

## **Key themes for DB in 2020 – data, data, data**

Data is the foundation of all schemes and projects. But why is it so often looked at as the boring cousin to more appealing topics like investments for many trustees?

Running a scheme without good data can prove challenging, especially in today's pensions' world, but it's not as hard as you think. Here's why data should always be on the agenda for trustees, and how it can be used to add value, reduce risk and improve outcomes for members.

A few of the big 'beasts' DB schemes might be looking at for 2020...

### **De-risking**

DB schemes are shutting up shop at a faster rate than ever before – around £50bn this year alone!<sup>1</sup>. Schemes know their endgame is increasingly imminent and are looking at their options.

In order to reach these endgame solutions, data accuracy is vital and can help a scheme decide what their de-risking strategy should be.

For example, the premium quoted for a bulk annuity is only as accurate as the data it's based on. If at the point of transaction, the data has changed then there will be an adjustment to the premium. To avoid any unnecessary surprises, it's vital that the data is as accurate as possible.

The data insurers need is often more detailed than the data required for the day-to-day running of the scheme. It's often difficult to find, and might include: contingent spouses' pension, existing insurance arrangement and mortality information. Insurers will also be interested in the accuracy of your data, so uncovering and rectifying inconsistencies early is important. Data stored on various administration and legacy systems can increase the complexity.

Nailing the data aspect of a buyout deal improves the speed and efficiency. Given the ever-increasing demand for bulk annuities, insurers can be picky particularly when it comes to small schemes – without good data it may not be possible to even obtain a quotation.

It's clear, whatever the route to de-risking, data is key to getting the best deal for the scheme and more importantly, its members.

### **GMP – rectification and equalisation**

Most schemes are well on their way to completing GMP reconciliation exercises.

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<sup>1</sup> [www.professionalphesions.com/news/4007980/bulk-annuity-market-gbp-5trn-2020s](http://www.professionalphesions.com/news/4007980/bulk-annuity-market-gbp-5trn-2020s)

Now it's time to begin rectifying members' benefits but schemes seem hesitant – especially with GMP equalisation lurking around the corner. The resounding consensus from industry experts is to rectify now – schemes can't continue to overpay or underpay benefits.

A data audit and analysis can help schemes organise their members, into those not affected at all by equalisation, those affected immaterially and those materially impacted – and even then, if the material impact results in an increase to benefits, there's no need to delay rectification. The benefit of putting members into cohorts is that you can do different things with the different groups.

With questions and guidance still outstanding for equalisation there's no telling when schemes will be able to correct benefits. When the pension's minister, Guy Opperman<sup>2</sup>, said "act now" to equalise, what can actually be done at this time?

During the GMP Equalisation session at the recent PLSA annual conference, the audience overwhelmingly (41%) felt the biggest hurdle to overcome is data quality when carrying out a GMP Equalisation exercise. It seems the industry understand the complex calculations equalisation demands can't be completed without good data.

### **Get data-ready – it's not as hard as you think!**

An overwhelming consensus from the industry as a whole is loud and clear – get data on the agenda it's the lynchpin to future projects and decisions – especially during one of the most changing times in pensions. Preparing your data may seem like a daunting task, especially for older schemes, but it's not impossible! And it's definitely vital.



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<sup>2</sup> [www.professionalpensions.com/news/4006087/pensions-minister-tells-schemes-act-gmp-equalisation](http://www.professionalpensions.com/news/4006087/pensions-minister-tells-schemes-act-gmp-equalisation)