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Pension Pulse

Get DataReady for the open pensions revolution

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Executive summary

A pension scheme's stewardship of its members' personal data is a huge responsibility. If that data is neglected and inaccurate, schemes – and ultimately scheme members and sponsoring employers – will face increased costs and risks. Poor data management can cause errors around payments or communications, exposing schemes to risk of fraud, regulatory breaches and reputational damage.

In 2025 the need to ensure the accuracy of member data has become even more urgent. This is because the launch of the pensions dashboards is approaching. The dashboards will depend on accurate data, and The Pensions Regulator has warned it will punish schemes that fail to prepare their data for use by the dashboards.

In addition, as Defined Benefit (DB) scheme funding levels improve and active membership continues to decline, more schemes are expected to pursue Bulk Purchase Annuities (BPAs), consolidation, and other de-risking or endgame transactions. – and pricing of those deals must be based on an accurate picture of scheme liabilities. Of course, those schemes that choose to run on, still must do so on accurate data.

Heywood has spent many years helping pension schemes improve data management. Within the past 12 months we have completed comprehensive Data Accuracy Reports for almost 70 schemes, and this work forms the basis of our first Pension Pulse Report. Our findings underline the importance of accurate data, the difficulties created by inaccurate data; and the need for an effective data cleansing strategy, integrated with a scheme's business-as-usual activities.

Our findings reveal a varied and sometimes concerning picture. While most schemes manage member data reasonably well, our findings include the following (based on averages across all the schemes):

As many as one in five dashboard queries could result in a "possible match", rather than a confirmed match.

This will increase administrative costs and workloads for schemes and providers and may cause unnecessary stress for individuals trying to find lost pensions.

8.79%
of surnames are incorrect.

Women's surnames are more likely to be wrong, as a result of a marriage or divorce of which a scheme has not been notified.

Surnames may also be wrong as a result of human or computer error.

1.65%
date of birth (DOB) data is wrong.

In most schemes between 1% and 2% of members DOBs are incorrect, which represents significant risks for a scheme with tens or hundreds of thousands of members.

9.44%
of addresses are wrong.

Incorrect address data exposes schemes to risks linked to data privacy and increases costs, through misaddressed communications and error correction.

On average, more than one in 50 (2.33%) of scheme members of a pensionable age are dead, but their deaths have not been reported to pension schemes in a timely way.

Paying benefits to this share of pensionable members who have died would cost a scheme over £250,000 each month per 10,000 members, based on an average monthly payment of £1,100. Never mind the increasing fraud, regulatory and reputational risks.

For schemes with tens or hundreds of thousands of members, even a small proportion of errors may represent hundreds of members whose records are incorrect. That means increased costs, a poor experience for members interacting with the scheme or with the dashboards; and increased regulatory or reputational risks for schemes and sponsors.

The best way for schemes to address these potential problems is to invest in a comprehensive data cleansing strategy. Schemes that focus on continuous data management and improvement will be better prepared to support the roll-out of the dashboards, and better placed to prepare for de-risking processes and the scheme's endgame. They will also be able to offer members a better experience. Schemes should act now to ensure they achieve those positive outcomes – and avoid the costs and risks that may be caused by inaccurate member data.

Pensions in 2025 and beyond

"A lot of the consequences of having poor data are hidden at the moment, but when dashboards come along that data's going to be exposed in real time to members, all the time."

Louise Donohue,
Chief Operating Officer, Heywood

"Accurate data is critical, because the insurer wants to understand the risk and the liabilities of the scheme."

David Rich,
Head of Data Propositions, Heywood

Accurate pension scheme data is the foundation of effective scheme administration and operation. It ensures the correct benefits are paid to members – and that the scheme does not continue to pay members who have died. It allows DB schemes to calculate pension transfer values more quickly. It also ensures that appropriate member communications materials are sent to the correct postal or email addresses.

Inaccurate, poor-quality data can:

- prevent schemes managing contributions properly;
- stop them paying the correct amounts of money to the right people at the right time;
- and hamper member communications.

Inaccurate data also compromises decisions made by a scheme's trustees, managers or sponsoring employers, because those decisions will be based on incorrect information.

