A woman with dark hair is looking upwards with a focused expression. Her face is partially illuminated by blue light. A glowing, futuristic robotic hand is reaching towards her from the right side of the frame. The background is a dark blue space filled with a complex network of glowing lines and nodes, resembling a data network or a digital landscape. The overall color palette is dominated by deep blues and bright yellows.

WTP – What will happen??

Data Quality



The better the question. The better the answer.
The better the world works.

The EY logo, consisting of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal line is positioned above the 'Y'.

Building a better
working world

Agenda

01

Data quality

03

How do we test data quality

02

Why is data quality Important in new system

04

Questions



Jan Slager
Partner Audit EY



Eva Mieringa
Partner Actuarial EY



Who is thinking about her/his own pension?

Question

- Sometimes
- Retirement, now already
- It keeps me awake



Question

What are your concerns about your pensions or why are you not busy with it at all?

1

Data
quality



What is data quality?

According to the Pensioenfederatie:

Data quality is the level of which data is suitable for the objective the data is used?



How is data used by a pension fund?

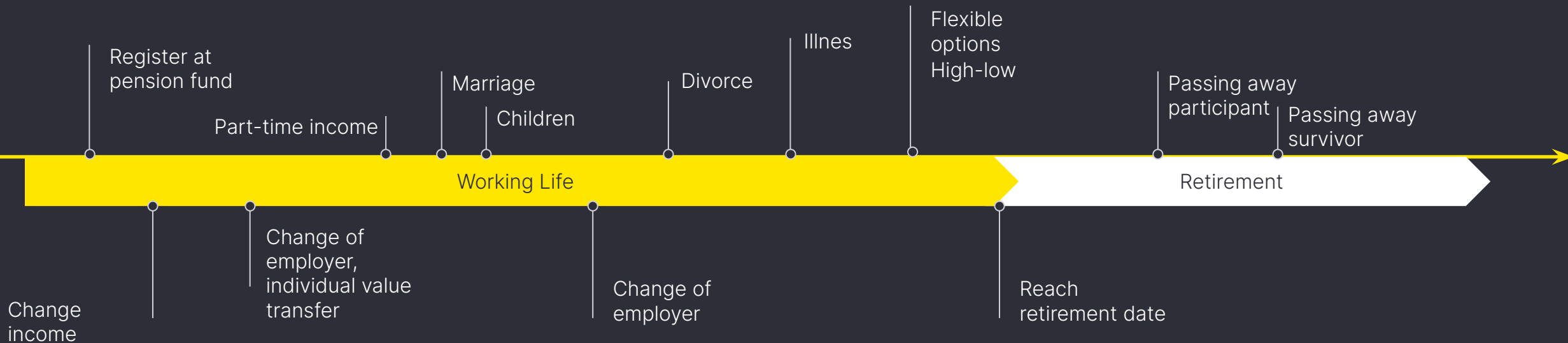
- 1 | Calculation of the provision for future pension benefits and to determine the funding position of the pension fund
- 2 | Payment of the monthly pension benefit to the participant of the pension scheme

Pension funds and participants have a lot of events, which makes the monitoring of data quality complex

