

## **Good administration is the bedrock of a well-run plan**

### **Introduction**

The Pensions Regulator (TPR) published a new draft Code of Practice on the governance and administration of defined contribution (DC) trust-based pension schemes in November 2015. The Code is more far reaching than new legal requirements relating to governance and administration. TPR's acknowledgement of the importance of good administration is very clear in that the draft Code affirms that, "good administration is the bedrock of a well-run plan".

TPR has now published a series of "how to guides" setting out more practical guidance for trustees on how they can satisfy their legal obligations and the standards TPR expects. The Pension Administration Standards Association (PASA) has responded to TPR's consultation on the "how to guides". Naturally, its focus has been on the Administration how to guide, although our response has also picked up on those aspects of the other guides, which will impact on scheme administration.

The draft Code is expected to replace the existing DC Code from mid-2016.

### **How will the new DC Code and how to guides impact administration?**

1. TPR has made it very clear that trustees are expected to consider administration as a substantive item at every regular trustee meeting. As a result Administrators may find that they are invited to attend trustee meetings more frequently. This is a positive development for pension administration;
2. TPR has focussed on the importance of accuracy in record-keeping. Administrators should expect an increased level of interest from trustees asking for more frequent reporting in order to demonstrate and evidence that member units have been reconciled and that core financial transactions have been completed promptly. Core financial transactions include activities that relate to the handling of member and employer contributions, the assets to which those contributions relate, and payments to and in respect of members.
3. TPR draft Code expects contributions to be invested within three working days after receipt and completion of a reconciliation exercise. Administrators should consider discussing the process with Trustees to ensure that any unnecessary bottle-necks at the payroll end are addressed, that they understand the reconciliation process, and what constitutes completion of that process. It is more common now for administrators to be able to complete the process excluding member records that are under investigation with the payroll provider rather than hold-up the whole process for all members until these discrepancies have been resolved.
4. TPR is consulting on whether to specify a mandatory or recommended maximum timescale for completing DC transfer value payments. This would enable Trustees to benchmark and potentially question the timescales for their own arrangements. PASA favours a recommended rather than a mandatory approach and has highlighted that it is important that the introduction of any timescales does not compromise the level of due diligence applied to transfer cases.
5. The guides will provide a valuable resource in helping trustees understand how to evidence the information contained within the Chair's Statement. Trustees are now required to consider how their schemes provide good value for members and report on this within the Chair's Statement. Administrators should therefore expect to be asked to provide information evidencing how the administration service represents this. Service levels, accuracy and member feedback are all areas that can be used to demonstrate this and all are prominent features within PASA's accreditation standard.

6. TPR has also stated, “We encourage you (trustees) to establish whether your administrator has obtained independent voluntary accreditation, such as the accreditation standard offered by the Pension Administration Standards Association (PASA)” and has recommended that trustees explore why such accreditation has not been attained or explored by their administrator and whether there are plans to apply for accreditation. Independent accreditation is highlighted as being of assistance to trustees in being confident that a high standard of administration, whether in-house or third party, is being provided.

Those working in pension administration should welcome the renewed focus by TPR as a useful guide to trustees in assessing the governance and administration on their scheme. PASA welcomes TPR’s approach within its guides, which is aligned with PASA’s approach to accreditation in that it focuses on outcomes and specifically member outcomes as well as inputs.

For more information about PASA accreditation standards visit the PASA website <http://www.pasa-uk.com/>

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(Circa 700 words)