

JULY 2021



SMALL POTS BIG SOLUTIONS

EXPLORING THE TIGHTROPE OF DATA MATCHING AND THE BALANCING ACT OF RISK AND COST FOR TRANSFERS.

INTRODUCTION BY THE PLSA

SMALL POTS ARE A SIGNIFICANT ISSUE IMPACTING SAVERS AND THE INDUSTRY.

Savers risk the negative impacts of charges across multiple pots and losing track of their savings. Evidence also suggests that when people reach retirement they are less likely to make optimal choices for their retirement income where their total saving is spread across many smaller pots.

Schemes and providers also encounter significant administrative challenges where they maintain a large number of small pots. In extremes, small pots can impact on schemes' financial stability and, therefore, threaten the overall sustainability of the industry.

The number of small pots has continued to grow and in 2020, the PPI have projected that without policy change the number of deferred pots could grow from 8m to 27m by 2035¹. It is important that this issue is addressed.

BACKGROUND

In the last year the industry has pulled together to make progress towards finding solutions.

In September 2020, the Department for Work and Pensions set up a Working Group to look at the issue of small pots, with recommendations in December of the same year. The Group proposed:

- a. Pension providers that hold multiple pots within charge-capped default funds for the same deferred members should consolidate those pots over the next 3-4 years. However, the report does recognise some of the limitations and suggest that in the interim providers should work towards implementing a 'single member view' by 2021/22.
- b. The pensions industry should establish an operational-focused group to address the administrative challenges which it will be necessary to overcome for a mass transfer and consolidation system to be implemented. This work should look at matching capability, the adoption of common data standards across industry, and identify requirements for automatic and automated large-scale low-cost transfers. An update report should be published in summer 2021.
- c. Consolidation systems will be prioritised once operational barriers (b and c above) are reduced, but more investigation and examination of administration processes is needed. The group prioritised two models – the 'default consolidator' and automatic pot follows member.
- d. Progress should be made with a member-exchange proof of concept trial, involving low value small pots within master trust schemes. A feasibility report should be published in summer 2021. Learnings from this can help to inform the administrative processes work.

1. <https://www.pensionspolicyinstitute.org.uk/media/3545/20200723-deferred-members-final-report-for-the-website.pdf>



This Thought Leadership report will focus on the first two of these recommendations.

FUTURE CONSOLIDATION MODELS

The findings of the 2020 Working Group focused the industry on prioritising scheme-led over member-led consolidation models. It was clear that further work should focus on enabling automatic and automated large-scale, low-cost transfers and pot-consolidation for the automatic enrolment mass-market. Although a helpful part of the overall future solution, member-led models are unlikely to make a significant difference in the trend of small pots growth.

The PLSA does not see one solution working well in isolation; multiple solutions working in tandem are likely needed to resolve the problem of small pots, both for legacy pots and for future pots. Specifically, this could include a solution designed to operate in the short-term (e.g. consolidating returners and member exchange) and a solution designed to resolve the issue in the longer-term (e.g. a default consolidator and Pensions Dashboards as an engagement tool). Some progress on small pots can be made within the existing legislative framework, however, if a solution is to work for a wider range of schemes – including contract-based schemes - government and regulatory intervention may be needed.

Following the recommendations in the DWP Chaired Small Pots Working Group 2020 report, the PLSA and ABI jointly set up a Small Pots Co-ordination Group to take forward the work. The group is coordinating relevant work across the industry, and helping to reach industry consensus around findings and conclusions. In 2021 it is focusing on the administration processes required to underpin long-term solutions in the interests of savers. Industry is examining existing data-matching requirements, common data standards and the requirements for a low-cost transfer process for mass pot-consolidation exercises.

Current work must build on what has already been done and avoid duplication. For example, the Pensions Dashboards Programme are developing data standards for enabling find and view dashboard services and transfers solutions already exist. Both of these are used as starting points from which to consider and assess the unique challenges that could be required for potentially millions of ultra-low cost automated transfers and matches for small pots solutions.

HOW THIS THOUGHT LEADERSHIP REPORT IS STRUCTURED

The purpose of the report is to share emerging research, expertise and experience in areas pertinent to the recommendations - data matching and efficient transfers in a small pots context.

The first part of the report, **authored by ITM** - technology and data consultants with almost 20 years' experience in the industry, covers the role of unique identifiers, why a combined approach to data matching is needed – how data matching varies depending on the small pots solution and matching challenges. The report also includes results of research using real scheme data to understand how effective different matching criteria are for finding all pension records belonging to an individual.

The second part of the report, **authored by Altus** - financial services consultancy specialising in transfers with over 15 years experience - considers the pension transfer challenge for small pots to ensure that risk and costs are minimised to savers. It considers previous efforts on automatic transfers in 2015, and current initiatives which could be adapted to work to resolve the small pots issue including open standards, a legal framework and safe lists.

This report aims to identify areas where progress can be made, and also highlights outstanding questions which still need to be addressed.

The report concludes that the industry can learn from elements already in place as a stepping stone to support with issues associated with small pots. However, they may not be sufficient to solve the new and complex issues associated with transferring small pots on a massive scale. Pensions dashboards may also help to provide a solution through data providers having to improve and maintain their data to support matching. The report also concludes that an open transfers framework is needed to reduce the cost and risks associated with moving small pots. Consensus will still be needed in order to make progress in adapting and utilising existing approaches to deliver solutions for small pots.

ITM - EXPLORING THE TIGHTROPE OF DATA MATCHING

INTRODUCTION

Small pots are undoubtedly a growing challenge for the industry.

Research and working groups so far have presented several different consolidation options, each with their own merits and challenges.

There are two broad consolidation ideas:

- 1 member-led consolidation
- 2 scheme-led consolidation

Consolidating small pots in any of the proposed ways requires a robust matching process. At a bare minimum, we want to ensure the correct members' pots are being merged. With member-led consolidation, some of the responsibility for making a correct match can be shared with the member, especially if they are already engaged with the process and know the pots that they're consolidating. But scheme-led consolidations arguably require a much higher degree of confidence in a match.

The matching challenge is very similar to that which is faced by the Pensions Dashboards Programme (PDP), so, for some parts of this paper we have considered the thinking, ideas and approaches considered as part of plans for the PDP. The matching challenges are so intertwined, the industry would be wise to consider the solutions for small pots as an extension of the matching solution for PDP, rather than a separate challenge altogether.

THE SILVER BULLET OF MATCHING – UNIQUE IDENTIFIERS

We often look to the Australian pensions model to see how they handle similar challenges, especially considering the similarities:

- ▶ in their form of auto-enrolment
- ▶ in 'pensions dashboard' legislation
- ▶ in favouring a consolidation method to resolve the proliferation of small pots

This year, the Pensions Policy Institute carried out some research² into how other countries are tackling their small pots problems. The research found that using a unique identifier across schemes and providers would make the consolidation process easier.

This is where the Australian and UK systems differ in their approach. Australia already has a central data platform and a form of unique reference number – called a Tax File Number. We could argue our National Insurance number does the job, but is it robust enough?

