Thursday 13th September

Auto-enrolment now covers all employers,
but are the pension records already wrong?

pensionsync research reveals up to 50% error rates
in auto-enrolment data for small firms,
but organisations that use pensionsync achieve 97% success rates

Regulations only check employers are paying into a scheme,
not the accuracy of information

As the pension MasterTrust market consolidates, there are
significant concerns about reliability of records being transferred

Legacy pensions are plagued by errors from past manual records,
but today's auto-enrolment can use digital integration
to ensure accuracy - and cut costs

Hidden data problems: Auto-enrolment is a great success so far. As all UK employers have set up a pension scheme for their staff and started to contribute, workers will be building towards a better retirement. This is great news. But there are some worrying signs that all is not well underneath the positive headlines.

Failure to embrace new technology risks repeating problems of legacy pensions: Pensions have often been plagued in the past by high charges and poor customer experience, and most recently many pensioners have had to repay some of their pensions and face pension cuts, as they are told that past errors in their pension entitlements have been discovered – many decades later. The errors in the pension data were often the result of manual record-keeping, which was prone to human error, and a failure to ensure robust data reconciliation was regularly carried out. This meant that errors were not discovered promptly and persisted over time without anyone knowing.

Workers need to trust that their pension contribution records are accurate: Pension rules are so complicated, it is almost impossible for most workers to know whether the amounts being paid into their pensions are correct. Complex calculations are required to calculate the employee contribution, employer contribution, tax relief and possible National Insurance relief. Employees would naturally expect that their employer or pension provider were ensuring the amounts being recorded were accurate. Unfortunately, this was not the case in the past, especially with contracted out pensions. However, it also appears that this issue is still a problem even with new pension schemes.

Shocking 50% error rates revealed by new statistics: pension**sync** has analysed data representing contributions to over 10,000 schemes. This research reveals, shockingly, that data sent on behalf of employers to pension providers have a 50% error rate and must be sent back for correction. Such high error rates suggest the need for greater attention to be paid to data accuracy by pension administrators or employers themselves.

High error rates add costs and time to pension administration: The requirement to send data back for manual re-entry also implies that the administration of Workplace Pensions is highly inefficient, which will result in increased costs for employers, payroll firms, book-keepers, other third-party providers and also for pension providers in terms of customer support. Each time a data error occurs, there is extra work for the payroll or pension administrator. With such huge error rates being common, the costs of pension administration and the time taken to submit the information to pension providers is much greater than necessary. Even more worrying, it seems to be the case that some administrators simply find a way to 'fudge' the pension information by editing it within Spreadsheet wordprocessing software tools to get the job done rather than address the root cause data of the errors within the source software system (which is typically payroll software). Furthermore, when pension providers change their data requirements and payroll software is not updated to reflect the latest version, then administrators have little choice but to manually adjust the data in a Speadsheet, or manually key data directly into a pension providers web portal.

Common errors include:

- contribution amounts that are too high or too low;
- contributions made for workers who do not belong to the scheme or have opted out,
- wrong pension scheme identifiers,
- inaccurate postcodes,
- incorrect pay period dates and many more.

Furthermore, the pensionsync team has observed other examples of pension administration issues relating to contribution errors resulting from employers or their agents incorrectly believing a pension scheme operates on a Relief at Source basis rather than Net Pay, and vice versa, and so confusing gross and net figures.

Current regulatory checks do not ensure verification of data accuracy: Following the significant problems caused by inaccurate records in legacy schemes, surely it is vital for the pensions regulator and Government to ensure data in new auto-enrolment pensions are regularly and comprehensively checked for accuracy. Currently, this is simply not happening. The auto-enrolment Declaration of Compliance does not require a confirmation that the pension contributions and employee pension records have been robustly verified as accurate. There seems to be no checking of member data accuracy by most providers. Indeed, many providers could not even check whether contributions are correct if they wanted to, because they do not collect the relevant information on employee pay.

