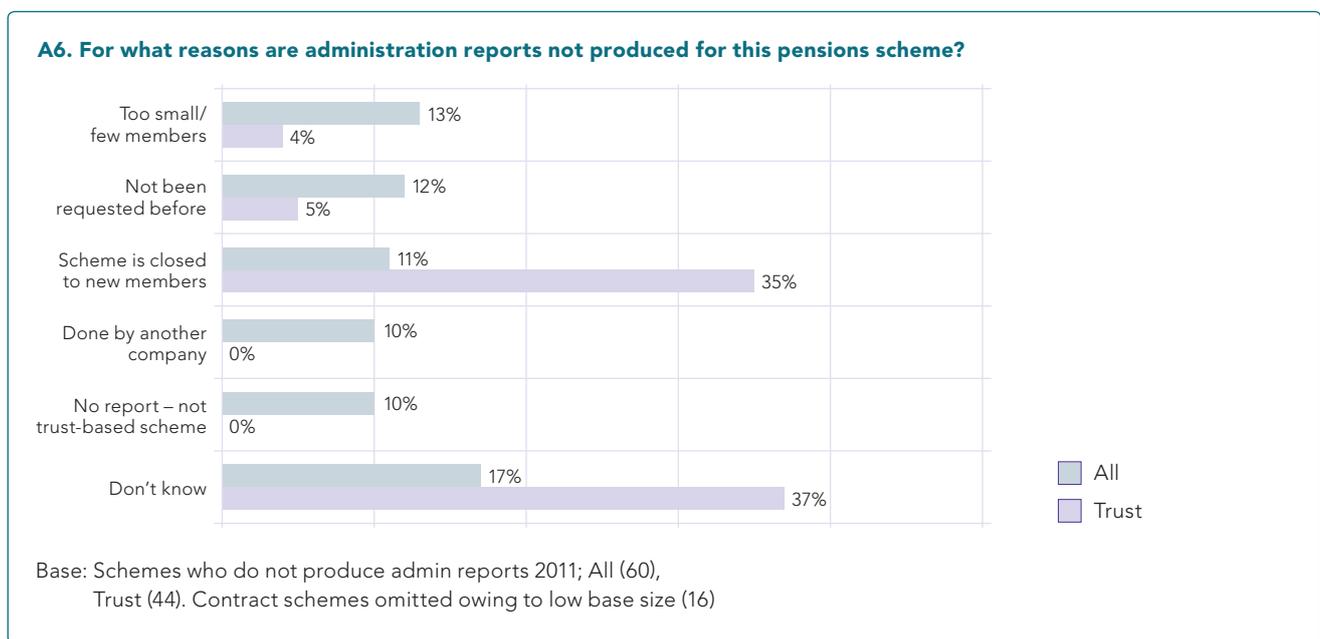
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Scheme administrators who do not produce administration reports were asked the reason why this was the case. A total of 60 schemes did not produce reports of which 44 were trust-based and 16 contract-based (see Chart 4 below). Due to the low base sizes, care is needed when interpreting the reasons given. We have not shown the contract-based schemes on Chart 4 due to the very low base size, although the relative incidences of the reasons given by these scheme administrators were similar to those of trust-based schemes.

**Chart 4**

Reasons for not having produced administration reports



Those who gave the reason as 'too small/few members' were predominantly administrators of micro schemes, those who gave the reason as 'scheme is closed to new members' were mostly administrators of large schemes, while those who gave the reason 'done by another company' were generally administrators of medium-sized schemes. All of those giving the reasons 'done by another company' or 'no report to trustees' were administrators of contract-based schemes. A relatively high proportion (37%) of trust-based scheme administrators were unable to give a reason; these tended to be third-party administrators.

# Administrator attendance at trustee meetings

As schemes become smaller the frequency of administrator attendance decreases.

A new question was asked in the 2011 survey to establish the frequency of administrator attendance at trustee meetings.

Overall, for 77% of schemes, administrators attend trustee meetings at least every 6 months, for 12% they attend at least annually, and in 6% of cases administrators never attend these meetings (Chart 5).

However, as Chart 5 on page 18 shows, there is a strong association between the frequency of administrator attendance at trustee meetings and the size of the scheme. Only half of small schemes – and 12% of micro schemes – report that administrators attend trustee meetings at least every 6 months. In addition, for around a quarter (26%) of micro schemes, administrators never attend these meetings.

By contrast, just over three-quarters of medium (77%) and large/extra large (78%) schemes administrators attend trustee meetings at least every 6 months.

These findings suggest that the larger schemes typically have a more formalised approach to monitoring administration issues compared to the smaller schemes. It may be contended that larger schemes will tend to require more administrative effort given the size of the employer organisation. They are also more likely to have trustees that can give administration issues greater attention. While small and micro schemes, on the other hand, are perhaps more likely to be simpler and governed by trustees who may give a higher priority to the management of their business responsibilities, rather than their trustee duties.

Those schemes whose administrators were unaware of the record-keeping guidance were less likely to report that their administrators attended trustee meetings at least every 6 months (60%).

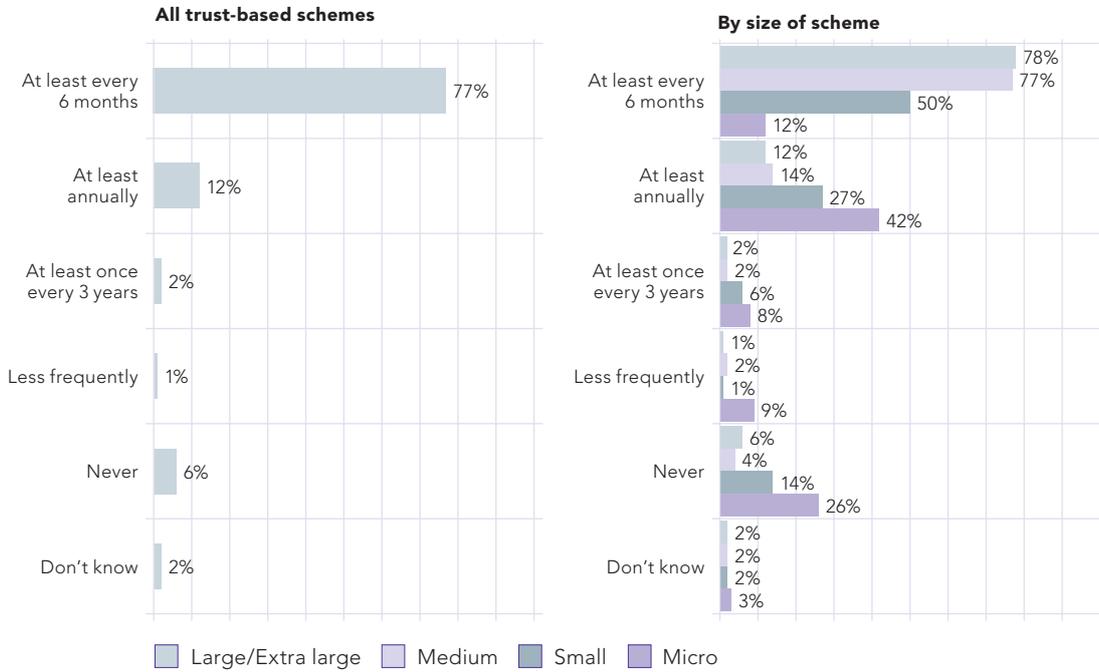
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**Chart 5**

Frequency of administrator attendance at trustee meetings

**B9. How often, if at all, do you or a representative from your organisation attend trustee meetings to answer questions in relation to record-keeping?**



Base: All trust schemes; 2011 (468)

Base: Large/Extra large schemes; 2011 (126);  
 Medium schemes; 2011 (135);  
 Small schemes; 2011 (93);  
 Micro schemes; 2011 (114)

# Additional services offered to schemes

Schemes with external administrators and the administrators of larger schemes are more likely to have offered additional services.

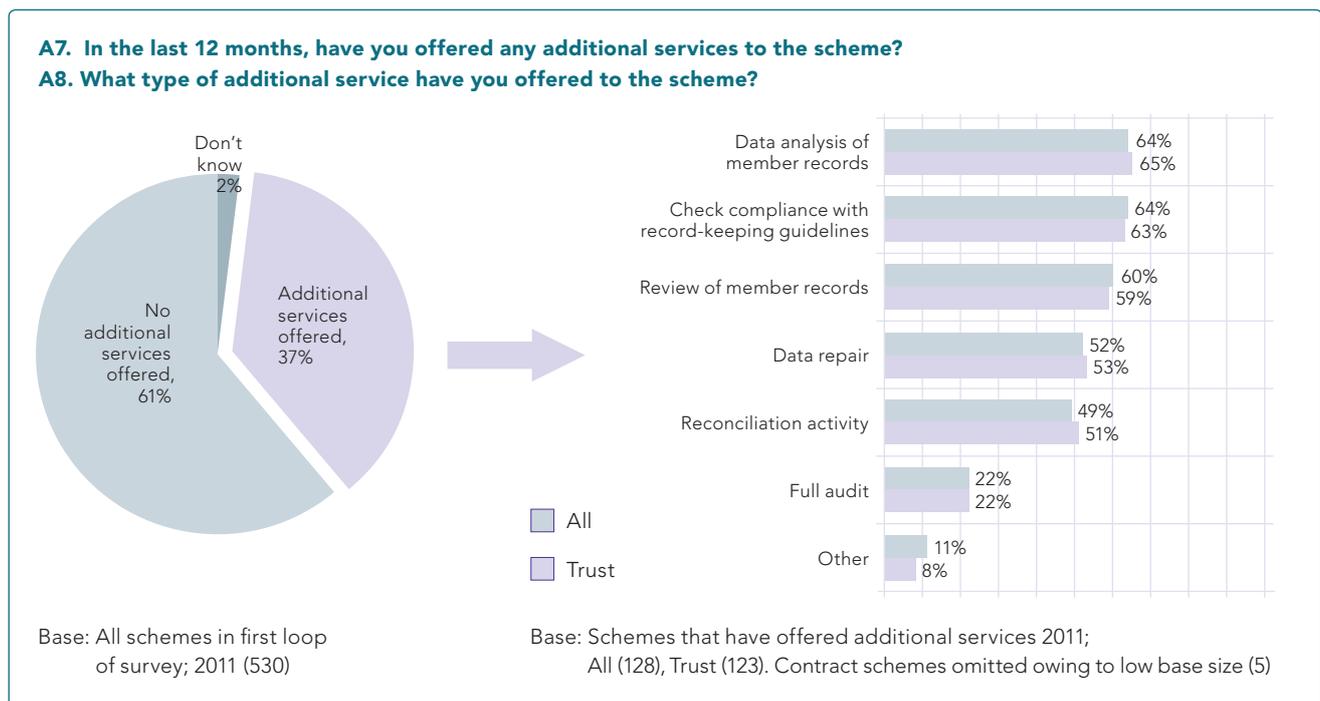
Some new questions were asked of administrators in the 2011 survey to identify whether they had offered any additional services to schemes in the last 12 months, and if so, what type of additional services were offered.

Overall, 37% of schemes had been offered additional services in the last year (Chart 6 below).

By type of administrator, this figure varies between 48% of schemes with external administrators (and 51% with third-party administrators) and 28% of schemes with in-house administrators. The offer of additional services is more common among trust-based schemes (42%) than contract-based schemes (14%).

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**Chart 6**  
Additional services offered to the scheme



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Scheme size is also a factor in determining whether additional services are offered: 41% of large/extra large schemes have been offered additional services compared to only 2% of the micro schemes.

Additionally, awareness of the regulator's guidance on record-keeping appears to have an impact on whether additional services have been offered, with 50% of schemes where the administrator has read and acted upon the guidance offered additional services compared to 8% of schemes where administrators were unaware of the guidance.

### **Type of additional services offered**

A range of additional services had been offered in the last 12 months, the most common being 'data analysis of member records' (64%), 'check compliance with record-keeping guidance' (64%) and 'review of member records' (60%).

Around a quarter of schemes (22%) were offered a 'full audit,' although this figure is higher for medium-sized schemes (42%). Of those that had been offered additional services, 99% of the scheme administrators were aware of the record-keeping guidance.

