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The Pensions  
Regulator 

# Record-keeping: measuring member data

A consultation on proposals for regulation

Reviews take-up of the regulator's guidance  
*Record-keeping: good practice in measuring  
member data* published in January 2009

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## Measuring member data: progress and options for the future

This consultation document describes:

- progress made by pension scheme providers, trustees and administrators in taking up the 'good practice' guidance issued by the Pensions Regulator ('the regulator'); and
- proposals for the regulation of standards for member data.

In January 2009 the regulator published 'good practice' guidance for measuring the presence of member data items which are important in the administration of a pension scheme. This followed extensive consultation during 2008.

The guidance set out some simple tests which could be applied to key data fields which are important in the administration of pension scheme member records – classified into *common* and *conditional* data.

Our research indicates that progress on both take-up and results within the industry has been limited.

The extent of testing and the results obtained lead to concerns that the importance of high standards in this area is still not well enough understood.

Moreover, since 2008 the requirements of the 2012 reforms have become clearer. The regulations will include specific legal provisions about member record-keeping. High standards will be essential.

We will introduce a strengthened approach to regulating this area of administration. We will use our powers to investigate the standard of record-keeping. We will take enforcement action where evidence exists of poor practices with no plan in place to address them, or a failure to implement a plan. We will select a sample of schemes for data audits, and will take action where we find breaches of legislation.

The approach will deal with legacy data problems differently from the very high standards which should be applied to new data.

Responses are invited to the proposals.

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## Chapter 1: Introduction

- 1.1 This document sets out some proposals for the approach the regulator will take to address issues of poor member record-keeping. It follows the publication in January 2009 of 'good practice' guidance on this subject, and a review of how this is being taken up.
- 1.2 The guidance – *Record-keeping: good practice in measuring member data* ([www.thepensionsregulator.gov.uk/pdf/RecordKeepingPDF.pdf](http://www.thepensionsregulator.gov.uk/pdf/RecordKeepingPDF.pdf)) – explained the importance of maintaining good records and risk assessment, set out a methodology for the measurement and reporting of *common* and *conditional* data (see below), and recommended improvement plans where gaps or inconsistencies exist.
- 1.3 Poor record-keeping can lead to significant additional costs in a number of areas such as administration, error correction, claims from members, buy-outs, wind-ups and, potentially, in more conservative actuarial valuations. It can also cause reputational damage to providers, sponsors and trustees.
- 1.4 There are also clear benefits in maintaining good records. Good record-keeping confers a number of benefits on members, providers, employers and trustees. For example, sponsoring employers will have a more precise assessment of their financial liabilities and a more accurate balance sheet. Investment decisions, for example those associated with lifestyling, may depend on accurate member records. Chapter 3 includes more on why good record-keeping makes good business sense as well as being a legal responsibility.
- 1.5 We emphasised that simply measuring the presence or absence of data does not provide evidence that the data is accurate. Providers, administrators and trustees need to be conscious of this and should reassure themselves as to the accuracy of their data, as well as checking and improving the existence of data. Some examples of good practice are referred to in our recent consultation on internal controls: ([www.thepensionsregulator.gov.uk/pdf/internal-controls-con-doc.pdf](http://www.thepensionsregulator.gov.uk/pdf/internal-controls-con-doc.pdf))
- 1.6 The framework we recommended for data checking is illustrated in the following table. The guidance included examples of the types of data in each heading, with descriptions of the types of schemes to which they apply, and comments on the purposes of the tests.

The framework for data tests is shown in the table below:

Report item			
<p><b>Common data</b></p> <p>The table of common data items is shown in Appendix E.</p>	<p>To identify a member uniquely.</p> <p>(Having regard to the possibility that any individual may have had more than one period of membership of a scheme.)</p>	<p>All data fields should be populated.</p>	<p>Measurement.</p> <p>The data and the tests are specified by the regulator following consultation with those involved with pensions.</p>
<p><b>Conditional data</b></p> <p>The tables of illustrative conditional data items are shown in Appendix F.</p>	<p>To provide a view of the data required for the effective administration of the scheme, and to allow providers or trustees to measure changes in the data over time.</p> <p>The existence of this data will depend on the type of scheme, scheme design, system design, and an individual's membership status.</p>	<p>That the presence of the conditional data required to administer a scheme is known.</p> <p>That, where necessary, action plans are put in place to improve conditional data.</p> <p>Such plans should involve improvement within a specified timeframe.</p>	<p>Scheme-specific measurement.</p> <p>The methodology is recommended by the regulator, but the actual data and the tests are specified by the trustees/ provider.</p>
<p><b>Numerical information</b></p> <p>For examples of numerical data, see Appendix G.</p>	<p>To enable consideration by the trustees, providers and others of whether the results reported reflect their knowledge of the scheme.</p>	<p>Commentary to provide context and rationale for development of improvement plans.</p>	<p>Report.</p>

1.7 We said we would review progress in addressing the problems identified in the earlier consultation, to see whether further action is required:

*'During 2009, we will assess whether we have fulfilled our original objective of working with trustees, providers, administrators and advisers to raise awareness of, measure and, where necessary, improve standards of record-keeping, or whether an enforcement approach is needed in particular areas.'*

This report sets out our findings. It describes a stronger regulatory approach which goes beyond the 'Educate' and 'Enable' of the original guidance to add 'Enforcement' to our position on poor record-keeping.

1.8 Since we first consulted in 2008, we have:

- published the record-keeping guidance;
- enhanced our *Trustee toolkit* to include specific administration scenarios involving record-keeping issues;
- published summary 'bite-sized learning' examples of record-keeping problems;
- published a new consultation on internal controls, with specific examples of record-keeping problems and suggestions for control questions to be addressed;
- visited many providers and administrators to ensure the mechanisms are being made available to measure member data;
- met with representatives of trade and professional bodies;
- consulted with the Pension Protection Fund (PPF) on the data and administrative issues they encountered with schemes in assessment;
- encouraged take-up of the proposals by:
  - speaking at events;
  - giving presentations to audiences of professionals and trustees;
  - publishing articles; and
  - meeting with trustees.

1.9 We have also commissioned independent surveys:

- a qualitative survey of major providers, administrators and some large schemes with in-house administration to understand the state of readiness, issues encountered, and level of demand from trustees and schemes for reviews of their member record-keeping;
- a quantitative sample survey of schemes from our database of pension schemes to gain understanding of the degree of take-up and the level of the testing results that have been obtained.

Together with our direct engagement with providers and administrators, these have given us a good picture of industry activity in this area.

1.10 The key theme of our governance and administration campaign concerns having the right people and processes to manage scheme risks. Member record-keeping is vital to almost everything else that happens in a pension arrangement. We consider that an understanding of the risks of poor record-keeping, supported by measurement, is a vital part of good governance.

1.11 This is particularly important in times of change, for example when employers and trustees are considering de-risking strategies, buy-outs etc. Such steps are more likely to be financed during an economic upturn.

1.12 Looking ahead, a step change is anticipated in the numbers of people contributing to pension schemes from 2012 onwards, with commensurate increases in data volumes. There will be new legal obligations which will also affect existing schemes.

1.13 We consider there is a window of opportunity in which to raise standards of member record-keeping. The introduction of new provisions defines the time boundaries for this work; by the end of 2012 we expect that record-keeping standards will be much higher, and that any legacy data problems will have been fully addressed.

1.14 This document sets out our proposals for what more needs to be done on risks associated with poor record-keeping.

## Chapter 2: Report on progress since publication of the guidance

- 2.1 We assessed record-keeping take-up activity during 2009 by direct engagement with providers and professionals as well as through independent surveys.
- 2.2 We have met with some of the larger administrators and insurers to encourage take-up of the guidance and to discuss any technical points with them. In summary:
  - each of these companies was happy to share their high-level project plans;
  - the plans were at various stages of development, depending on a combination of appetite for dealing with this issue and competing business priorities (budgets, outsourcing projects etc);
  - few companies had comprehensive results to show us, and then frequently only on a portion of the relevant data;
  - there has so far been little demand from trustees and employers; and
  - some are waiting for the results of our review, especially to see whether we will add an enforcement-based approach.
- 2.3 External stakeholder research showed that 18 out of 21 key administrators, insurers and larger in-house schemes surveyed had made some concrete steps towards implementing the guidance. This is initially encouraging, but is limited in the sense of focusing on building capacity rather than on providers, administrators and trustees improving records.

