

GOOD QUALITY DATA FOR LOCAL AUTHORITIES

MADE SIMPLE GUIDE



MAKING THE BUSINESS CASE FOR GOOD QUALITY MEMBER DATA

DEFINING WHAT GOOD LOOKS LIKE FOR EACH SCHEME



CAN ANYONE REMEMBER A TIME WHEN THE QUALITY, USE AND VALUE OF DATA WAS AS FIRMLY UNDER THE SPOTLIGHT AS IT IS TODAY? THE PENSIONS REGULATOR (TPR) IS TAKING AN ACTIVE INTEREST, THE GOVERNMENT IS DRIVING THE INDUSTRY DASHBOARD FORWARD, MEMBERS ARE DEMANDING SELF-SERVICE, AND LEGISLATION IS LOOMING. BUT DO YOU REALLY KNOW HOW GOOD YOUR DATA IS – AND DO YOU REALLY UNDERSTAND WHAT GOOD QUALITY DATA ACTUALLY MEANS?

This Made Simple Guide gives Local Authority pension stakeholders an insight into the drivers for good quality data – both the benefits of having it and the risks of not having it – and helps define what ‘good’ really looks like for each scheme. It also offers a practical step-by-step guide – from scope, through assessment, to fix and maintain – enabling stakeholders to get and keep their data in shape.

Good quality data matters whatever your priorities, be they reputational risk, cost, member engagement or scheme compliance. Data quality is a behaviour, not a project, and the importance of a scheme’s data quality has never been higher.

Ric Williams
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◆◆ **DO YOU REALLY HAVE YOUR FINGER ON THE PULSE OF HOW GOOD YOUR DATA IS?** ◆◆

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1 INTRODUCTION

THE EVOLVING PUBLIC SECTOR DATA LANDSCAPE

THE PUBLIC SERVICE PENSIONS ACT 2013 (THE 2013 ACT) ENABLED THE ESTABLISHMENT OF NEW PUBLIC SERVICE PENSION SCHEMES AND INTRODUCED NEW REQUIREMENTS FOR THE GOVERNANCE AND ADMINISTRATION OF THOSE SCHEMES. IN ADDITION, IT EXPANDED THE ROLE OF THE PENSIONS REGULATOR (TPR), MAKING IT RESPONSIBLE FOR SUPERVISING THE MAJOR PUBLIC SERVICE PENSION SCHEMES IN THE UK FROM APRIL 2015.

Since 2010, TPR's guidance on member data measurement has been based on the concepts of 'common' and 'conditional' data. Common data is a set of data which is necessary and applicable to all members of all schemes. It includes identifiers such as name and National Insurance number, sex, date of birth, address, expected retirement date and membership status. Conditional data, on the other hand, is the additional, more detailed, data required for the proper administration of a pension scheme. This will vary from scheme to scheme but will enable the calculation of scheme benefits. While TPR has previously set targets for common data, it has not done so for conditional data.

UNTRACKED DATA QUALITY

In September 2013, TPR published the results of an independent survey it had commissioned on the governance and administration of public service pension schemes. Part of this survey looked at the position regarding both common and conditional data in those schemes. Of those LGPS arrangements that participated, the results revealed that, generally, they had not measured or were not aware of having measured their common (56%) or conditional (81%) data score.

Of those which had measured their common data score, the scores were generally 95% or higher. One in five schemes (19%) said they had been alerted to common data problems in the past year, with a similar proportion alerted to other data problems (18%).

Specific data requirements for public service schemes established under the 2013 Act were set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 (the 2014 Regulations). Importantly, while TPR leaves the decision as to what

constitutes conditional data to private sector schemes themselves, the 2014 Regulations set out specific data items that public service scheme managers must ensure are complete and accurate across all of their membership.

MEMBER DATA REQUIREMENTS

Under regulation 4 of the 2014 Regulations, a scheme must hold the following information in respect of each member and beneficiary:

- ▶ Name
- ▶ Date of birth
- ▶ Gender
- ▶ Last known postal address
- ▶ Scheme identification number
- ▶ National Insurance number (for each member/beneficiary who has been allocated such a number).

In addition, for each active, deferred and pensioner member:

- ▶ The dates on which the member joins and leaves the scheme; and
- ▶ Details of the member's employment with any employer participating in the scheme including:
 - ▶ The period of pensionable service in that employment; and
 - ▶ The amount of pensionable earnings in each year of that employment.

