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Master Trust Transition Guidance

November 2019

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DISCLAIMER

While this document sets out Guidance with the intention of providing a framework for good practice transitions between master trusts, it should only be considered as guidance. The information is not intended to be exhaustive and we urge trustees to seek independent advice and legal advice when appropriate. It is in addition to the detailed Regulatory requirements contained in The Pension Regulator's document, Pursuing a Continuity Option during a Trigger Event Guide[1].

[1] https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/master-trust-continuity-options-guidance.ashx?la=en&hash=C769BD845CB1B777A99F57D1F0F6B83CE6395A83

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1. Introduction

With the rise of defined contribution (DC) master trusts as a mainstream pensions vehicle for millions of people, they've come under much greater focus. Additional regulation and authorisation requirements are now in place to ensure master trusts are robust enough to stand the test of time. It's imperative any master trust transition, be it between master trusts or between single employer DC schemes and master trusts, follows not only the prescriptive legislation but also industry best practice. It's, after all, individual's long term savings and retirement incomes being administered. We all have a duty to ensure they have good outcomes and administration is critical.

It's clear with the added authorisation requirements and ongoing supervision, master trusts have a high standard to meet, and rightly so. This extends beyond their financial and operational aspects to how one master trust transitions to another. When we talk about these transitions in this Guidance, we focus on DC and Continuity Option One[2]. This is the situation where trustees of a master trust must transfer out all their members and wind up. While Continuity Option One is mandated in these situations, it also provides a robust framework which all single employer DC schemes transferring to a master trust would benefit from adopting. The Guidance compiled in this document, and other PASA related Guidance, creates a best practice framework to assist employers, trustees and advisers, ensuring members benefits are correctly recorded and administered.

This document provides guidance and instructions for all stakeholders involved in the administration processes for master trust transitions.

1.1. Why are good transitions important?

A successful transition ensures members' data is transferred safely, effectively and securely. By following best practice for data transition, you improve the data quality. It ensures the benefits individuals have built up are successfully moved from one provider to another, as well as being invested correctly in accordance with the investment solution offered by the provider, or any self-select option. It means all the correct steps have been taken and members receive the correct level of communication and information surrounding the transfer of their benefits. It's critical for ongoing member outcomes and for confidence in the wider pensions system by those same members.

This Guidance homes in on what master trusts and employers should be doing and considering when on-boarding or transitioning schemes.

Through authorisation, the industry will be populated by extremely well governed and financially resilient master trust pension providers. They'll be expected to deliver a high standard of service to

[2] Continuity option one is the method by which trustees of a master trust transfer all members out and then take all other steps to ensure the scheme is wound up. This process for master trusts is broadly similar to winding up other occupational pension schemes under general legislation, but master trusts have some additional requirements that must also be met. https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/master-trust-continuity-options-guidance.ashx?la=en&hash=C769BD845CB1B777A99F57D1F0F6B83CE6395A83

their members and their participating employers. Master trust consolidation is welcomed by many, individual employers will be able to choose which master trust suits them and their employees best. The industry therefore has a responsibility to ensure this consolidation happens in an effective and controlled way. Not only meeting members' needs, but also following the requirements laid down in Regulation and Law.

1.2. Regulated v non-regulated transitions

In this Guidance we reference two terms, regulated and non-regulated transitions, they are described as follows.

- Non-regulated transition:
  A single employer trust decides to move their pension scheme and pension administration to a master trust provider. This constitutes as a non-regulated transition
- Regulated transition:
  An existing master trust transitioning to an alternative master trust under Continuity Option One and is overseen by TPR. This constitutes as a regulated transition

It's important to be clear whether the transition is regarded as a non-regulated or a regulated transition because the actions needed in each situation will be different. We've highlighted common tasks and responsibilities which come high on the list of items, typically not given enough time in the project plan and can be underestimated. This can cause pressure points and possibly project failure and when considering your own transition, be cognisant of the finer technical details to ensure a robust and effective transition.