A TALE OF 3 SISTERS

One of our employees recently told us about her National Insurance (NI) number. She was filling out a form for her sister, casually called out for her NI number, and laughed when her sister recited what was almost exactly her own NI Number, bar one digit. But it wasn't a joke – it was her sister's NI number, with just the last digit different.

A younger sister chimed in too – her NI number being the next one up in the sequence. And so, it turns out, NI numbers are not so different after all.

2. <https://www.pensionspolicyinstitute.org.uk/media/3694/20210112-ppi-small-pots-international-report-final.pdf>



Had we rewound a few years, all three sisters were living in the same house. There are just 2 years between each birth year, and a month different for birthdays. In fact, for a couple, one was born on the 5th, another the 6th. Surnames are the same. Two siblings worked for the same employer for a number of years. There are plenty of similarities, and in this case, NI numbers may not be a strong enough differentiator when it comes to automatically consolidating pension pots. While they are intended to be unique, they cannot be relied upon to be distinctive!

This tale isn't unusual. We asked around and a simple but intriguing canvas of our office shows this is more common than we'd imagined.

Whilst we do not yet have a central data platform, a single unique identifier, or stringent uniformed data standards across the industry, the challenge of confidently matching members' small pots is a significant one.

Throughout this paper we present ideas, our own analysis and research, and some approaches we believe will work to solve the small pots consolidation matching issue, in a way which adequately protects members.

And that's the crux of it – protecting members. The industry wants to solve the small pots problem to help members receive the money they're due, to protect it from erosion by fees, to prevent pots from being 'lost'. We can only do this well if adequate safeguards are built into the mechanism or system we create now in order to overcome the small pots problem. The biggest barrier to this is data, and more specifically matching.

MATCHING CRITERIA – A COMBINED APPROACH

With a single, truly unique identifier outside of our grasp for now, we'll need to rely upon a combination of other criteria in order to get it right. The Pension Regulator's common data standards have helped the industry to move towards taking a homogenous approach to some common data items. This is helpful but hasn't created uniformed, and more importantly, accurate cross-industry data which is reliable enough for auto-consolidation.

The PDP has carried out detailed research on data standards and the consensus is that core items – such as full name, date of birth and NI number – will be used to help members find and view their pensions. But pensions dashboards have an advantage – the member is already engaged, their identity can be verified, and additional data points are established. At least one side of the matching equation can be relied upon (with the notable exception of NI number which unfortunately will still need to be typed in by the member).

With pensions dashboards, schemes will retain responsibility for protecting a member's data, but using technology, there can be adequate steps in place to provide the confidence in identity and matching, although as we will see this is also not without challenges. Without a member's involvement, can the same be said for auto-consolidation of small pots?

As a minimum, the industry will most likely want to agree on best practice matching criteria. Under pensions dashboards, data controllers are releasing data to individuals and don't want a data breach. Ultimately, under an auto-consolidation method, members' money will be moved, so arguably a higher degree of certainty is needed. Either way matching is key!

SMALL POTS SOLUTIONS – AND THEIR DIFFERING MATCHING REQUIREMENTS

Both member-led and scheme-led consolidation require some form of matching, each with varying degrees of risk.

MEMBER-LED SOLUTIONS

SOLUTION	MATCHING CHALLENGES
Voluntary pot follows member Employee provides details of their former pension provider to their new employer and can move their deferred pot to their new scheme if they want to.	<ul style="list-style-type: none"> ▶ member-initiated so less of a matching challenge ▶ relatively low engagement rate expected ▶ lots of extra transfer traffic, so automated matching would need to be at least part of the solution
Lifetime provider One pot for life. A member provides details of their single pension provider and pension pot when they start a new job. Their employer, and their employer's payroll provider will need to connect to the pension provider, find the right pension pot and make sure the right pension contributions are added.	<ul style="list-style-type: none"> ▶ matching challenge is exacerbated over time ▶ employers: increasingly support variety of schemes – additional complexity in payroll interfaces used for matching/wider data transfer ▶ provider side – ever-increasing member matching & reconciliation burden

SCHEME-LED SOLUTIONS

SOLUTION	MATCHING CHALLENGES
Same provider/scheme consolidation Some members already have multiple pension pots with a single provider. This may be because of different products, charging structures, benefit structures, employer rules and regulations. If these issues are overcome, the provider would still need to have enough confidence in data to combine pots.	<ul style="list-style-type: none"> ▶ advantages in creating and maintaining a 'single customer view' ▶ creating that view to start with requires initial matching process ▶ if customers do not engage in the process this can still be challenging
Default consolidator – long-term savings Pots that have been inactive for a period of time are automatically transferred to a default consolidator, possibly with a choice being able to be exercised by the member as to which consolidator is chosen.	<ul style="list-style-type: none"> ▶ the matching challenge moves to the default consolidators ▶ only consolidators would hold the deferred small pots ▶ another form of 'within provider' matching – could be improved over time through the development of a 'single customer view'
Member exchange A periodic process whereby pension providers would access a data service to seek to identify an active provider for members where they hold deferred pots, and then transfer those pots.	<ul style="list-style-type: none"> ▶ process envisages a data exchange service ▶ the matching requirement is similar to pensions dashboards – with the ceding provider the 'searching entity'
Automatic pot follows member As a member changes jobs, their pot will follow them around, presumably with their new pension provider contacting their previous one to request the transfer of their money.	<ul style="list-style-type: none"> ▶ reverse of member exchange ▶ active provider searches for deferred pots to consolidate



Member-led versus Scheme-led solutions

“Scheme led consolidation solutions are required to tackle the small pots challenge and drive large scale consolidation. This is because... member-led solutions can only achieve a limited amount of change, due to many members being relatively unlikely to engage in the consolidation process.”³

In an ideal world, members would lead the charge on small pot consolidation, vacuuming up their small pots with them as they change jobs, or at any other point, and combining them into a single pension. However, the very rationale of auto-enrolment was based on inertia, which suggests a member-led solution is not the answer. Additionally, the burden on employers, payroll providers and pension providers to handle the additional influx of data sources and administrative challenges make member-led consolidation an unlikely option. So, it seems likely an automatic scheme-led consolidation route will be the answer.

This means the matching process needs to be near-on perfect, with data cleansing, robust checks and as many data points and unique identifiers and matching criteria used as possible to secure a confident match.

Confidence is crucial. Within this paper we do not touch on the legal aspects of consolidation, where the responsibility in the accuracy of getting it right lies, or the burden of corrections when things inevitably go wrong. Matching has a part to play in mitigating those risks, and additional protections in law may be required, although the legal aspects are for an altogether different paper (and altogether different experts!)

MATCHING CHALLENGES – WHAT COULD GO WRONG?

Matching failures fall into two broad categories – mismatches and lost opportunities.

► WHEN THINGS GO WRONG – MISMATCHES

This is a worst case scenario – incorrect members’ pots get combined. This is bad full stop - and if this happens over time, and repeatedly, it can get messy and very difficult to unpick, even if it is spotted.

For example, an NI number is mis-keyed and a member’s pot is consolidated incorrectly within a provider. This would normally be due to just human error, however, how easy it is to rectify will depend on the functionality of the platform. Some platforms would have automated capabilities to rebuild investment histories and automatically adjust for investment loss, provided the error was contained within the platform. However where automated processes are not available then the overhead to unwind and correct errors could become significant.