Regulation 4 also requires other information to be held depending on whether the member's rights under the scheme are defined benefit or defined contribution in nature, e.g. benefit formulae in the case of defined benefit and investments held in the case of defined contribution. Additional information must also be held in relation to pension credits or debits resulting from a pension sharing order on divorce.



◆◆ TPR EXPECTS SCHEMES TO CONTINUE TO ASSESS THEMSELVES AND TO REGULARLY EVALUATE THEIR MEMBER DATA ◆◆

Public service pension schemes other than those established under the 2013 Act may also find themselves subject to the 2014 Regulations if they are 'connected' to such a scheme, i.e. they make provision to persons of the same description as a scheme established under the 2013 Act. In practice, this means that many legacy schemes may be subject to the requirements of the 2014 Regulations.

UNDERLYING LACK OF COMPLIANCE

In December 2015, TPR published results of a survey it had conducted between July and September 2015 of all the public service pension schemes under its supervision. One of its aims was to assess how those schemes were meeting the statutory governance and administration requirements (as described in TPR's Code of practice 14 – governance and administration of public service pension schemes). As regards member data, 77% of respondents had policies in place to monitor data on an ongoing basis so as to ensure both its

accuracy and completeness in relation to all of their relevant member and beneficiary categories. TPR was concerned, however, that the lack of respondents to the survey may have been an indicator of an underlying lack of compliance.

TPR expects schemes to continue to monitor/assess themselves against these requirements and to regularly evaluate their member data. It has also previously announced plans, as yet unactioned, to publish an annual assessment of governance and administration standards and practices in order to bring greater transparency as regards progress.

2 THE RISKS OF POOR QUALITY DATA

KEY TO THE SUCCESS OF TECHNOLOGY-DRIVEN INITIATIVES IS THE QUALITY OF THE UNDERLYING DATA. THE MAJORITY OF ANY DATA HAS MOST LIKELY EXISTED FOR A CONSIDERABLE TIME, OFTEN EVOLVING THROUGH PERIODS OF VARYING ADMINISTRATION PRACTICES AND BEING MIGRATED THROUGH NUMEROUS SYSTEMS WITH FUNDAMENTALLY DIFFERENT DESIGNS.

The data universe also encompasses data not in the systems, such as historic paper or fiche data files held elsewhere. This can be a significant overhead and strain on day-to-day administration functions where manual recovery of certain data values has to be made.

All of these issues combine to increase operational risk, and will invariably lead to errors and inconsistencies being gradually introduced within the numerous data items that make up the pension scheme database. This natural 'decay' in data quality can have a hugely detrimental effect on a scheme's ability to deliver accurate and efficient services to its membership and quickly negates the benefits of these technology investments.

Cost risk and reputational risk are also of concern. In fact, the root cause of most problems encountered by pension scheme administration departments can be traced back to poor data.

DIRECT IMPACT OF POOR QUALITY DATA

The impacts these problems will have on the pension scheme will range from manageable localised issues to more expensive, higher profile ones:

TYPICAL DATA ISSUES AND IMPACTS

- ▶ Incorrect member benefit calculations
- ▶ Unexpected behaviour from administration system workflow processes
- ▶ Real-time errors being reported when a user attempts to edit an existing record
- ▶ Delays to bulk activities such as annual benefit statement production and valuation exercises
- ▶ Reputational risk from online access where data problems are visible to the member
- ▶ Lawsuits and class actions against the trustees and scheme sponsors
- ▶ Sanctions against schemes by regulators for having poor quality data
- ▶ Reputational risk of being 'named and shamed' publicly for poor data
- ▶ Reputational risk of being unable to participate in the Pensions Dashboard.

All of these problems will generate the immediate need to identify and correct data issues on the spot, often when resources are stretched and deadlines are looming. Operational costs will increase and productivity suffers while reactive data cleansing activities are undertaken. This is not the position that any reputable pension scheme wants to be in.

FRAUD IS A REALITY

As well as being responsible for the quality of a scheme's data, trustees are also responsible for the prevention and detection of fraud. Pension scheme fraud is a reality and a raft of surveys bear this out. A common type of fraud experienced by schemes can be pensioner existence fraud, where benefits continue to be paid to relatives of deceased pensioners. Identity fraud is one of the faster-growing types of fraud in the UK and affects all aspects of an individual's personal wealth. To reduce this risk, some due diligence checks against established third-party data sources can help quickly identify any suspicious records for more detailed investigation.