But in 2025 the consequences of inaccurate data could be even more damaging. Inaccurate data has always created regulatory risks, but the risk of breaches and punishment has increased because poor data could undermine efficacy of the pensions dashboards, with connection of the first schemes due to start this spring. In addition, inaccurate data could delay, complicate or even prevent a scheme completing de-risking activities including bulk purchase annuity (BPA) or consolidation transactions.

Getting data-ready for dashboards

Pensions dashboards have the potential to drive a huge, positive change in the way people save and plan for retirement by providing members with a secure view of pensions information, all in one place.

Dashboards' success hinges on the accuracy of schemes' and providers' member records. In October 2024 a survey conducted by the Pensions and Lifetime Savings Association (PLSA) found that 90% of schemes surveyed were confident they could integrate securely with the pensions dashboards – but 49% cited data quality as a concern [1].

Dashboards, when live, will likely expose some unpleasant secrets, says Heywood Chief Operating Officer Louise Donohue:

> "A lot of the consequences of having poor data are hidden at the moment, but when dashboards come along that data's going to be exposed in real time to members, all the time."

That could create big problems for many schemes, because consumers expect online systems to work. If poor data stops the dashboards working properly, consumers will be disappointed and irritated. They may also be alarmed if the system can't match them to the pensions they think they have, or worse, if it produces possible matches with the wrong pensions. If these scenarios were to play out, schemes and providers could end up spending a lot of time and money dealing with unnecessary enquiries.

Ensuring data is accurate is not a one-off exercise. Member data needs to be right all the time, because it will never be static: we know that when some members move home, or get married or divorced, they often don't inform pension schemes. This means data cleansing strategies must become part of business-as-usual activities, to ensure that data provided to the dashboards is fit for purpose.

Data accuracy is vital for consolidation, BPA pricing, and correct benefit payments

For DB schemes approaching the endgame, accurate data is essential in enabling de-risking exercises, including scheme consolidation, buy-ins and buy-outs.

> "Accurate data is critical, because the insurer wants to understand the risk and the liabilities of the scheme," David Rich, Head of Data Propositions at Heywood. "That analysis is complex, but in the end it rests on knowing who's dead and who's alive; and where they live, which is really important for assessing forward-looking liabilities."

It is also essential to ensure the correct benefits are paid. If the scheme provides benefits to a member's spouse after the member's death, accurate information about those individuals, particularly their ages, is crucial for assessment of the scheme's total liabilities, and for paying correct benefits.

Heywood's Chief Strategy Officer, Chris Connelly, says that gaining an understanding of the true potential costs of inaccurate member data is driving many trustees and managers to ask for help in devising data cleansing strategies.

> "Schemes have often struggled to write the business case to fix data," he says. "But when a derisking transaction may be around the corner they can see a price tag, but they can also immediately see the upside, because the transaction price is often then cheaper."

In addition, schemes may soon be under more pressure from The Pensions Regulator to accelerate work on improving data accuracy. The Regulator's General Code and guidance outline existing requirements for reviewing data regularly and including common quality data scores provided by scheme administrators in the scheme returns submitted to the Regulator. These scores are useful in a limited way: they show if there is some data present in data fields and check that it meets some basic requirements, such as National Insurance numbers being in the correct format. As Connelly warns:

> "Don't rely on your Pension Regulator data quality score – it measures the presence of data, not the accuracy of data."

The Regulator is also now likely to take a tougher approach to schemes that do not appear to be making adequate progress in dashboards preparation. In October 2024 it announced it had contacted some schemes to remind them of expectations set out in the General Code, and to warn that if they cannot demonstrate those expectations are being met, "regulatory action may be taken".

What our findings reveal about member data accuracy

During the past year Heywood has completed almost 70 Data Accuracy Reports for customers. This process has served as a valuable reality check for these schemes, removing, in some cases, a false sense of security linked either to data scores submitted to the Regulator previously, or to a scheme having completed data cleansing exercises in the past.

But as Heywood's David Rich points out, this can never be a "once and done" project.