But, what about if that member’s pot was instead consolidated into a pot with a different provider? The potential snowball effect would be onerous and in some cases near-on impossible to resolve.

► WHEN THINGS GO WRONG – LOST OPPORTUNITIES

On the flip side, tighten the matching criteria too much and we run the risk of making the auto-consolidation of small pots ineffective, because the matching process will fail to identify that pots are indeed owned by the same individual. If we are too prescriptive, do not use multiple data validation points or enable fuzzy matches to be verified, we could miss the opportunity to consolidate many more small pots.

CHOOSING MATCH CRITERIA

The fact that we’re even talking about matching criteria for small pots is of course reflective of a key data weakness – there’s no unique identifier in our pensions universe data that fully does the job of identifying where pensions belong to the same people.

³ Small Pots Working Group Report (conclusions & recommendations)

We know that NI number is a contender for this but has the weaknesses we've previously discussed – so we're into an inexact science, and hence any matching criteria that are used are simply a test that compares a set of data items to form a view as to whether two pension records are indeed for the same individual.

It's also worth noting that it's not just the choice of data items to compare that matters, but also the extent that a 'fuzzy' logic be used as part of the matching process - for example 'Smitherson-Blythe' must be the same surname as 'Smytherson-Blithe'?

What data items should be used to perform this matching test?

There's been a wide polling of views as part of the pensions dashboards call to input, with respondents favouring NI number, date of birth, surname, first name, post code, address, gender, email and mobile phone⁴. There was also a consensus that the data items *surname*, *date of birth* and a valid *NI number* are going to be the most important in the matching process. It's not that email addresses and mobile phone numbers could not help with matching IF they were populated reliably across pension databases, it's just that they aren't at present.

Providers are already operating matching criteria to solve **within-provider** small pots consolidation, or for the purpose of maintaining single customer views, and are finding it challenging. The example of NEST given in the Working Group paper⁵ sets out the challenges being faced in practice when within-provider consolidation forms part of standard processes. In that example, where three out of four of gender, name, NI number and date of birth match, then attempts are made to contact members to complete the process. But this has had limited success due to the lack of response, and other automated approaches are being trialled.

Tackling the matching problem **between providers** is even more challenging. Other projects currently being set up to explore small pots solutions define matching criteria they will use, but are not specifically setting out to test the effectiveness of those criteria.

HOW MATCHING TESTS CAN GO WRONG

Matching tests are essentially a statistical test to predict, with a level of certainty, whether two pension records are in respect of the same individual. When described like this, it's not surprising that they're imperfect tests, but how do those imperfections come to light?

Let's think of our matching test along these lines:

- ▶ Mr Smith's pension record in the ABC master trust is the starting point. It has a set of data attached to it that define Mr Smith. Alternatively, this could be the Pension Finder service request from pensions dashboards made on behalf of Mr Smith when he uses a pensions dashboard.
- ▶ The test is then to find all the other pension records that we predict are in respect of the same individual – and let's say Mr Smith has five other pension records. For small pots consolidation there would of course be further tests on pot size etc, but for this purpose let's just focus on identifying the existence of his other pensions.

Fundamentally we want to know how good our matching test will be at doing this job – and to help us do this there are **two measures** that are particularly helpful:

- ▶ How well does the test pick out Mr Smith's five other pension records – and how sure can we be that it won't miss any of them? *This is known as the Sensitivity of the test*
- ▶ How well does the test identify that every other pension record is NOT Mr Smith's – and hence how sure can we be that it won't incorrectly suggest that one of them is his? *This is known as the Specificity of the test*

4. <https://www.pensionsdashboardsprogramme.org.uk/wp-content/uploads/2020/12/PDP-data-standards-guide.pdf>

5. <https://www.gov.uk/government/publications/small-pension-pots-working-group/small-pots-working-group-report>. Chapter 4/Same provider/scheme consolidation/Nest's approach to multiple member accounts



Our research focuses on these two measures which are better described as:

1. 'Lost match' opportunities – or false negatives

The test misses Mr Smith's other pension pots. The pots go unconsolidated and may remain 'lost'.

2. 'Mismatch' – or false positives

This is the worst-case scenario – where in the case of Mr Smith above, the test finds other pensions it 'thinks' are Mr Smith's and recommends auto-consolidation. In this situation, incorrect pension pots get combined.

OUR ANALYSIS ON REAL SCHEME DATA

QUESTION 1 - HOW EFFECTIVE ARE DIFFERENT MATCHING CRITERIA FOR FINDING ALL PENSION RECORDS BELONGING TO AN INDIVIDUAL?

This first question is all about presence and accuracy of data – if we could rely on both of these then matching would be a walk in the park, but of course, we can't.

How accurate is the data you are trying to match to?

The world never stops moving and so is the case with data. Not only can data be entered incorrectly, but the accuracy of key personal data items is also affected by age. We're creating new approaches to assessing the matching accuracy of a particular data item, considering:

- ▶ the age of the data item
- ▶ whether it has ever been verified
- ▶ the time that has elapsed since its last verification
- ▶ the complexity of that data item (e.g. double-barrelled surnames)

All of which is being used to inform what this means for the data matching accuracy.

How does data accuracy impact a matching test?

It's likely a combination of data items will be used for matching, for example, one of the options we've looked at is:

NI number, surname, first name, date of birth and address

However, there is only a given probability that each data item is accurate – these are usually pretty high (maybe with the exception of *address* for deferred members). But when you're matching on multiple items the probability of a correct match is the product of the probability that each data item is correct. This creates a conundrum because the more data items you use, the greater the chance that poor data quality will mean you fail to make the match – i.e. a lost match.

RESEARCH METHOD

To assess the probability of a lost match we need to score the accuracy of each personal data item and the combinations used for matching. We applied the following methodology on a research data set of over 250,000 records:

- ▶ For each personal data item we performed a series of checks to assess the probability of its accuracy, including:
 - ▶ **Check for consistency** – for example where a date of birth is inconsistent with other data such as scheme service dates.

► **Assess record age** – the likelihood that a data item will have become “out of date” increases over time e.g. a member moves address.

► **Field complexity** – the longer the field or less common the structure (e.g. a free text field for a date) means it’s more likely to be entered incorrectly or have had complications during migrations.

► For each personal data item and each accuracy check, we created a weighted reduction in probability that each personal data item is accurate.

► We then created a set of match criteria based on likely combinations of personal data items and hence a combined probability of each combination being accurate.

FINDINGS – HOW LIKELY ARE WE TO MISS PENSION RECORDS WHEN MATCHING?

The chart below shows combinations of data items which may be useful as matching criteria, and their score for data accuracy based on our analysis. Each combination has 3 scores which account for levels of tolerance depicted as low, medium and high, capturing realistic variations in actual data quality if the data used in this analysis was to be fully verified, such as by using external tracing services.



The key conclusions are:

- the more data items that are included in matching criteria, then the less chance of a match.
- the inclusion of data items in matching criteria that are subject to more frequent change (such as address), and are hence more prone to inaccuracy, also reduces the chance of a match.



