

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE: 09/08

Record Keeping - A Consultation Document

The Pensions Regulator has now issued its long awaited Consultation Document looking at the data held by Pension Scheme Administrators and Insurance Companies.

The document is issued in two parts as follows:

- 1 Chapter 1 is a brief executive summary
- 2 Chapters 2, 3 and 4 all provide background to the issues of bad data. The remainder of the first part outlines how the Regulator plans to regulate data. The second part of the Document forms a technical appendix looking at specific data fields.

Consultation runs up to 15 October.

Outlining issues

The benefits of good data are well understood and we believe generally accepted within the industry. However, as more schemes look to buy-out or buy-in, the benefits of good data have come closer to crystallisation. The Regulator quotes figures of 5% extra on buy-out premiums as a result of poor data, a figure that we suspect is underestimated.

Regulation

The intention to “educate, enable and if necessary at a later stage enforce” means that the Regulators approach has been “light touch”. The specific nature of any Scheme’s data requirements made the formal creation of a generally applicable data indexing impossible. The Regulator has therefore gone for a core data requirement and additional statistical information that should be reported. He has then left it to the Trustees to identify their own specific additional data requirements.

The regulator’s hope is that by providing the background and then proposing the Core Data requirement, he will begin the education process to bring data onto the Trustee Agenda. From here it is hoped that the Trustees will take the process on, to ensure the data is fit for purpose and if not, put in place a plan to rectify the situation. The intention is that it is only if this process does not happen that the Regulator will look towards enforcement.

In our view, the issues with this approach are:

- 1 In order for the Core to be applicable across all Schemes it has been limited to a maximum of 19 items. These items are not sufficient to administer a Pension Scheme and there is therefore a danger that the Core data creates false comfort to Trustees.
- 2 The Regulator has emphasised that at this stage his focus is on “the presence of the records required to calculate the specific benefits rather than the calculations themselves”. However, there is no discussion of the accuracy as opposed to the presence of the data items and there is a danger that data fields will be populated with incorrect data just to pass the Regulators scrutiny.
- 3 There is no indication from the Regulator as to what might be deemed “fit for purpose” in terms of data.

Conclusion

Through our involvement with Raising Standards of Pensions Administration, Premier Pensions Management have been involved in the pre-consultation of this document and we therefore welcome it. However, if the industry works merely to meet the requirements outlined in the document then a great opportunity will have been missed. However, if the industry does build on the attempt by the Regulator to educate and enable Trustees to take responsibility for the data and to ensure that it is fit for purpose then we will see a massive improvement across the board.

Next Steps

With consultation running to 15 October you may wish to respond directly to the Regulator and appropriate details can be found at www.thepensionsregulator.gov.uk.

From a Premier Pensions Management perspective, where we provide administration services we always begin by taking a full audit of the Scheme and those clients are therefore confident that the data is fit for purpose.

Where we do not provide the administration service we will be happy to work with clients to help to assess the data and to put in place a Recovery Plan if needed.

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This update includes general information and cannot be relied upon for individual schemes issues. You should contact your adviser or Paul Couchman at Premier Pensions Management Ltd, Capital Business Centre, Units 14 & 15, 22 Carlton Road, South Croydon, Surrey, CR2 0BS. DL: 020 8916 2129. Email: paul.couchman@premierpensions.co.uk if you require definitive advice