> "Even if schemes are quite diligent, data is never going to be completely accurate," he explains. "People move and forget to tell their pension provider; people pass away and no-one tells the pension scheme. Every time you get your data accurate it's going to start to degrade the next day."

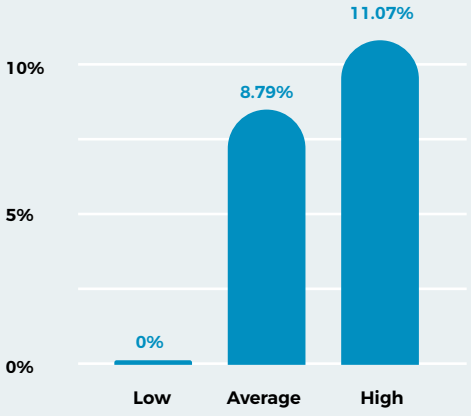
It's worth noting that whilst some of the average error percentages listed below are small, for a scheme with tens or hundreds of thousands of members, they may represent significant increases in costs and risks. In addition, records containing different types of mistakes may not always overlap, suggesting that higher percentages of member records may contain one or more errors.

We analysed data linked to more than 3m individual members in nearly 70 pension schemes. Most are Defined Benefit (DB) schemes with an average membership of about 44,000. Mortality statistics were gathered through separate, client-specific work.

Based on our findings, there is a risk that as many as one in five dashboard queries could result in a "possible match", rather than a confirmed match, unless cleansing action is taken.

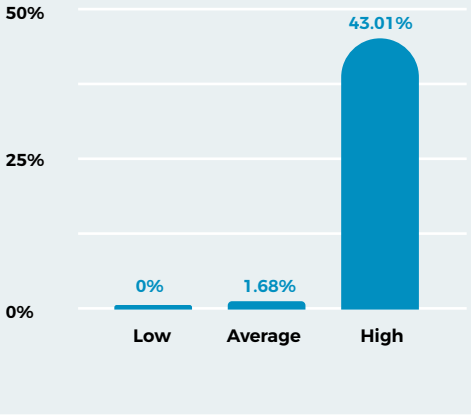
This will increase administrative costs and workloads for schemes and providers and could cause unnecessary stress for people trying to find lost pensions. This figure is based on the need for multiple items of data related to an individual and a pension to match in order to achieve a "match" rating and avoid a "possible match". Combining average inaccuracy rates for surnames and addresses (see below), along with the average inaccuracy rate for National Insurance numbers shows that 18.54% of queries are likely to include at least one error.

Our data also reveals that, for these schemes, on average:



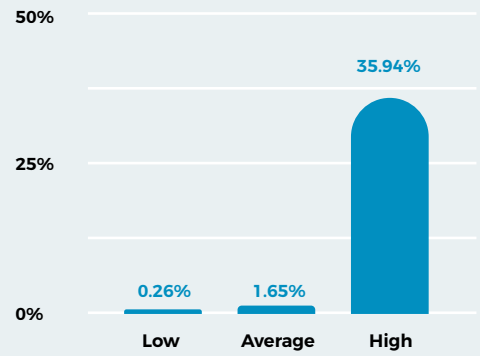
8.79% **of surnames are incorrect.**

Women's surnames are more likely to be wrong, often because someone has got married or divorced and failed to inform a pension provider or scheme. Errors may also be due to input errors. Sometimes names are mis-spelled, with one common problem being confusion around a Mac or Mc. Multiple schemes had incorrect data for more than 10% of surnames.



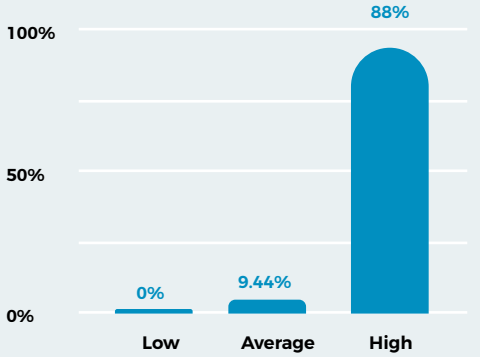
1.68% **of forenames are wrong.**

This average hides a huge range of accuracy/inaccuracy. In one scheme, a remarkable 43.01% of forenames were wrong, but the next two highest levels of inaccuracy were 21.91% and 8.31%. At the other end of the scale, some clients' data contained no incorrect forenames at all.