# Awareness of record-keeping guidance

Awareness of the regulator's guidance is lowest among smaller schemes and contract-based schemes.

The regulator has highlighted that quality record-keeping is essential to the smooth running of the scheme. Poor record-keeping can result in the scheme being exposed to significant risk and can lead to additional costs in administration, error calculation, claims from members, buy-outs, wind ups and potentially more conservative actuarial valuations, not to mention reputational damage.

Accordingly, the regulator has provided record-keeping guidance to schemes with the last major guidance published in June 2010 via its own website. One of the key objectives of the 2011 survey was to measure the awareness of the guidance among scheme administrators.

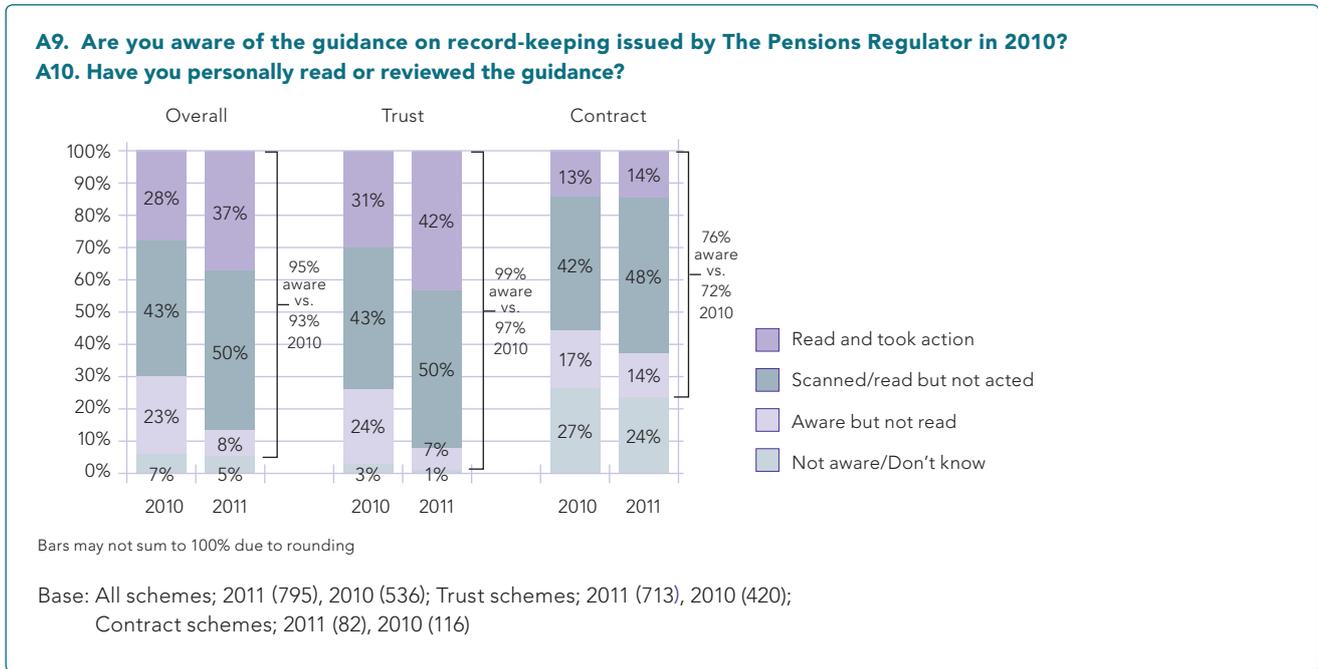
In 95% of schemes, the administrator was aware of the regulator's record-keeping guidance. This proportion is lower for schemes with in-house administrators (92%) than external administrators (97%) and lower for contract-based schemes (76%) than trust-based schemes (99%). Trust-based schemes also were more likely to have read the guidance in detail and taken action (42%) than contract-based schemes (14%).

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**Chart 7**

Awareness of the regulator's record-keeping guidance by trust and contract-based schemes

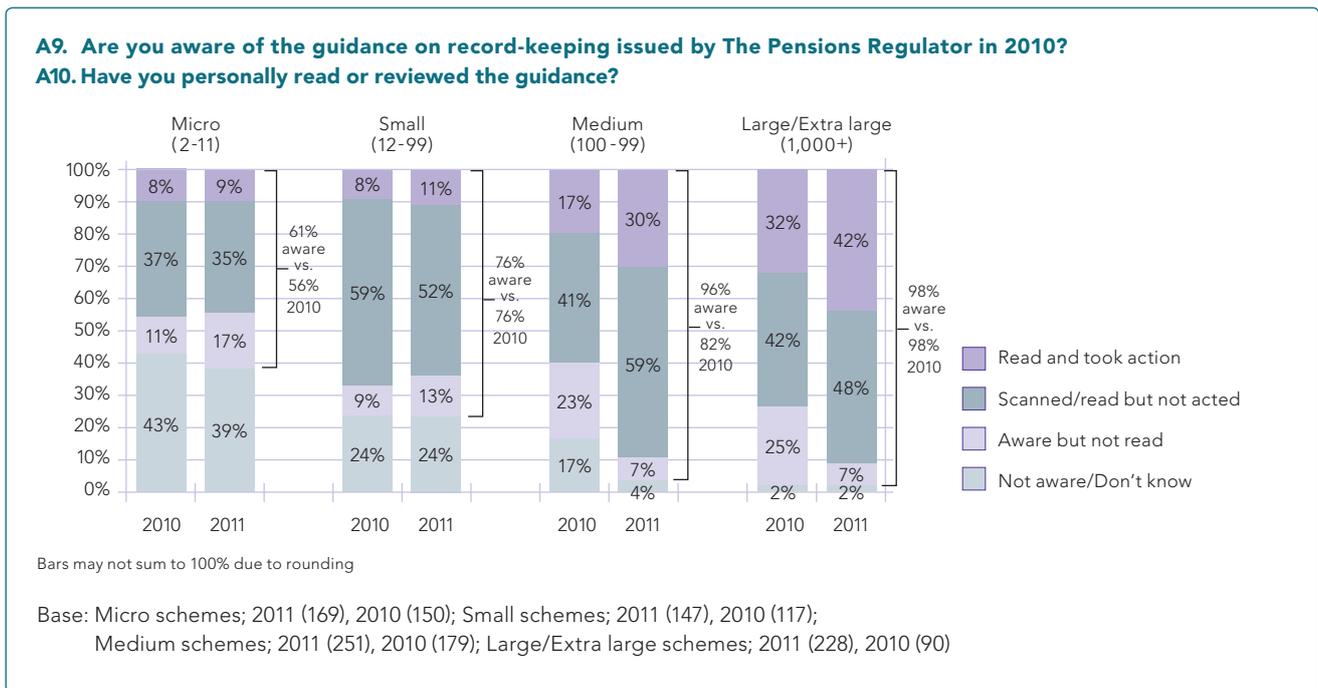


The proportion of schemes with administrators who have read the guidance and taken action has increased from 28% in 2010 to 37% in 2011, while the proportion with administrators that have scanned

or read the guidance but not acted has risen from 43% in 2010 to 50% in 2011. Both changes are driven principally by changes among trust-based schemes.

**Chart 8**

Awareness of the regulator's record-keeping guidance by scheme size



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Awareness of the guidance is associated with scheme size. In 61% of micro schemes, administrators are aware of the guidance compared to 98% of larger schemes. The proportion of micro and small schemes reporting that their administrator was not aware of the guidance therefore remains relatively high (39% and 24% respectively in 2011).

Large/extra large schemes (42%), those that produce an administration report at least quarterly (40%) and those that have processes in place or planned to measure common data (40%) were all more likely to have administrators that had read the guidance in detail and taken action.

Among medium-sized schemes, there have been increases in the proportion of cases where the administrator is aware of the guidance (from 82% in 2010, to 96% in 2011) and where the administrator has read the guidance and taken action (from 17% in 2010 to 30% in 2011).

There has also been an increase in the proportion of medium-sized schemes where the administrator has scanned/read the guidance but not acted, from 41% in 2010 to 59% in 2011.

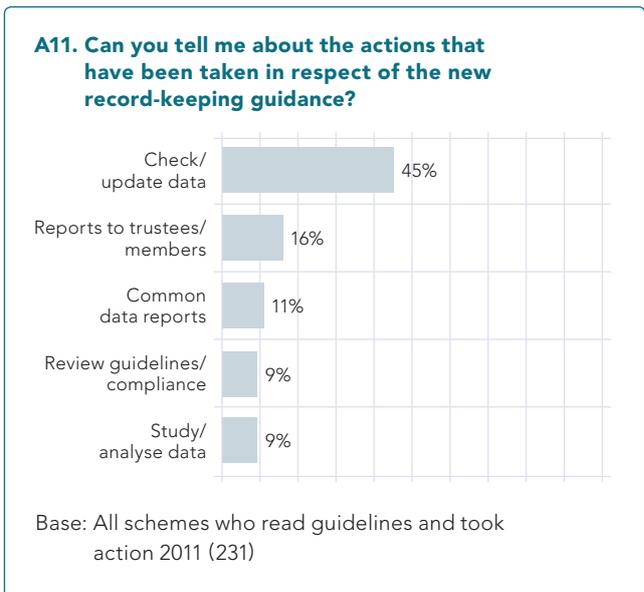
**Actions taken in respect of the new record-keeping guidance**

Administrators who had read the guidance and taken action were asked what these actions were. This was an open-ended question; responses were recorded verbatim and back-coded for analysis purposes.

Chart 9 on the right shows the overall responses given to this question, along with some direct quotes from administrators that serve to illustrate the responses.

45% had checked or updated the scheme data. This figure is higher for schemes with in-house administrators (58%) than for schemes with external administrators (39%).

**Chart 9**  
Actions taken in respect of the regulator’s record-keeping guidance



# Data problems

Majority of schemes say that in the last 12 months they have had no data problems to alert the scheme to, which is highest for the smallest schemes.

A new question was incorporated into the 2011 survey, asking administrators of trust-based schemes what data problems (if any) they had alerted the scheme trustees to in the last 12 months. Options given were any common data problems, any other data problems, and no data problems to alert the scheme to.

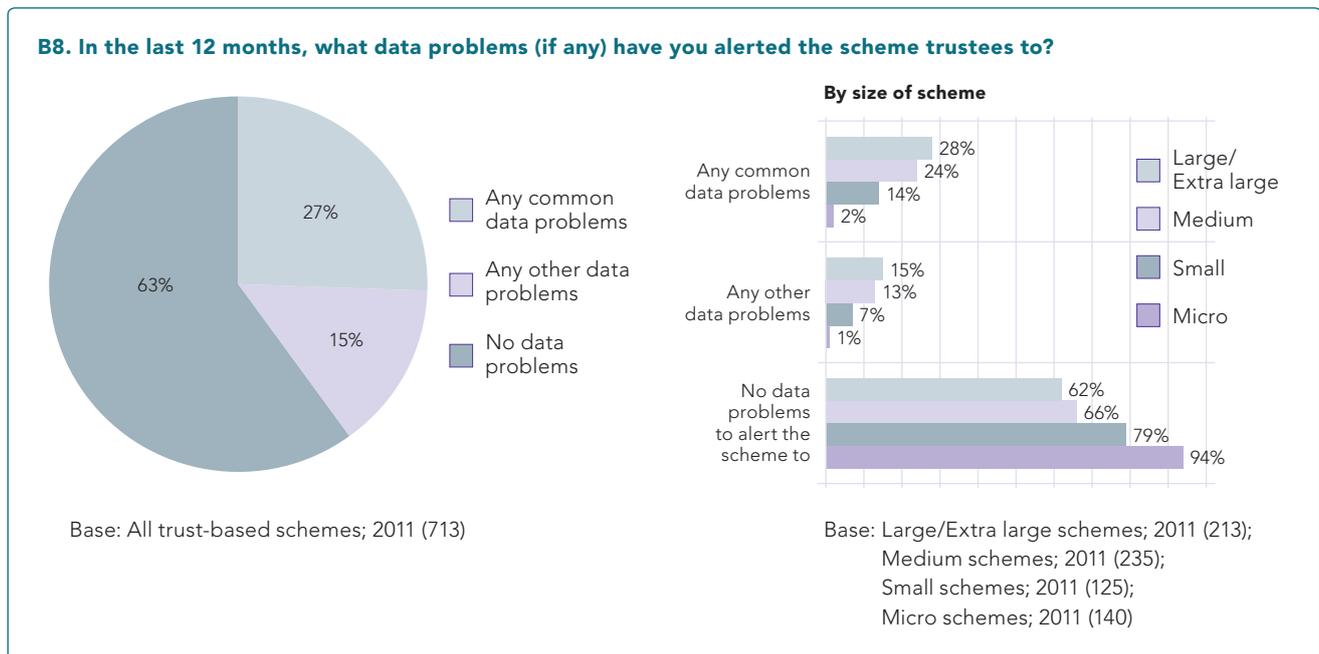
It is worth noting that where administrators state they have not reported any data problems to the scheme trustees, it is not necessarily the case that they experienced no scheme data problems, rather that they had not deemed it necessary to alert the scheme trustees to any problems they identified (if any) or they simply chose not to.