Unknown deceased members can also impact on a scheme's funding position. By understanding the precise mortality position of the membership, a scheme can accurately calculate its liabilities and also bring any attached spouses' or dependants' pensions into payment.

THE PENSIONS REGULATOR

As previously mentioned, TPR has been taking a more active interest in data quality over recent years, and is increasing its focus on existing data quality and the rectification of any issues. This all comes at a further price to cost-conscious schemes though, as the analysis and corrective effort will have its own resource and expense overheads. Understandably, data quality has therefore featured quite low down on most schemes' to-do lists.

However, times are changing and TPR is now expecting all schemes to take data quality more seriously and to be proactive in their reporting. To quote TPR:

"It's disappointing that we are not seeing more schemes taking their duty to keep proper records more seriously. We've made clear what our expectations are and many schemes, across all scheme types, are not meeting them. By adding record-keeping measures to the scheme return, we will be able to target our interventions more specifically at those failing in their duties."

Andrew Warwick-Thompson, Executive Director, TPR, 30 November 2016.



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SUMMARY

So the clock is now ticking on schemes to take their data quality more seriously and put in place checks and measures to provide concrete proof of this. More importantly, an action plan must be produced with a clear achievable timescale for implementing any data-cleansing activities. The rewards will far exceed the effort invested.

In the next section we will consider the positive impact of good quality data for a pension scheme.

3 THE BENEFITS OF GOOD QUALITY DATA

GOOD QUALITY DATA LIGHTENS THE LOAD. IT IS AN ENABLER. IT CAN REDUCE COSTS, HELP PROTECT REPUTATIONS WITH MEMBERS, REGULATORS AND OTHER STAKEHOLDERS. SIMPLY PUT, CLEANER DATA ENABLES AUTOMATION AND SELF-SERVICE TO BE PUT INTO PLACE. IT ALLOWS SCHEMES TO EMBRACE NEW TECHNOLOGIES AND PROCESSES AND SUPPORTS EFFECTIVE BUSINESS TRANSFORMATION. THESE ARE ALL KEY AREAS WHERE SCHEMES CAN DEMONSTRATE VALUE-FOR-MONEY.

The more automated the scheme, the more access to self-service is enabled.

BENEFITS

So what can be gained from improving pension scheme data quality overall? As well as short-term fixes there are also a number of more valuable benefits that will emerge:

- ▶ **Data is better understood** – less ambiguity in records and more consistency
- ▶ **Administration becomes less ‘specialised’** – reduced reliance on a few long-serving employees who know ‘everything’
- ▶ **Reduced exceptions** – fewer manual calculations are required
- ▶ **SLA deadlines met** – leading to an efficiently-run department with good levels of staff morale and lower backlog levels
- ▶ **More automation, more self-service** – members perform their own simple administration functions
- ▶ **Member platform of choice** – automation gives members the ability to model their own benefits through different platforms
- ▶ **Data becomes more portable** – changing platforms becomes easier as new technologies emerge and less time is spent wondering what certain data means or finding gaps where records should exist
- ▶ **Insource/Outsource** – administration services can be more easily transitioned

- ▶ **Reduced fraud** – reduces the risk of fraud both internally and externally; records are audited and members’ proof of identity is verified and automated
- ▶ **Compliance** – public service schemes will be more able to comply with the relevant legislative requirements in relation to member data and less likely to fall foul of a regulator that is showing an increased interest in the quality of scheme data as a whole
- ▶ **Pensions Dashboard** – schemes will be in a good position to sign up, which will also help reunite ‘lost’ members with their benefits
- ▶ **Best practice** – data quality reporting should be considered as part of the normal annual report and accounting that all schemes have to perform.

It’s not hard to see that most schemes would immediately jump at the chance of obtaining the above benefits given the correct guidance and tools. In the next section we will consider the practical steps that most schemes should adopt in order to give themselves the best chance of achieving these objectives.

SUMMARY

Scheme managers and sponsors should try to adopt a mindset where data quality plays a key part in their overall scheme strategy, in the same way as their investment and funding strategies do.

At the end of the day, everything the administration team produces is driven by the quality of the data upon which it is based. It is this output that the members will see and will judge the service against.

