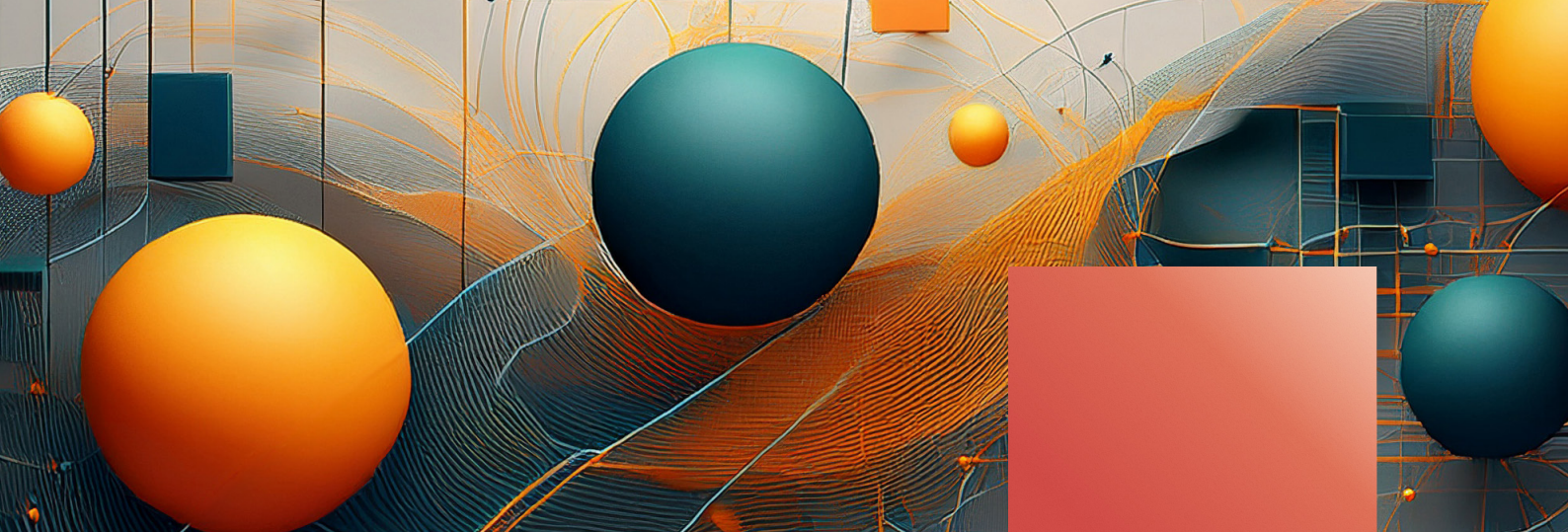




Case study

Data cleanse support for large-scale pension risk transfer transaction

Assigning Lumera to the data cleanse project enabled the scheme sponsor and trustee to meet their buy-out target deadline.

The high volume of defined benefit schemes entering buy-in arrangements has reshaped the UK workplace pensions landscape, with over 500 whole-scheme buy-ins since 2022. Typically the data cleanse work required in the period between buy-in and buy-out is taking between 2 and 5 years. This is creating industry wide capacity challenges and is slowing down the process of schemes completing their de-risking journeys. Lumera's involvement in this very large transaction, with the ultimate target of buy-out, was a complex undertaking. The data due diligence report prepared for the transaction identified requirements for a lengthy list of data cleanse activities, including rectification and equalisation exercises that had to be completed before buy-out. Essential activities included missing contingent spouse pensions and transfer-in revaluation rates.

The sponsor was eager to complete the data cleanse phase promptly after the buy-in transaction and wanted move to buy-out as quickly as possible. This timeframe was clearly a challenge, as completing the large volume of cleanse work in a short space of time was unprecedented. Due to their daily workload and other priorities, the administration team was unable to progress GMP rectification and could not commit to the deadline for completing GMP equalisation.