FOLLOW UP

In carrying out this analysis we've made some assumptions around levels of data accuracy. We're expanding our analysis to include data on when the last verification took place, such as by address tracing, and also by refining assumptions through analysis of socioeconomic factors that come into play, such as how often people move home or change their name.

We're also going to combine this work with actual external data verification that assesses the true accuracy of certain data items, such as addresses, surnames and even dates of birth.

QUESTION 2 - HOW EFFECTIVE ARE DIFFERENT MATCHING CRITERIA FOR PREVENTING MISMATCHES THAT LEAD TO INCORRECT POT TRANSFERS?

This question is also partly about data accuracy but is also about understanding what it takes to uniquely define individuals, and what the impact of using slightly weaker criteria can be.

WHAT LEADS TO INCORRECT MATCHING?

Incorrect matching can occur both when the number of matching data items is too few (e.g. surname + date of birth) or when member data has errors (e.g. a single digit wrong for an NI number).

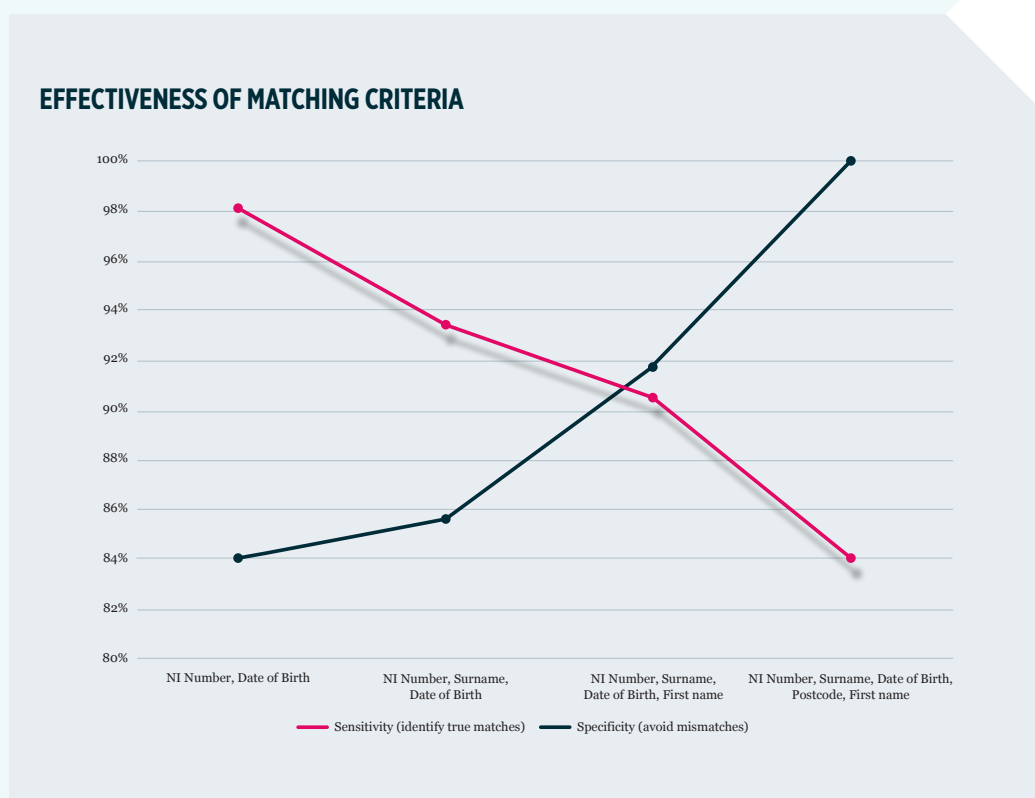
The selection of matching criteria is the key factor in preventing incorrect matching. As in our earlier 3-sisters example, family and relationships can lead to many personal data items being the same (e.g. address or surname) as well as seemingly unique data (e.g. NI number) being close enough to allow incorrect entry to cause duplication.

RESEARCH METHOD

- ▶ To assess the probability of incorrect matching, we carried out an analysis within our research data set.
- ▶ We investigated the effect of progressively weakening a set of match criteria by removing data items, starting with the criteria: NI number, surname, first name, date of birth and address. For the purposes of this analysis, we took this as a baseline that would not result in incorrect matches.
- ▶ We matched members to each other across our research data set on the different match criteria.
- ▶ As the match criteria were weakened by removing a data item, we analysed the increase in the total number of matches, and incorporated the data quality analysis used in Question 1 to estimate how much of that increase was actually due to the poor data quality of the data item that had just been removed (but still representing a correct match)
- ▶ This also then enabled us to estimate the probability of newly matching records actually being mismatches.

FINDINGS – HOW LIKELY ARE WE TO MAKE MISMATCHES?

The results of this analysis are shown in the chart below, showing the strengthening of matching criteria, and the impact that this has on the probability that the matching test will NOT produce mismatches (specificity) and the probability that the test WILL identify true matches (sensitivity).



Note: The use of post code is to negate any errors due to address formatting

The clear finding from this analysis is the conflict between the two measures. No one matching criteria can achieve close enough to 100% on both measures, and a tiny deviation from 100% can still be a big problem.

For example, the second tightest criteria of Date of birth, NI number, Surname and First name, on the face of it looks appealing with scores of 91.6% and 90.5% respectively. However, a roughly 9% chance of a mismatch is pretty bad for small pots, and for statistical reasons the 9% drop off would probably translate into a much higher proportion of matches being made incorrectly in the world at large - that's an awful lot of mismatches!

So we conclude that the only viable approach is to use a matching test that is not prone to mismatches, and then drive up the probability that the test will indeed find all the pensions it is looking for. This could be done by improving data quality by whatever means to do this, using safe 'fuzzy' matching techniques to match where errors are obvious, or by following some of the other approaches we discuss below.



FOLLOW UP

We're taking this research further with our clients to help them verify their data to the best of their ability, for example using tracing techniques, to see how matching test sensitivity levels can be improved in preparation for pensions dashboards. We're also looking at how fuzzy matching can be used safely, using concepts such as Levenshtein distance, and how wider probabilistic matching techniques can be used to create matches within data provider's data sets, as discussed further in our conclusions.

We'll be sharing our findings with the Small Pots Coordination Group through its Data Standards Working Group, helping to provide evidence that guides their recommendations regarding matching approaches, and how these should be reflected in data standards to enable small pots consolidation.

CONCLUSIONS

WE SHOULDN'T HAVE TO BE DOING ALL THIS MATCHING!

Our pension system is not designed with the infrastructure and mechanisms in place to make solving the small pots pensions issue easy. We don't have universal data standards. We don't have an industry wide data platform. We don't have truly unique identifiers.

We can argue that the TPR's common data standards bring us 'close enough' to universal data. We could argue that the pensions dashboards will be 'close enough' to an industry wide data platform. And we could argue that National Insurance numbers are 'close enough' to a unique identifier. But when it comes to moving money, having the confidence and certainty in matching the correct members' pension pots together, is 'close enough' good enough?

After our analysis we've concluded that with the pension system as it stands, the only way we'd bet our small pot of £200 on a match being correct is if a tight matching criteria was used. However, if the personal data that is held on our record is not fully cleansed, then that tight matching criteria will not deliver a match, and our £200 small pot will sit there – which we all agree is a poor outcome.

