

Are trustees stumbling in the dark with poor data?

Award winning journalist Stephanie Hawthorne chaired a panel of experts on data for the PMI. Here are the highlights of the discussion.

Speakers:



Steve Ackland,
CEO, AiM



Naomi Brown,
Associate Director,
Sackers



Kevin Allwork,
Project Manager,
XPS Administration



Asmi Shah, Senior
Manager, EY



Chair: Stephanie Hawthorne,
freelance journalist and former
editor of Pensions World

Data is in the news as never before. Gigantic data breaches are the stuff of nightmares and seem to happen every week, even in the largest organisations. Inadequate data protection can lead to huge fines not to mention huge reputational damage. For pension schemes, the importance of record keeping over a 50 year or more life span is vital. Clean and accurate data means happy pensioners, not to mention better deals when it comes to insurance buyouts. Following a recent High Court case, pension schemes also have to address GMP inequality back to 1990. Yet a recent survey of sponsors, trustees and advisors, by law firm Herbert Smith Freehills, found that 61 per cent of respondents said they did not expect their scheme – or those they advise – to have sufficient data to equalise members' benefits. So, how to solve these data issues?

KEY TAKEAWAYS

Steve Ackland Data cleansing should be ongoing and not part of a one off project at which you just throw money and forget about.

Naomi Brown Trustees need to be confident that they have the data they need to pay members the right amount at the right time because that goes to the heart of what trustees' duties are. Once you have got the data, trustees have to be careful with it because another significant concern for trustees is that if they lose the data, members lose confidence in the scheme and it could undermine their ability to run the scheme.

Asmi Shah Cyber security is making its way on to most of the risk registers. It is all well and good to put data security on the risk register as a risk for trustees but what would you do if you were targeted and lost the data? What are you going to do in the next 10 days following a breach?

Kevin Allwork The problem is getting trustees engaged to look at the data. Historic data is a huge problem area if you are looking at data going from in house from one administrator to another, and from paper files to various computer systems.

GMPS – IS THERE PANIC?

Naomi Brown Don't panic. It has been a long time coming but trustees have to make some short term decisions to keep the show on the road and to buy themselves some time.

Asmi Shah There is definitely panic in the market. The industry is waiting to see what the big players are going to do. As an industry we focus on gaps in data but as trustees, you have to focus on the accuracy of the data. We see a lot of rectification now.

BUYOUTS, M&A, AND FUNDING

Naomi Brown Data gaps, or problems with data, can significantly increase the price of buyout and lead to missed opportunities, if you are not ready. Schemes that are tidy can take advantage of movements in the market.

Kevin Allwork If you are looking to do a buyout in the next few years, you should be looking at a buyout review.

TECHNOLOGY

Steve Ackland A lot of information is still in antiquated formats. I like to think the majority of people are not being paid the incorrect pensions but there is a risk. Technology can flag errors with forensic analysis to bridge gaps and there are tools to help you.

Stephanie Hawthorne I hear 1,000 schemes still use paper records.

Naomi Brown We work with large, well run schemes but even then they often have boxes of paper from the 1970s; there are too many at the other end of the scale.

Asmi Shah Digital solutions are being used to merge paper records to bring it into one platform.

Kevin Allwork Do ensure backups are in place so that if anything does happen the data can be recalled quite easily.

Steve Ackland Artificial intelligence is another possibility; you can use tech to access old platforms but it can be expensive.

HOW DO WE FIX DATA?

Steve Ackland Understand the size of the problem. Where is the data? What are the implications of any inaccuracy? You can use tech. You can close the gaps with AI. GDPR issues alone are enough to establish a business case. You need data governance across the piste and you need to keep it up to date.

Kevin Allwork There are tools out there, look at spreadsheets and files, but problems are unique to each pension scheme.

Asmi Shah Mortality tracing and address tracing are worthwhile. We don't do them enough.

Naomi Brown Make yourself easier to find; the pension dashboard will help reunite people. Schemes should think how to engage people when they leave the scheme and collect their email addresses. Have web facilities with online member accounts so members can tell you when their addresses change. This will maintain a level of engagement that would otherwise have been lost.

Kevin Allwork In the world of auto-enrolment and the retirement age going further in the future, ongoing communication is increasingly important. I have not heard from some schemes from my 20s since. They do have my money and they are investing my money.

Steve Ackland Every data cleanse is completely different. As a guide, simpler ones for 100,000 members can be done for the low thousands. If you have good housekeeping, you won't need these big chunks of money.

Asmi Shah Do an initial review to get a picture of what's wrong before you commit a large sum.

Naomi Brown Watch out for hidden costs; when you got something right, you will find there are some people being paid the wrong pensions and that has to be fixed.

REGULATION: GDPR AND TPR

Naomi Brown GDPR got people's attention. GDPR was an opportunity to look at processes and refine them. Some found it a real challenge.

Asmi Shah GDPR caused extra cost and compliance work but greater protection.

Naomi Brown The Pensions Regulator has made it abundantly clear it is going to show its muscles and bear its teeth. Its message on data has been clear for some time. Data management problems can often go hand in hand with other problems.