XPS Pensions

Improving your data is essential for buyout

From the introduction of the Pensions Regulator's common data requirements in 2010, the end of contracting-out in 2016 and looking forward to the Pensions Dashboard, knowing your data and putting it in good order has never been more important.

≫ In brief

- The Pensions Regulator (TPR) is stepping up the pressure on schemes to hold good data

- Good data will be essential to be able to put individual annuities into members' names (a 'buyout')

- For an ongoing scheme, the better the data, the more automation that can be implemented, meaning greater efficiencies which reduce running costs

≫ Next steps

- Ask for a data audit and data score

- Implement a data plan

Good quality data has many advantages. It plays an important part in minimising risk, helps to support smooth scheme administration and improves the accuracy of valuations.

The recent industry-wide Guaranteed Minimum Pension (GMP) reconciliation exercise has highlighted that scheme data is often not in as good an order as it should be. This can be due to a number of reasons, such as changing administrators, historic poor record-keeping and scheme mergers.
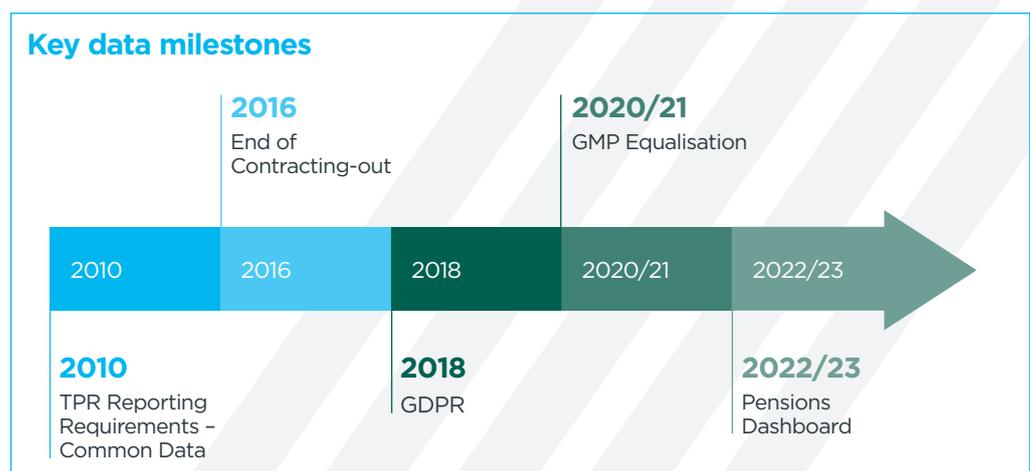
If a scheme is looking to undertake any kind of bulk exercise in the future (**such as a buy-in or a buyout**), great emphasis should be placed on the quality and accuracy of the data which will be used. As schemes enter the realms of GMP rectification and consider the approach to be taken to equalise GMP benefits, this has never been more essential. The better the data, the more automation that can be implemented, meaning **greater efficiency and reduced costs!**

Having good data isn't just important for future bulk annuity exercises however, it's simply good scheme governance. **The Pensions Regulator is asking schemes to submit their scheme specific data scores** as part of the annual scheme return process. Failure to undertake a review of scheme records and evidence plans to improve the quality of data may result in fines.

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Key data milestones

2010	2016	2018	2020/21	2022/23

2016
End of Contracting-out

2020/21
GMP Equalisation

2010
TPR Reporting Requirements – Common Data

2018
GDPR

2022/23
Pensions Dashboard

Next steps

Auditing data

» Ask your scheme administrator to undertake a review of the administration records and provide a scheme specific report, including a data score, based on the key relevant data items for the scheme.

Fixing data

» Agree an action plan to resolve any data issues identified. Depending on your scheme, and how member files are stored, it may be cost effective to try and address the majority of data issues at the same time to save on duplication of effort in the future.

» Fill in the gaps and review data items flagged as inaccurate. This may take some time and involve an extensive review of the scheme records and member files. In some instances the data may not be available and a decision may need to be made as to how to proceed in these cases.

» Identify your improved data score! You should continue to review your data on an annual basis and whenever a large bulk exercise takes place.

Any form of bulk exercise, whether it is member options, GMP equalisation or buyout, will require clean data.

Auditing data is just the first step. Fixing it is the key.

Get buyout ready with XPS

Read more

About us

XPS Pensions Group is the largest pure pensions consultancy in the UK, specialising in actuarial, covenant, investment consulting and administration. The XPS Pensions Group business combines expertise, insight and technology to address the needs of over 1,000 pension schemes and their sponsoring employers on an ongoing and project basis. We undertake pensions administration for over 870,000 members and provide advisory services to schemes of all sizes including 25 with over £1bn of assets.

XPS' specialist Risk Transfer team has advised on buyouts, buy-ins and PPF cases with over £12bn in bulk annuity transactions across more than 100 schemes. XPS maintains close links with insurers and expertise on the range of options available in the market.

» For further information

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