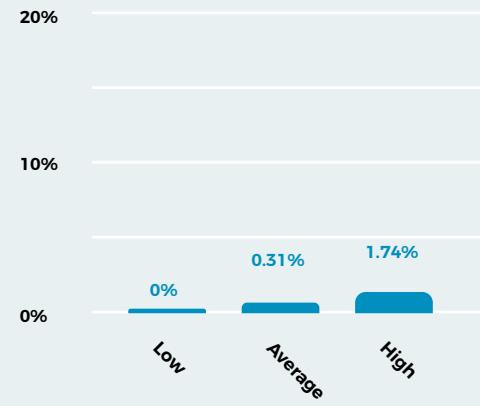
1.65% of dates of birth (DOB) are wrong.

Again, this average hides huge variations: at one scheme more than one in three (35.94%) of DOBs were incorrect. In most schemes the figure is somewhere between 1% and 2%, while the scheme with the highest accuracy had only 0.26% of errors.



9.44% of addresses are wrong.

The average share of pension scheme members who change their address each year is thought to be about 8% [2], but clearly members often fail to inform schemes or providers. Incorrect address data exposes schemes to risks linked to data privacy, and increases waste and costs.



0.31% of National Insurance numbers are formatted incorrectly.

Sometimes National Insurance numbers are duplicated and assigned to the wrong person. That could have serious consequences for the individuals in question and may increase reputational and regulatory risks for schemes and employers. It's worth noting that our analysis only accounts for formatting errors and obvious temporary NI numbers, leaving 0.31% a conservative minimum.

On average, more than one in 50 (2.33%) of scheme members of a pensionable age are dead, but their deaths have not been reported to pension schemes in a timely way.

Continuing to pay benefits to this share of pensionable members who have died would cost a scheme over £250,000 each month per 10,000 pensioners, based on an average monthly payment of £1,100. If deaths are unreported and unknown to a scheme this increases the incidence of fraud, reputational and regulatory risks, as well as financial loss. Clients who had not completed data cleanses for some time discovered worryingly high percentages of member deaths of which the scheme was unaware – in some cases more than 6% of members have died.

Scheme trustees or managers may be reluctant to pursue bereaved spouses or other family members to recover money paid into the deceased's bank account following their death – although a failure to do so may mean the scheme is failing in its fiduciary duty to the other members.

As we move into a DC-dominated pensions landscape and more people are likely to build up pension savings in multiple pension pots during their careers, this problem will become more common and more acute, because informing every scheme or provider of a death can be difficult and time-consuming for relatives of the deceased. Our findings also show that one in 50 scheme members below pensionable age had already died. If schemes were unaware of these deaths before the date when those members would have reached pensionable age, this might expose a scheme to additional risks, such as fraud. It will also mean some beneficiaries could be owed money, arguably when they most need it.

Increasing costs and other consequences of inaccurate member records

A scheme with **20,000** members may waste more than **£7,000** on every single mailout of communications material to the wrong addresses.

> "If insurers' don't know what the risk really is, they won't underprice – they'll go the other way."

David Rich,
Head of Data Propositions, Heywood

> "It should be obvious why schemes need a good data cleansing strategy: it reduces long term cost, reduces risks and improves the member experience."

Louise Donohue,
Chief Operating Officer, Heywood

The consequences of inaccurate data can be counted in increased costs and risks, to the scheme, but also to its members. Heywood Chief Strategy Officer Chris Connelly says the business case for creating an ongoing data cleansing strategy can be calculated on savings made by avoiding unnecessary costs. "We help our clients to consider what the downside of bad data could be, in an effort to place a value on what good data means," he says.