4 PRACTICAL STEPS TO BETTER MEMBER DATA

THE TWO PRECEDING SECTIONS OF THIS MADE SIMPLE GUIDE HAVE LOOKED AT BOTH THE BENEFITS TO A SCHEME OF GOOD QUALITY DATA AND THE CORRESPONDING DOWNSIDES WHERE DATA QUALITY IS NOT WHAT IT SHOULD BE.

This section describes one possible journey that schemes can make in order to improve the quality of their data.

ASSESS AND FIX

1. **Treat it seriously** – so wrap it into a project with scoping, a plan, governance controls, reporting and risk management – don't do it from the side of your desk.

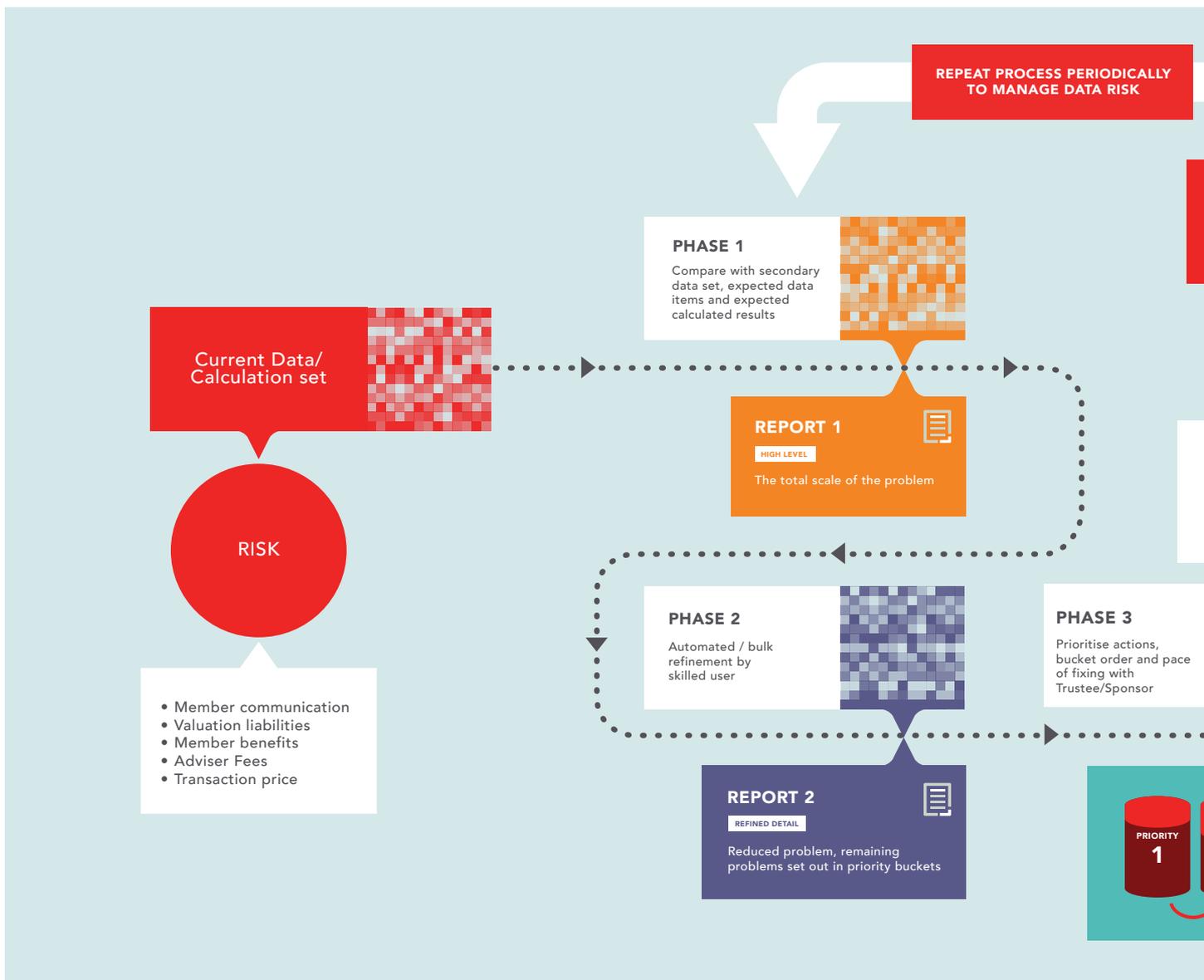
Project initiation is key. In this phase agree the scope, objectives and deliverables of the project by producing a project initiation document (PID) containing:

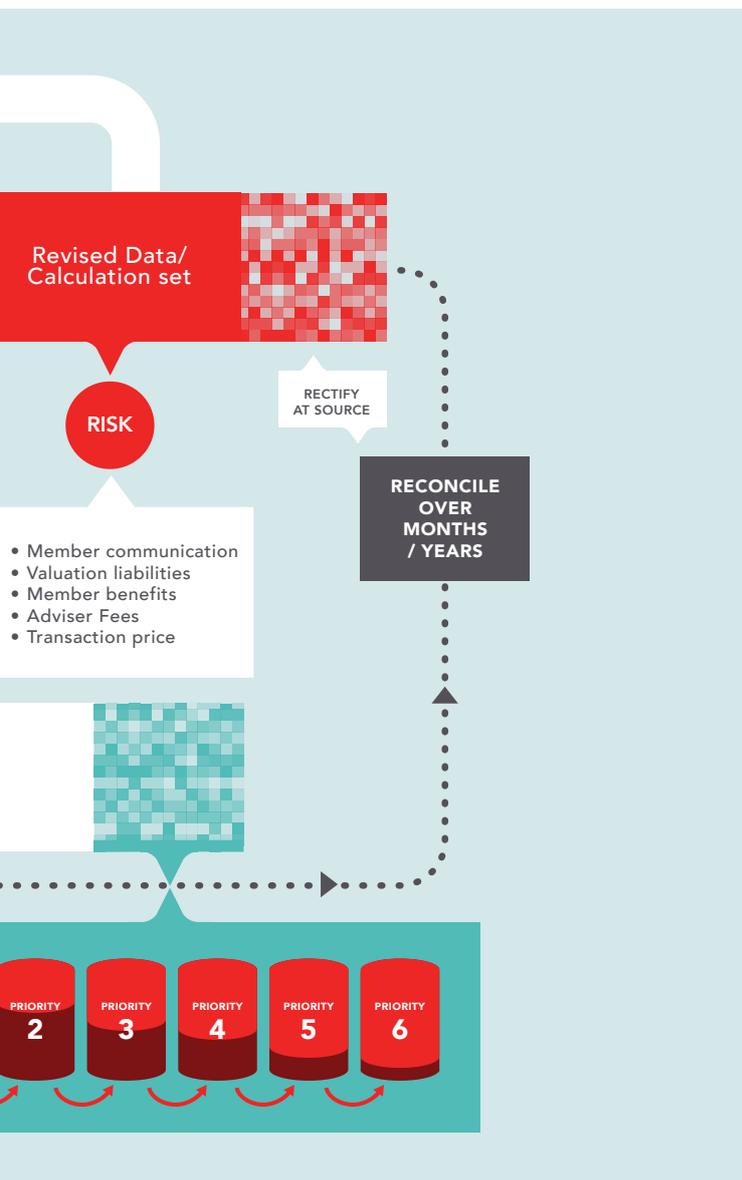
- ▶ Project scope and success criteria
- ▶ Key stakeholders
- ▶ Which scheme/sections are in and out of scope (if appropriate)
- ▶ Membership in scope
- ▶ Reporting and documentation
- ▶ Deliverables
- ▶ Change control
- ▶ Project dependencies
- ▶ Constraints
- ▶ Deadlines
- ▶ Interfaces/data sources/data security implications
- ▶ Assumptions
- ▶ Resources/skillsets needed
- ▶ Outline project plan and key milestones
- ▶ Outline effort and costs
- ▶ Methodology
- ▶ Risks and mitigations
- ▶ Closedown criteria.

◆◆ SCHEMES SHOULD TRY TO
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2. **Recognise the potential scale up front and manage people’s expectations accordingly** but also recognise that it can be managed in an orderly step-by-step way, prioritising effort and spend at each checkpoint – this will be an iterative cycle.

Figure 1: Data assessment





3. **Articulate what you are trying to achieve and why**, so that any initial assessment doesn't deliver something out of sync with your ultimate objectives and so that project creep can be avoided.
4. **Refer back to any previous (routine or standard) assessments** that have already been carried out: what does your existing system/supplier already provide, what have previous assessments revealed?
5. **Scale the whole problem by carrying out a robust assessment of your current data set.** This means spending time defining what you want to check – holes in the data, data that looks wrong relative to other items/ scheme rules, data needed to comply with legislation and other regulatory requirements, conditional/calculated data that you may want to assess against certain criteria, different sources of data sets that you might want to compare against.
6. **Assessment of your core electronic database –** gaps and inconsistencies, the macro view. This will involve running a series of checks and balances against your data set – either in your existing platform or on an extracted data set. You will need to ensure that these checks and balances meet the needs of 3 and 5 above.