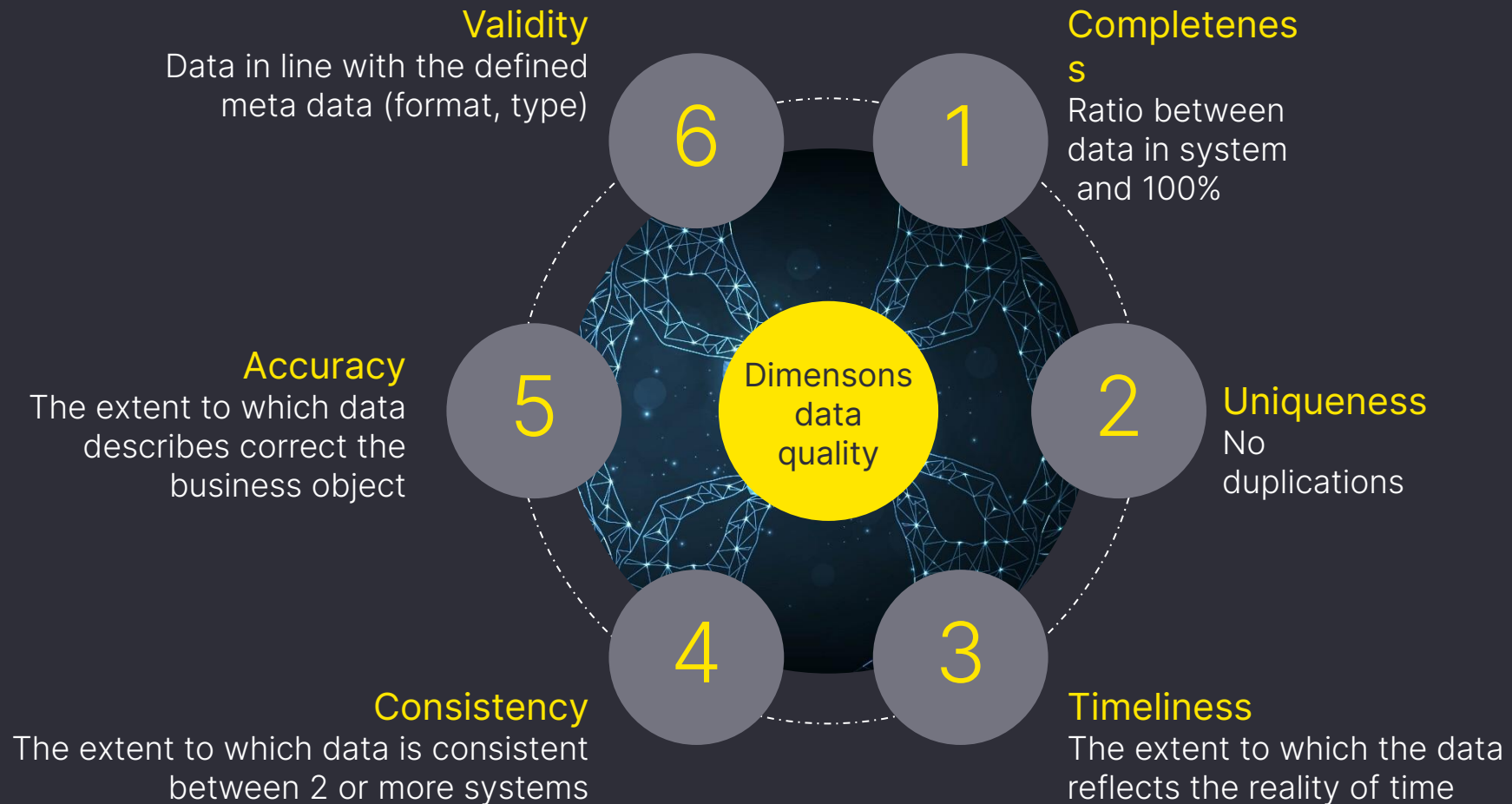
Development pension funds



Life cycle participant



Data Quality – different dimensions to test data quality



A large, bold yellow question mark is positioned on the left side of the image. The background is a dark blue gradient with silhouettes of several people in the foreground. Overlaid on the background is a network of glowing blue nodes connected by thin white lines, creating a digital or data network aesthetic.

2

Why is data
important in the
new pension
system?

“

When converting to the new pension system, it is crucial for a pension fund that data is of high quality and that the relevant pension data is accurate, complete and reproducible.

