

## Standards – Guidance and Examples

### Service Agreement

#### Standard

##### 1.1 Agreement to provide administration services

PASA expects there to be a formal contractual agreement in place between the Principal (the Trustees of a Trust, the Employer and the Trustees where services are provided by an in-house team, the Governing Body of any Master Trust, the Governing body of any Annuity Provider) and the appointed administrator(s), which governs the service provision and service delivery.

#### Rationale

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

#### General Principles

PASA believes that formal agreements between the Parties should contain service commitments consistent with any arms-length commercial administration relationship.

This agreement should be formally reviewed at regular intervals and maintained to reflect all agreed amendments to the terms of the agreement.

PASA expects all administration providers to have a formal agreement with their Principal which sets out:

- The obligations of the contracting parties;
- The terms of the appointment;
- The services to be provided and the expected performance levels;
- The terms of payment and the basis of any review of costs;
- The reporting requirements;

- The termination obligations of each party;
- The dispute resolution mechanisms;
- The data protections and security obligations;
- The service continuity provisions.

PASA recognises that to force third party organisations down a path of renegotiating commercial contracts prematurely would be inappropriate and unwelcome. The framework provides for commercial third party organisations to introduce the standard over time, immediately for new clients or for existing clients that previously didn't 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 agreement within a specified time and, in any event, no later than 24 months after the initial appointment.

### Outcomes

Parties 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.

### Measures/Evidence

PASA believes that agreements between the Parties 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 to migrate services in a controlled manner);
- 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 and identify what services are being provided, including ebusiness, at what price and with what performance requirements;
- Clearly set out the obligations of all parties in respect of Data Protection, General Data Protection Regulations (GDPR), Data Security, 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;
- 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 contractual 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 cooperation 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.

### Application to TPAs and Accreditation Approach

PASA expects TPAs to contract appropriately and in line with the standard with all their Principals.

#### *Accreditation Approach*

- The Accreditation team will randomly select Principals 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 trustee/trustee board have direct responsibility for administration then clearly there is no need for a commercial contract. PASA would however still expect to see a service definition and 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).

### Application to Master Trusts and Accreditation Approach

PASA expects Master Trusts to have appropriate agreements in place with any administration provider (in house or external third party).

#### *Accreditation approach*

- The Accreditation team will ask for copies of the administration agreements for review.

### Application to Annuity Providers and Accreditation Approach

PASA expects Annuity Providers to have appropriate agreements in place with any administration provider (in house or external third party).

#### *Accreditation approach*

- The Accreditation team will ask for copies of the administration agreements for review.

### Timelines

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