Some further findings from this research include:

- the guidance was generally well received and welcomed;
- 9 out of 11 third party administrators (TPAs) surveyed would have tools available to measure data, and most would make a charge for the service; and
- 4 out of 5 major insurers surveyed have started some testing or have plans to develop the tests across different platforms; these plans generally span a number of years.

In contrast, the less positive aspects of the survey included the findings that:

- there is no evidence of marked improvement in administration practices since the guidance was issued;
- none of the TPAs or insurers reported significant demand from trustees or employers; and
- some of the respondents felt that compulsion was needed to overcome inertia or resistance.

2.4 Further independent test sampling of 689 schemes from our database of over 60,000 schemes showed that:

- 85% of schemes surveyed said they had, or planned to have, a means of measuring common data (the equivalent figure for conditional data was 79%);
- of those that had measured, 14% of memberships had tested both common and conditional member data as recommended in our guidance, with 19% having tested the common data only;
- within these figures, one-third of member records had less than 80% of common data fields complete, and more than half had less than 80% of conditional data fields complete; and
- there were wide ranges within these results – for example, for common data some 16% had less than 10% of fields complete, whilst 47% reported above 90% complete.

More detail on the results of these surveys is attached in Appendix A. These results clearly raise concerns.

- 2.5 From our *Governance survey* we know that less than half of schemes surveyed were very confident that they had appropriate internal controls to mitigate the risks from 'errors in scheme administration'. In addition, not enough schemes are aware of the regulator's guidance on record-keeping. Similar issues have been raised in surveys by other organisations. We expect that those responsible for running and administering schemes should know the quality of their scheme records and, where improvement is needed, have a concrete plan in place to put the records in order.
- 2.6 A number of consultancies and software providers have created software tools which will carry out the tests we recommended in our guidance and often much more besides.
- 2.7 Information from other agencies which see the problems of poor record-keeping in their work, such as the PPF and the National Insurance Services to the Pensions Industry (NISPI), indicates that this is a continuing problem for them. Both are keen to see the regulator take more action to improve standards. We also have the support of the Financial Services Authority (FSA), who helped us during the development of the guidance.
- 2.8 The PPF encounter significant problems with poor member data. A variety of data problems lead to a situation where it takes an average of 9 attempts to correctly transfer data from schemes into the PPF. The problems they find closely mirror the results reported in our survey and are an indicator that these data issues are widespread.
- 2.9 In summary, the conclusions we draw from the above are that:
- we have successfully raised awareness of the importance of record-keeping in some areas;
  - some providers and TPAs have taken positive steps to make reports available;
  - the majority of schemes we surveyed had the means to carry out the tests but a much more limited set had actually carried out the tests; and
  - some behaviours are starting to change, but to a fairly limited extent.

*Consultation question Q1 – do you agree that the above conclusions are reasonable?*  
*Consultation question Q2 – do you agree that more work needs to be done to improve record-keeping standards?*

## Chapter 3: Issues arising in the current landscape

### 3.1 The economy

It is our view that good governance is more not less important in the economic downturn. In the current environment many employers want to look at the costs of their pension schemes. Many have taken steps such as closing to new members or new accrual, or have considered de-risking measures such as buy-outs. A prior condition for the successful achievement of these steps is having good data. In contrast, having poor data, or being uncertain about data quality, can add significant costs and delays, and can prevent successful de-risking. Some examples of the costs of data problems are given below.

### 3.2 The cost

Cost is still quoted as a barrier when considering whether to undertake the data tests. Some providers are building testing into their operations and not charging clients, while others wish to charge clients for reports on data. Our view remains that the tests should be a simple and cost-effective indicator of risk. The modest cost of doing the tests should not be a barrier to undertaking the risk assessment. This is particularly the case for common data fields which are the very limited set of fields necessary to record the identity of members and their status in the scheme.

### 3.3 It's good business sense

Keeping records in good order is required for the proper delivery of every pension arrangement. It also makes business sense to do so regardless of the type of arrangement. Some of the consequences of poor data are described below.

#### *Occupational contracted-out defined benefit (DB) schemes*

- The scheme actuary may have to make material assumptions about the liabilities of the scheme.

An administrator conducted an exercise to completely populate spouse details, for which records had been incomplete. The exercise cost £2,500 but the more accurate data resulted in a reduction in valuation liabilities of £19 million.

- When seeking buy-out quotes, the provider may add a premium for risk of poor data, may decide not to offer a quote, or may leave the risks/costs of poor data with the scheme/employer.

One leading buy-out provider told us that up to 30% of the member records provided to them contained errors, and that their assessment of data quality could suggest that the scheme's liabilities may have been underestimated by as much as 5%.

- On change of third party administrator, the incoming administrator may charge a higher fee for implementation and/or ongoing work as a result of poor data.

An employer with a medium sized DB scheme was struggling to pay an annual administration fee of £110,000. The administrator had recently commissioned an independent review of its internal controls. When the trustees investigated why fees were so high, the administrator admitted that scheme data was unsatisfactory – to the extent that member records were not on the administration system. All calculations were therefore being performed manually, including the benefit statement run which was extremely labour intensive.

As a result of the poor level of service, the trustees put out to tender the administration of their scheme including a separate fixed cost data cleansing exercise. The successful administrator completed the data cleanse in six months for a fee of £60,000 and then moved to a fixed annual administration fee of £30,000. The employer was happy to meet this one-off cost because it delivered a significant overall saving. The trustees were reassured because they had a clearer understanding of the state of member data and complaints had reduced.

- The administrator may be unable to provide up-to-date member data when asked.

A scheme outsourced its administration. In order to complete the handover to the new administrator, some work was deferred to be completed after the transition. When the handover was completed, the project manager was moved to a new role and some tasks remained incomplete. When the actuary requested data for the valuation, some data could not be recovered and validated within the valuation timescales. This resulted in the actuary making broader assumptions about the liabilities and considerable extra work by the administrators.

- Differences of GMP entitlements for early leavers and retirees will give rise to additional administration work and costs.
- Incremental differences can occur in the administration of benefits if a complete and up-to-date version of the Trust deed and rules is not readily available, resulting in incorrect benefits being paid.
- Where pensionable salary includes fluctuating emoluments, the payroll team may not be fully conversant with what should be included as pensionable pay.

#### *Any type of defined contribution (DC) arrangement*

- Costly rectification issues can arise from:
  - contributions recorded incorrectly;
  - misallocated funds;
  - switching delays; or
  - weak checking processes within lifestyle matrices.
- Paying the correct benefits can be difficult, and in extreme cases it may be impossible to unwind errors if they are uncovered too late to rectify.

- The longer an inaccuracy continues, the costlier it is to rectify.

We are aware of a large DC scheme where an error in unit allocation spanned a period of about two years. The administrative costs of correcting the errors, including recalculating benefits for members who had retired, died, transferred out, taken a refund of contributions, or been involved in pension sharing, was in excess of £100,000. This error would have been detected much sooner if there had been more effective internal controls.

Prevention is better than cure. We expect all parties involved in running schemes – providers, administrators, employers and trustees – to work together to ensure that data risks have been considered, and that controls operate effectively and work correctly across the different parts of the processes. For more guidance and examples of good and poor practice, please see our internal controls guidance:

[www.thepensionsregulator.gov.uk/pdf/internal-controls-con-doc.pdf](http://www.thepensionsregulator.gov.uk/pdf/internal-controls-con-doc.pdf)

### 3.4 The law

There is a significant body of law which requires good records to be kept and which applies variously to trustees, managers and providers of pension schemes. Legal obligations to keep records about members and their benefits arise from many sources including trust law, primary and secondary legislation, tort, contract law and European law.

