

The Trustee toolkit downloadable

Running a scheme

Tutorial three: Scheme admin and member data

By the end of this tutorial you will better understand:

- ▶ the legal obligation imposed on employers to disclose information to trustees
- ▶ processes that can ensure employers provide complete and accurate data for individuals from outset
- ▶ the implications of inaccurate or incomplete member data
- ▶ what 'common data' is
- ▶ the standards for common data required by The Pensions Regulator (TPR)
- ▶ what 'conditional data' is
- ▶ ways of ensuring completeness and accuracy of scheme and member data on an ongoing basis

This tutorial is part of Scenario one.

Glossary

A detailed glossary of technical terms can be downloaded from the Resources tab when you log in at www.trusteetoolkit.com

Why is it so important?

Good scheme administration is essential to the proper running of a pension scheme. Maintaining accurate member records is a major part of this. If member data is not correct then the scheme cannot deliver the right benefit to the right member at the right time. Examples of problems caused by poor administration or record-keeping in different scheme types follow.

Both DB and DC schemes

- ▶ Member does not receive the annual report and benefit statement because their address has not been updated correctly.
- ▶ Incorrect contributions assigned to a member.
- ▶ Member's special benefits not being recorded correctly, and therefore not implemented.
- ▶ Incorrect transfer amounts.
- ▶ Trying to 'unwind' errors when a member has been told that their benefits are higher or lower than they should be.

DC schemes only

- ▶ Members missing out on investment market increases because DC contributions were not invested when they should have been. This could be due to incorrect information provided by the employer or slow investment processes.
- ▶ Lifestyling carried out incorrectly (or not at all) in a DC scheme which may leave a member exposed to high risk investments right before they access their benefits.
- ▶ Lower/higher fund at pension age which affects the amount of pension benefits that can be bought.

Master trusts

For a master trust to be authorised, the administration processes - including those relating to member records - must be sufficient in order to run the master trust effectively.

Trustees of master trusts can find out more on how this relates to authorisation in the [Code of Practice 15: Authorisation and supervision of master trusts](#).

DB schemes only

- ▶ Incorrect pension being paid.
- ▶ Incorrect rates used to calculate inflationary increases for active members.
- ▶ Incorrect dates for normal pension age used by scheme actuary, affecting funding target and scheme investment choices.

Why else do you need accurate records?

Trustees need to be aware that the cost of resolving errors includes both the recompense to the member and the administrative and legal costs. These can be very expensive indeed. Make sure you get it right the first time. But, as well as paying the right benefits on time to the right beneficiaries, you also need accurate records to:

- ▶ account to HM Revenue and Customs for tax due or deducted from benefits paid
- ▶ obtain the external auditor's report
- ▶ complete the scheme return to be filed with TPR

Your records may also be requested by other organisations like the Pensions Ombudsman or a court. If data problems are identified which are not being resolved then it may be necessary for the trustees, administrator or other third party to report the issue to TPR.



Who is responsible?

Who is responsible for the quality of administration and member data? Don't worry if you get this wrong, thinking it through is more important.

1. Administrator
2. Employer
3. Trustees

Answer

Trustees are responsible. They can delegate the administration to an external provider or to the employer but the trustees remain responsible.

Exercise: The role of the employer

Employers provide most of the data about members which trustees need to administer their scheme, therefore this information must be accurate and timely. Take a moment to think of times when the employer should provide new or updated data to the scheme.

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We thought of the following, but the list is not exhaustive and you may have thought of more:

- ▶ When a member joins the scheme.
- ▶ When a member leaves the scheme (either because they have left the employer's employment or because they have stopped contributing / opted out).
- ▶ If a member chooses to change their rate of contributions.
- ▶ If a member changes their name or address.
- ▶ When salaries change (either for an individual or for all employees).
- ▶ When a member retires from work or dies.

Exercise: Check your scheme

Now ask yourself these questions:

- ▶ Do you know if your employer and your scheme have good procedures in place to ensure that the scheme always receives prompt, accurate data from the employer?
- ▶ How are these processes checked?
- ▶ If they are not checked, why not? (Employers are legally obliged to disclose information reasonably required by the trustees.)

Trustees can improve their data by obtaining regular reconciliations with the employer's data. Wherever possible, data should be transferred between employer and administrator electronically and securely, preferably with validation built into the process to minimise error.