1.3. Planning

Planning a transition of any sort is often an iterative process. Very early on, it's important someone is responsible for establishing how the project is going to be delivered, its approach and typically who is the sponsor, the key stakeholders and specifically who'll execute and deliver tasks. Without both parties fulfilling their responsibilities and adhering to Continuity Option One requirements (where applicable) and following best practice, the success of the project – and the accuracy of members' benefits – could be in jeopardy. We have signposted TPR guidance where possible and strongly recommend reading this guidance before embarking on the detailed planning.

1.4. Communication

A clear communication plan is a crucial tool when managing an asset transition and under Continuity Option One there are very specific requirements. A good plan is completely aligned to both the transition activity and the wider needs of the membership during a period of change. It details every communication deliverable, its purpose and desired outcomes. It gives a realistic timescale for when they will be delivered, the ability to measure effectiveness and enable the costs involved to be budgeted. This allows the project management team to keep track of progress and the communications team to monitor its effectiveness. Successful communication campaigns will vary in approach in line with the prevailing circumstances, the communications channels available and membership needs.

1.5. Data

Good member outcomes need pension schemes to hold and maintain good data and keep high quality records. TPR expects good records to be kept by trustees, managers and providers of pension schemes and will be monitored through master trust supervision. If they don't, they can be fined. Pension schemes should check the transition of scheme data is safe and accurate ensuring the ongoing maintenance of records and good member outcomes.

Good records are vital in the effective running of a scheme and ensuring savers receive the correct benefits at the right time. Poor record-keeping can lead to delays in the transition process and be expensive if things go wrong.

A key focus of any transition is member data. Data is vital to all transitions but is particularly important for DC schemes given the potential volume of individual member transactions to be considered and the requirements of TPR ongoing authorisation standards which need adhering to.

1.6. Asset Transition

The aim of this asset transition Guidance is to support both regulated (under Continuity Option One) and non-regulated (single employer trust) DC only schemes transitioning to a master trust. Hybrid arrangements and DC schemes which have links to defined benefit (DB) benefits (as well as AVC arrangements) should be treated separately; this Guidance does not attempt to address these situations.

The asset transition section considers the handover of pension scheme assets between the ceding and receiving administration providers, internal migrations to new administration platforms within the same organisation, or consolidation of pension schemes into one arrangement. Assets may be transitioned into the same funds at the new provider or into new fund ranges. It's important to understand in both of our scenarios, regulated and non-regulated, there is a legal change of ownership from one trustee to the other. It's critical any transition plan includes the transition of assets at an early stage. This is due to the potential number of moving parts and differing asset types moving from one place to another. Getting the asset transition wrong can have an enormous effect on members' fund values, can lead to huge amounts of costly re-work and potentially a large payment to compensate for any investment loss occurring due to poor management, or errors in the process.

In all aspects of the transition, the devil is, as ever, in the detail and only thoughtful planning and awareness of the needs of the schemes involved, the members rights and the regulatory requirements and adherence to best practice will ensure these important projects succeed.

1.7. Is there a problem?

Much of PASA's work to date has focused on producing Guidance to solve existing problems. But we also have our eye on the future and are looking at new problems arising as new markets develop for provision of pensions. In this case master trusts. With master trusts, we believe intervention through Guidance can help stop problems before they arise. Although authorisation covers the entire master trust operation when we talk to the market about transition, the focus tends to be on moving funds safely. Yet even though TPR wants people to think more broadly, there's little discussion about administration. After all, what's the point of doing a great job of moving assets if you don't know who they belong to? It's taken third party administrators (TPAs) a long time to learn how to manage transitions effectively – and even now it's not perfect. But just as in TPA to TPA transitions, both sides have an important role to play. Some master trusts can leverage their TPA associations, but this won't be available to all and we think there's a lot to be learned from TPAs' experiences. This can form the core from which we can build for the more complex needs of a master trust transition.