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**Chart 10**

Data problems administrators have alerted scheme trustees to



Almost two-thirds (63%) of schemes had reported no data problems to the trustees in the last 12 months (Chart 10). This figure rises to 68% of schemes with an in-house administrator and 94% of micro schemes.

Larger schemes are more likely to have alerted trustees to data problems than smaller schemes. Eg 28% of large/extra large schemes alerted trustees to common data problems, compared to only 2% of micro schemes.

Possible explanations for this difference by size is that larger schemes simply have more data to handle, making problems more likely and/or that larger schemes have more formal processes and procedures for alerting trustees to data problems. We have seen earlier how the larger schemes provide more frequent administration reports and any data problem alerts may form part of that process. Small and micro schemes may just take remedial action to address the data problem without necessarily alerting the trustees, due to a lack of established means to do so.

Schemes where the administrator had read and acted on the regulator's guidance on record-keeping were more likely to have alerted trustees to a common data problem (33%) and less likely to have had no data problems to alert trustees to (50%). This may indicate that these administrators are more aware of their responsibilities regarding the accuracy of common data.

Common data problem alerts are higher for schemes where administrators provide administration reports at least every quarter (30%) than for schemes where administrators provide reports at least annually (13%). The implication is that a quarterly administration report provides a regular and timely channel which facilitates the reporting of any data problems.

Finally, schemes where processes are in place to measure common data are more likely to have alerted trustees to common data problems (34%) than schemes that have no processes currently in place (14%).

## Common data

The revised record-keeping guidance refers to 2 types of data related to scheme member records, common data and conditional data. Common data are specific data fields used to identify specific scheme members, such as name, address and National Insurance number. These items are applicable to all schemes.

All schemes were asked whether they had processes in place or plans to ensure that what is termed common data in the record-keeping guidance is measured. Those schemes that had processes in place were then asked what their score was in relation to common data for that scheme.

Chart 11 on page 27 reports the proportion of schemes that have processes in place to measure common data, plan to have processes in place to measure common data or have no processes in place to measure common data, for both 2010 and 2011. This is then split out between type of pension scheme, contract, DB trust, DC trust or hybrid.

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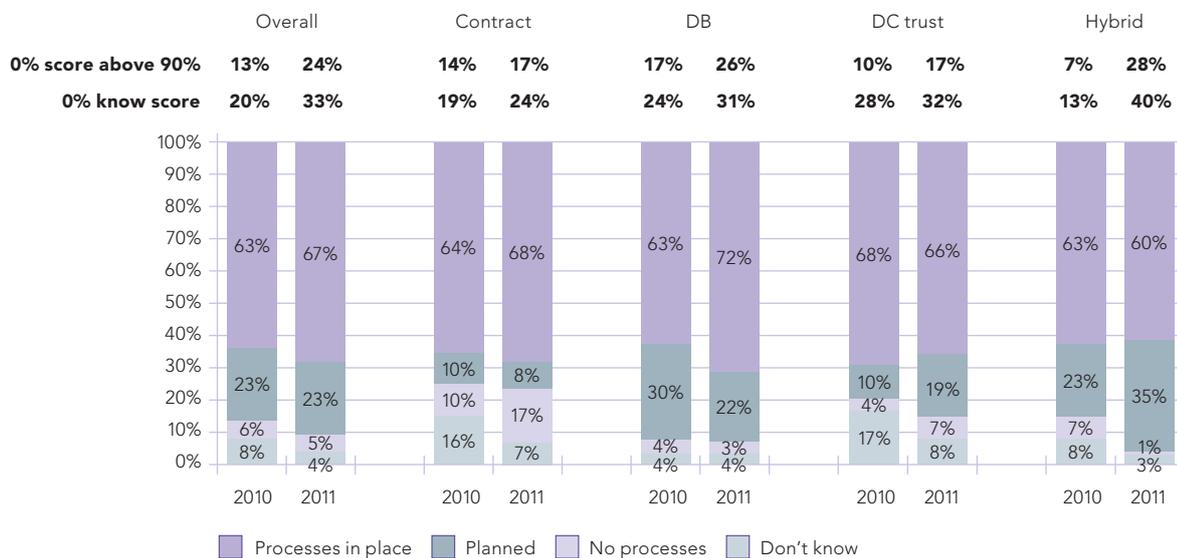
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**Chart 11**

The proportion of schemes with processes in place to measure common data by scheme type

**B1. In relation to what is termed common data in the record-keeping guidelines, can you tell me if processes are already in place or planned to ensure this is measured?**

**B2. What is your score in relation to common data for this scheme?**



Bars may not sum to 100% due to rounding

Base: All schemes; 2011 (795), 2010 (900); Contract schemes; 2011 (82), 2010 (176); DB schemes; 2011 (281), 2010 (267); DC trust schemes; 2011 (280), 2010 (306); Hybrid schemes; 2011 (152), 2010 (151)

At an overall level, two thirds of schemes (67%) have processes in place to measure common data and a further quarter (23%) have plans in place to ensure that common data will be measured. The remaining schemes either have no plans in place (5%) or do not know (4%).

The proportion with processes in place has remained relatively low and consistent across scheme type compared with 2010, with the exception of DB schemes where the proportion has increased from 63% to 72%. The proportion of schemes that are planning to put processes in place has increased within DC trust-based and hybrid schemes. Encouragingly, the proportion of hybrid schemes that have no processes in place to measure common data has dropped substantially (from 7% in 2010 to 1% in 2011).

Although there has been a 65% increase in schemes that know their common data score from 20% in 2010 to 33% in 2011 the proportion remains low. Knowledge of the common data score is highest among hybrid schemes (40%) and lowest among contract schemes (24%). Likewise, the proportion of schemes with a score above 90% has increased from 13% in 2010 to 24% in 2011. It has increased most markedly among hybrid schemes (from 7% in 2010 to 28% in 2011).

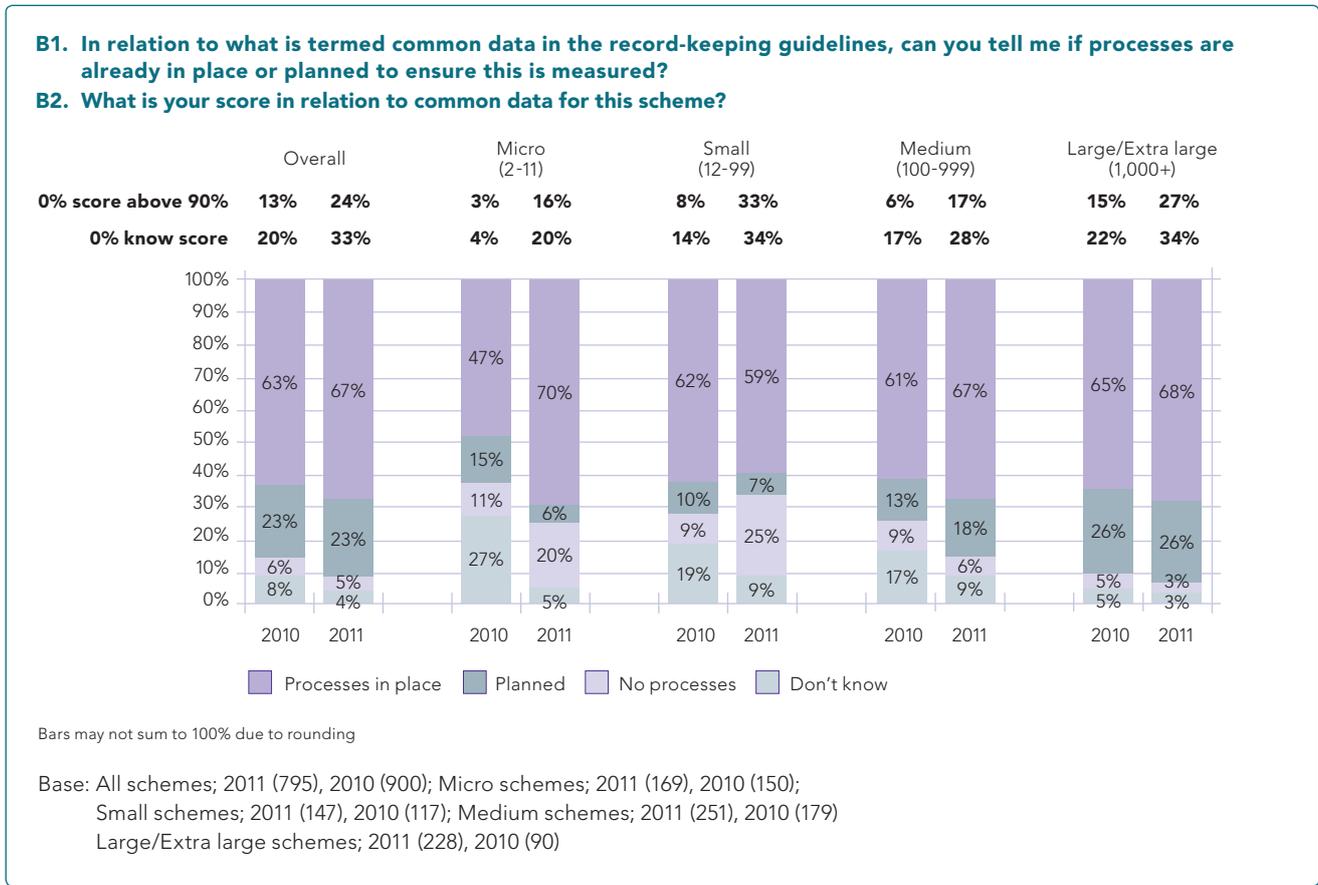
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Chart 12 below shows the proportion of schemes with processes in place to measure common data is broadly consistent across scheme size in 2011. The proportion with processes in place has increased among micro schemes, with over two thirds now with processes in place (70%) compared to under half (47%) in 2010. As with scheme type, the proportion of schemes that know their common data score has increased across all scheme sizes, as has the proportion of schemes with a score above 90%.

**Chart 12**

The proportion of schemes with processes in place to measure common data by scheme size



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Table 5 below shows that schemes are, on the whole, performing better in regard to a range of performance indicators for record-keeping. The mean common data score has increased significantly among contract schemes (95 in 2011 vs. 76 in 2010), although it has remained consistent with 2010 data among trust-based schemes. The percentage of trust-based schemes where there are no processes in place has decreased.