There are also many disclosure obligations. These can only be met if records are properly kept. Many of these disclosure obligations are triggered at the request of members and beneficiaries, periodically or upon the occurrence of a specified event. Schemes need to disclose information within relatively short timescales, and therefore need to have that information readily at hand.

Some of the most significant statutory record-keeping requirements arise from:

- The Pensions Acts 1995, 2004, and 2008
- The Occupational Pension Schemes (Scheme Administration) Regulations 1996
- The Occupational Pension Schemes (Disclosure of Information) Regulations 1996
- The Personal Pension Schemes (Disclosure of Information) Regulations 1987
- The Occupational Pension Schemes (Internal Controls) Regulations 2005
- The Data Protection Act 1998
- The IORP Directive

Appendix C describes these in more detail, and also lists some other secondary legislation which imposes record-keeping obligations in more specific contexts.

For trust-based schemes, the ‘duty to account’ is a fundamental obligation owed by any trustee to their beneficiaries. The ‘duty to account’ requires trustees to keep adequate records about their management of the trust, and to provide these records to their beneficiary. Trustees also have a duty to inform beneficiaries of their interests. There is case law stating that a trustee who fails to keep proper records ‘exposes themselves to grave risks.’

Contract-based schemes need to keep sufficient records to enable them to discharge their contractual obligations. The precise nature of these obligations will vary, but a pension scheme which failed to keep basic records would likely place itself in a position where it could not perform its contractual obligations to its members.

A failure to keep adequate basic records could also be characterised as a failure to maintain adequate internal controls.

The regulator can if necessary enforce a wide variety of record-keeping obligations. Most record-keeping breaches constitute breaches of pensions legislation and can be enforced through issuing Improvement Notices and Third Party Notices. Civil Penalties are also often available.

Looking to the future, further legally enforceable record-keeping obligations form part of the *Employers' Duties (Registration and Compliance) Regulations 2010* (not yet in force).

### 3.5 The pensions landscape

The work-based pensions landscape is diverse, comprising a number of different arrangements across occupational trust and group contract schemes. The interrelationship between these is not always clear:

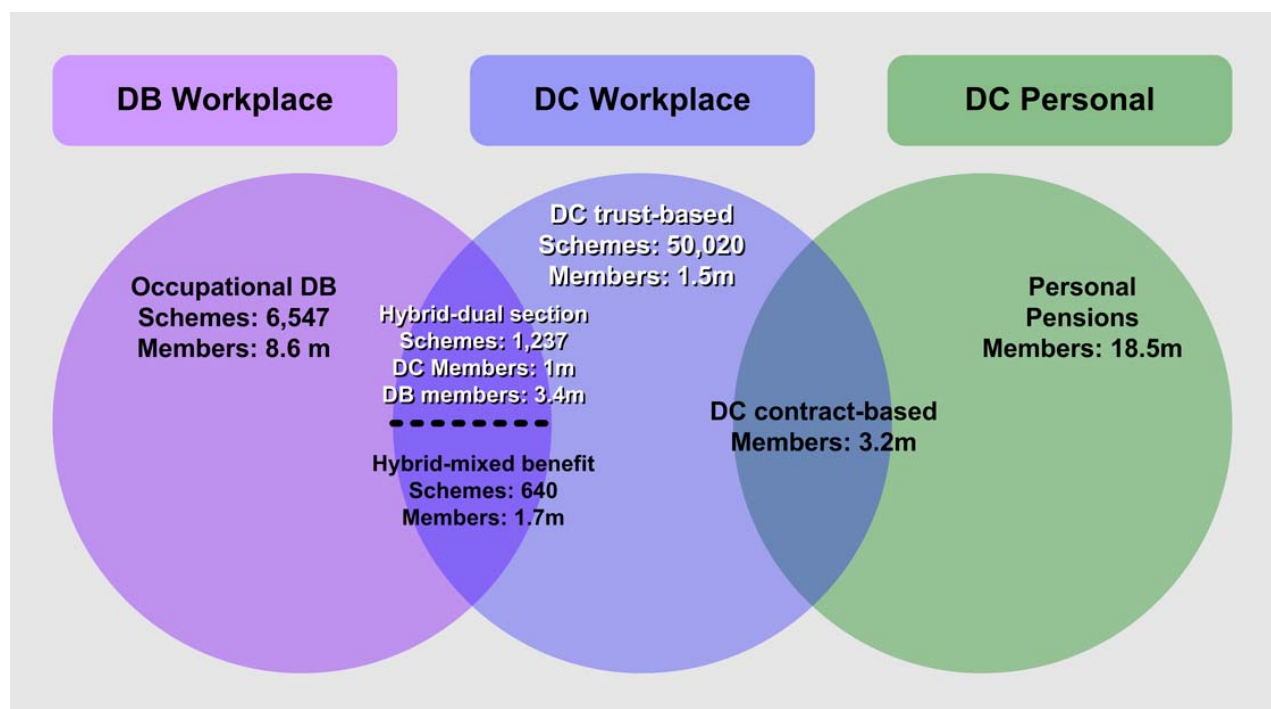
- many employers make use of more than one form of pension for their employees, and many employees have more than one pension;
- the pensions administration market is in a constant state of flux, for example with schemes moving between administrators, employers being taken over or dissolving, or insurance companies outsourcing to TPAs, each of which has implications for member data.

There are approximately 19 million work-based pensions currently in existence. We have analysed these into the following categories of memberships:

<b>Estimated number of UK pension memberships</b>	
Occupational DB administered in-house	3.9m
Occupational DC administered in-house	0.2m
DB memberships – outsourced administration	3.1m
DC memberships – outsourced administration	0.6m
DB memberships – insured schemes	1.6m
DC memberships – insured schemes	0.7m
Group Personal Pensions (GPP) memberships	1.6m
Group stakeholder memberships	1.0m
Contract (Other)	0.6m
Hybrid – mixed benefits / DB and DC sections	6.1m
<b>Total memberships</b>	<b>19.4m</b>

In addition there are an estimated 0.2m AVC memberships included within the above totals. (Source: the Pensions Regulator's research and ONS ASHE data).

This landscape can be depicted as:



There is further diversity within the categories shown above in the way in which schemes are administered, which increases the scope and challenges in setting standards for good record-keeping.

This landscape will expand. The regulator has been developing the capability and capacity necessary to ensure that employers comply with the new automatic enrolment duties. Up to 10 million more people will be given access to an occupational pension from 2012: many of these will never have saved for their retirement before. This will result in a large increase in the amount of member data being collected and recorded. High standards of record-keeping are essential to the protection of members' benefits in any pension scheme. This will be especially important for the successful introduction of automatic enrolment, which will be mandatory upon employers. Many of these employers are not currently familiar with pensions.

