

## Standards – Guidance and Examples

### Service Agreement

#### Standard

##### 1.1 Agreement to provide administration services

#### Rationale

An appropriate contract or letter of engagement should be the bedrock of the relationship between Administrator and client (Trustee Board or Sponsoring Employer), providing clarity on the respective party's obligations to one another. It sets out the obligations of each party and provides a framework from which each party can judge delivery of its obligations. Where parties fall short of their obligations they have a clear resolution path set out to address the issue.

#### Outcomes

Clients and administrators who know exactly what their mutual obligations are, what the administrator will deliver, how much it will cost and what will happen if anything goes wrong.

#### Measurement/Evidence

PASA believes agreements between Trustees and Sponsoring Employers should contain service promises consistent with any arms-length commercial administration relationship and the agreement should:

- Clearly set out the terms of the agreement and any notice periods for termination of the agreement by either party (the agreement should have a notice period sufficient to allow the client to find another administrator and migrate);
- Clearly set out the basis and any notice periods required for the renewal or extension of the contract;
- Clearly set out the obligations of all parties in respect of Data Protection, Conflicts of Interest, Limitations of Liability, Force Majeure and matters of Confidentiality;
- Specify the obligations and set out the basis of any associated charges that will apply in the event of a change of law;

- Clearly set out the obligations of all parties and identify what services are being provided, at what price and with what performance requirements as well as any constraints;
- Incorporate a basis for change control and set out the basis of any associated charges that will apply;
- Specify the reporting requirements and the content of that report (consistent with the reporting section within the PASA Standards);
- Specify the obligations of each party in the event of termination of the agreement and provide for the administrator to hand over files, data and other intellectual property on termination on a basis that is consistent with the PASA Code of Practice on service transfer (including the appropriate and timely manner of information and data transfer and co-operation with the new administrator). It should state if any additional charges will be levied for this transfer activity including any data transfer;
- Clearly state how ongoing, implementation and termination fees are calculated (including the basis for future increases), what is included and excluded from any fixed fee, how any additional charges will be calculated, communicated, agreed and levied and how fees are invoiced and payable, (including any dispute resolution mechanisms);
- Specify the actions and remedies in the event of a breach or dispute and the circumstances in which the agreement can be terminated prematurely by either party (and what costs would be incurred if it were terminated);
- Incorporate or refer to a Service Level Agreement (SLA) with service measures appropriate to the client.

### General Principles

PASA recognises to force organisations down a path of renegotiating commercial contracts prematurely would be inappropriate and unwelcome. The framework provides for organisations to introduce the Standard over time, immediately for new clients or for existing clients who previously did not have a formal contact and when the current contracts fall due for renegotiation. Where a Letter of Intent has been agreed between the parties it should also place an obligation on the parties to implement a full service agreement within a specified time and, in any event, no later than 24 months after the initial appointment.

### Application to TPAs and Accreditation Approach

PASA expects TPAs to contract appropriately and in line with the Standard with all their clients.

#### *Accreditation Approach*

The accreditation team will:

- Randomly select clients and ask for a copy of the agreement for each.

## Application to In-House Teams and Accreditation Approach

- Where the Trustees rely on the Sponsoring Employer to provide administrative services (i.e. the administration team are in the employment of the sponsor, not the Trustees) then PASA expects an agreement to be in place providing for the delivery of services on an appropriate basis. This agreement may not have all the commercial detail of a contract between a TPA and its clients (i.e. it may not include details of pricing and financial consideration in the event of breach) but it should still specify how the services are to be delivered and to what standard;
- Where the Trustees or Board have direct responsibility for administration then clearly there is no need for a commercial contract. PASA would however still expect to see an SLA in place that sets out the objectives for the team and provides a framework for performance measurement.

### *Accreditation Approach*

The accreditation team will

- Ask for a copy of the agreement/SLA (or multiple agreements where the team serves more than one Board).

## Timelines

PASA expects administrators to comply with the Standard fully in relation to all contracts signed on and after 1st April 2014.