

Response in respect of How to Guides consultation, as provided by the Pension Administration Standards Association (PASA)

Question 1: In relation to the Administration guide and the processing of transfers

- ▶ Would the speed of completing a transfer of money purchase benefits be improved if we set a recommended timescale, from the point of a member's initial request, within which a transfer should be completed?
- ▶ Would setting a timescale of this nature effectively address the delays that the government identified in its consultation on Pension Transfers and Early Exit Charges? View the consultation at <http://bit.ly/TranExit>
- ▶ If so, what timescale do you think should be set?
- ▶ If you do not think that setting a timescale would be effective, please explain why?

Response from PASA:

PASA has carefully considered the administrative and member related aspects of setting a timescale for completion of a transfer value and our views are as follows:

- In principle we believe a **recommended** (as opposed to a mandatory) timescale would be appropriate and would provide a benchmark for trustees which would enable them to understand and potentially question the timescales for their own arrangement.
- It is important however that the introduction of any timescale does not compromise the level of due diligence applied to transfer cases and believe that a recommended timescale would support this objective.
- With a recommended timescale there is always the risk that the timescale becomes the target and not the backstop and therefore any guidance would need to make this position clear.
- A timescale would be helpful in terms of managing member expectations however communications would need to make it clear that there are instances where the timescale would not be met. Introduction of a recommended timescale should not negate the importance of keeping the member informed during the process.
- We recognise that time taken for DC transfers is more of a trust based issue so perhaps some guidance for trustees of ways in which they can work with their administrator to speed up the process might be helpful
- Our view is that 60 days might be a reasonable approach for a recommended timescale.

Question 2: In relation to all of the guides

- ▶ Do you have any examples that you think could be usefully included to demonstrate the different approaches that schemes of different sizes, and with varying available resources, might take to comply with any of the standards we have set in the new code? If so, please provide further details.

Response from PASA:

Members of the PASA Policy and Strategy Group agreed that the inclusion of examples would be very helpful.

In particular, some examples relating to smaller schemes and where it may be harder for trustees to relate to the guidance, such as hybrid schemes, closed DC schemes or where the scheme is in wind up.

PASA would be happy to work with The Pensions Regulator to prepare some examples for guide number 3 covering administration and guide number 6 covering communicating and reporting.

Question 3: In relation to all of the guides

- ▶ Are there any topics relevant to the standards we have set in the new code on which you believe we have not provided sufficient detail within the guides? If so, please provide details.

Response from PASA:

PASA's view of the guides is as follows (our response is focussed primarily on guides 3 and 6 but we have read and considered the remaining four guides and many of the general comments below apply equally to those:

- PASA welcomes the publication of the guidance and believe it will fill a gap that currently exists.
- The group reviewing the guides feel that they are well written, easy to read and useful to trustees in assessing the governance on their scheme.
- As the approach to DC governance evolves there was a view that these would need to be kept under review and potentially updated on a regular basis
- PASA believe the guides will provide a valuable resource in helping trustees understand how to evidence the information contained in their chair's statement although more overt linkage to this requirement would be helpful
- PASA welcomes tPR's view on accreditation for administrators and specifically the PASA standards as we believe good administration is a key component in achieving good member outcomes.
- In line with the PASA approach to accreditation which is focussed on member outcomes we are very supportive of the fact that the guides focus on outcomes and specifically member outcomes as well as inputs

Guide 3: Administration

We particularly welcome this guide as means of promoting the importance of good administration and in increasing trustee awareness and accountability for the quality of service to members.

We also believe that the level of detail, for example in relation to the content of administration reports, will be useful to trustees.

The importance of reconciling the units held on the administration system and those held by the investment manager should not be underestimated and should be completed and evidenced to the trustees on agreed frequency (we would suggest no less frequently than quarterly). Whilst this is covered in the guide it is referenced in the section on record keeping and we believe there would be value in giving this task more prominence to ensure trustees do not see it as something that only needs to be done when they undertake a data review exercise.

Guide 6: Communication and reporting

Including examples in this guide is particularly helpful and is perhaps something that could be built upon in the final version.

In relation to member communications, typically administrators will have developed a suite of technically correct member communications which are available to schemes and often these will have been reviewed by communications specialists. It is still the case, however, that there is sometimes a reluctance to use these and to develop bespoke letters on a scheme by scheme basis which makes adhering to best practice more difficult and increases the risk. Clearly it is important that standard processes and member letters are of the right quality but it would perhaps be helpful to suggest to trustees that they may wish to consider talking to the scheme administrator about their standard approach if changes are required.

PASA is also aware that there is an industry initiative currently looking at achieving commonality of language in member communications and we believe that this is something to be welcomed and would be supportive of the approach taken in the guides.

Question 4: In relation to accountability for regulator impact

- ▶ Do you agree with our **draft business engagement assessment** on the impact of the new DC code on business that we have published alongside this document? If not, please provide details.
 - ▶ If, having reviewed the new code in light of the draft guides, you believe the standards set out in the code are likely to significantly increase or reduce costs to any parties involved in running a scheme offering money purchase benefits, please quantify the relevant costs or benefits in the **Excel template** published alongside this document. Significant costs or benefits should be calculated relative to the existing DC code, and over and above costs that might be incurred as a result of complying with the underlying legislation.
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Response from PASA:

As previously the PASA views and therefore our response are focussed on guides 3 and 6. In relation to costs our views are that:

- There may be some impact on costs from an administrative and communications perspective although the extent of these will vary from scheme to scheme depending on current agreements, existing capability and strategy.
- As a consequence any costs are likely to be determined on a scheme by scheme basis and as such are difficult to quantify at this stage.
- If good governance is already in place then it is likely that any costs incurred are likely to be because there is a desire to enhance the service rather than meet minimum compliance requirements.