Figure 2: Data assessment rating

Members failing at least one data check		
Very good data with minimal cleansing requirements	Current	Benchmark
95% A	81	100
90% B		
85% C		
80% D		
75% E		
70% F		
65% G		
Poor data with high cleansing requirements		

7. **Now categorise this initial assessment** into several views, e.g. by membership category/status, type of error, missing or inconsistent or by data item at source.

Figure 3: Data assessment

Membership statistics	Total members	Critical fails	High fails	Med fails	Low fails
Total scheme membership	9163	970	79	764	17
Total active members	2548	156	3	90	9
Total deferred members	1662	194	46	84	4
Total pension in payment members	4947	614	30	590	4
- Member pensioners	3770	560	28	552	3
- Spouse/dependant/civil partner pensioners	1136	54	0	38	1
- Child pensioners	41		2	0	0
Total other members	6	6	0	0	0

8. **Apply a relative risk/importance factor to the categories of error** thrown up – this will be subjective based on each scheme's relative situation, priorities and appetite for risk. Prioritisation could be achieved by classifying each check as Critical, High, Medium or Low against the impact categories of Financial, Operational, Reputational and Regulatory as shown in the table below. The overall criticality of a data check is then determined by the highest criticality assigned to any one of these categories.

Figure 4: Assessment categories

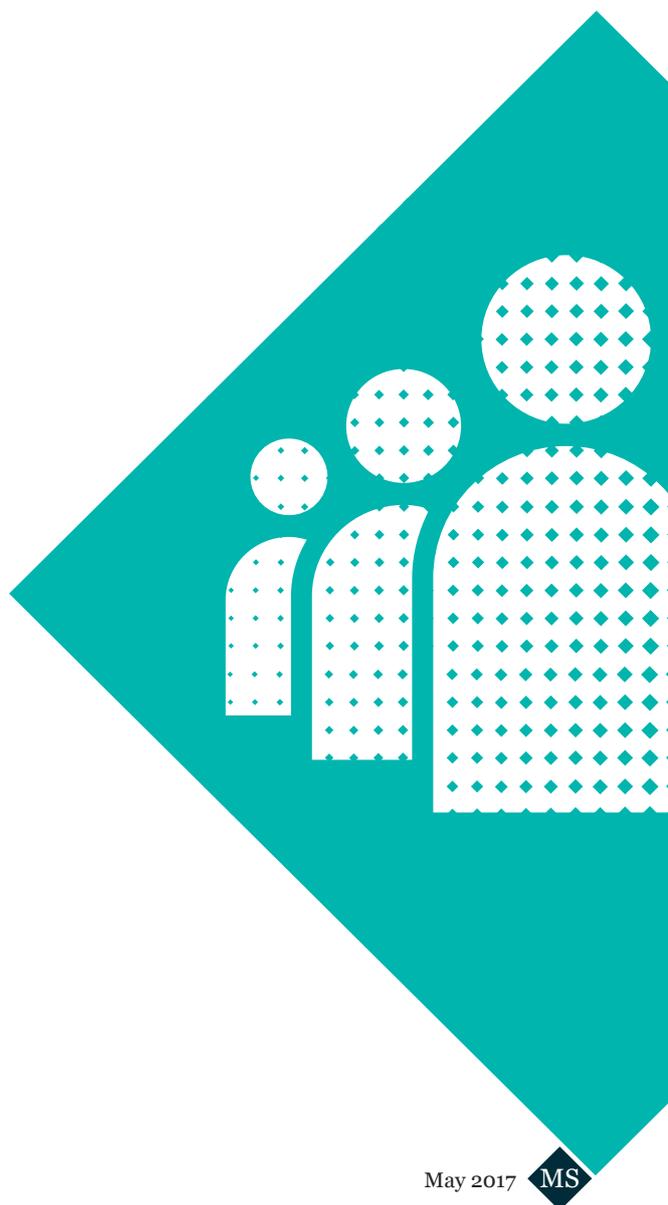
Category	Description
Critical fail	These are data issues which need immediate action as they are likely to have a serious financial or reputational impact.
High fail	These data issues are serious but unlikely to impact significantly on benefit calculations or liabilities. They should be resolved as quickly as possible to ensure data integrity is maintained.
Medium fail	This category relates to less serious data issues which should be fixed when other more serious issues are resolved.
Low fail	These problems will have no impact on any process or calculation and form part of a general tidy-up of data which could be performed if required.