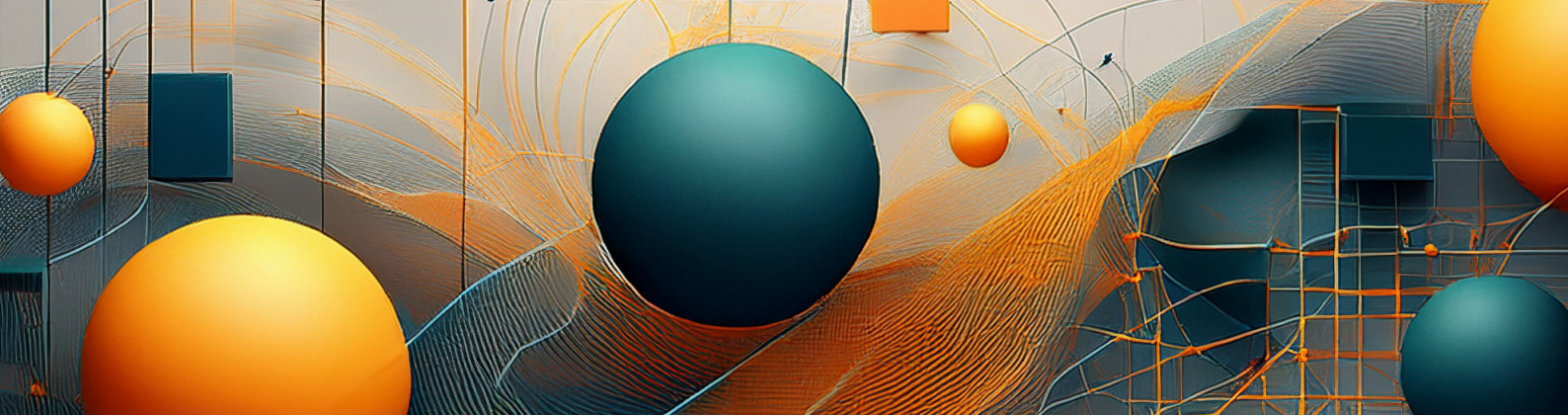
The trustee therefore had to consider other options for completing the data cleanse activity.

Lumera was selected to take on the data cleansing work and provide verified data to the insurer, upholding our commitment to completing the project within 12 months.

Why Lumera?

Using Lumera's solution, GMP benefits were rectified and equalised concurrently, and other data cleanse activity could be included at the same time. Tracking populations for each workstream was a key part of the solution, enabled by our unique CaseTract technology. This technology-based approach also provided a clear audit trail, documenting both data issues and cleanse work at member level.

Lumera's GMP calculation modules are highly automated with configurable aspects to deal with common scheme specifics associated with benefit structure and historical admin practice. This allows for the use of less-than-perfect data where appropriate assumptions can be made.



Multiple decisions were required throughout the project. To support these efforts, Lumera provided a pre-populated decision log to guide the trustee through the decision-making process, including our recommendations based on our extensive experience.

Lumera's experience of working with insurers and supporting schemes through the buy-in to buy-out data verification phase and producing final verified data for the insurer's purpose, meant we could also use our specialist expertise and technology to undertake this complex process on behalf of the administrator. This allows the administrator to focus on daily activities and duties, which typically adds to the workload once members are informed of the transaction.

Lumera's data transformation technology effortlessly converts administration data, combines the results from rectification exercises and data cleanse activity into the target format defined by the insurer. These formats and data templates vary across insurers (and schemes) and are used by the insurer to provide 'true-up' transaction fees to the trustees and for the insurer's administrator to implement the scheme for post buy-out administration.

Key challenges and solutions

Although the trustee had undertaken data due diligence in advance of the transaction, there was no specific focus on data requirements for GMP equalisation.

Lumera performed GMP equalisation data assessment using our own proven approach for setting assumptions for missing or inconsistent data. This facilitated the decision-making process. Our recommendations are based on proven industry best practice and were quickly accepted by the trustees' actuarial advisors, speeding up what can often be a time-consuming phase.

Another issue involved the insurer's requirement for a full data extract, including GMP rectification

results at the risk transfer date (the date the insurer became responsible for the scheme's benefits). As is usual in these circumstances, this date was in the past. Administration system capabilities are often constrained when producing historical benefit details and lack the ability to unwind past activity or consistently extract benefit values at a given point in time.

Addressing the need for historical data, Lumera technology seamlessly tracks member movements and produces rectification and rolled-back benefits to the required date, reflecting the hypothetical GMP rectification position and any other data cleanse activity for the correct insured population.

This process also facilitates treating members who have changed status during the period between the 'current' date and the risk transfer date as if this never happened, e.g. deferred to pensioner or pensioner to death, the latter often not in scope for 'current' GMP rectification exercises.

Outcome

All data cleanse activity was completed within 12 months, including production of outputs for the administrator to implement GMP rectification, for the insurer to implement GMP equalisation, with verified data at risk transfer date and current date.

Following this period, Lumera's dedicated team continued working with the insurer to support them through validation of verified data sets and the scheme implementation phase.

Our team's knowledge of the data and benefit structure enabled them to address the majority of data queries, providing reassurance to the trustee and ensuring the buy-out phase stayed on schedule, even as the administration team was being wound down.

About Lumera

Lumera is dedicated to the digital transformation of the European Life and Pensions industry. As insurtech innovators, we provide future-proof core technology for policy administration.

The Prudent Revolution is our mission – bridging technology and partnership to navigate the fastest, safest path through complex change for L&P providers.

We combine tech and industry expertise with relevant market experience to offer a broad range of consultancy and data services – from managing faultless legacy system migration to facilitating compelling end-user experiences.

Based in Stockholm, Lumera has significant presence with offices in the United Kingdom, the Netherlands, Norway, Sweden, India and Vietnam.

lumera.com