Improving the quality of member data should be seen not as an additional expense, but as an opportunity to save money. Take, for example, additional costs incurred when a scheme sends paper communications to the wrong address. Using an estimate of £4 for the cost of each letter posted, a scheme with 20,000 members and an average of 8.97% of incorrect addresses, every mailout will include 1,794 incorrectly addressed letters and waste £7,176. This level of paper wastage will also have a negative impact on a scheme's environmental, social and governance (ESG) record.

Schemes are wasting an estimated

£7,176

per

20,000

members, per mailing

As noted above, more resources will be wasted once the dashboards are operational, if data errors mean members can't find a pension they think they have, or are presented with a "possible match".

> "The common theme with every possible match scenario is huge amounts of time being taken up, wasting lots of money," says Heywood's David Rich.

There is also the fact that if people engage with dashboards and have a poor experience, they may not use the system again: a terrible outcome for the pensions industry, and society in general.

The costs of inaccurate data could be particularly high for schemes seeking to consolidate or to complete buy-in or buy-out BPA transactions, because insurers base premiums on analysis of a scheme's liabilities – or on their best estimate if truly accurate information is unavailable. They may also add on additional cost to reflect any perceived risk in inaccurate data.

> "If insurers' are unsure what the risk really is, they won't underprice – they'll go the other way," says Rich. He suggests that in some cases an inaccurate portrayal of scheme liabilities could add millions to the BPA premium paid by even a small pension scheme.

Finally, there is the question of regulatory breaches. Rich notes that while The Pensions Regulator has been generally reluctant to issue fines in the past, public statements made in relation to the launch of the dashboards suggest this could change.

Rich says schemes should also consider risks associated with breaching other regulations such as GDPR, which could expose a scheme, provider or sponsoring employer to significant fines and reputational damage.

> "Even in the best-case scenario, poor data quality means higher costs and wasted time," says Heywood Chief Operating Officer Louise Donohue. "It can mean the scheme makes overpayments. And the more time that is spent on correcting mistakes, the bigger work backlogs get and the worse administrative efficiency and member experiences become.

“Beyond that, there are regulatory risks and reputational risks, for the scheme and for the sponsoring employer. Ultimately there is a risk to the future stability of the scheme, because long-term funding and investment decisions are being made based on what is sometimes poor data.

“A good data cleansing strategy delivers multiple benefits,” Donohue concludes. “It reduces long term cost, reduces risks and improves the member experience.”

Making a Data Cleansing Strategy part of business as usual

"If you make improving data quality a continuous process that runs in the background, integrated with your business-as-usual administration, it becomes part of your core operations."

Louise Donohue,
Chief Operating Officer, Heywood

"It's worth putting in that time and investment now, to get on top of the data – doing that work up front should pay dividends in savings later on."

David French,
Head of Data and Analytics Solutions, Heywood.

The best way to ensure the accuracy of member data is to implement a data cleansing strategy, based on continuous monitoring and improvement of data. The Regulator, other major pensions industry bodies and experts like Heywood all urge schemes to integrate this strategy with business-as-usual activities. This not only helps increase the efficacy of the strategy, it also contributes to reducing ongoing data management costs.

"It's worth putting in that time and investment now – doing that work up front should pay dividends in savings later on," says David French, Head of Data and Analytics Solutions at Heywood.

What should the data cleansing strategy look like? Many schemes now carry out mortality screening on a monthly basis; Heywood recommends reviewing address and other member data just as often. We suggest a monthly data cleanse, based on a high degree of automation. Parameters of the strategy should also be reviewed continuously.

> “If you make improving data quality a continuous process that runs in the background, integrated with business-as-usual administration, it becomes part of your core operations, rather than data being a separate subject,” says Heywood Chief Operating Officer Louise Donohue.
>
> Connelly agrees: “It makes data the living heartbeat of your administration rather than something that ‘needs fixing’ now and then,” he says.

Donohue says implementing this sort of strategy means a scheme moves from being reactive to proactive.

> “I think historically people have focused on bailing out the water, rather than fixing the leaks,” she says. A proactive approach should be based on analysing sources of data used by the scheme and evaluating reliability of those sources; and how effectively they can be used together.

French says a strategy should be specific to a scheme’s specific requirements, as this will allow actions to be prioritised, and the most urgent or risk-increasing issues tackled more quickly.