### 3.6 The risks

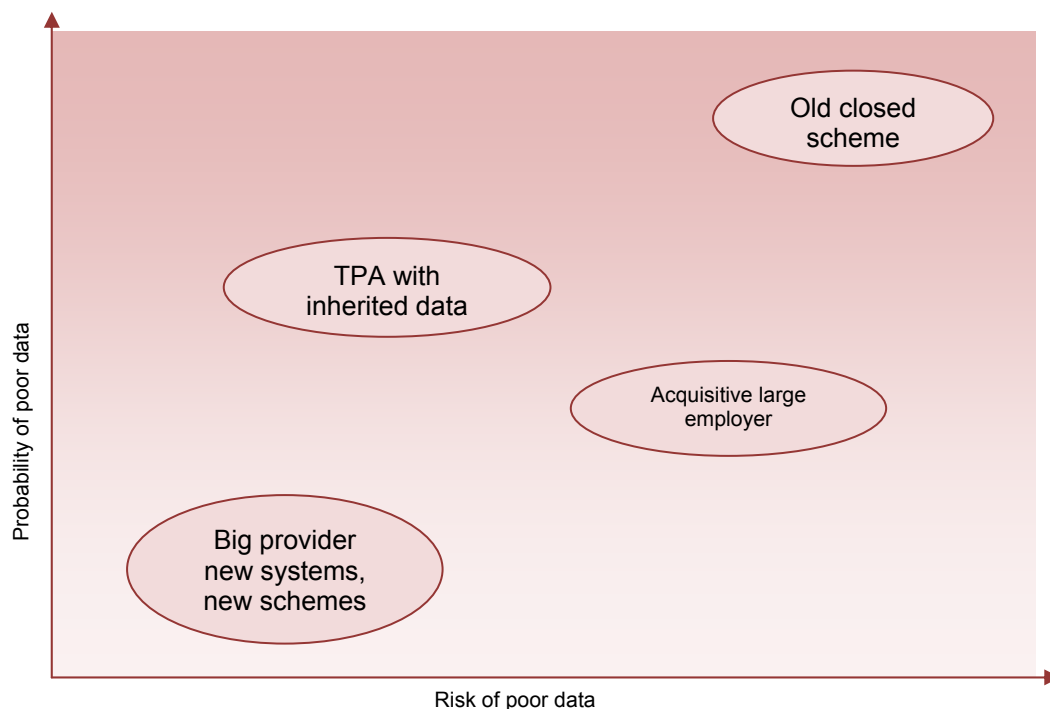
In our guidance we highlighted a range of events which would give rise to a need or opportunity to review member record-keeping. These are repeated in Appendix B. This is not an exhaustive list, and further characteristics might cause concern that member records are not being maintained as well as they should be. For example:

- a body of 'inherited' data which has yet to be evaluated for completeness or accuracy;
- a history of multiple employer or scheme changes;
- past administrator or system changes;
- old closed schemes, including closed insurance products;
- audit management letter concerns raised;
- lack of independently assessed control processes (eg AAF 01/06 assurance reviews); and
- small schemes with limited resource or processes to maintain the integrity of records over long periods of time.

Again, this is not an exhaustive list.

The regulator is developing its own criteria in order to focus efficiently on areas of greatest risk. For example, a simple matrix illustrates some of the characteristics plotted to show risk and probability:

*An example risk matrix to help us target our regulatory activities:*



### 3.7 The risk of inaccuracies

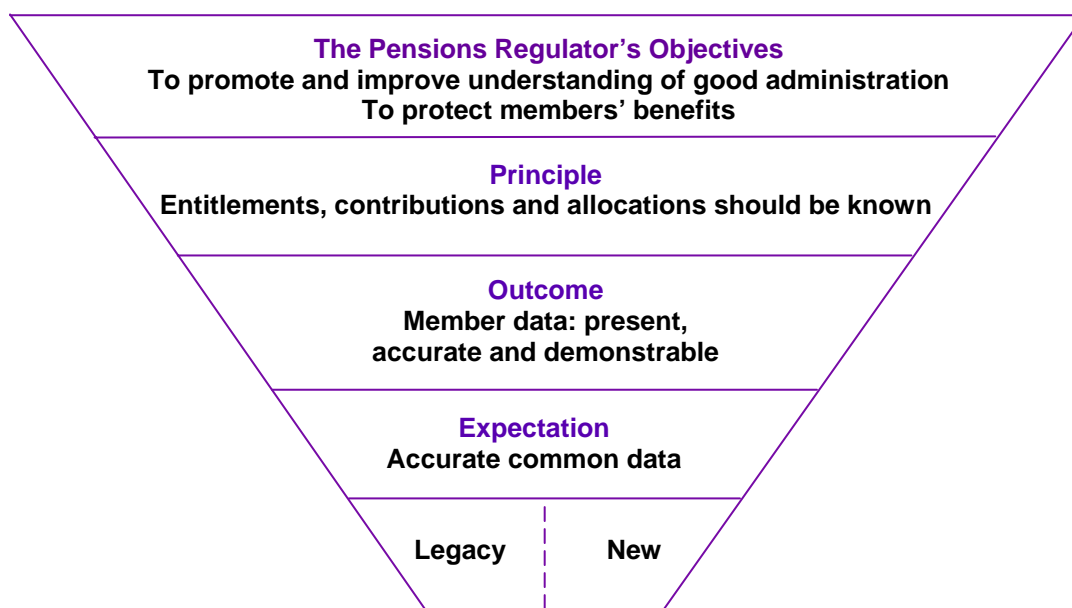
Feedback we have received on the original record-keeping guidance has been positive.

The testing recommended is for the *presence* of data. Trustees and providers should also aim to reassure themselves as to the *accuracy* of their data. This is an important point, and we wish to emphasise that the testing should be seen as a tool to be used in the context of wider risk assessment and internal control processes. As an indicator of problems it may lead to deeper analysis and investigation, and processes to establish accuracy are also vital.

The record-keeping guidance (at [www.thepensionsregulator.gov.uk/pdf/RecordKeepingPDF.pdf](http://www.thepensionsregulator.gov.uk/pdf/RecordKeepingPDF.pdf)) described some process controls which may be relevant. A further useful source of information on internal controls can be found in the regulator's guidance at [www.thepensionsregulator.gov.uk/pdf/internal-controls-con-doc.pdf](http://www.thepensionsregulator.gov.uk/pdf/internal-controls-con-doc.pdf).

## Chapter 4: Our objectives for the future

- 4.1 Our aim is to raise awareness of, measure and, where necessary, improve standards of record-keeping.
- 4.2 The requirements of the new auto-enrolment and employer compliance regimes have become more defined in recent months. There is a clear need for standards of record-keeping to be much higher in future than has been the case historically, and for these standards to be achieved by the end of 2012.
- 4.3 Sample testing of schemes in 2009 showed a significant shortfall in the number of schemes with high proportions of accurate common and conditional data (see chapter 2). To achieve higher standards, we consider that further steps need to be taken on record-keeping.
- 4.4 The diagram below depicts how we translate our high-level objectives into a principle which can only be achieved by having good records. Three simple questions need to be answered:
- Is the data there?
  - Is it accurate?
  - How do you know?
- 4.5 There is a good case for dealing with *legacy data* problems differently, in comparison with the standards which should be applied to *newly created data*.



- 4.6 The highest standards should be applied to **common data** as these are the fields needed to uniquely identify individual members and their status in the scheme. The **conditional data** fields will depend on the type of scheme and, whilst high standards should be expected, the composition and importance of items of data will be scheme specific.

4.7 For **common data**, the standards achievable should be as follows:

- for **new data** created from 2010 onwards, controls and systems should be in place to capture and record all data accurately, and this should be evidenced by, for example, a score of 100% in the data tests;
- for **legacy data**, schemes should test for data quality, using our guidance as a minimum level of reassurance, and, if necessary, put plans in place to improve the quality of data by the end of 2012.

4.8 **Conditional data** is also essential to running a scheme and protecting member benefits. Our approach recognises the diversity in the types of data needed depending on the design of the scheme. We are consulting on whether there should be targets for common and conditional data. However, we expect high standards. Schemes should assess the conditional data needed to run the scheme, set targets, and again if necessary will put plans in place to improve this. Targets should be challenging but realistic.

4.9 In summary, we propose that targets for the proportions of member records with all the key data items should be:

	<b>COMMON</b>	<b>CONDITIONAL</b>
<b>New data</b>	100%	Scheme specific
<b>Legacy data</b>	95%	Scheme specific

Where problems, gaps or inconsistencies in member data exist, schemes should develop scheme specific improvement plans: that is, they should use all reasonable endeavours to devise plans to improve the situation as far as possible. This applies to common *and* conditional data - both are needed in order to ensure members' benefits are protected.