However, with the significant change of pensions dashboards coming down the track, can the pension system itself change to remove the need for this endless matching?

HOW CAN PENSIONS DASHBOARDS PROVIDE THE SOLUTION?

Pensions dashboards will undoubtedly be an important first step in helping us solve the small pots challenge. They will provide a uniform common data model and an ecosystem through which individuals can access their small pot details. However, if dashboard users find they cannot reach all their pensions, they'll simply be exposing the matching problem, rather than solving it!

There are **three pillars** to driving a solution to small pots matching through pensions dashboards:

1. **Schemes and administrators need to raise the bar on data accuracy in preparation for pensions dashboards - by auditing, cleansing and enriching data that will support matching.**

This requires a combination of...

- ▶ Verifying the data that schemes already hold, such as through tracing techniques
- ▶ Capturing new data to help with matching, such as email addresses or other identifiers

This is a much higher bar to meet than the common data testing usually carried out.

2. **The infrastructure that is developed by data providers to support pensions dashboards needs to be broad-thinking enough to encompass small pots auto consolidation too. This should include pro-actively establishing unique identifiers and building in ‘matching memory’ as part of its design.**

- ▶ Data providers can use technology, such as advanced probabilistic matching techniques, to match members as part of their processes.
- ▶ When individuals are identified multiple times across their portfolio – hold a permanent record of that.

Why have to match again tomorrow when the match that was established today can be remembered?

3. **The technology used to connect into the pensions dashboards ecosystem needs to help members make matches and become part of the data cleansing process.**

- ▶ When members can’t reach their pensions, data providers will need to return an “*it might be you!*” message in a managed way that enables users to follow up with their data provider.

As long as the data provider’s technology supports the resolution, we should over time continually improve data ready for future matching.

The functionality to match person with pension and the functionality to match pension with pension are two sides of the same coin. The requirements on data providers for pensions dashboards could easily be widened to support matching for any reason - including small pots consolidation.

If the three pillars above become central to the industry’s approach to matching, then we really do have the ability to solve the matching problem to the level that will help make automatic small pots consolidation a reality!



ALTUS - THE BALANCING ACT OF RISK AND COST FOR TRANSFERS

THE PENSION TRANSFER CHALLENGE

The small pots transfer challenges laid down in the DWP Chaired Small Pots Working Group Report 2020 broadly fall into two categories: risk and cost.

The risk challenge is to ensure that members are protected from scams, inappropriate schemes, and unnecessarily high charges.

The cost challenge is to minimise the administrative burden on pension administrators. In short, if it costs more to transfer a pension than it does to carry on administering it where it is then we have failed to meet the challenge.

The report lays out a range of approaches to consolidating small pots, some initiated by the member and some automatic, requiring no action from the member. We have not commented on the merits of each approach but have focussed on the mechanisms needed to effect the pension transfer. Each approach presents its own peculiar problems to be solved, yet the main thrust of the transfer challenge is the same for all of them.

And helpfully the DWP Chaired Small Pots Working Group Report 2020 also steers us towards the answer:

“Unified data standards ensure a less costly and speedier transfer system”.

In an environment as disparate as the UK pensions industry, a common set of standards seems like a great place to start.

AUTOMATIC TRANSFERS - 2015

Before we start looking for new answers it is worth looking back at the work already carried out by government and the industry.

The small pots problem was first formally recognised in a DWP consultation paper in 2011. (This was the source of the now ubiquitous statistic that each person has an average of 11 jobs in their lifetime.) In 2012, the government decided to pursue the automatic pot follows member approach and the DWP spent the next couple of years thrashing out the detail in a commendably collaborative exercise involving a wide range of providers, trustees, administrators, trade bodies, experts and suppliers from across the industry.

This work culminated in the DWP February 2015 report, Automatic Transfers, A Framework for Consolidating Pension Saving. Of course, with a change of government and a new pension minister a short while later, the whole project got kicked into the long grass but given the extensive analysis undertaken it would be wise to listen to their conclusions.

Mirroring the suggestion of the more recent Small Pots Working Group Report much of the thinking also centred on the use of open standards:

“This is in keeping with government policy on Open Standards. By implementing the Open Standards Principles for software interoperability, data and document formats, government bodies are supporting the delivery of:

- a. A level playing field for open source and proprietary software providers competing for IT contracts.*
- b. Improved flexibility and ability to cooperate with other bodies, individuals and businesses.*
- c. More sustainable cost in IT projects.”*
- d. Transparency in specification and implementation requirements.*

But more than a general preference for open standards, they identified existing standards and standards bodies that would best suit their purpose:

“We have decided that utilising ISO20022 as the basis for the pot matching and pot transfer message standards is the appropriate approach.

It is our intention that the governance of these messaging standards should fall to the ISO20022 community. We believe the UKFMPG (UK Funds Market Practice Group) is best placed to oversee these standards in a subgroup designed for this purpose.”

When the project was dropped by the DWP the UKFMPG work on pot matching withered away. But the UKFMPG ISO20022 standard for pension transfers already existed even before 2015 and has continued to flourish in the intervening years.

OPEN STANDARDS

The DWP articulated the benefits of open standards very well.

The UK pension industry comprises many and varied players. One size certainly does not fit all. The use of open standards allows each administrator to choose a solution that fits them whilst ensuring they can interoperate with all their peers.

The competition between technology suppliers imposes a downward pressure on costs. And the considerable increase in transfer volumes inherent in consolidating small pots should result in a correspondingly considerable reduction in marginal costs.

The preference for open standards by the government is not a passing whim, it is a longstanding government policy. The goal of the Open Standards Principles, first published by the Cabinet Office in 2012, is to ensure that all areas of government adopt open standard approaches wherever possible.

More practically, it simply wouldn't be possible to get all pension administrators to agree to a single proprietary solution. And the government would never impose one as it would create a monopoly with no incentive to reduce costs as volumes rise.

The case for an open standard answer to small pot transfers seems quite overwhelming. Fortunately, an open standard solution already exists.

THE UKFMPG TRANSFERS MARKET PRACTICE

The UK Funds Market Practice Group (UKFMPG) is the UK constituent of the global Securities Market Practice Group whose role is to establish practical standard market practices using ISO20022. ISO20022 is itself an international initiative aimed at providing open standards for all electronic data interchange between financial institutions.

In 2013, the UKFMPG transfers subgroup published the first open standard for pension transfers. (The UKFMPG transfers subgroup is sometimes, rather confusingly, referred to as the UK Electronic Transfers and Reregistration Group (UKETRG) but we will stick to UKFMPG in this report.)

The UKFMPG transfer market practice covers a wide range of pension transfers including pre- and post-drawdown, cash and in-specie, and ISAs and unwrapped investments. The small pots requirement is likely to be limited to pre-drawdown cash transfers but there is an advantage to administrators if the same solution can be used for everything.

The transfers market practice has gone through many iterations since 2013 and is gradually becoming more widely adopted.

As you would hope for a successful open standard, there are multiple compliant technology suppliers, including Calastone, Origo, Actuate and Altus, and some participants have decided to build their own solutions. All interoperate over the SWIFT network. Using the same network that banks use to issue payment instructions to each other provides confidence that each participant knows exactly who the instruction has come from.