**Table 5**  
Common data performance indicators

	Trust 2010	Trust 2011	Contract 2010	Contract 2011
% processes in place to measure common data	63% (10.5m)	67% (10.7m)	64% (2m)	68% (2.2m)
Average common data score – mean	89	92	76	95
% members for whom score is over 90%	13% (2.2m)	26% (4m)	6% (0.2m)	17% (0.5m)
% members for whom score is below 90%	7% (1.2m)	9% (1.4m)	14% (0.5m)	7% (0.2m)
% members for whom processes in place to measure but score not known	43% (7.2m)	48% (5.2m)	45% (1.4m)	65% (1.4m)
% members for whom no process in place	37% (6.1m)	29% (4.6m)	36% (1.2m)	25% (0.8m)
% those with no processes in place who expect to complete common data within next 12 months	66% (3.9m)	72% (3.8m)	35% (0.4m)	37% (0.4m)

Base: All schemes; 2011 (795), 2010 (536); Trust schemes; 2011 (713), 2010 (420);  
Contract schemes; 2011 (82), 2010 (116)

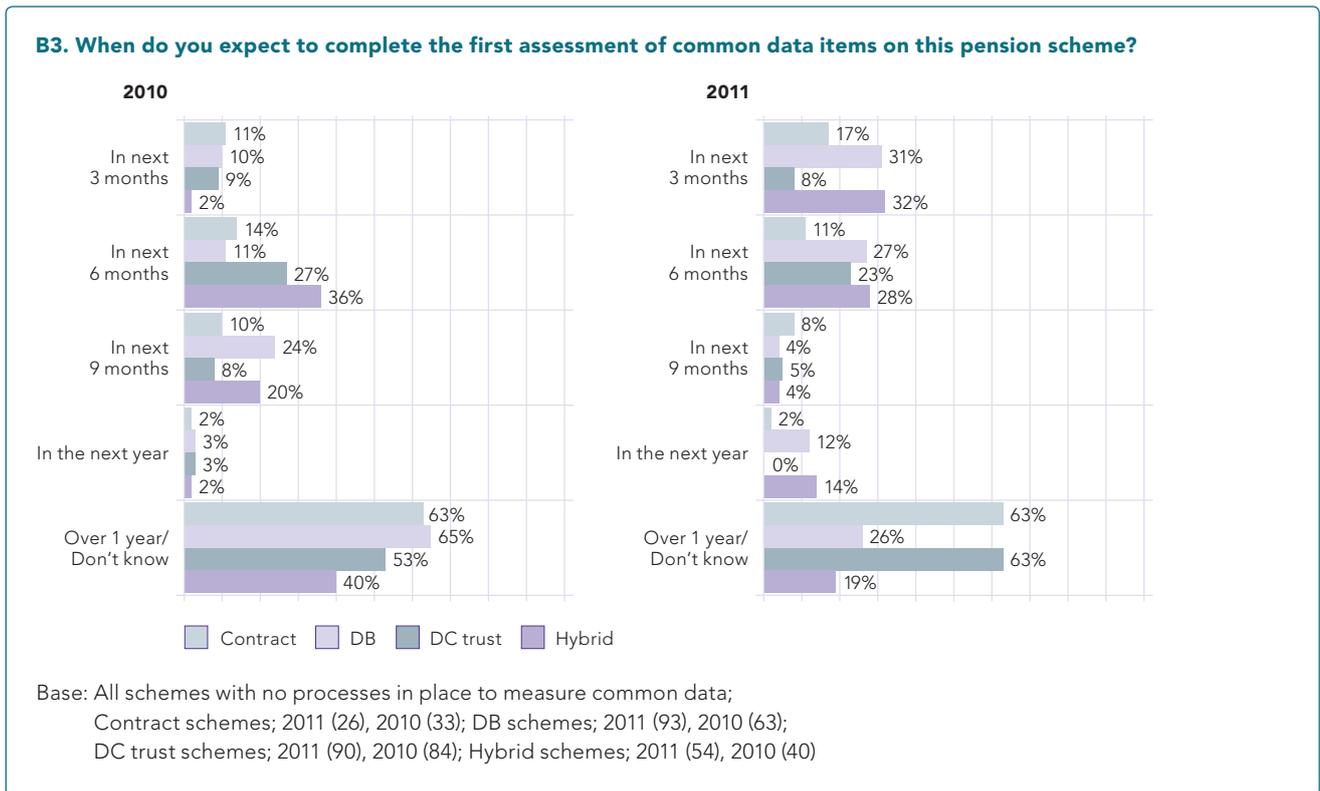
Schemes that currently have no processes in place to measure common data were asked when they expected to complete their first assessment of common data items. For the majority of DB (58%) and hybrid (60%) schemes this was expected to be in within the next 6 months, however, for the majority of contract-based and DC trust-based schemes the timing of this first assessment was more likely to be over a year away or to be unknown.

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Chart 13 below shows that results are broadly consistent with 2010 findings, with the exception that there are now a lower proportion of DB and hybrid schemes expecting to complete their first assessment of common data over a year away or not knowing when this would be completed.

**Chart 13**  
Completion of first common data assessment



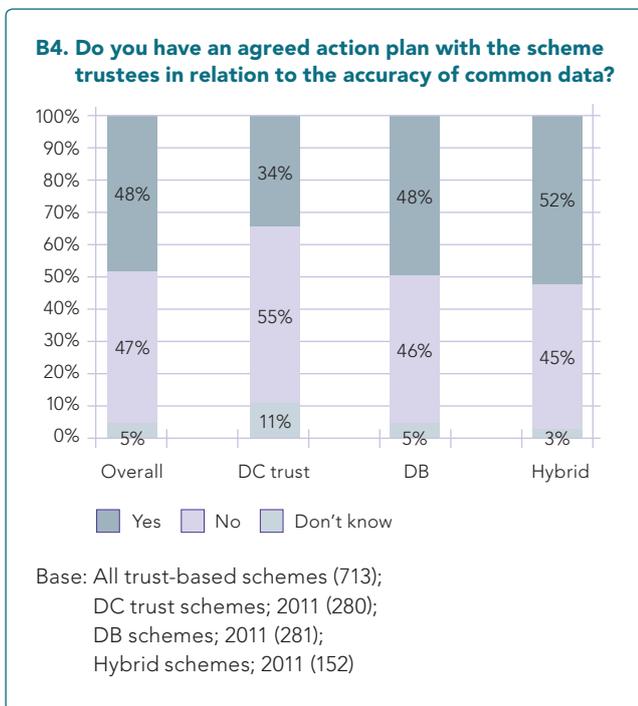
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A new question to the 2011 survey was whether administrators of trust-based schemes have an agreed action plan in place with the scheme trustees in relation to the accuracy of scheme data. Chart 14 below demonstrates that response was split, with half of schemes (48%) saying that they did have an agreed action plan. Half (47%) said that they did not and the remaining 5% of schemes said they did not know. These proportions remained consistent across DB and hybrid schemes. However, there was a lower proportion of schemes with an agreed action plan (34%) among DC trust-based schemes.

#### Chart 14

Agreed action plan in relation to the accuracy of common data



## Conditional data

The other type of scheme member data covered by the revised record-keeping guidance is conditional data. Conditional data is scheme-specific information which ultimately allows member benefits to be calculated, such as pensionable salary or contributions. The existence of this data will depend on the type of scheme, scheme design, system design and on the individual's membership status.

All schemes were asked whether they had processes in place or plans to ensure that what is termed conditional data in the record-keeping guidance is measured. Those schemes with processes in place were then asked what their score was in relation to conditional data for that scheme.

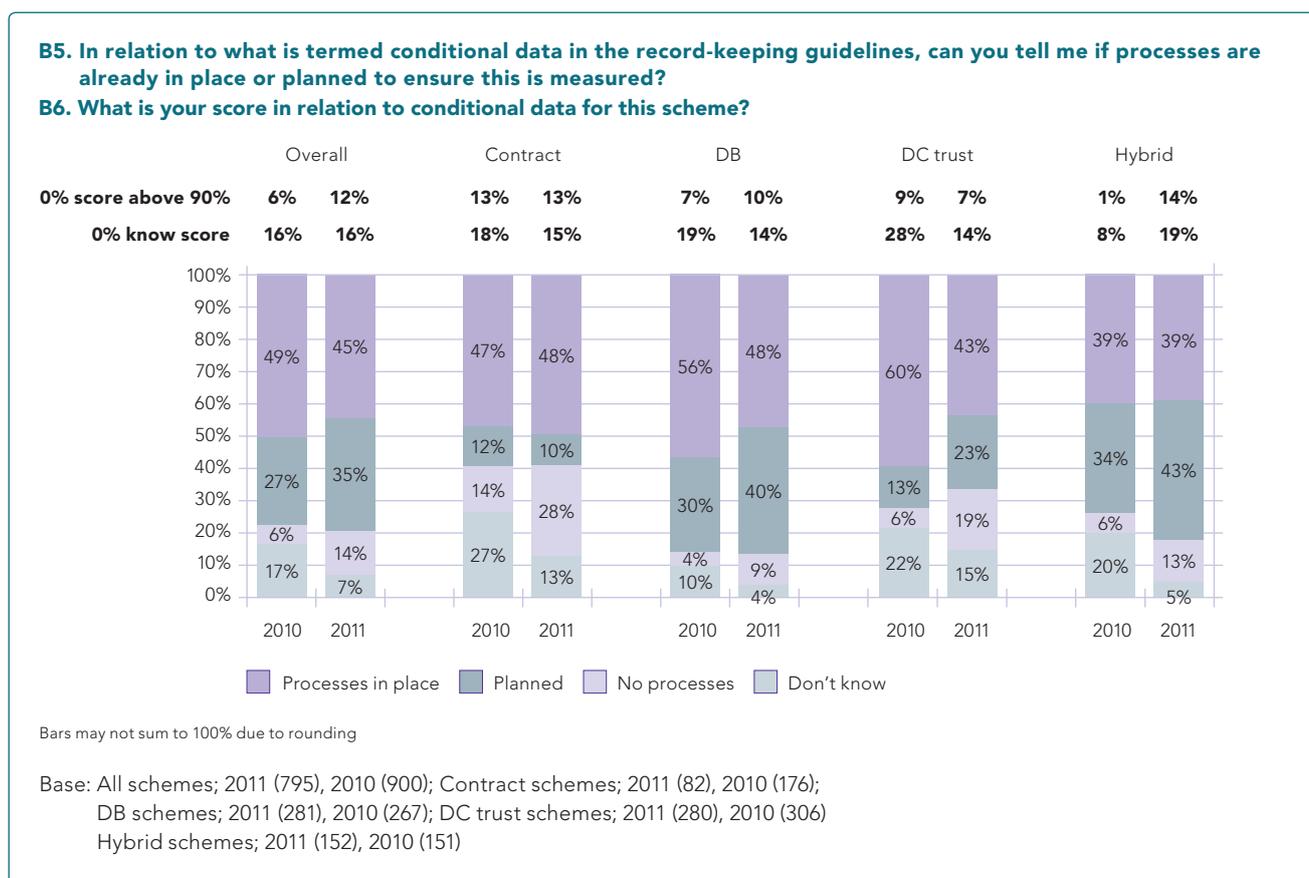
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Chart 15 below reports the proportion of schemes that have processes in place to measure conditional data, plan to have processes in place to measure conditional data or have no processes in place to measure conditional data, for both 2010 and 2011. This is then split out between type of pension scheme, contract-based, DB trust-based, DC trust-based or hybrid.

**Chart 15**

The proportion of schemes with processes in place to measure conditional data by scheme type



The proportion of schemes with processes in place or planned to measure conditional data remains low. 45% of schemes have processes in place to measure conditional data and a further 35% have plans in place to ensure that conditional data will be measured. The remainder of schemes either have no process in place (14%) or do not know (7%). The proportion of DC trust-based schemes which have processes in place have decreased since 2010 from 60% to 43% respectively.

