



Time to get serious

We've started the journey but there's still a long way to go, says **STEVE SHORESON**.

In the past decade we have seen a huge industry focus on protecting members' interests. Almost all funds now have dedicated resources applied to governance, risk and compliance. Every fund has a detailed risk register and the risks are fervently monitored and reported on.

So how has data quality managed to fall through the gap? There would be no more than a handful of funds which have a matrix of acceptable and measurable data quality levels. Very few trustee boards would receive regular and comprehensive data integrity audit reports of 100 per cent of their key data. Almost no-one would know the actual percentage of data records that contain incorrect data.

ITM was established in 2008 after observing that there was almost no focus on data quality. For the past three years I have spoken with hundreds of industry participants on the specific issue of data quality. These experiences tell me that the industry's commitment to achieving error-free record-keeping has a long way to go!

Three years ago, trustees and secretariats whose administration was with a Third-Party Administrator (TPA) had a very low awareness and it wasn't unusual for them to say "data integrity, that's what we pay our administrator for". Those with in-house administration departments were early adopters of external data audits and a number of them undertook data integrity audits of 100 per cent of their data from 2009 onwards.

In 2008/9, TPAs were not interested in independent data integrity audits for their client funds. There is very little profit in administration and unless this changes, or until regulation forces the issue, it will be difficult for a TPA to commit the necessary resource to achieve 100 per cent data quality.

However, it isn't all gloom. For example, a small TPA with only three clients has regularly undertaken external data audits since 2009. Willingness amongst other TPAs is increasing and in 2011 we have seen two of the larger TPAs begin using ITM's

independent data audit services; one for a platform change, and the other for new business they have won. However, very few funds undertake a data audit without a major driver such as a platform or change of administrator. It is not yet seen as an event that should take place periodically, such as the annual financial audit or the actuarial review; both continue to use unaudited data to deliver their outputs!

DATA QUALITY CAN BE IMPROVED

The major issues that our industry is facing can be summarised quite succinctly:

- There are no common data standards and not even agreement on how we determine good or poor record keeping.
- We have poor quality legacy data. Changes in administrator and platform, coupled with normal day-to-day administration errors, have gradually deteriorated the quality of historical data records.
- Any future movement of data reduces data quality. This includes data from employers to funds and data migrated because of a change of administrator or a systems upgrade.
- There is a low understanding of administration at board level. Most trustee boards have members who are experts in investments, finance, member servicing, and governance. However, many boards don't contain anyone with significant administration or IT expertise.
- Reporting to trustee boards on actual data quality (other than audit sampling) is non-existent.

As an industry, we need to do a lot more. Key actions to improve data quality include:

- Trustees should raise their understanding and expectation of acceptable levels of data quality.
- Funds, administrators, employers, and other service providers must work co-operatively on the introduction of standardised data integrity measures before the Regulator imposes its own solution.

- Encourage trustees to measure and benchmark data quality against the ASFA-ITM Core Member Details Benchmark. Trustees should set internal benchmarks to help raise standards over time.
- Administrators need to provide much improved data integrity reporting to trustees.
- The area of data integrity should become subject to regulatory oversight including guidance on the materiality of data errors.

THE BENEFITS FROM AN INCREASED FOCUS ON DATA QUALITY

Last year, ASFA and ITM launched the ASFA-ITM Core Member Details Benchmark which is helping to raise the profile of data quality. This, together with the SuperStream data recommendations, is beginning to generate greater interest in data quality from trustees. This increased awareness will result in improvements and will have benefits to all involved in our industry including:

- Administrators will increase their reputation with clients by reducing re-work, unnecessary member enquiries, and providing more accurate reporting.
- Trustees will have greater certainty that member benefits are more accurately recorded and reported and will see a reduction in administration-related member complaints.
- Employers' costs will reduce through sending correct data the first time and not having to manage employee and administrator queries.

The ultimate aim must be that members receive better service and more accurate annual reporting and payment of final benefits. The message to trustees is that you must take a lot more responsibility for ensuring that your members' data is accurate. **SF**

Steve Shoreson is Managing Director of ITM.