In 2015 the DWP working groups concluded that re-using the UKFMPG for small pot transfers would be helpful, however this has not been raised in more recent small pots working groups. This is a missed opportunity and should be considered in the new working groups.

A LEGAL FRAMEWORK

Open standards for electronic messaging are certainly an important part of the small pots solution. It goes a long way to resolving the cost challenge, but it doesn't really address the risk challenge.

Trustees need to look after members. From a transfer perspective, that means helping members make informed decisions, protecting them from scams, undertaking appropriate due diligence on receiving schemes, and double-checking member consent. In most cases, these concerns result in a lot of paper forms and manual processes for each transfer and is the main reason why transfers take so long.

A common legal framework for the parties involved in a transfer goes a long way to resolving these problems. A clear set of obligations and liabilities accepted by all parties means that checks only need to be done once and the risks for each party are much clearer.

Current industry work on small pots is seeking to reduce costs in the transfer process. At Altus we believe we don't need to start from scratch in establishing such a framework for small pots.

TISA EXCHANGE (TEX)

TISA Exchange (TeX) was formed in 2012 to act as a ‘contract club’ for financial services providers conducting transfers of customer accounts. Its initial focus was ISAs and investment accounts, but it was extended to cover a wide range of pension transfers in 2014.

TeX provides common contract terms to lay out obligations and liabilities and target service levels to ensure customers get a good service. A key part of the contract is an obligation on the receiving party to verify the identity of the customer and secure appropriate consent, and to accept the liability if anything goes wrong.

As part of giving that consent, the customer must agree to the terms of the common declaration so all parties can be sure that consent is explicit and comprehensive. Standard declaration wording was developed separately by TeX and Origo but these have now been merged into a common form under Criterion.

This greatly simplifies the transfer journey and the risks for the ceding party.

For the most part, TeX assumed that participants are using the UKFMPG open standards, but the TeX framework can be used for any transfer mechanism and is frequently applied to paper transfers.

TeX is entirely owned and run by its members, of which there are now well over 100 representing around 400 companies and brands including life offices, platforms, pension providers, wealth managers and fund managers. Together they process hundreds of thousands of ISA and pension transfers every year.

Of course, the TeX framework is aimed at customer-initiated transfers but it could also provide the foundation for automatic transfers.

VIANOVA

The ViaNova group was formed in 2005 and provides a forum for corporate pension administrators to collaborate on improving operational efficiency. Their philosophy is centred around the use of open standards to automate key administration processes.

Their first success was a new ISO20022 based standard for corporate pension fund trading which is now supported by all the major scheme administrators and fund providers. More recently they have turned their attention to transfers.

The ViaNova group focusses on just corporate pensions, as the challenges of corporate pension administrators are often quite different to those of life offices and the rest of the pensions industry. Nevertheless, the very nature of transfers means that all parts of the industry must work together, and it didn’t take long for the group to agree an approach.

Their decision was to adopt the UKFMPG market practice and the TeX legal framework, but they also instigated some changes to the legal arrangements, the common declaration wording and the transfer process to ensure that all their needs were met. They achieved that without too much impact on existing TeX members and now both corporate schemes and some master trusts are beginning to implement the necessary changes.

This is an important development as for the first time we have a common set of standards accepted by the whole industry.

“We believe the ViaNova/TeX partnership is the key to solving the industry’s pension transfer challenges. By combining open standard solutions with a common legal framework we can streamline end-to-end transfer processing to reduce costs for administrators and most importantly create a much improved member experience. The use of open standards gives us the flexibility to create the most effective solutions for our operations whilst ensuring we can smoothly interoperate with other administrators right across the pensions industry.” Andy Hussey, Willis Tower Watson and Co-Chair of ViaNova working group.



TRANSFER PROCESS

The standards from UKFMPG, TeX and ViaNova combine to form the open transfers framework. The transfer process at a high level comprises the same steps as a manual process but many of those steps are quicker and simpler.

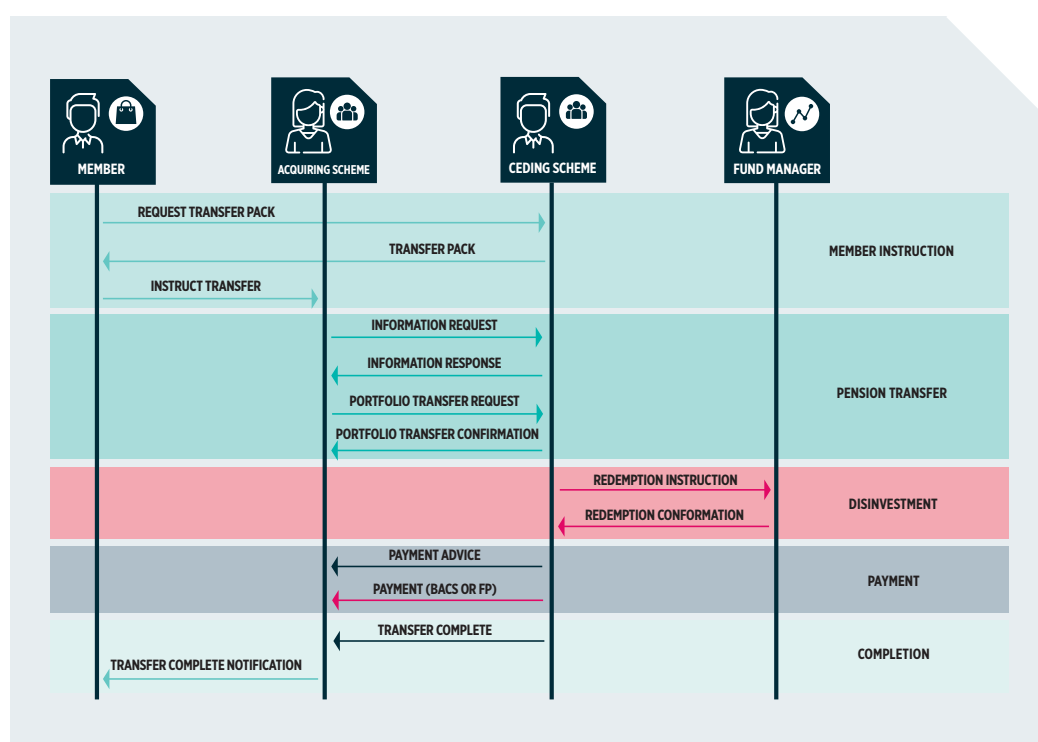
The transferring member may still need to be sent a transfer pack but administrators are increasingly handling this electronically. The member then instructs the acquiring scheme to initiate the transfer but again a paper form is no longer required, and many are making the whole process electronic.

The UKFMPG electronic messaging then takes over, firstly to validate the member details and pension value and then to instruct the transfer. Use of the SWIFT network means that trustees can be sure of the identity of the acquiring scheme requesting the transfer and for established schemes to which members regularly transfer the instructions can be immediately and automatically actioned.

The assets in the pension can then be disinvested via standard daily processing, typically aggregated with other disinvestments. Once settled, the proceeds can be paid to the receiving scheme and payment advice issued to allow easier reconciliation.

