

The buy-in/buyout data hunt

➤ **Samantha Chandler explains how checking data quality preparation can speed up the bulk annuity transaction process**

April 1995 – my first day as a pensions administrator, I was handed a large thick book containing rows of names, columns of dates, salaries and some maths equations. My initial thought was: I'm glad I have my Casio calculator with me!

I was then given a piece of paper with names and a new salary. However, the typist had made a few mistakes, a couple of the zeros had a black pen line through them turning them into an eight.

I was told to find the name in the book and write the new salary in the relevant column. There was a calculation required of adding the last three salaries together, dividing by three and writing this number in another column – I had just completed my first pension calculation, the 'final pensionable salary'!

Names had been crossed out with the word PUP or RET written next to them, clearly this book was one of a few containing hundreds of members' details and benefits.

It wasn't long after I joined we 'migrated' these details onto a computer database. Although, none of us were aware that in the future, calculations would become automated and my calculator redundant.

Jump forward to 2023, paper files have been digitised, calculations are carried out by administration systems, members update details online and pensions are increased and paid automatically. Like many professions, technology was welcomed with open arms in the pensions world.

What hasn't changed is the basis of what's needed to calculate a member's rightful benefits. This data is the

crux of what any scheme, trustee or administrator needs to pay the right people, the right amount, at the right time. A phrase we are all familiar with.

So when we talk about data for bulk purchase annuity transactions, surely schemes already have this?

Unfortunately, this isn't always the case. For example, it has been accepted that administrators often calculate the spouse's pension at the point of the member's death, or review the calculation of the deferred pension only when it is being claimed. This member-by-member/ad-hoc approach, often reliant on member file images, hinders the certainty insurers are seeking – that all member benefits are in line with the Trust Deed and Rules and administrative past practice.

With rising interest rates, schemes are heading towards being fully funded much sooner and able to expedite their buy-in/buyout (BIBO) strategy. Cleanse plans, which were already impacted by rectification projects such as GMP rectification and equalisation, may now need to be completed in a measure of months rather than years.

With insurers gearing up for this influx of schemes wanting to buy-in, market demand enables them to be choosy. It's not rocket science that the prepared schemes will be at the front of the queue and achieve better insurance terms, including pricing. Here lies the data preparation challenge.

What schemes can do, to speed up their own plans:

1) Review the data gaps and understand how they impact a BIBO transaction –



not all data gaps will matter.

2) Understand when rectification projects will be completed and if they can be sped up.

3) Obtain the current benefit specification used by the administrators and begin benefit testing data items relating to the calculation of benefits.

4) Understand which calculations are not automated by the administration system. Partial automation may mean unreliable data or unclear calculation methods.

5) Review the valuation data extract and understand if it meets the needs of an insurer for pricing.

6) Schemes' service providers are being flooded with the demands of BIBO transactions, so it can be valuable to seek support from external independent experts to work with the legal and administration teams.

And don't forget, the more work carried out to ensure accurate data and correct benefits are paid, the less requirement there is for residual risk and run-off insurance cover, saving you money in the long term!



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