New data is capable of being captured and kept to a very high standard. As well as legal obligations to do this, current technology, systems and processes are better able to achieve this than in the past, and there are also data and other services which can provide support.

Legacy data may be more difficult, but significant improvements can be made: see paragraph 2.4 and Appendix A for the results of our research in 2009. We believe setting a target will help focus attention on the issues and raise standards. These targets are the basis against which we will judge whether to take regulatory action as covered in chapter 5.

We recognise that there may be legitimate reasons why not all data may be 100% accurate, and we wish to consult on the circumstances which would give rise to the regulator considering that '*all reasonable endeavours*' had been made to resolve data issues, particularly with common data. We welcome comments on these proposals, and in particular seek answers to the following questions:

*Consultation question Q3 – do you agree that it is appropriate for the regulator to set specific targets for the standard of common data, and that the targets quoted above are reasonable?*

*Consultation question Q4 – do you agree that a scheme specific approach is appropriate to measuring the quality of conditional member data? Should targets be set by the regulator for conditional data, and if so what would be appropriate for different scheme types?*

*Consultation question Q5 – do you agree that, in the period up to the end of 2012, these targets will help achieve the higher standards that are essential to protecting members' benefits and efficient running of schemes? What milestones might be appropriate here?*

*Consultation question Q6 – what reasons for not being able to resolve data problems should the regulator consider legitimate when considering whether 'all reasonable endeavours' had been made?*

## Chapter 5: How we will regulate to achieve our objectives

5.1 The record-keeping guidance was issued as 'good practice' guidance in January 2009. The combination of:

- risk to members' benefits of poor records;
- risk to the success of the employer compliance and auto-enrolment regime; and
- the window of opportunity between now and 2012

leads us to conclude that our regulatory approach needs to be strengthened in order to achieve the objectives described in chapter 4.

5.2 We will take new measures designed to encourage much broader take-up than we have experienced to date, as well as continuing to promote the guidance through our existing channels. These new measures will include:

- a campaign to promote the guidance to a wider audience including providers, administrators, trustees, auditors, and advisers such as actuaries, employee benefit consultants and IFAs;
- review of our risk parameters to ensure reports to the regulator for other purposes (scheme return, whistleblower, funding etc) consider whether there may be underlying record-keeping problems which merit further investigation; and
- continued discussion with the audit profession to ensure the review of internal controls fully embraces the risks of poor data, and the possible implications of these for a 'true and fair' certification of scheme accounts and for AAF 01/06 reviews. Data issues encountered by advisers, including actuaries, should in our view be communicated to the client.

### Sampling

We will select a number of schemes, based on pre-defined risk criteria, for which we would require data tests to be carried out. The results and/or data would be submitted to the regulator for scrutiny, and if necessary further action.

5.3 Evidence of poor record-keeping will lead to the regulator taking enforcement action unless agreed, specific action plans are in place to rectify the problems and these plans are implemented. Enforcement action may be made public.

5.4 Enforcement action would depend on the circumstances of each case but could include:

- directions to carry out certain tasks – eg to rectify gaps or errors in member records – using Improvement or Third Party Notices under sections 13 or 14 of the Pensions Act 2004;
- penalties (fines) for failure to comply;
- in extreme cases, prohibition of trustees and/or appointment of new trustees; and
- publishing the details of the actions taken.

## 5.5 The practical application of this approach would mean that:

- any contact with the regulator (eg through a whistleblower report, scheme return query, or scheme specific funding plans) could result in the scheme being asked to demonstrate compliance with the record-keeping guidance;
- the regulator would select a sample of schemes to undertake the testing and report results to us for scrutiny; and
- schemes would provide member records, as specified and in line with the guidance, to the regulator, or provide evidence of compliance in some other way, eg an independent report on data.

As just one example, we may use our powers under section 72 of the Pensions Act 2004 to request from a scheme the members' names, addresses and dates of joining the scheme. A failure to supply all the dates would be a *prima facie* breach of the Occupational Pension Schemes (Scheme Administration) Regulations 1996. This could lead to enforcement action such as Improvement or Third Party Notices and could also result in financial penalties being imposed.

A requirement to undertake data testing may result in some costs. These should be low. Indicative per-capita costs are estimated to be in a range from £0.08 to £3.00 per member depending on scale and complexity, but one TPA has said it would offer common data tests free of charge.

Many schemes will find benefits from doing this work, but we recognise that there may be additional costs in reporting to the regulator. Where schemes have already carried out tests, or have developed mechanisms to do them, this cost is nil or minimal. Where schemes have to do this exercise for the first time and report to the regulator, there may be a cost commensurate with obtaining limited data extracts for other purposes. We would expect costs to reduce for any repeat exercises.

Our estimate for the whole industry is that this additional cost spread across all schemes sampled would be in the range of £40,000 to £100,000. The cost which schemes may incur in keeping, measuring and recovering missing data is not a regulatory cost. It is part of the normal management activity of administering a pension scheme. (See Appendix D.)

## 5.7 We have considered other alternatives to achieving our objectives. For example, we could:

- continue with the *current voluntary approach*. This is unlikely to achieve the high standards we expect across the whole industry, and particularly within reasonable timescales.
- introduce a *comprehensive compliance-based approach* with compulsory reporting according to pre-defined timetables, plans agreed with the regulator, and penalties for non-compliance. It would enforce compliance across the whole industry. However, by being very prescriptive in both the timing and method by which schemes comply, it would be more expensive and time-consuming to set up. It would also impose a significant additional regulatory burden costing several million pounds across the industry.

## 5.8 We will assess progress on how the industry is addressing record-keeping issues by conducting surveys. We will review the position and publish an update again at the end of 2010. We will consider whether our approach needs further modification in the run-up to 2012.

## Chapter 6: How to respond to the consultation

- 6.1 We invite comments on this document addressing the questions posed, and other additional comments that are relevant to the subject. The consultation period will run from Tuesday 2 February 2010 to Tuesday 27 April 2010. When responding, please advise whether you are responding as an individual or on behalf of an organisation (and if the latter, which organisation); it would also be helpful if you would identify your role in pensions.

Please send your responses by email to:

[rkcondoc@thepensionsregulator.gsi.gov.uk](mailto:rkcondoc@thepensionsregulator.gsi.gov.uk)

Alternatively, you can send responses by post to:

**Bob Jackson**

*c/o Regulatory Policy and Programmes*  
The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton BN1 4DW

We may need to share the information you send us within our own organisation or with other governmental bodies. We may also publish this information as part of our consultation response.

- 6.2 Other publications which you may find useful in understanding the background to record-keeping issues can be found on our website:

The 2008 record-keeping consultation:

[www.thepensionsregulator.gov.uk/pdf/RecordKeepingConDoc.pdf](http://www.thepensionsregulator.gov.uk/pdf/RecordKeepingConDoc.pdf)

The regulator's response to the consultation:

[www.thepensionsregulator.gov.uk/pdf/RecordKeepingConsultationReport.pdf](http://www.thepensionsregulator.gov.uk/pdf/RecordKeepingConsultationReport.pdf)

The revised guidance on internal controls, in particular the section on record-keeping (paragraphs 80 – 104):

[www.thepensionsregulator.gov.uk/pdf/internal-controls-con-doc.pdf](http://www.thepensionsregulator.gov.uk/pdf/internal-controls-con-doc.pdf)

Our website pages *Governance and administration*; *Keeping pensions safe*, which include some 'bite-sized' learning with examples:

[www.thepensionsregulator.gov.uk/safe/index.aspx](http://www.thepensionsregulator.gov.uk/safe/index.aspx)

## Appendix A: Summary of our record-keeping research

### Qualitative survey – key findings

1. Coverage of the research by memberships:
  - TPA market = estimated 70% of active and deferreds
  - In-house = estimated 10% of active and deferreds
  - Insurers = estimated 70% of GPP and GSP schemes
  - Insurers = small proportion of insured DB schemes
2. The guidance was generally well received and well written. There was general agreement with the data items and their importance.
3. Nine out of eleven TPAs surveyed have or will have tools by the 'end of the year':
  - some will go further than our tests; but
  - only a few schemes / trustees have actually taken it up.
4. Four out of five major insurers surveyed have started testing or have plans to develop the tests across different platforms:
  - all insurers expect high scores on DC data but were less confident on DB / legacy; and
  - progress varied amongst the four; the fifth reported no activity.
5. Five large in-house schemes surveyed reported they were all already conducting data assessments of their own, but did not give results.
6. Overall, 18 out of 21 organisations surveyed have taken concrete steps to implement the guidance.
7. Organisations are much further ahead on *common* than *conditional* data.
8. Typical problems and key issues reported were with:
  - NINO;
  - GMP data including data splits, unreconciled and missing values;
  - postcodes;
  - addresses for deferreds;
  - equalisation;
  - earmarking;
  - historic legislative changes, etc;
  - use of comments boxes instead of database fields; and
  - ETVs.