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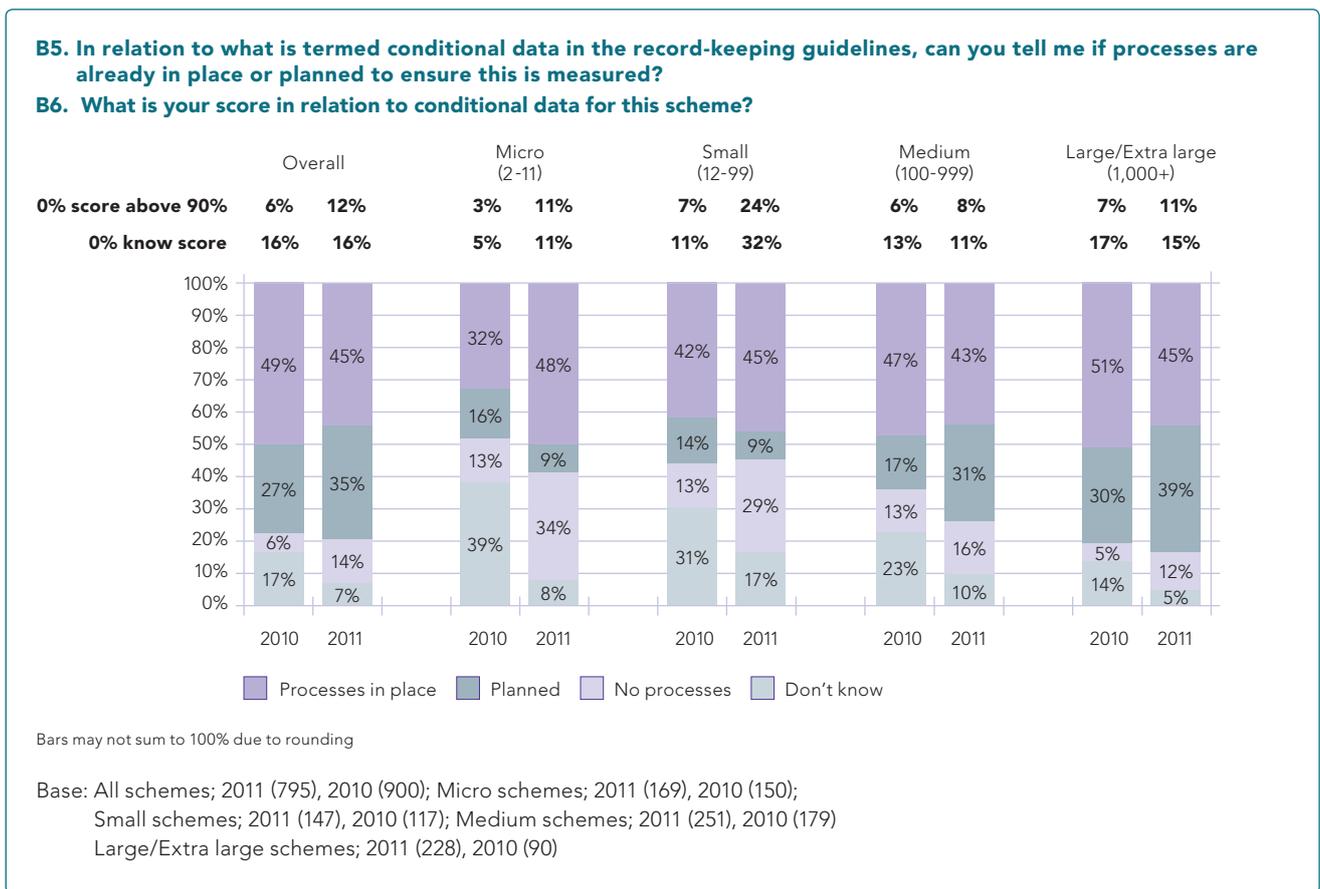
Across all scheme types there has been a substantial reduction in the proportion answering 'don't know' since 2010, which indicates that, even if processes are not yet in place, at least the principle of putting processes in place to measure conditional data is more readily understood.

16% of schemes know their conditional data score, the same proportion as in 2010. There is considerable variation across scheme type, although the proportion of DC trust-based schemes that know their score has decreased from 28% to 14%, while the proportion of hybrid schemes has risen from 8% to 19%. The proportion of hybrid schemes with a score above 90% has also increased sharply (from 1% in 2010 to 14% in 2011).

Chart 16 below shows the same information as Chart 15 on page 33, but this time broken down by scheme size. There is little change in the proportion of schemes with processes in place to measure conditional data, other than for micro schemes, where the proportion has increased from 32% to 48%. The proportion of schemes knowing their score has increased among both micro and small schemes (from 5% to 11% and 11% to 32% respectively), and the same trend is evident in relation to the proportion of schemes achieving a score above 90%; this has increased from 3% to 11% among micro schemes and from 7% to 24% among small schemes.

**Chart 16**

The proportion of schemes with processes in place to measure conditional data by scheme size



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Table 6 below shows that although the proportion of schemes with processes in place to measure conditional data has decreased among trust-based schemes (from 50% to 44%), the mean conditional data score has increased among both trust and contract-based schemes (from 78 to 92 in the case of trust-based and from 82 to 97 in the case of contract-based schemes).

**Table 6**  
Conditional data performance indicators

	Trust 2010	Trust 2011	Contract 2010	Contract 2011
% processes in place to measure conditional data	50% (8.3m)	44% (7m)	47% (1.5m)	48% (1.5m)
Average conditional data score – mean	78	92	82	97
% members for whom score is over 90%	11% (1.8m)	12% (1.8m)	13% (0.4m)	13% (0.4m)
% members for whom score is below 90%	75% (0.8m)	4% (0.7m)	5% (0.2m)	3% (0.1m)
% members for whom processes in place to measure but score no known	34% (5.7m)	64% (4.5m)	29% (0.9m)	68% (1m)
% members for whom no process in place	50% (8.3m)	51% (8.1m)	53% (1.7m)	38% (1.2m)
% those with no processes in place who expect to complete conditional data within next 12 months	68% (4.4m)	66% (5.9m)	52% (0.9m)	41% (0.7m)

Base: All schemes 2011 (795), 2010 (536); Trust schemes; 2011 (713), 2010 (420);  
Contract schemes; 2011 (82), 2010 (116)

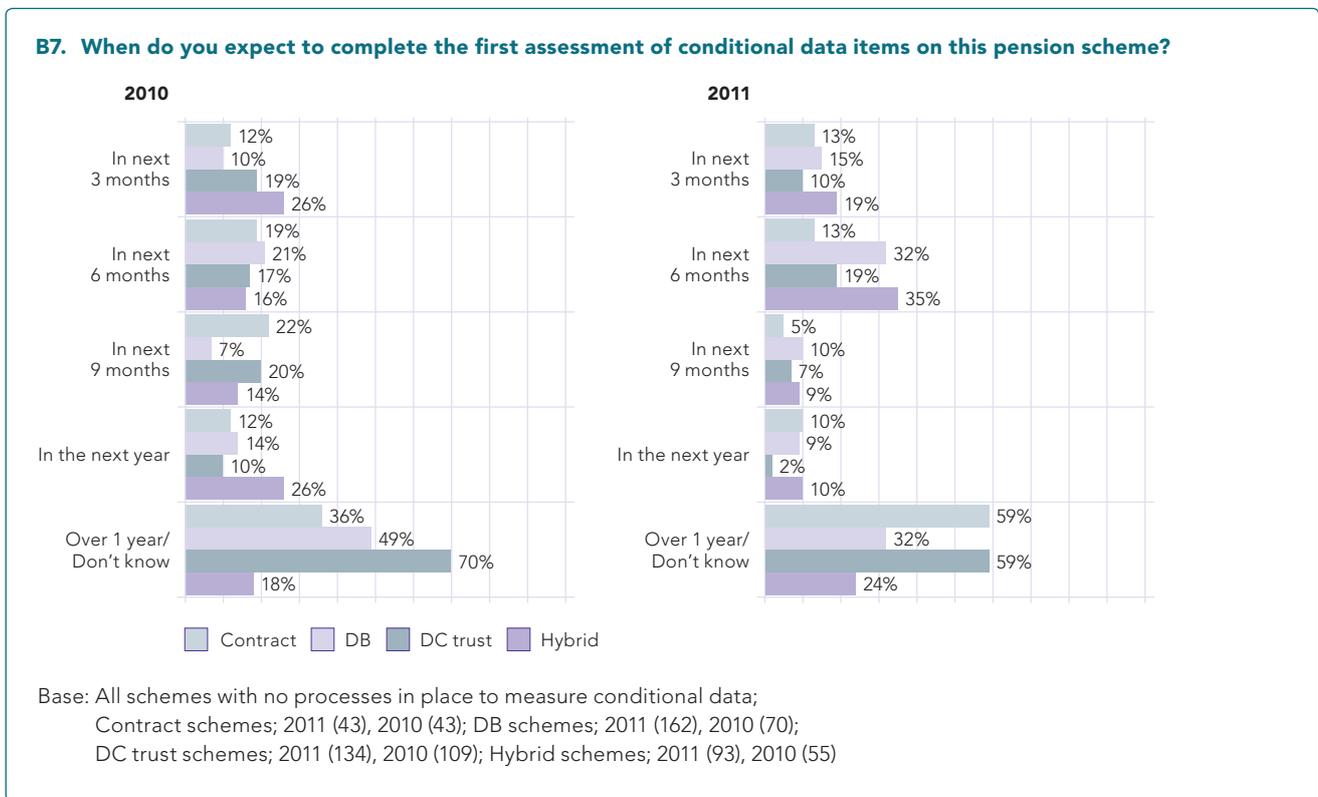
Schemes that currently have no processes in place to measure conditional data were asked when they expected to complete their first assessment of conditional data items.

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For 54% of hybrid and 47% of DB schemes this was expected to be in within the next 6 months, although for the majority of contract and DC trust-based schemes the timing of this first assessment was more likely to be over a year away or to be unknown. Chart 17 below shows that results are broadly consistent with 2010 findings, with the exception that there is now a lower proportion of DB and DC trust-based schemes expecting to complete their first assessment of common data over a year away or not knowing when this would be completed.

**Chart 17**  
Completion of first conditional data assessment



## Characteristics of schemes by level of compliance

In general, the smaller schemes and those that are contract-based have a lower level of optimal record-keeping behaviours.

This section profiles the schemes that display various aspects of what the regulator would consider sub-optimal regarding record-keeping. The behaviours selected for this analysis are:

- Not being aware of the guidance on record-keeping
- Having no processes in place (or planned) to measure common data
- Producing administration reports less often than annually or never producing such reports.

Our analysis of these sub-optimal behaviours shows that in general terms it is the administrators of the smaller pension schemes and contract-based schemes that are disproportionately represented. There is also indications that in-house administrators are more likely to be unaware of the record-keeping guidance. Conversely, it is generally the larger pension schemes and the defined benefit/hybrid schemes that are more likely to exhibit the type of record-keeping behaviours expected by the regulator.

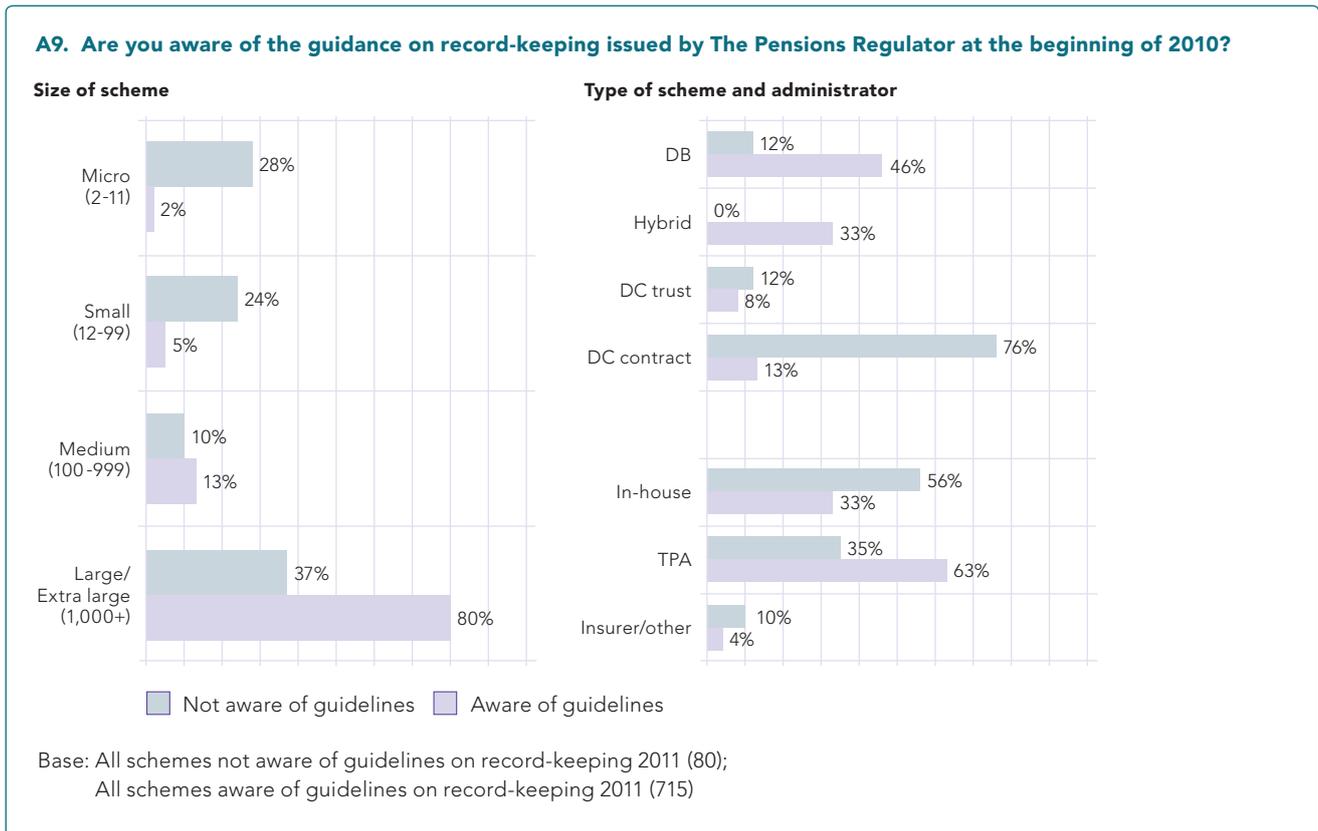
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### Not being aware of the record-keeping guidance

5% of all schemes have scheme administrators who are unaware of the record-keeping guidance. These schemes are profiled below, highlighting the particular characteristics that are more prevalent among the schemes in question.