DNB on Data Quality at pension funds relating to the new Dutch pension law

Two new pension contracts

	Current contract	Solidarity contract	Flexible contract
1	Defined benefit	Defined contribution	Defined contribution
2	Benefit accrual	Accrual in capital	Accrual in capital
3	Risk free interest rate	Projection of expected benefit based on projection return	Projection of expected benefit based on projection return
4	Collective investment policy	Collective investment policy	Individual capital (life-cycle)
5	No individual options for investment profiles	No individual options for investment profiles	Individual options for investment profiles
6	One collective (integrated accrual- and payment phase)	One collective (integrated accrual- and payment phase)	Separate accrual and payment phase
7	Uniform, through funding ratio	Allocation based on age(cohort)	Allocation based on individual life-cycle
8	Intrinsic intergenerational risk sharing	Intrinsic intergenerational risk sharing through solidarity reserve	Optional intrinsic intergenerational risk sharing through solidarity reserve
9	Fixed payment	Flexible payment	Choice payment flexible (standard) / fixed
10	No right to "shop"	No right to "shop"	Right to "shop"

Why is data quality NOW important?



With transition to WTP, the expectation is that many funds will bring in the accrued benefits in the past in the new system (“Invaren”)



The capital within the pension fund will be divided in fractions per participant



Distribution is subject to e.g. the following

- ▶ For correct results, the input data need to be correct otherwise garbage in = garbage out
- ▶ 100% correct execution of the calculations
- ▶ Transparency (provide insights in the calculations)



Which deviations are acceptable? Who will decide on this?



To prove the data quality a norm is needed:
When is it good?

From pension benefit to pension capital – “invaren”

Pension benefit = pension right before change

Level accrued benefits
Funding ratio
Solvency levels (M)VEV

“Invaren” = Conversion

Choice for the contract

Conversion method (model)

- ▶ Standard method
- ▶ VBA

(Actuarial) parameters

- ▶ Projection return
- ▶ Risk premium
- ▶ Inflation discount
- ▶ Factors (age)

Balance

- ▶ Net profit

Capital = pension right after change

Capital
Individual

Reserve

- ▶ Solidarity reserve
- ▶ Risk sharing reserve

A large, bold yellow number '3' is positioned on the left side of the image. The background is a dark blue gradient with a trail of glowing blue particles and light streaks that curves from the top left towards the bottom right, creating a sense of motion and data flow.

3

But how are you
sure data quality
is perfect?



Can you have perfect data quality?

Question

Yes

No

It depends

What has been agreed

1

Dutch Central Bank, the pension funds and the auditors have an important role how to ensure data quality

2

The participants are leading

3

Several options have been discussed

- ▶ Assurance
 - ▶ Agreed upon procedures
-

What has been agreed

Model of agreed upon procedures:

- ▶ DNB has agreed in close cooperation with the pension funds through the "Pensioenfederatie" a standard for how to approach data quality
- ▶ Important premise of this standard is that the pension fund develop themselves the policies and determine their own analysis on their data quality
- ▶ The auditor performs agreed upon procedures
- ▶ These procedures do not include a conclusion, the auditor only determines if a step has been performed by the pension fund
- ▶ Based on these procedures, the pension fund board concludes on 'invaren'

Important as part of this process is:

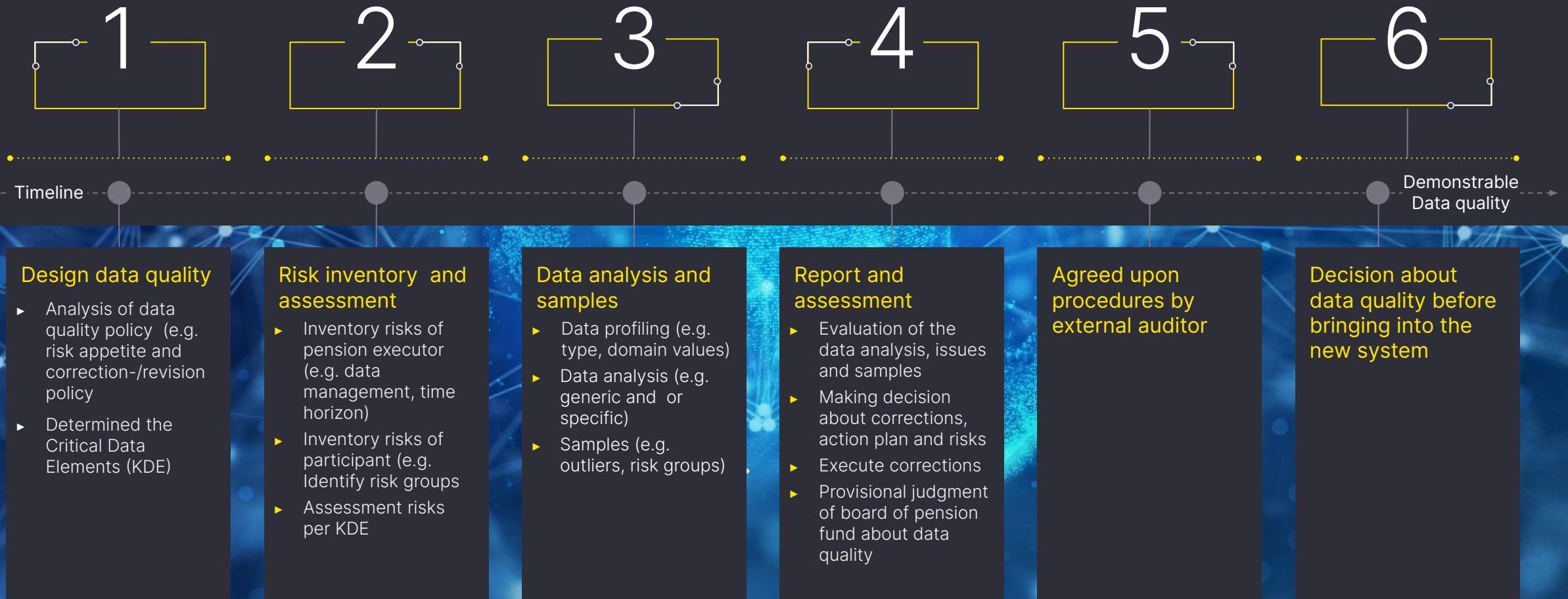
- ▶ Actions as part of the outcomes of data analysis have been identified
- ▶ Follow-up of these actions are monitored
- ▶ Stay clean



Question

How do you safeguard the quality of data?

Testing data quality follows the standard steps as included in the guidance of the “pensioenfederatie” which is prepared in collaboration with DNB



How do you test data quality?

Qualitative analyses

Identify events which do impact data quality:

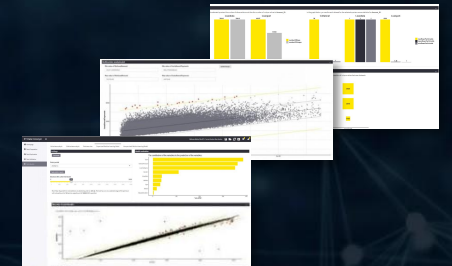
- ▶ IT events, group pension transfers, incidents
- ▶ Changes in the pension scheme
- ▶ Reported findings actuary, auditor, internal auditor

Part of the risk assessment

Quantitative analyses

Checks are performed in the following areas:

- ▶ Participants
- ▶ Pension
- ▶ Employers



Outlier analysis, reconciliations

What is material

From an auditor perspective, the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements.

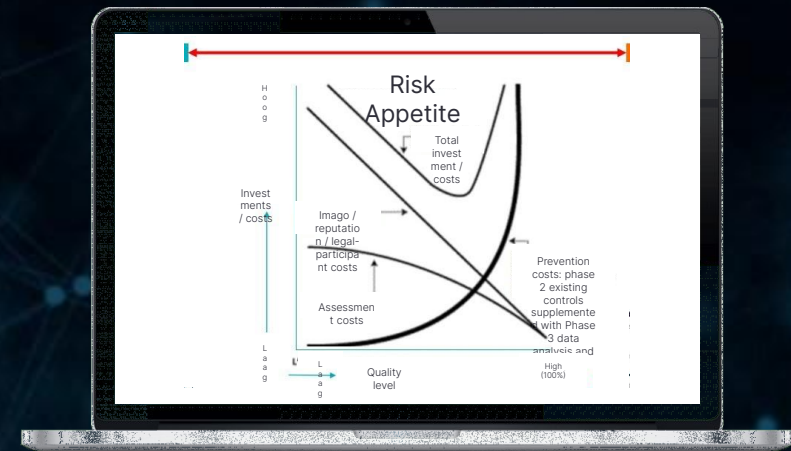
Who are the important users:

- ▶ Participants
- ▶ De Nederlandsche Bank
- ▶ Employers
- ▶ Actuary

What is the most important concern of the user? We can look from different perspectives.