(Many of these issues also occur in schemes transferring to the PPF)

## Other issues raised by participants

- The guidance appears to be a 'stick' only - no perceived 'carrots'.
- No evidence of marked improvement in administration practices since the guidance was issued.
- No TPAs or insurers reporting significant demand from trustees or employers.
- No changes in SLA targets to reflect this work were reported.
- All surveyed were supportive of the regulator's initiative.
- Buy-outs and ETV exercises are becoming tougher on data issues than they were.
- Those who had done major data rectification considered it a lengthy exercise (eg 2 years).
- Some evidence that trigger events (eg M&A, outsourcing) is a driver for a data review, but clearly not overwhelming or necessarily widespread.
- Compulsion favoured by some TPAs.

## Quantitative survey – key findings

Independent test sampling covered 689 schemes from our database of over 60,000 schemes during November/December 2009.

85% of schemes surveyed said they had, or planned to have, a means of measuring common data; the equivalent figure for conditional data was 79%. The test results reported within these samples were as follows:

### Record-keeping measurement – spread of scores within schemes which have measured

	Common data	Conditional data
Zero	7%	0%
1-10%	9%	11%
11-60%	1%	6%
61-70%	4%	19%
71-80%	12%	21%
81-90%	20%	15%
91-100%	47%	28%
<b>Mean</b>	<b>76%</b>	<b>73%</b>
<i>Base: (n schemes)</i>	432	329

*Based on all schemes where a score could be given, weighted to number of members*

## Appendix B: Scheme change events

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

Circumstances		
Wind-up (full or partial)	All work-based	Accurately secure benefits.
Entry to PPF assessment period or the Financial Assistance Scheme	DB	
Change of administrator	All work-based	Risk of data and knowledge loss. All data becomes legacy data.
Buy-out	DB	Accurately measure liabilities and secure benefits.

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

Circumstances		
Valuations	DB	Accurate measurement of liabilities.
Scheme closure to future accrual	DB	Accurate measurement of liabilities.
Ceasing to contract out	All work-based	Accurate assessment of contracted-out liabilities and reconciliation with NISPI.
Scheme rationalisation	All work-based	Risk of data and knowledge loss. Benefit entitlement may 'crystallise'.
Merger and acquisition	All work-based	Can trigger many of the other circumstances. Accurate measurement of liabilities, risk of data and knowledge loss.
System change by employer, administrator or investment manager	All work-based	Risk of data and knowledge loss.
Change in investment manager	All work-based DC	Potential for reconciliation issues. (Note: this also applies to DB scheme AVCs.)
Insurance products closed to new business	Contract-based	Lack of support for product.
Benefit statements issued	All	Opportunity to verify some data items.

## Appendix C: The legal background

### Pensions Act 1995

Section 49 of the Pensions Act 1995 places an express obligation on trustees to keep records of their meetings and books and records relating to any prescribed transactions as set out in the regulations.

### The Occupational Pension Schemes (Scheme Administration) Regulations 1996

Regulation 12 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 requires trustees to keep records in relation to certain transactions, including records of:

- any amount received in respect of any contribution payable for an active member of the scheme;
- the date on which a member joins the scheme;
- payments of pensions and benefits; and
- payments made by or on behalf of the trustees to any person including a professional adviser and such records to include the name and address of the person to whom payment was made and the reason for the payment. (Note that this is not an exhaustive list.)<sup>1</sup>

There are also specific requirements to keep records in respect of:

- movement or transfer of assets;
- transfer of members in or out;
- appropriate insurance policies;
- payments to leavers, employees, and other payments; and
- withdrawals from a scheme.

### Data Protection Act 1998

The Data Protection Act 1998 classes trustees as 'data controllers', and those working for trustees (eg administrators and insurers) as 'data processors'. This Act makes many demands of data users. There are eight Data Protection Principles, which (amongst other things) include requirements that personal data:

- shall be adequate, relevant, and not excessive in relation to the purpose or purposes for which it is processed;
- shall be accurate, and, where necessary, kept up to date; and
- processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or purposes.

This Act also requires that appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.

### The Occupational Pension Schemes (Disclosure of Information) Regulations 1996

The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 specify the type of information to be provided to various interested parties, including members and potential members of pension schemes, either automatically or on request, together with the timescales within which the information must be provided.

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<sup>1</sup> Regulation 12 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

Clearly, if the relevant administration records are incorrect, the required data may not be provided at all, or, if provided, it may be inaccurate or its provision may be outside the required timescale.

### **The Personal Pension Schemes (Disclosure of Information) Regulations 1987**

Trustees, providers and managers of personal pension schemes have similar obligations to keep records and disclose them to members, and these are set out in this statutory instrument.

### **The Occupational Pension Schemes (Internal Controls) Regulations 2005**

The trustees or providers of occupational pension schemes are required by Section 249A of the Pensions Act 2004 to 'establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed:

- (a) in accordance with the scheme rules, and
- (b) in accordance with the requirements of the law.'

### **Pensions Act 2004**

Section 70 (1) and (2) of the Pensions Act 2004 imposes a reporting requirement that:

- a trustee or manager of an occupational or personal pension scheme;
- a person who is otherwise involved in the administration of such a scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme;
- a person who is otherwise involved in advising the trustees or providers of an occupational or personal pension scheme in relation to such a scheme where the person has reasonable cause to believe that:
  - (a) a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and
  - (b) the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions

must give a written report of the matter to the regulator as soon as reasonably practicable.

### **EU Directive (IORP Directive)**

The EU Directive on the activities and supervision of institutions for occupational retirement provision ('IORP directive') formalises the need for trustees to put in place suitable measures to ensure that beneficiaries receive the correct benefits to which they are entitled. It imposes a number of obligations in relation to keeping records and providing these to members on request.

### **Trust law requirements**

Trustees have a fiduciary responsibility based upon basic trust law principles to hold accurate and up-to-date information in relation to all members. They have a 'duty to account', which encompasses the keeping of proper records and requires them to be always ready to provide these records on demand to beneficiaries. They also have a duty to inform beneficiaries of their interests (which necessarily involves the keeping of proper records). Failure to keep proper records, and to surrender them to beneficiaries when required, is a breach of trust.

## **The Employers' Duties (Registration and Compliance) Regulations 2010**

These regulations relating to automatic enrolment impose duties on both employers and pension schemes to keep certain records about employees, their automatic enrolment into qualifying pension schemes, their decision about whether or not to opt out, and the payments then made to the chosen scheme.