Using digital technologies to enhance member engagement and support data strategies

An ongoing data cleansing strategy should also be supported by use of digital technologies to enhance member communications and engagement, in part by asking members to help check the accuracy of their data. This helps reduce administration costs by removing waste; and it encourages member engagement, offering further benefits for members and scheme.

Email is now often a more effective tool for driving engagement than posted material. Members can be prompted to use online self-service portals to confirm, amend or add to personal data. If a scheme holds both an email address and a mobile number for a member, there is no need to continue to communicate with them using paper-based methods (unless this is the member's preference). Portals can also be secured using digital identity verification methods.

> "Email is really cheap, much faster than the post and can be delivered securely," says Heywood Head of Data Propositions David Rich. "It shouldn't be too time-consuming to ask people to register and update their details."

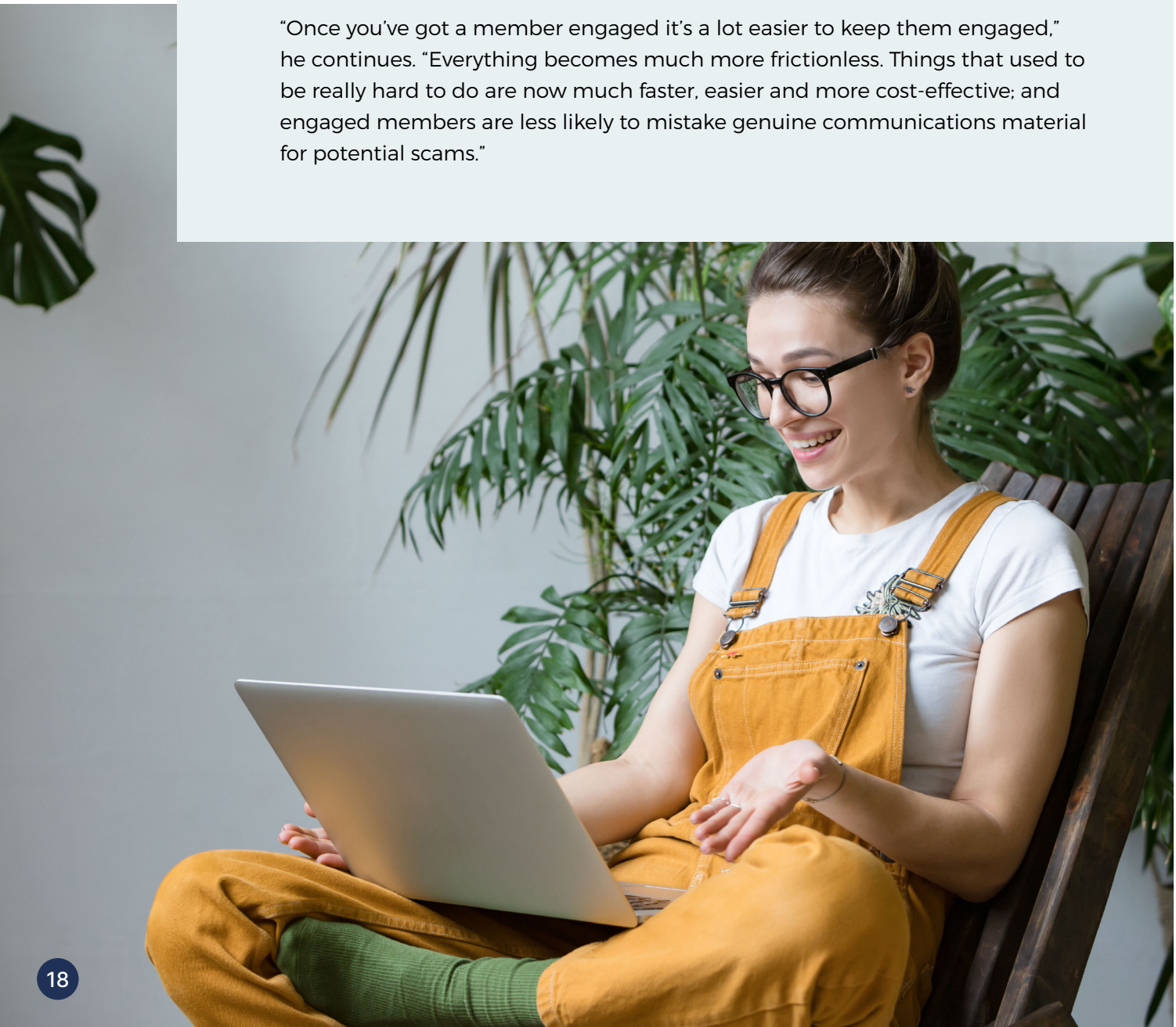
Our analysis shows that if a scheme holds a member's email address that member is much less likely to have gone away.