MasterTrust consolidation needs reliable records: As pension MasterTrusts are in the process of consolidation, the risks of pension records already being incorrect, revealed by the latest research, are most worrying. MasterTrust authorisation did not require robust checks on data accuracy or proof that there are proper processes to discover and correct errors. It is essential that such processes are urgently introduced to regularly check that pension data are accurate and reliable. Once time has passed and if schemes merge, it will be much more difficult to go back and try to reconcile past records. Surely members should be able to rely on the information on their pension statements.

Organisations that use pensionsync reduce error rates down to 3%: The use of pensionsync's digital integration service between payroll or contributions managers and pension providers, without the need for manual uploading onto spreadsheets, has been shown to reduce error rates to almost zero. The pensionsync research proves that, although initially around half of the data is incorrect, once the automation has been put in place, and the User has cleaned and corrected the pension data within their payroll software (or other software application being used to manage automatic enrolment) then error levels reach just 3%. It will never be possible to ensure 100% accuracy, but having automation processes in place which constantly check and can then allow errors to be corrected promptly, will bring pensions administration into the 21st century. This can also ensure greater reliability, security and lower costs.

NOTES FOR EDITORS

pensionsync works closely with its pension provider partners to replicate the provider's own data quality checks within the pensionsync technology. This gives the dual benefit of helping pensionsync users immediately understand whether there are any errors in the data being submitted, and helps the pension provider by only allowing clean, well structured and relatively error free data to be uploaded to their administration systems.

Historially, when our pension provider partners have changed their data requirements, or moved to upgraded versions of their API, pensionsync has been able to accommodate the change in a way that means that there have been no knock-on impact suffered by our payroll software partners.

Furthermore, pensionsync has introduced a significant number of "automated adjustments" within its platform that transform non-critical data[1] from invalid to valid forms. These algorithms significantly reduce the error rate and require no intervention by the payroll administrator.

Pension Providers who expose web-services that allow pensionsync to retrieve current scheme members experience higher contribution submission success rates.

For more information please contact Will Lovegrove, CEO of pensionsync on 07515 721603 or will@pensionsync.com

[1] Non-critical data is data that does not affect the identification of an individual, their membership status within the scheme nor the contribution amounts calculated and supplied by payroll.

pensionsync

Error KPI report

July 2018

Table showing average of Job success rate

A table showing how the success rate of data submissions to pensionsync increases month-on-month, as Users improve the quality of data held in payroll software (based on feedback from the pensionsync platform and our staff)

Table is based on data collected between August 2017 and July 2018, for all data submissions made to pensionsync in month 1, and who then submitted data over the next 12 months

The sample data set comprised of 11,177 pension schemes, submitted by 5,931 users of 13 software providers.

No. of months	Success rate
1	51%
2	70%
3	77%
4	81%
5	83%
6	84%
7	87%
8	88%
9	89%
10	90%
11	91%
12	97%

Table of common error counts

A table showing the most common errors recorded by pensionsync over the same set of Employer pension schemes, over a 6 month elapsed period of time

The sample data set comprised of 581 pension schemes, submitted by 291 users of 9 software providers, in which the first month of submission was August 2017, and 12th month submission was July 2018

Error type	First submission Aug17	6 mth submission in Jan18	12 mth submission in July18
Scheme identifiers	148	3	1
Period dates	123	39	26
Postcode	48	4	2
Event Date/Code	70	11	12
Employee mismatch	62	32	27
Duplicate	73	14	4
Contribution amounts	18	5	5
	542	108	77

Error type	Description of error type
Scheme identifiers	Bad, illegal, group identifier, sub-group, employer id
Period dates	Period dates mis-matched between payroll and pension providers
Postcode	Illegal or missing postcode present once or multiple times in a submission
Event Date/Code	E.g. auto-enrolling an employee after before duties start date. Illegal
Employee mismatch	E.g. contributions for a member, no longer a member. Or employee Id, NINO, does not match pension provider records
Duplicate	Submitting data for a period when the period is closed.
Contribution amounts	We check if contributions are accurate for 2 Master Trusts, and reject if not.