### **Additional primary legislation creating record-keeping obligations**

- Pension Schemes Act 1993, sections 24E(3)(b), 101AC, 101H, 111A, 113A
- Pensions Act 1995, sections 35, 41, 49, 49A
- Pensions Act 2004, sections 59 to 65, 223, 249A
- Pensions Act 2008, sections 10, 60

### **Additional secondary legislation creating record-keeping obligations**

- The Occupational Pension Schemes (Requirement to obtain audited accounts and a statement from the auditor) Regulations 1996
- The Occupational Pension Schemes (Winding up) Regulations 1996
- The Occupational Pension Schemes (Winding up Notices and Reports etc) Regulations 2002
- The Occupational Pension Scheme (Discharge of protected rights on winding up) Regulations 1996
- The Pension Protection Fund (provision of information) Regulations 2005

## Appendix D: Costs of data audits

### Sampling approach

Some of the tools to measure and evaluate data in line with our guidance are relatively new. Industry providers, third-party administrators and specialist software companies have made significant efforts to make them available to trustees and plan sponsors.

Administrators and their system providers have absorbed the costs of developing these tools.

Where we require schemes to demonstrate that records are being kept in accordance with the guidance but a data evaluation has not taken place to measure common data, we estimate there will be a cost for doing so. Our discussions with a number of administrators and data specialists indicate the cost-per-capita of a full data evaluation to range from £0.08 to £3.00 per member, dependent on scale and complexity; for example costs-per-capita are likely to decrease significantly as the scheme membership size increases. In addition we would expect the increasing availability and competition for these services to help reduce prices. One TPA reported offering common data evaluations to clients free of charge on the basis that the costs of running the reports are minimal once the tools have been set up.

For the purposes of demonstrating good record-keeping governance, it is feasible that in the first instance we would require a limited specific data cut. We do not expect this to be costed at the same rate as a full data evaluation. Indeed we believe many administrators will be able to provide this information at little or no explicit cost.

We expect that there will be a modest cost to schemes selected for data audits, and recognise that the requirement to report results to the regulator is an additional cost.

Where these schemes have already carried out tests, or have developed mechanisms to do them, then this cost is nil or minimal.

*For example, a recent report already obtained by a scheme which included the results for common data together with a plan for addressing any issues would satisfy the reporting requirement. No additional cost would be incurred.*

Where the schemes selected have to do this exercise for the first time and report to the regulator, there may be a cost commensurate with obtaining limited data extracts for other purposes. We would expect costs to reduce for any repeat exercises.

*For example, where a scheme is selected for audit and does not have current independent evidence of the results of the tests, then the cost of obtaining a data extract for common data should be modest. Typical costs for exercises have been quoted as ranging from nil (where it is already an established process) to up to £3,000 for a more complex data extract. A simple data cut for common data should cost much less, and for costing purposes we have assumed that an average between £1,000 and £2,000 might be expected.*

Our estimate is that the total cost for the whole industry spread across all schemes sampled would be in the range of £40,000 to £100,000, depending on the characteristics of the sample selected.

As we said in our original consultation on this subject, the cost incurred in keeping, managing, measuring and correcting or recovering missing data is not a regulatory cost. It is part of the normal management activity of administering a pension scheme.

### **Industry-wide compliance approach**

The extra regulatory cost which would be incurred by schemes if we were to introduce a compliance approach would be significantly higher.

Given that we have a population of nearly 60,000 registered schemes, the industry cost of compliance for all schemes would be large. Depending on the extent of the regulatory scrutiny of test results and plans, the cost would run into many millions of pounds.

However, we do not intend to regulate in this way.

## Appendix E: Common data table

### Common data items required for all members of all schemes

Data field	
National Insurance Number	'TN' formats should be regarded as missing data. The final character of NI numbers is not essential.
Surname	Check that surname is present.
Forename(s) or initials	Forenames are preferable but initials are an acceptable alternative.
Sex	Check that sex is present.
Date of birth	Check that date of birth is present and consistent (earlier than date joined scheme, date joined company, date of retirement, date of leaving). False dates should be classed as missing data.
Date pensionable service started/policy start date/first contribution date	For trust-based schemes this will be date pensionable service started. For contract-based schemes this will be the effective start date of the policy or the first contribution date, depending on the provider's requirements.
Expected retirement/maturity date (target retirement age)	This field may be derived or explicit; for most DB schemes it will probably be derived as the scheme's normal retirement date. Need to check that it is populated if that is a scheme/system requirement, that it is consistent with scheme rules and statutory requirements, and is later than date of birth and pensionable service date/first contribution date.
Membership status	Check that a current valid status is recorded for each member. This may be a dual status, eg active or deferred member with partial retirement. For contract-based schemes this may be 'active' or 'inactive'.
Last status event	Check that benefits taken are consistent with status, and, if status history is recorded, that the latest status is the same as the explicitly recorded current status.
Address	An address should be present for all members of all schemes. Because of DPA requirements an exception is permissible for active members of those trust-based schemes in which communication with members is normally sent via the employer. 'Gone away', 'unknown' or similar should be treated as missing data.
Postcode	Check that a postcode is present if address is not identifiable as being overseas. Will assist with valuations for actives, for whom storing full address may breach DPA principles.

## Appendix F: Illustrative list of conditional data

**Trust and contract-based:** the following data are required for all members of schemes who satisfy the circumstances shown

Data field	Trust/ Contract	Scheme type	Member status	Comment
Active record	All	All	Active	Check that an active member does not have a date of leaving. Computer systems need to recognise that active members who have taken partial retirement, or who have had more than one period of membership of a scheme, may have deferred and/or pensioner records but no date of leaving.
Employing company	All	All	All	For contract-based schemes and trust-based multi-employer schemes. May not be required for a scheme that has been wound-up or for members that have ceased to contribute to a GPP.
Date of leaving (date pensionable service ended)/ date last premium/contribution paid	All	All	Deferred and pensioner	For trust-based schemes check that member has a date of leaving which is after date joined scheme, and that member status is not active if date of leaving is present. For contract based schemes check that date last premium/contribution paid is present and is after policy start date, and that member status is not active if last premium/contribution paid date is present.
Lifestyle	All	DC	Active and deferred	Where a member is recorded as having a lifestyle investment strategy or similar phased investment pattern, check that when the record testing is undertaken, the member's investments correctly reflect the point reached by that member within the lifestyle formula.
DC Transactions	All	DC	Active and deferred	Check that there is a matching transaction for each contribution recorded, and, if the investment date is held on the member record, that the contribution has been invested within five working days.
Investment splits	All	DC	Active	Check that the sum of the percentages allocated to each investment type is 100%.

Data field	Trust/ Contract	Scheme type	Member status	Comment
Investment amounts	All	DC	Active and deferred	Where a member's contributions are being invested in more than one fund, and the total amount contributed in a period is recorded explicitly, check that the sum of the individual transaction elements equals the total amount of the contribution.
Details of units purchased	All	DC	Active and deferred	Check that details of the investment purchased are present for each contribution received (see above).
Details of units sold	All	DC	Active and deferred	Check that there is a record of each investment sold, date sold, and amount realised. This should be split by investment fund, but does not have to be recorded separately for each contribution type.
Benefit crystallisation event details	All	All	All	Check that full details of the dates and amounts paid at each benefit crystallisation event, including details of LTA percentage used, are present.
Pension sharing details	All	All	All	If a member has had a pension sharing order, check that full details of the benefits transferred to the ex-spouse/ex-civil partner are present.
Earmarking order details	All	All	All	If an earmarking order has been made, check that details of any benefits to be paid to an ex-spouse/ex-civil partner are recorded.