The transfer standard does not mandate a payment method so any can be used. Administrators are now generally moving away from cheques (labour intensive), CHAPS (expensive) and BACS (cheap but slow), and towards faster payments (quick and getting cheaper).

Finally, the ceding scheme confirms the transfer is complete and all proceeds have been paid. Transfers can be conducted in a few days rather than weeks or months under more manual processing. Everything can be electronic and automated, and no paper needs to be involved.



MEMBER-LED CONSOLIDATION

The DWP Chaired Small Pots Working Group Report 2020 proposed three approaches to small pot consolidation led by the member:

- ▶ Pensions Dashboards – Having found their pensions via a Pension Dashboard, the member decides to transfer.
- ▶ Voluntary Pot Follows Member – The member decides to transfer their old pension when prompted to do so by their new employer.
- ▶ Lifetime Provider – No transfer is required as the member stays in the same scheme even when changing jobs.

The Lifetime Provider approach is not without its challenges, but the pension stays in the same scheme and therefore transferring isn't one of them.

For all other member-initiated transfers, whether prompted by a new employer, a visit to a pensions dashboard, or any other reason, the transfer challenge is broadly the same and the open transfers framework is well suited to providing the solution.

It is possible that for a Voluntary Pot Follows Member arrangement, some of the standard obligations on the member could be reduced. For instance, it would make the decision slightly simpler for the member if the regulations accepted that any member detriment would be minimal for participating schemes and therefore that a transfer pack was not necessary.

But this would be a relatively minor simplification for administrators, and it might be simpler to have the same process for all types of transfer.

SCHEME-LED CONSOLIDATION

The DWP Chaired Small Pots Working Group 2020 concludes that member led transfers alone will not be sufficient to solve the small pots problem and that this will need to be complemented by some automatic transfer arrangement needing no action from the member. It outlines four approaches to small pot consolidation led by the scheme:

- ▶ Same Provider/Scheme Consolidation – Pensions are virtually or physically consolidated where a member has multiple pots in the same scheme.
- ▶ Automatic Pot Follows Member – Small pots are automatically transferred to the new employer's scheme when the member starts a new job.
- ▶ Member Exchange – Similar to Automatic Pot Follows Member, a selected set of schemes regularly check for deferred small pots that could be transferred to a scheme where the member has an active pension.
- ▶ Default Small Pot Consolidation Scheme – Deferred small pots are automatically transferred to some default consolidator scheme.

The Same Provider/Scheme Consolidation approach is an internal matter for each administrator and no cross-industry agreement on transfer mechanisms is required.

The other three scheme-led approaches (Automatic Pot Follows Member, Member Exchange, and Default Small Pot Consolidation Scheme) all have broadly the same requirements from a transfer mechanism perspective.

The DWP has already concluded in its 2015 work that an open standards solution is the best answer for Pot Follows Member, and this still seems a reasonable conclusion.

The key difference over member-initiated transfers is the fact that the consent for the transfer no longer comes from the member.

New regulations will, of course, be required to set out the obligations on schemes to undertake any automatic transfer and to provide a clear specification of when they should do so. Provided they follow the rules, schemes and providers will need to be confident that members are suitably protected and that they will not be liable for any detriment to the member were errors to occur through no fault of the scheme.



For the TeX legal framework to support automatic small pot transfers it would need some additional clauses recognising that in this case the obligation on the acquiring scheme is not to secure member consent but, for example, follow any future rules laid down by the regulator. The rest of the legal framework should still hold water.

BULK TRANSFERS

The open transfers framework is primarily concerned with transferring individual pension pots. It could be argued that the Member Exchange approach, particularly if the exchange is undertaken infrequently, perhaps just once a year, requires a bulk transfer solution.

We could look at creating some new bulk transfer mechanism where each administrator exchanges member and pension policy data in consolidated lumps followed by a single aggregated and netted payment.

But our experience from the TeX world suggests that the open transfer framework would still provide the solution. Many books of business comprising thousands of individual investors have already been transferred with the open transfer framework. Many participants found it easier to use what was already working for them than to invent something new. If fully integrated, processing a thousand transfers is no harder than processing one. Further, if there are any problems with some of the transfers then only the problematic transfers are delayed. With a bulk transfer process, every member's transfer moves at the pace of the slowest.

It is still possible to aggregate payments across many transfers even when using the open transfer framework. This possibility is discussed in the 2015 DWP Automatic Transfers report but no conclusion was reached. Aggregating payments might be useful if the administrator uses payment methods subject to high fees but in many cases the simplicity of separate payments may well be more economic overall.

SAFE LISTS

For any transfer request, each administrator must conduct due diligence on the receiving scheme to ensure it is a suitable destination for the member's pension. Having a safe list could reduce the time and resource needed to conduct due diligence tests, a cost in the transfer process that has been identified by those considering small pots issues.

Each administrator typically maintains a list of schemes for which due diligence has been carried out and subsequent transfers can be allowed to proceed with minimal further checks. These lists are variously referred to as safe lists, white lists, or green lists.

Previous attempts to establish a central industry safe list have failed. The stumbling block is always finding a party who would accept liability for the list being incorrect. Ultimately, the scheme or their administrator is liable for mistakes and they quite reasonably conclude that they must make their own decisions.

But if administrators are obliged under new regulations to automatically transfer small pots to other schemes, it is hard to avoid the conclusion that the regulator must identify the schemes to which this applies and absolve administrators of any liability for the member later objecting to the transfer.

In their 2015 report, the DWP agreed:

"In Phase 1 we can minimise or eliminate this cost by setting up a defined list of schemes that will be included within the system and in order to automatically transfer a pension pot both the ceding and receiving scheme must be on this list. A transfer can then be made without the per-transaction due diligence previously required. Statutory discharge will be given to schemes where such a transfer is made in a compliant manner."

PENSION TRANSFER COSTS

The Small Pots and Automatic Transfers Impact Assessment produced by the DWP in 2012 notes that:

“Research carried out for the Department in winter 2011 estimated that the marginal cost of the most straightforward transfer through Origo Options is approximately £50 for each provider (£105 in total). The cost was found to be chiefly made up of internal time, but also included the cost of making the transfer itself (through BACS or CHAPS).”

Clearly, a cost of £100 to transfer a pension pot that might be worth less than that is unsustainable. But what would a reasonable cost be?

The DWP’s Impact Assessment also notes:

“It is assumed that the marginal cost of administering a small dormant pension pot (and in turn the saving from no longer having to) is £25 per annum.”

A White Paper from Altus, *The Lose-Lose Game: Vulnerable Workers and Shrinking Pensions*⁶, reaches a similar conclusion. Perhaps a reasonable goal then is to be able to transfer the pension pot for less than it costs to leave it where it is for a year.

The technology costs should be a rather modest part of this. Technology vendor fees for open transfer compliant systems broadly range from around 50p to £5 depending on volumes. It would be reasonable to expect the high volumes generated by a small pots scheme to push costs towards the low end of this range.

Payment fees range from around 20p for BACS to £20 for CHAPS. Clearly CHAPS would not be appropriate for small pots, but BACS would be viable and Faster Payment fees are quickly coming down to around the same level.