**Chart 18**  
Profile of schemes by awareness of record-keeping guidance (1)



Micro schemes are more likely to have administrators who are unaware of the record-keeping guidance (28% of schemes have administrators who are unaware of the guidance), as are small schemes (24%), contract-based schemes (76%) and those with in-house administrators (56%).

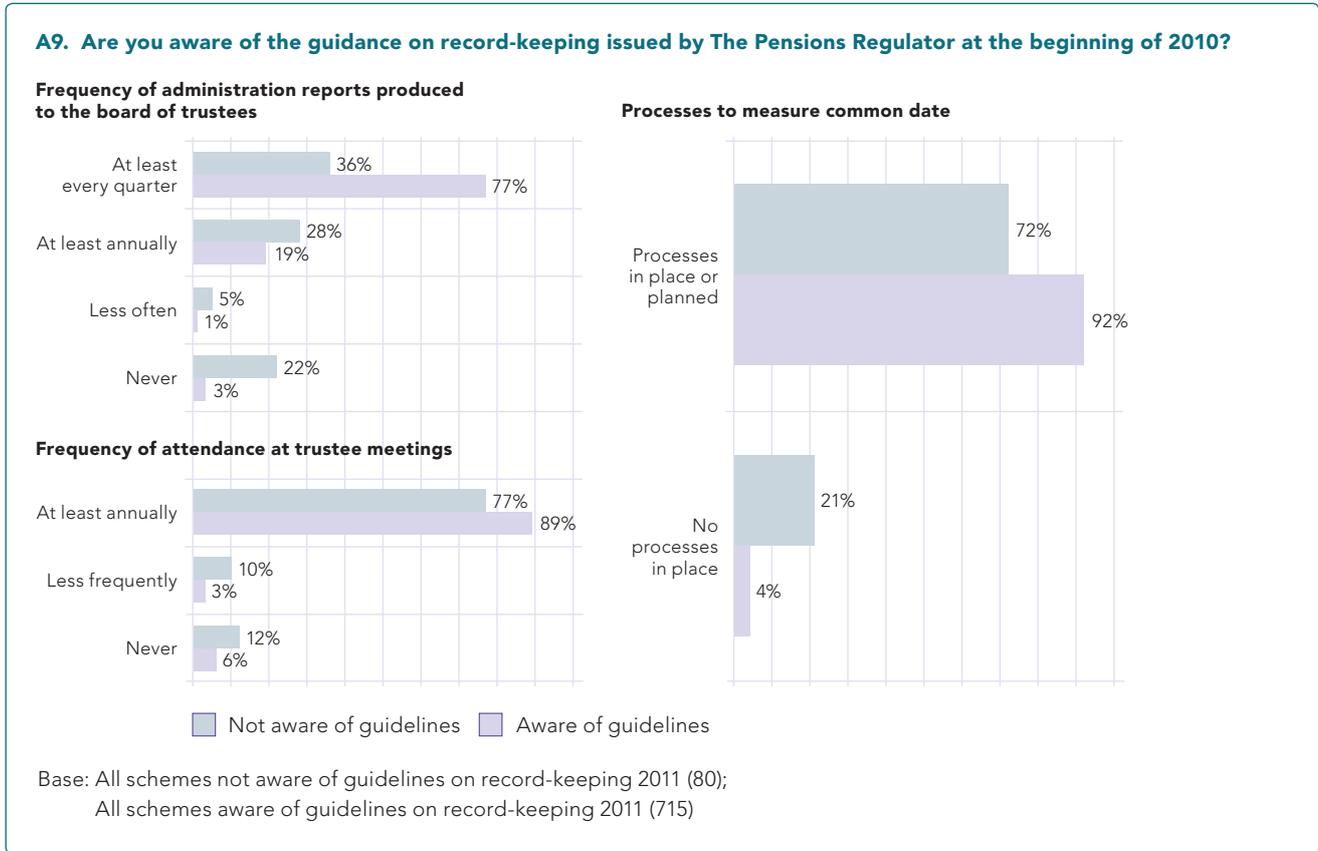
In addition to the above, schemes whose administrators never produce administration reports (22%) and schemes which have no processes in place or planned to measure common data (21%) are also more likely to have administrators who are unaware of the record-keeping guidance.

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**Chart 19**

Profile of schemes by awareness of record-keeping guidance (2)



These figures suggest that lack of awareness of the record-keeping guidance is associated with sub-optimal record-keeping behaviours and therefore provides an indication that awareness does influence desirable behaviours, although we cannot tell whether it is the only or indeed the main influence.

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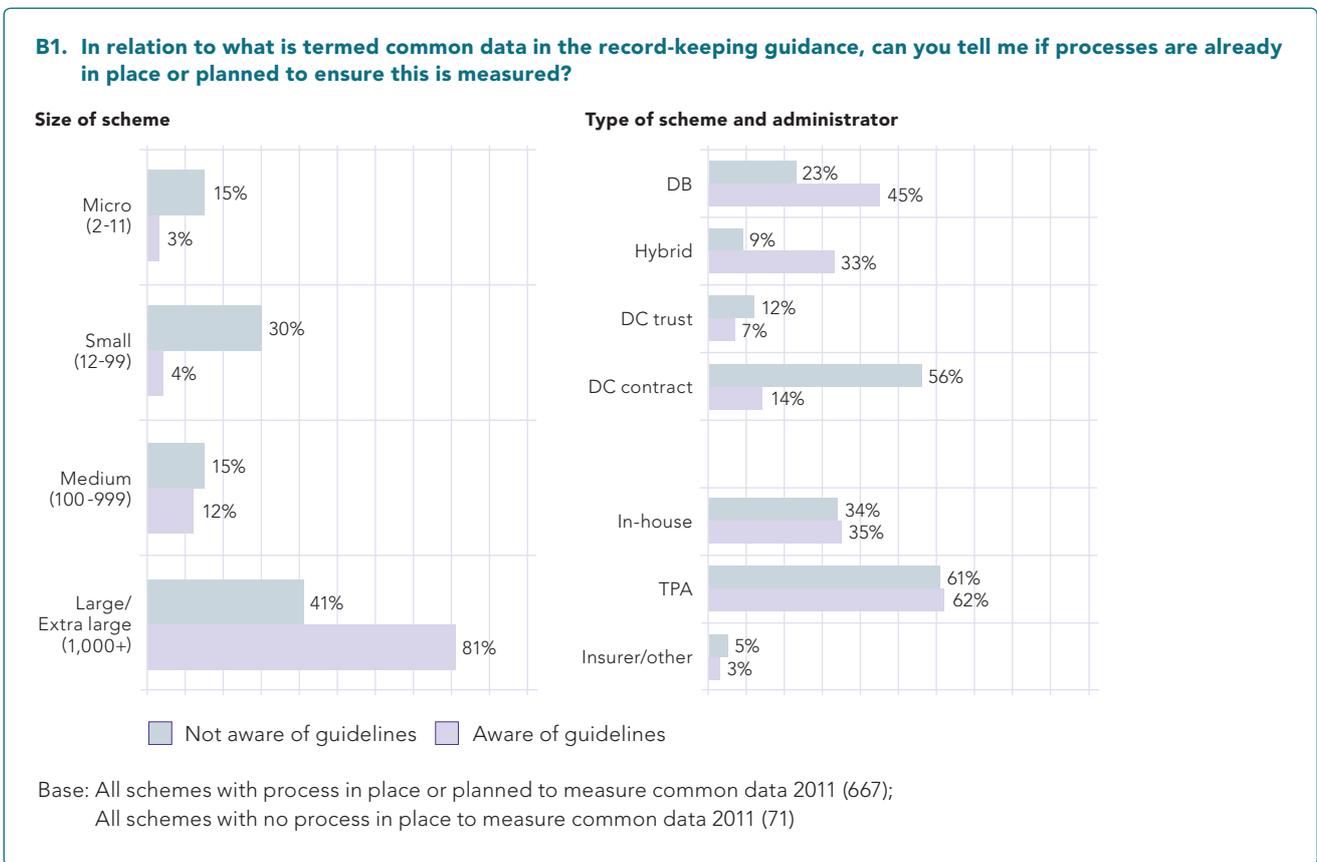
### No processes in place (or planned) to measure common data

5% of all schemes have no processes in place (or planned) to measure common data. These schemes are profiled below, highlighting the particular characteristics that are more prevalent among the schemes in question.

Schemes with no processes in place or planned to measure common data tend to be the small schemes (30% of schemes), large schemes (34% of schemes) and contract-based schemes (56% of schemes).

#### Chart 20

Profile of schemes by actions taken with regard to common data (1)



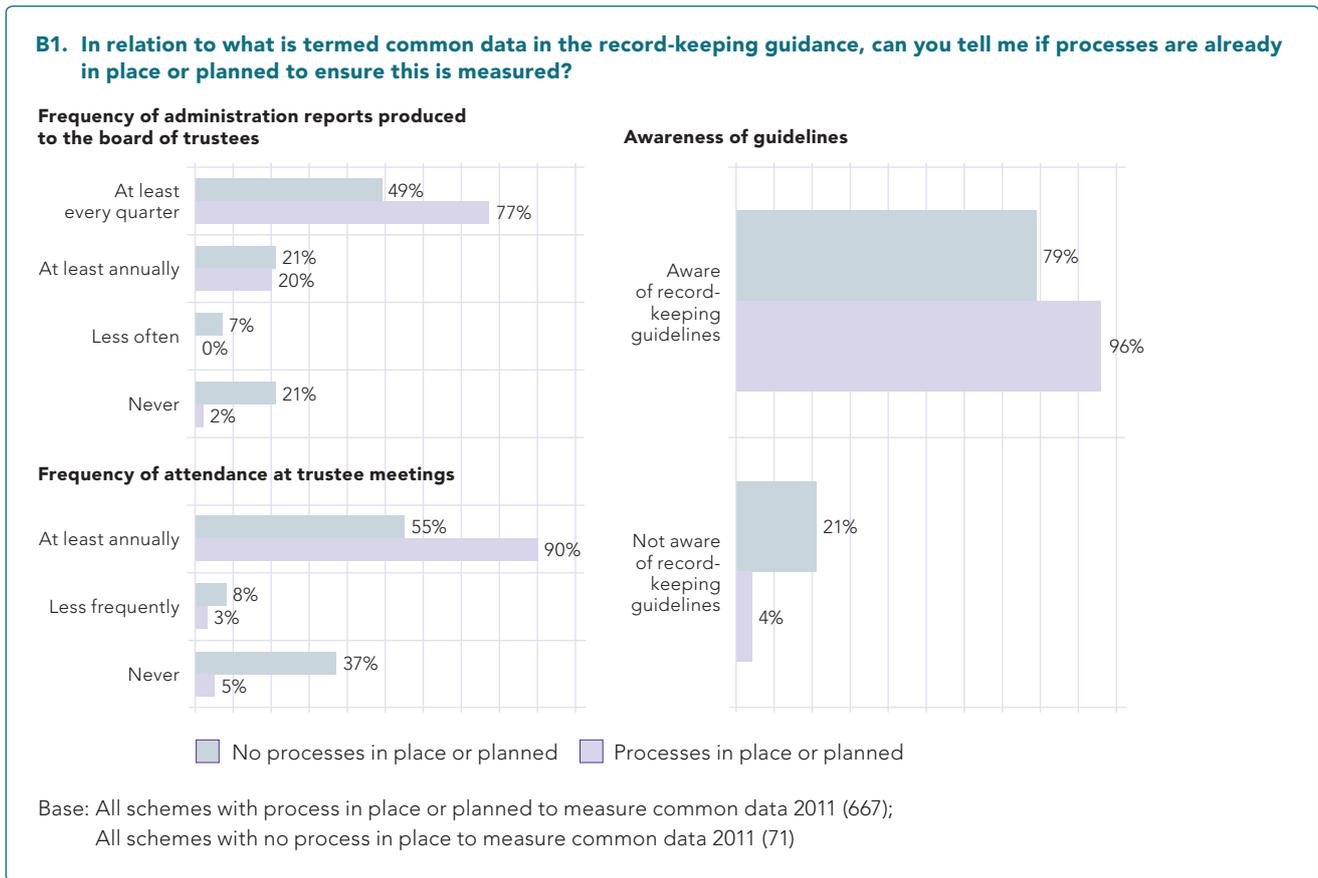
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Schemes where the administrator never attends trustee meetings (37% of schemes), never produces administration reports (21% of schemes) and is not aware of the record-keeping guidance (21% of schemes) are all more likely to have no processes in place or planned to measure common data.