**Trust-based only:** the following data are required for all members of trust-based schemes who satisfy the circumstances shown, if applicable

Data field	Trust/ Contract	Scheme type	Member status	Comment
Date joined scheme	Trust	All	Active and deferred	Check that the date joined scheme is present, later than date of birth, and not earlier than date joined company. False dates should be classed as missing data. May not be required for a scheme that has been wound up.
Date joined employing company	Trust	All	Active and deferred	For members of multi-employer schemes check that date joined employing company is present and is later than date of birth. False dates should be classed as missing data. May not be required for a scheme that has been wound up.
Membership class	Trust	All	All	Check that membership class is present, if it is required in order to define the class of membership, from which the scheme rules and benefits applicable to the member can be ascertained. Should also be used to define pension credit members. Will not be required if there has only ever been one category of member, or scheme has been wound up.
Salary	Trust	All	Active and deferred	Check that there is at least one relevant salary within the last 12 months. The salary/salaries to be recorded will be scheme-specific. May not be required for a DC scheme which has no salary-related benefits, or if scheme has been wound up.
Salary history	Trust	All	Active and deferred	Check that a relevant salary exists for each of the last five renewal periods of membership and is greater than £1. May not be required for a DC scheme which has no salary-related benefits, or if scheme has been wound up.
DC Contributions	Trust	DC	Active	Check that there is a contribution amount present for every pay period of active membership during the current scheme year and, where feasible, the previous scheme year.

<b>Data field</b>	<b>Contract</b>	<b>type</b>	<b>status</b>	
Contributions	Trust	Non-DC	Active and deferred	For contributory schemes check that there is a contribution amount present for each year of active membership, or that a contribution total is present.
Transfer in details	Trust	All	Active and deferred	If benefits have been transferred in, check that all relevant details are recorded. This will include (as a minimum) the details of the previous scheme, the amount of the transfer value (split between protected rights and non protected rights and, if relevant, split between the amount received in respect of member and employer contributions and AVCs), benefits secured, and (if relevant) contracting out details. May not be required for a scheme that has been wound up.
AVC details	Trust	Non-DC	Active and deferred	Check that there is a history of any AVCs paid, type of investment, current provider, and (if relevant) benefits being secured.
Deferred record	Trust	All	Deferred	Check that member has a deferred record and a date of leaving (either explicit or derived). Computer systems need to recognise that deferred members who have taken partial retirement may also have a pensioner record.
Total original deferred benefit	Trust	Non-DC	Deferred	Check that total original deferred benefit is present (either derived or explicit).
Tranches of original deferred benefit	Trust	Non-DC	Deferred	Check that there is a breakdown of the various tranches of the total deferred benefit. This must identify tranches with different rates of increases either in deferment or in payment, and tranches with different contingent spouse's/civil partner's benefits. Likely to include such items as pre/post 1997 splits, pre/post 2005 splits, Barber splits, VFM underpin, etc. Details of the date at which any tranche is payable, if different from the scheme's normal retirement date, will also be required. The sum of the individual components must equal any total deferred pension that is recorded on the system.

Data field	Trust/ Contract	Scheme type	Member status	Comment
Current total deferred benefit	Trust	Non-DC	Deferred	Check that this is present If the scheme gives ad hoc increases to deferred benefits, in which case details of current tranches will also be required.
Final pensionable salary	Trust	Non-DC	Deferred and pensioner	Check that final pensionable salary calculated at date of exit is present.
Pensioner record	Trust	Non-DC	Pensioner	Check that a pensioner member has a pensioner record, and that the pension has not ceased, if this can easily be cross-checked against the scheme's pension payroll records.
Date of retirement/date pension started	Trust	Non-DC	Pensioner	Check that date of retirement/date pension started is present and is after date joined scheme. Systems need to take account of partial/flexible retirements.
Total gross pension	Trust	Non-DC	Pensioner	Check that a total pension is present (either derived or explicit).
Tranches of pension	Trust	Non-DC	Pensioner	Check that there is a breakdown of the various tranches of the total pension, identifying tranches with different rates of increase and contingent spouse's/civil partner's benefits. The sum of the individual components must equal any total pension that is recorded on the system.
Spouse's/civil partner's/dependant's date of birth	Trust	Non-DC	Pensioner	Check that spouse's/civil partner's date of birth is present if the member is recorded as being married or in a registered civil partnership. Required for all members of schemes entering wind-up or PPF assessment.
Spouse's/civil partner's/dependant's name	Trust	Non-DC	Pensioner	Check that spouse's/civil partner's date of birth is present if the member is recorded as being married or in a registered civil partnership. Required for all members of schemes entering wind-up or PPF assessment.

**Personal pension plans:** the following data are required for all active members of PPPs, if applicable

Data field	Trust/ Contract	Scheme type	Member status	Comment
Eligibility for tax relief	Contract	All	Active and deferred	Check that the status of an individual's eligibility for tax relief is present. This may be either explicit or derived.

**CARE schemes:** the following data are required for all members of CARE schemes who satisfy the circumstances shown, if applicable

Data field	Trust/ Contract	Scheme type	Member status	Comment
Accrued benefit details	Trust	CARE	Active and deferred	Check that accrued benefit details are present of they are updated and recorded annually. If benefits are calculated from first principles when member leaves, all relevant salary & contribution will be required instead.
Revaluation percentage	Trust	CARE	Active and deferred	Check that there is a history of revaluation percentage for the accrued pension for each relevant year, if benefits have not been not uprated and recorded annually.

**HMRC:** the following is the HMRC data required for all members who satisfy the circumstances shown, if applicable

Data field	Trust/ Contract	Scheme type	Member status	Comment
Fund at A-Day	All	DC	Active and deferred	If it will be required for calculation of benefits, check that accrued fund at A-Day is recorded, or is readily derivable.
Protected cash at A-Day	All	All	Active and deferred	Check that protected cash at A-Day is present if it will be required for calculation of benefits. Alternatively, sufficient salary (and other) information must be present to permit this value to be readily calculated when required.
HMRC maximum benefits	All	All	Deferred	If this is required for pre A-Day leavers check that it is present, this may depend on the scheme rules. It is not relevant for all types of contract based schemes.

Data field	Contract	type	status	
Lifetime allowance charge paid	Trust	Non-DC	Pensioner	Check that the date and amount of any lifetime allowance charge paid is present.
Unauthorised payment details	All	All	Deferred and pensioner	Check that full details are recorded if an unauthorised payment has been made, or if a trivial commutation has been paid before the member attains age 60. Details will include the nature, date and amount of the payment.

**Contracted out:** the following data are required for all members of contracted-out schemes who satisfy the circumstances shown, if applicable

Data field	Trust / Contract	Scheme type	Member status	Comment
Date contracted out	All	All	All	Check that this is present and not earlier than 06/04/1978.
N I History (Contracted-out earnings and contributions)	All	All	All	Check that members have a full contracted-out history during any period contracted out on a GMP basis. A verified GMP, agreed with NISPI, would be an acceptable alternative. Not required for reduced-rate females.
Pre 88 GMP	Trust	Non-DC	Deferred and pensioner	Check that a member with at least one month of pre 4/88 contracted out service has a pre 88 GMP. GMP must be divisible by 52. May be derived if total GMP and post 4/88 GMP are recorded.
Post 88 GMP	Trust	Non-DC	Deferred and pensioner	Check that a member with at least one month of post 4/88 service contracted out on a GMP basis has a post 88 GMP. GMP must be divisible by 52.
GMP revaluation rate	Trust	Non-DC	Deferred and pensioner	Check that a revaluation rate is present for each element of GMP. Can be derived or explicit.

## Appendix G: Examples of numerical data

Test	Brief test description	Reasons for reporting
<b>Membership statistics</b>		
Number of benefit categories	Number of benefit categories that give rise to a separate benefit structure (eg staff/works, different section, previous acquisition etc)	eg could have different benefits for different groups etc.
Status	Membership statistics (active, deferred, in payment)	Consistency with other reporting
Pensioner type	Pensioner membership by type (member, spouse/dependant/civil partner, child)	
<b>Specific data statistics</b>		
Part-time	Number of active members with part-time service history	Aid to understanding of the scheme
Lifestyling	Number of DC active and deferred members with a lifestyle investment strategy	
AVCs	Number of active and deferred members who have payment of AVCs recorded	
Transfers in	Number of active members with a transfer in recorded	
Divorce (pension sharing)	Number of members who have had a pension sharing order	
Divorce (earmarking)	Number of members with an earmarking order	
Members with primary or enhanced protection	Number of members with primary and/or enhanced protection	