The role of the trustee

Trustees should:

- ▶ monitor the quality of the data on an ongoing basis
- ▶ ensure that the scheme has effective procedures and internal controls
- ▶ consider whether the scheme is adequately resourced
- ▶ discuss scheme administration at trustee board meetings
- ▶ regularly receive updates or stewardship reports from their administrators
- ▶ ensure that their administrator (whether in-house or outsourced) has in place an adequate business continuity plan that is reviewed at least annually

Trustees can also help to facilitate a good working relationship between the employer and the administrator, whether the administrator is outsourced or provided by a separate in-house team. Trustees can support the administrator to put in place processes with the employer and you can help the employer to understand their role in relation to providing data to the scheme.

Remember that although trustees may delegate the administrative functions to an administrator or the employer, the trustees remain responsible for the accuracy and completeness (the quality) of the data.

In addition, the trustees of most DC schemes are legally required to ensure that core financial transactions (all transactions relating to member and employer contributions and the assets relating to those contributions once they are received by the scheme) are processed promptly and accurately.

You can learn more about this in the Tutorial 'Transaction processing' in the Module: 'How a DC scheme works (2014)'.

Record-keeping requirements

Member data, as defined by TPR, falls into two categories: common data and conditional data.

Common data

Common data is data applicable to all schemes. Your scheme is expected to hold all of the common data fields for all of its members and for this data to be accurate. Where the data was created before 30 June 2010, the target is 95%. Common data includes:

- ▶ National Insurance number (NI)
- ▶ surname
- ▶ forename(s) or initials
- ▶ sex
- ▶ date of birth
- ▶ date pensionable service started/policy start date/first contribution date (as appropriate)
- ▶ expected retirement/maturity date (target retirement age)
- ▶ membership status
- ▶ last event status
- ▶ address
- ▶ postcode

TPR expects this basic information on member records to be 100% complete and accurate where the data was created after June 2010.

Conditional data

A lot of other member data is also needed to administer the scheme effectively. Conditional data is data which may be applicable to a scheme, depending on the scheme type, structure and system design. Your trustee board should have agreed the content of the conditional data with the administrator. Examples of conditional data include:

- ▶ salary
- ▶ membership class
- ▶ investment choices (DC only)
- ▶ final pensionable salary (DB only)

The list of possible conditional data is vast and an illustrative guide is available from TPR's website at <http://www.tpr.gov.uk/trustees/contributions/data-and-transfers/record-keeping/what-records-to-keep>

Making sure data is complete and accurate

As a trustee, you need to know how good your data is, put in place plans to improve it if necessary and monitor data quality regularly. Even if your scheme's data is good, it can deteriorate quickly if there is a change in personnel or if a process is not carried out correctly.

Ask yourself:

- ▶ Do we have all of the data we need?
- ▶ Is it accurate?
- ▶ How do we know?

Annual data review

Trustees should normally carry out a data review exercise at least annually to check the completeness and accuracy of both the common and conditional data.

Data improvement plans

If problems are identified with the data, then trustees need to agree a plan with a defined end date to improve the data. The trustees need to monitor and track the progress of the plan. A quick guide to improving your data is available from TPR's website at www.tpr.gov.uk/trustees/managing-db-benefits/governance-and-administration/record-keeping/improve-your-scheme-data

Ongoing monitoring

Trustees could consider:

- ▶ requesting and reviewing numerical data quarterly
- ▶ obtaining stewardship reports or internal audits on processes
- ▶ when investigating an individual complaint about data, checking whether other members might have the same problem. Ask the administrator whether they have considered this
- ▶ when sending out statements, asking members to check and correct data where necessary
- ▶ regularly remind members of how important it is to keep their records up to date and make it as easy as possible for them to do so. For example, allow members to update their details electronically, via email or online portal, rather than just by post

Data retention

Trustees are required to retain records for a minimum of six years from the end of the scheme year to which the information relates. However, in practice pension data needs to be kept for very long periods of time – much longer than for other purposes.

Here are some examples of why trustees may need to keep data records for longer than the minimum of six years.

- ▶ An individual can be a member of the same scheme for a very long time. If they joined at 20, they or their dependant may still be in the same scheme 80 years later.
- ▶ Members (and dependants) may make claims relating to their benefits and may refer to events, such as transfers-in, contributions, and periods of service that took place many decades previously.
- ▶ Sometimes, a systemic problem affecting large numbers of members is identified at a late stage. The scheme will need detailed information, possibly going back for a long time, in order to put it right.

If you do not keep detailed historical records then you are unlikely to be able to deal properly with these issues. This may prove costly to the scheme and/or result in members not being paid the correct benefits.