**Chart 21**

Profile of schemes by actions taken with regard to common data (2)



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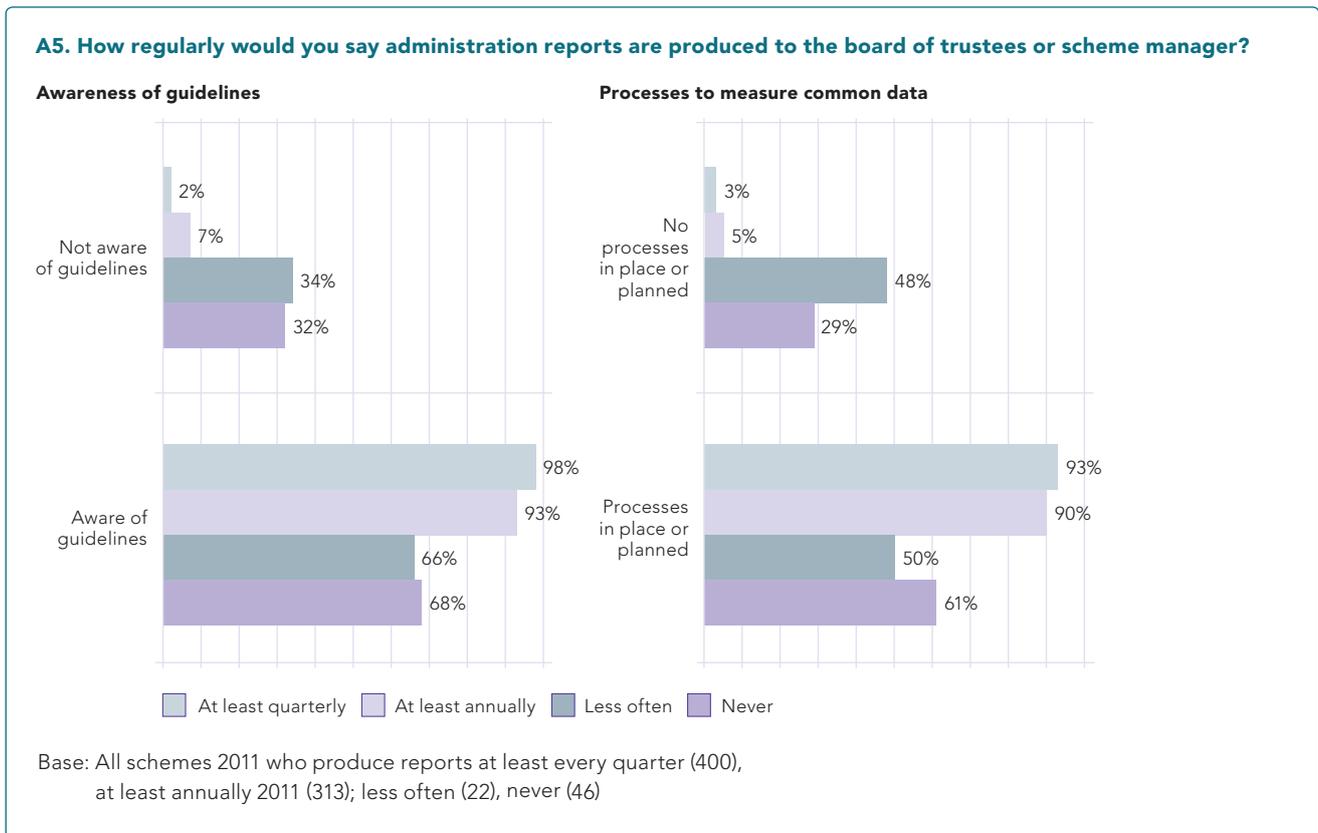
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### Produce administration reports less than annually or never

Schemes where administration reports are either produced less often than annually or not produced at all account for 5% of all schemes.

Chart 22 below shows that these schemes tend to be less aware of the record-keeping guidance and less likely to have processes in place to measure common data.

**Chart 22**  
Profile of schemes by frequency of administration reporting (2)



# The Trustee survey

## Assessment of administrator

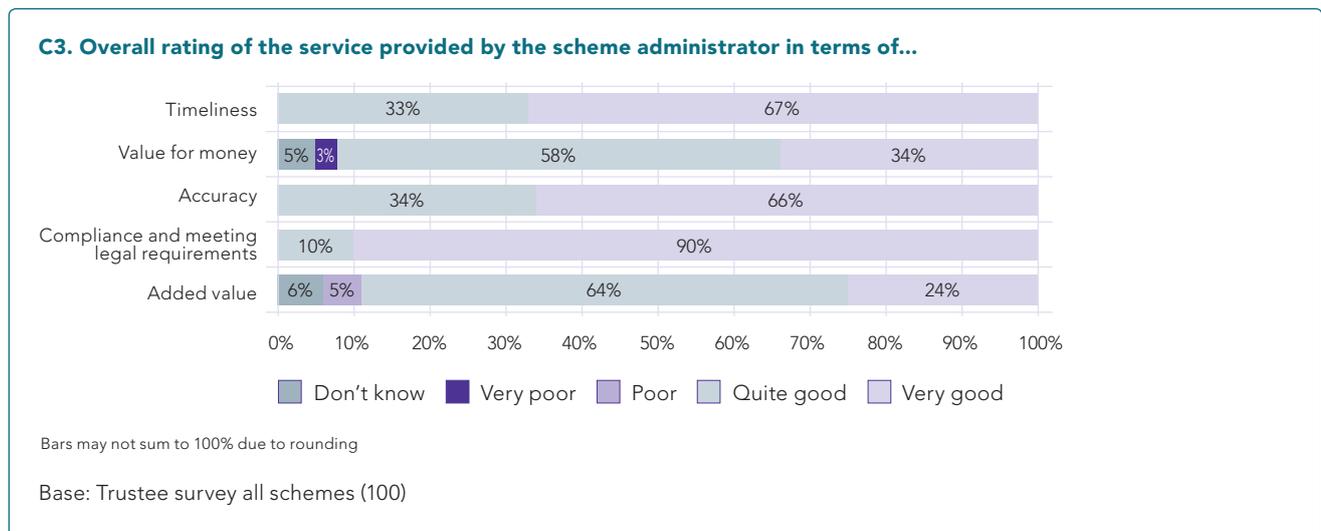
Overall, 85% of schemes assess the quality of the service provided by their administrator at least annually. Around one-third of schemes (35%) assess quality at least every 6 months and this is higher for those with external administrators (45%) and lower for those with in-house administrators (24%).

All schemes are confident (56% very confident, 44% quite confident) that the trustee board is able to assess the quality of service provided by the scheme administrator. Schemes that assess the quality of service at least every 6 months are more likely to be 'very confident' in their ability (74%).

Chart 23 below summarises the ratings given to different aspects of the service provided by scheme administrators.

### Chart 23

Ratings given by trustees to different aspects of administrators' service



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- **Timeliness** – 67% of schemes rate their administrator as very good. This is higher (72%) for schemes where the administrator attends trustee meetings at least every 6 months.
- **Value for money** – 34% of schemes rate their administrator as very good. This is higher for hybrid schemes (44%) and lower for DB schemes (20%).
- **Accuracy** – 66% of schemes rate their administrator as very good. This is higher for schemes with in-house administrators (81%) and lower for schemes with external administrators (54%). It is also higher for schemes that are confident in the ability of the trustee board to assess the service provided by the administrator (80%) and lower for schemes where administration reports are received at least every quarter (62%).
- **Compliance and meeting legal requirements** – 90% of schemes rate their administrator as very good. This is higher (95%) for schemes where the administrator attends trustee meetings at least every 6 months and there are indications that this may be lower for DC schemes.

- **Added value** – 24% of schemes rate their administrator as very good. This is lower for schemes where administration reports are received at least every quarter (19%) and lower where there is an agreed action plan in relation to the accuracy of scheme data (14%).

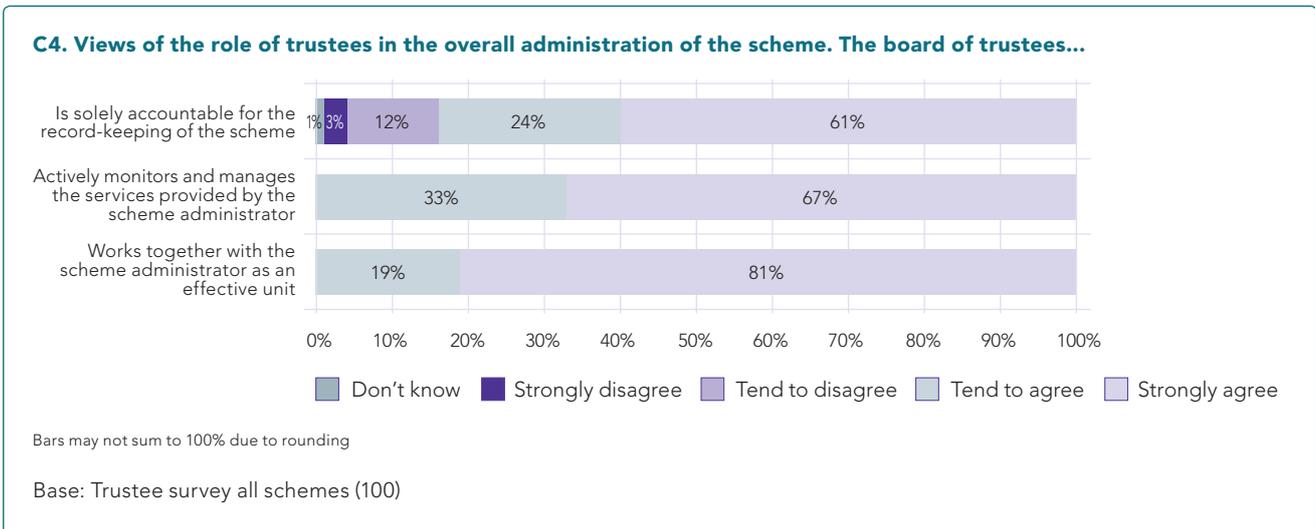
### Overall administration of the scheme

Trustees were asked to agree or disagree with 3 statements related to the trustee board and the overall administration of the scheme. The results are summarised in Chart 24 below.

- **Solely accountable for record-keeping** – There is a significant body of law which requires good scheme records to be kept. For trust-based schemes, there is case law stating that a trustee who fails to keep proper records ‘exposes themselves to grave risks.’ However, 15% of schemes do not agree with this statement and only 61% of schemes strongly agree. DB schemes are more likely (93%) to agree with this statement but lower for schemes where the trustee board is very confident in its ability to assess the quality of service provided by the administrator (78%).