In addition, when we analysed the numbers of members in schemes with different Pension Regulator common data quality scores who were accessing self-service portals, we found a positive correlation between a higher common data quality score and the percentage of members who had logged onto a scheme's portal within the past year. This suggests that a scheme with more engaged members who use self-service in this way is less likely to have missing or invalid member data.

Growing numbers of schemes are using personalised video communications to inform members about their benefits during the run-up to retirement, rather than posting paper documents that members may not always read properly or may find it difficult to understand.

“Our video content uses AI to generate an avatar that delivers a personalised walk-through of the member’s benefits,” says Heywood’s David Rich. “It can be tailored to the member’s own circumstances and delivered in their preferred language. To have a friendly face, talking in a natural way, explaining things to you, will deliver levels of engagement that will otherwise never be obtained. And the cost is greatly reduced through the use of AI.

“Once you’ve got a member engaged it’s a lot easier to keep them engaged,” he continues. “Everything becomes much more frictionless. Things that used to be really hard to do are now much faster, easier and more cost-effective; and engaged members are less likely to mistake genuine communications material for potential scams.”



Conclusion

Some of the results of the Data Accuracy Reports completed for our clients during the past 12 months are a cause for cautious optimism. Clearly, while some inaccuracies in data are unavoidable, most data tends to be correct and most schemes are actively trying to improve data accuracy.

Heywood Chief Strategy Officer Chris Connelly thinks these findings show that many schemes that were already using mortality or address screening services regularly are now creating comprehensive data cleansing strategies. There is also clear evidence that more schemes are investing in digital solutions for communications and engagement.

Schemes that invest in developing a data cleansing strategy, integrating it into business-as-usual activities, supported by best-in-class data management, communications and engagement solutions, will benefit in multiple ways, improving the member experience as well as reducing costs and risks.

In 2025 accessing those benefits is becoming essential, rather than a matter of choice, as the launch of the dashboards nears, more Defined Benefit schemes contemplate a scheme endgame and Bulk Purchase Annuities or consolidation transactions; and as The Pensions Regulator indicates an intention to take a more proactive approach to enforcing guidance and regulation linked to data.

There is an urgent need for schemes to pursue best practice around management of member data, says Connelly, but also a strong business case to do so.

> “Schemes that get on top of their data cleansing do so because there’s a financial benefit they can see,” he says. “If you invest in a data strategy you will get great returns: this work pays for itself over and over again. But if people are not engaging with their data during the next 12 months they will soon move from bailing out the water to sinking.”

Are you DataReady?

GETTING YOU DATAREADY TO TACKLE ANY CHALLENGE WITH CONFIDENCE

With "DataReady," Heywood provides access to first-class data sourcing and management tools. From meticulous data analysis and cleaning to advanced automation solutions, our services empower you to take complete control of your data.

Heywood.co.uk →

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References

1. https://www.plsa.co.uk/News/Article/Pension-schemes-confident-they-are-ready-for-dashboards-integration-though-many-challenges-ahead

2. This calculation of the average numbers of people who move house each year is based on figures from the English Housing Survey 2021-2022, which shows that about 22% of households in England had lived in their current home for less than three years. This suggests that an average of between 7% and 8% of households move each year. https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-household-moves-fact-sheet/english-housing-survey-2021-to-2022-household-moves-fact-sheet