MTA

- ▶ Difference between the MTA and the materiality levels set by the audit team
- ▶ MTA stands for a maximum allowable deviation
 - ▶ MTA is determined by the board of the pension fund
 - ▶ Elements taken into account:
 - ▶ Quality level
 - ▶ Investments / costs
 - ▶ Imago / reputation
 - ▶ Risk appetite
- ▶ What difference would be acceptable for you for your accrued benefits (€ or %)?





Question

It is needed that we will discover a difference of €15?

Examples of outliers in pension administration

Also 'standard' data fields can show non plausible data values.

1

Plan participants had a partner **below 18 years**

2

Some plan participants **earned more than €40,000 per month** while some earned **less than the minimum wage on fulltime basis per month.**

3

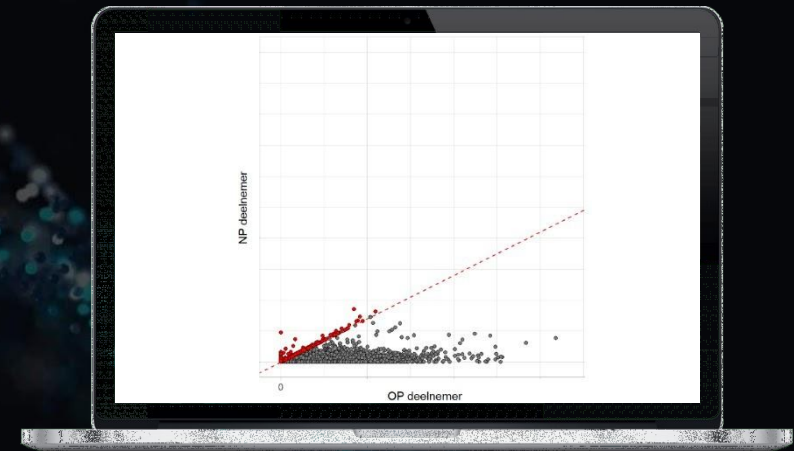
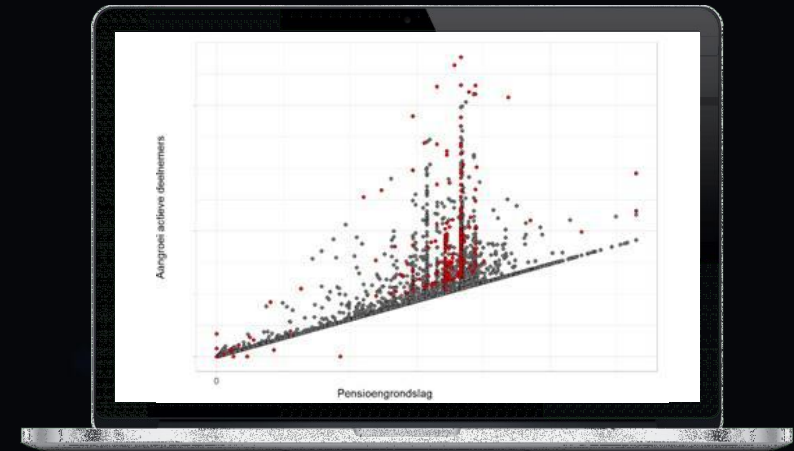
Some participants in the administration were **younger than 15 years old** and some were older than **110 years.**

How do you review data?

1 Example data analysis

2 Review calculations

3 Internal control



Question S

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