**Chart 24**

Level of agreement by trustees with statements about their roles and responsibilities



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- Actively monitors the services provided** – 67% of schemes strongly agree with this statement. This is higher for schemes with external administrators (79%) and lower for schemes with in-house administrators (52%). It is also higher for schemes where the trustee has read the record-keeping guidance in detail (81%) and where administration reports are received less often than quarterly (83%).
- Works together with the scheme administrator** – 81% of schemes strongly agreed with this statement. This is higher for schemes with external administrators (92%) and lower for schemes with in-house administrators (68%). It is also higher for schemes where administration reports are received less often than quarterly (93%) and where administrators attend trustee meetings at least every 6 months (87%).

**Awareness of and engagement with record-keeping guidance**

It is important that trustees are aware of the regulator’s guidance on record-keeping. This is so they understand the standards and procedures that scheme administrators should be looking to apply to their scheme and monitor administrator performance on a more informed basis.

Almost all schemes (99%) were aware of the guidance, with indications that awareness increases with size of scheme.

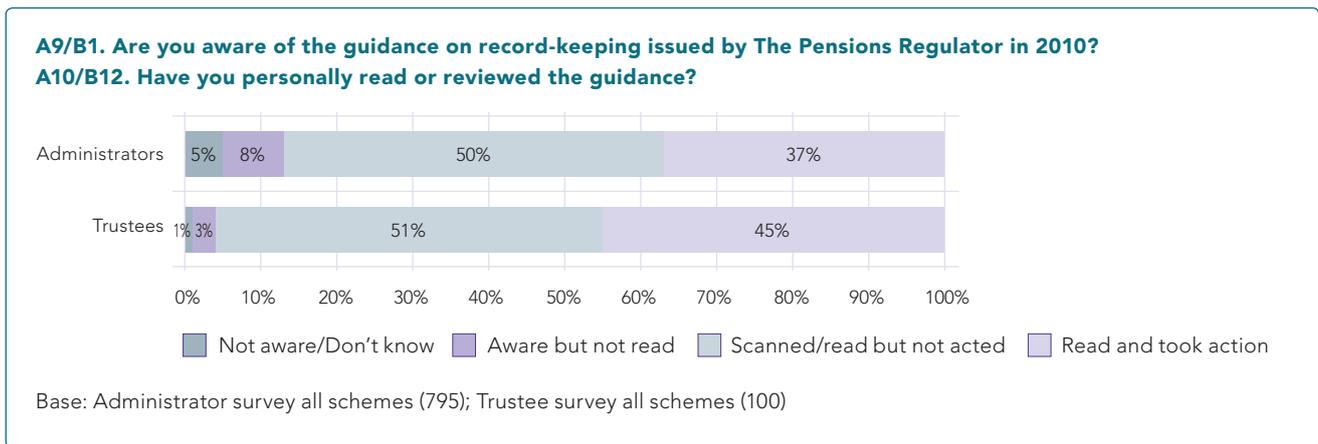
When compared to the administrator responses from the main survey, there is a very high level of consistency: for 99% of schemes both the trustee and the administrator are aware of the guidance.

In terms of whether trustees have read and engaged with the guidance, 96% of schemes had done so to varying degrees. Similar proportions had either scanned the guidance (46%) or read in detail and taken action (45%). A further 5% had read in detail but not acted. Schemes with in-house administrators were more likely to have scanned the guidance (59%) than schemes with external administrators (34%).

Chart 25 below shows an overall comparison between administrators and trustees of their awareness and engagement with the record-keeping guidance.

**Chart 25**

Comparison between administrators and trustees of awareness/engagement with record-keeping guidance



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### Record-keeping sub-committee

It is considered as good practice for trustee boards to have an administration sub-committee to provide the appropriate focus on and skills in monitoring and decision-making regarding record-keeping and other aspects of scheme administration.

Around 1 in 8 of schemes (12%) have set-up a sub-committee to take responsibility for record-keeping. There are indications that these sub-committees may be more prevalent among DC schemes.

Overall, 6% of schemes have a record-keeping sub-committee that meets at least every 6 months, 3% where it meets at least annually and 3% where it meets less often or never. Schemes with external administrators are more likely to have record-keeping subcommittees that meet at least every 6 months (12%).

### Frequency of administration reports

Almost all schemes (96%) receive administration reports from the scheme administrator. However, indications are that this may be less likely for DC schemes.

Over three-quarters of schemes (79%) receive administration reports at least every quarter, while a further 14% receive them at least annually and 3% less often. DB schemes are less likely to receive these reports at least quarterly (66%) while hybrid schemes are more likely to do so (93%). Indications are that DC schemes are also less likely to do so.

The large/extra large schemes are more likely to receive these reports quarterly (82%) whilst the medium schemes (47%) and the micro and small schemes are less likely to do so.

Comparing the responses from the administrator and trustee surveys regarding the frequency of administration reports shows that in 83% of schemes there was agreement between the trustee and administrator. In 5% of cases the trustee perception was that these reports were more frequent and in 12% of cases the administrator perception was that these reports were more frequent. However, any dissonance on this could be as a result of the definition/interpretation of what constitutes an administration report.

Agreement levels between trustees and administrators were higher for hybrid schemes (94%) and lower for DB schemes (72%). Administrators were more likely to perceive these reports as more frequent for DB schemes (20%). Agreement levels also appear associated with scheme size, with greater levels of accord among the large/extra large schemes (85%) and lower levels for the medium schemes (54%) and the micro and small schemes.

Table 7 below shows the items covered by administration reports from the scheme administrator.

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**Table 7**

Items covered by administration reports

Items covered by administration reports	%
Breaches of the law	93
Errors and complaints (eg incorrect calculation of interest earned, incorrect payment of benefits)	91
Failure of service standards	91
Reconciliation of contributions and units	72
None of the above	–

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Breaches of law were less likely to be covered in reports to DB schemes (85%) and to medium-sized schemes (79%) but more likely in reports to hybrid schemes (99%) and the large/extra large schemes (94%). Reconciliation of contributions and units was more likely to be covered in reports from external administrators (84%) than in reports from in-house administrators (57%).

Both breaches of law and errors and complaints were more likely to be covered in reports to schemes that receive them at least quarterly (96% for both) and less likely to be covered in reports to schemes that receive them less often or never (82% and 67% respectively).

### Administrator attendance at trustee meetings

In almost 9 in 10 schemes (87%), a representative from the administrator attends trustee meetings to answer questions regarding record-keeping at least annually. This breaks down into 75% where the administrator attends at least every 6 months and 12% where the administrator attends at least annually. A further 5% have an administrator representative attend at least every 3 years.

Comparing the responses from the administrator and trustee survey shows that in 60% of schemes there was agreement between trustees and administrators as to the frequency of administrator attendance at trustee meetings. In 22% of cases, the trustee felt that administrator attendance

was more frequent and in 19% the administrator perceived it to be more frequent. Indications are that agreement levels on this question may be lower for DC schemes. Again, any dissonance here could be as a result of interpretation.

### Accuracy of scheme data

Around two-thirds of schemes (68%) undertake a formal review of the accuracy of scheme data with the scheme administrator at least annually. A quarter of schemes (24%) conduct these reviews at least every 6 months and another quarter (23%) at least every 3 years. In contrast, 3% undertake them less frequently than every 3 years and 3% have never carried out a type of formal review with the scheme administrator.

Just over half (56%) of schemes say they have an agreed action plan in relation to the accuracy of scheme data. This figure is higher for schemes where the administrator had read the record-keeping guidance in detail (69%).

This was another one of the questions where the responses from the trustee survey could be compared to the responses from the administrator survey. Over half (59%) of the schemes where trustees and administrators were able to be compared agreed with each other regarding the presence (or absence) of an agreed action plan. In around 1 in 3 schemes (30%), there was some discrepancy between trustee and administrator responses.

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**Table 8**  
Agreed action plan in relation to accuracy of scheme data:  
trustee-administrator comparison

	%
Both agree have an agreed action plan	35
Both agree do not have an agreed action plan	24
Trustee: yes, administrator: no	19
Trustee: no, administrator: yes	11
Don't know	11

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## Data problems

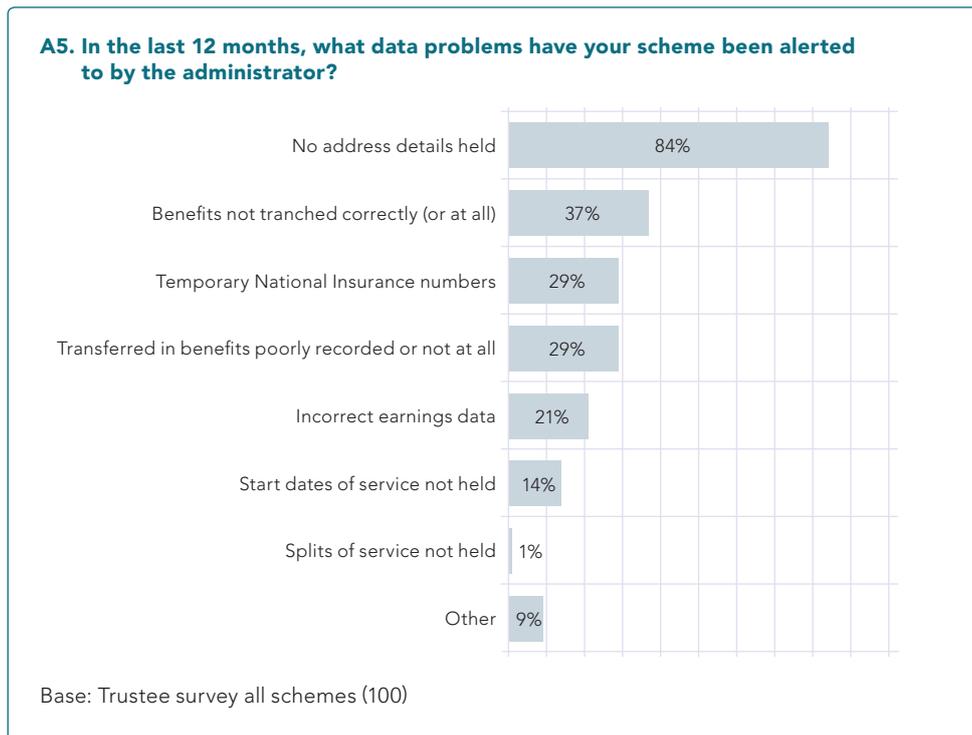
Trustees were asked a series of questions to ascertain whether their scheme had been alerted to any data problems in the last 12 months – by either the scheme administrator or by the scheme auditor – and if so what type of data problem this was.

Just over a third of schemes (36%) had been alerted to data problems by their scheme administrator. This figure was higher for schemes where the trustee had read the record-keeping guidance in detail (48%) and where the administrator had read the guidance in detail (47%). It was also higher for schemes where trustees said they received an administration report at least every quarter (41%).

Chart 26 below shows the data problems that trustee were alerted to by the scheme administrators.

### Chart 26

Data problems trustees alerted to by scheme administrators



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This was another of the questions where comparisons with the responses to the administrator survey could be made. Three-quarters (76%) of the schemes where trustees and administrators were able to be compared agreed with each other regarding a data problem alert in the last 12 months (Table 9 below). In the remaining schemes (24%) there was some discrepancy between the trustee and administrator responses.

**Table 9**

Data problems trustees alerted to by scheme administrators:  
trustee-administrator comparison

	%
Both agree data problem alerted	28
Both agree no data problem alerted	48
Trustee: yes, administrator: no	8
Trustee: no, administrator: yes	16
Don't know	–

None of the schemes had been alerted to a data problem by their scheme auditor in the last 12 months.

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### Additional services requested

Almost half of schemes (46%) had requested additional services from their administrator in the last 12 months. This figure was higher for schemes with external administrators (62%) and lower for schemes with in-house administrators (27%).

The additional services requested from scheme administrators are set out in Table 10 below.

**Table 10**  
Additional services requested from scheme administrators

Additional service	%
Data analysis of member records	31
Review of member records	29
Check compliance with record-keeping guidance	28
Data repair	21
Full audit	17
Check compliance with service standards	11
Other	9
No additional services requested	54

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**Scheme record-keeping** A report on the 2011 scheme record-keeping survey

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