9. **Order the issues relative to these risk factors.**
10. **Decide immediate priorities for next planned assessment and time horizons** – could be quarter, half year, full year etc.
11. **Create detailed plan to tackle first set of priorities** – including fundamentally where to source missing data or correct calculations from.
12. **Ensure data team has correct skill sets** – mixture of pension and technology skill sets.
13. **Automate 'compare and fix' wherever possible** using as many sources of electronic data as possible. Could external parties help – for example in carrying out address tracing in bulk?
14. **Reassess remaining gaps of stage one priorities** and decide approach to manual 'source and fix'. This could include sample or pilot exercises to test success of manual intervention before deciding on full-blown manual assessment for all residual errors.
15. **Fix, upload and re-test to check success rate** – the fix stage may well include the recalculation of benefits and in some cases may result in over/underpayment recovery and/or adjustments to benefits already in payment.
16. **Communicate with any impacted members** where adjustments to benefits are needed.
17. **Go back to step 10, continue through the loop** until success criteria are met.

5 BEST PRACTICE: THE CHECKLIST

SCHEMES SHOULD ALSO ADDRESS CERTAIN OTHER CONSIDERATIONS IN RELATION TO THEIR ADMINISTRATION SYSTEMS AND PROCESSES IN ORDER TO MAXIMISE THE BENEFITS OF GOOD QUALITY DATA AND AVOID OR UNDO THE CONSEQUENCES OF BAD QUALITY.

1. Review of current administration platform – are there weaknesses that can be fixed? Does the system proactively prevent processes running against records with bad data? Can checks be applied at interface load stage to reject poor quality data re-entering the system and enable root cause analysis?
2. Documentation – is the administration system clearly documented with up-to-date schemas, workflow processes, validation logic etc? Do we understand what the system currently does/doesn't do with its data?
3. Are automated calculations clearly documented in specifications? Are there stringent regressions testing procedures in place for future changes?
4. Rollback of bulk errors – how easy is it to 'undo' bulk transactions that are incorrect?
5. Performance – does the system struggle under any bulk data activities? Is there a danger of failure during such a process that could leave bulk updates in an incomplete state?
6. Training – are comprehensive training plans in place for users, and ongoing when new system features are introduced?
7. Are regular system audits performed to identify suspicious/fraudulent activities? Do we undertake the system 'health checks' usually offered by system providers?
8. Are manual activities/calculations still being done – can they be automated?
9. Is member online access allowed? Could this help improve consistent data quality?
10. Are payroll, work management, enterprise data management (EDM) integrated under one system? The more separate systems there are, the greater the risk of data inconsistencies.



6 CONCLUSION

WE HOPE THAT THIS MADE SIMPLE GUIDE HAS HELPED TO CEMENT IN YOUR MIND THE BUSINESS CASE FOR GOOD QUALITY MEMBER DATA. THE GUIDE OUTLINES THE NUMEROUS BENEFITS THAT FLOW FROM MAKING QUALITY MEMBER DATA A BUSINESS-AS-USUAL GOOD BEHAVIOUR TO ADOPT, AS WELL AS THE RISKS OF PUSHING IT TO THE BOTTOM OF THE PRIORITY LIST. GOOD QUALITY MEMBER DATA MEANS BETTER OUTCOMES FOR SCHEME MEMBERS, MANAGERS, SPONSORS AND REGULATORS ALIKE, AND IT DESERVES ITS PLACE NEAR THE TOP OF YOUR IMMEDIATE PRIORITY LIST.

Getting your data into shape doesn't have to be an all-consuming and daunting monster of a task. Following the simple step-by-step process outlined in the Guide gives you the control needed to put in place a well-thought-out and prioritised plan of assessment and action which can be managed over an appropriate time period and at a pace that suits individual scheme budgets.

The Guide also shows how, through asking some basic questions and following some simple steps, you can actively monitor and manage the ongoing quality of your data, preventing all the good work going to waste.

As mentioned at the start of this Guide, good-quality data matters whatever your priorities, and data quality needs to become an inherent behaviour. This is truer now than ever before as the importance of a scheme's data quality has never been higher.

Ric Williams
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