The big unknown, and currently often the biggest component, is the cost of administration.

The open transfer framework goes a long way to take out manual effort from the process. There’s now no need for due diligence and trustee sign-off for every transfer, no double-checking member consent, and no paper or rekeying.

For the more sophisticated administrators, end-to-end integration of systems is possible which in theory could remove administrator effort completely. There would be a significant upfront investment in technology but the marginal cost of a transfer for high volumes could be less than £1.

In practice, the world is messier than this with exception cases and mismatches, and further work is required to look at minimising effort for small pot transfers. But a headline marginal cost of £1 per transfer is certainly an appealing goal to aim for.

“We are in the process of implementing a ViaNova/TeX automated transfer solution that includes end-to-end system integration. Whilst the upfront investment has been significant we are now looking to roll out to clients providing an opportunity to process a large proportion of transfers with minimal interaction from our administration staff and limiting both the ongoing costs and risk involved.” Andy Hussey, Willis Tower Watson.

6. <https://www.altus.co.uk/insights/lose-lose-game-vulnerable-workers-and-shrinking-pensions-0>



GETTING STARTED

Change is always hard. In a highly regulated and risk averse environment such as pensions, it's really hard.

Progress for the open transfers framework has been slow and sometimes painful. New participants are sometimes reluctant to give up familiar old practices. But once adoption reaches a certain tipping point in any community it's astonishing how quickly open transfers becomes the new normal and the risks inherent in the old paper processes become the biggest concern.

If we are to consider the open transfers framework for small pot transfers then there is still work to be done to prepare the ground for automatic transfers. We suggest the following three steps as a starting point:

Firstly, a small group of administrators supported by technology vendors should road test the existing open standards by mimicking a high volume of automatic small pot transfers. This will help us understand how we can process transfers most efficiently and identify any changes or extensions necessary for the standards to be used for automatic transfers.

Secondly, the largest pension administrators (including those represented in the ViaNova group) should engage with TeX to agree an extension to the contract terms to cater for automatic transfers. This should be done in partnership with regulators to ensure that the new contract terms dovetail with any new regulations and that trustees have the cover they need.

Finally, and most importantly, trade bodies and regulators should clearly signal their intent to employ the open transfers framework, just as the DWP did in their 2015 report. History suggests that progress on industry initiatives is slow going without a clear steer from the regulator. Unless we can all rally round the same standard it is hard to see how we can move forward.

CONCLUSIONS

In summary, the case for using open standards to support small pot transfers has been made many times over many years. Just as the DWP concluded in 2015, the obvious answer seems to be to re-use the existing standards from the UKFMPG.

Many of the key risk and cost challenges inherent in processing large volumes of transfers have already been addressed by the open transfers framework and we would be wise to build on all that good work rather than re-inventing similar mechanisms.

The key remaining challenge is for regulators, trustees, industry bodies and administrators to rally round the same standard. If we can all agree on where we're trying to get to, the few remaining obstacles will be easily cleared.

CONCLUSION BY THE PLSA

The industry needs to come together as a whole to make progress on the small pots issue and ensure that steps are being taken to resolve the problem for savers.

In summary the report makes a number of points including:

Data matching

- ▶ Unique identifiers would make the consolidation process easier, provide more confidence in matches and therefore protect savers.
- ▶ Without a unique identifier, a combined matching approach is needed. Matching requirements may differ depending on the small pots solution. Scheme-led consolidation models require a need for a high level of confidence in the match in order to make a transfer.
- ▶ There are a number of matching challenges including choosing the correct matching criteria and making incorrect matches (false positives and false negatives).
- ▶ Research from real scheme data found that:
 - ▶ The more data items included in the matching criteria, then the less chance of a match.
 - ▶ The inclusion of data items that are subject to more frequent change (e.g. address), also reduce the chance of a match.
 - ▶ No one matching criteria can achieve close to 100% on preventing mis-matches and preventing missed matches - and even a small chance of an incorrect match may be too high for a small pots solution unless further member protections are explored.
- ▶ Improving data quality and using safe ‘fuzzy’ matching techniques to match where errors are obvious, are two techniques that can be used to raise sensitivity of the matching technique.
- ▶ Providers can focus on using these techniques to proactively match members within their platforms, creating within provider unique identifiers.

Transfers

- ▶ The pensions transfer challenge boils down to risk and cost; can pots be moved at a low cost to administrators whilst still protecting members?
- ▶ The conclusion reached in 2015 by the government and industry was that the solution should be based on open standards, and more specifically the UKFMPG transfer market practice.
- ▶ Open standards encourage competition between technology suppliers to bring down costs and allow each administrator to choose the most appropriate solution for them.
- ▶ A common legal framework is needed in conjunction with open standards to clearly set out the obligations and liabilities for each party.
- ▶ For any transfer request, each administrator must conduct due diligence on the receiving scheme to ensure it is a suitable destination for the member’s pension. For automatic small pot transfers a government safe list of receiving schemes could be helpful to absolve administrators of the cost and risk of due diligence.
- ▶ If we are to consider the open transfers framework for small pot transfers then there is still work to be done to prepare the ground for automatic transfers.
- ▶ If the price of transfers is going to reduce significantly a wider system change might be needed, but it still could make sense to build on and learn from other frameworks. We can then see whether these could be used to support a wider new model of transfers to meet the objectives of addressing small pots issues, were this eventually needed.



OUTSTANDING QUESTIONS FOR THE FUTURE

As identified in this report, there are a number of activities already occurring in the industry which can be used and adapted to help address the small pots issues, for example, Dashboard standards and TPR Common Data Standards, existing UKFMPG standards and open transfers mechanisms.

However there are also outstanding questions which need to be resolved:

- ▶ Matching criteria need to be decided on and that account of the trade-off we have seen between false positives and false negatives.
- ▶ A level of acceptable confidence in matches must be agreed.
- ▶ Agreement on the role that data providers for pensions dashboards could be expected to play to improve the 'match-ability' of their data over time where this could benefit small pot solutions
- ▶ New regulations will be required to set out obligations on schemes to undertake any automatic transfers and to provide clear specification of when they should do so.

The Small Pots Co-ordination Group will be addressing some of these areas and a progress report will be published by the Co-ordination Group in both summer and autumn 2021.

STEPS TO TAKE NOW

The industry is leading the debate, but there are steps schemes and data providers can take now:

- ▶ **Schemes can focus on auditing and cleansing their data to make it ready for member matching.** Data cleansing isn't a one-off exercise but part of ongoing BAU processes. The bar for data accuracy in matching is set much higher than most schemes are likely to have achieved with their existing TPR common data auditing.
- ▶ **More ambitiously, data providers could use matching techniques to create single customer views.** Within their own platforms, creating a single view and setting up maintenance processes has already been achieved by some large providers.
- ▶ **And most importantly - engage with the small pots debate!** This is important for schemes of all creeds and sizes.

THE IDEA SERIES



Pensions and Lifetime Savings Association

24 Chiswell Street
London EC1Y 4TY

T: 020 7601 1700
E: plsa@plsa.co.uk

www.plsa.co.uk

July 2021