In all cases where a scheme is being wound up, all parties should recognise the complexity of the wind-up process. There are numerous legal obligations which are placed on scheme trustees to retain responsibility for the scheme throughout the wind-up process and to ensure the scheme is wound-up in line with the scheme rules. Due regard should also be given to TPR's Guidance[3].

PASA invited key individuals from across the industry with wide ranging DC skills to form the Master Trust Transition Working Group (MTTWG) and we hope you find this Guidance clear and easy to use.

The aim of this document is to provide guidance for situations involving transitions of members to and from master trusts. Such a transition could happen for many different reasons, but this Guidance focuses on the two most common scenarios:

- Master trust to master trust where Continuity Option One is being followed
- Single employer trust to master trust

It assumes the transition doesn't involve a distressed situation or an imposed wind-up of the ceding scheme and the receiving scheme has been selected after appropriate due diligence.

Tracy Weller/David Porter
PASA Board Sponsor/Chair MTTWG
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[3] https://www.thepensionsregulator.gov.uk/en/document-library/regulatory-guidance/winding-up-a-defined-contribution-scheme

2. About this Guidance

A key pillar in the reform of UK Pensions is the rollout of the Automatic Enrolment (AE) program. Despite some initial scepticism from some quarters, AE is seen as a success story - over 10m individuals are now saving into a pension who, without the program, wouldn't have done so. This is in addition to the circa 12m eligible employees already participating in a workplace pension scheme. In turn AE led to a surge in new master trusts and there were concerns about how they would all provide good outcomes for members.

As a result, master trusts are now subject to new types of regulation such as authorisation and supervision and we are seeing consolidation in the market. There has been a positive nudge from TPR for market consolidation and for underperforming DC schemes to consider moving to master trusts. The authorisation regime overseen by TPR has been introduced to drive standards across all master trusts, it comes with high governance benchmarks and new financial reserving requirements. It's vital individual savers must have confidence their savings are being well looked after.

In addition, all trustees should be aware of their obligation to deliver good DC scheme outcomes through; robust governance, high quality administration and service, investment diversification and cost effectiveness. If they're unable to achieve these outcomes, trustees may need to consider whether they're still able to offer value for members, or whether members could be better served in a larger well-run alternative.

Master trusts which haven't applied for TPR authorisation, or which don't meet these stringent requirements, are no longer permitted to operate in the market and must make alternative arrangements for their members (and the participating employers). It's imperative any market exits are orderly and occur in accordance with the prescribed legislative requirements and direction – Continuity Option One. We need to avoid headlines which undermine pension savings or AE meaning the pension provider market must collectively and willingly adhere to these high standards.

The authorisation process for master trusts is now complete and there is industry expectation there will be further consolidation - so it's timely we are thinking about transitions. Some may ask whether it's too late to be talking about it – haven't all the decisions been made? The answer is no. Initially, transitions were wholesale master trust to master trust where Continuity Option One has been triggered. However, once we're in a post authorisation environment, market dynamics will come into play. This is likely to mean more individual employers moving between master trusts and more single employer schemes moving to a master trust.

TPR considers securing a smooth and orderly transition is paramount for protecting savers and helps to minimise disruption for employers meeting their automatic enrolment duties.

We welcome PASA's guidance which sets out the practical steps trustees and administrators should take to protect savers when managing a transfer. Authorisation is putting safeguards around master trusts, giving reassurance to trustees of both exiting master trusts and consolidating single-employer DC schemes transferring their members into these schemes. Prioritising data as well as putting savers and employers at the heart, including keeping them informed, is key to a successful transfer and continuing confidence in pensions.

The Pensions Regulator

3. Examples & Legal Considerations

3.1. Background

A master trust scheme may transition into another master trust where a Triggering Event has taken place, as defined in the Pension Schemes Act 2017[4]. We describe this as a regulated transition. Where a regulated transition is taking place, certain requirements are specified in legislation and these must be complied with (see below) and must follow Continuity Option One.

A single employer-based scheme may transition into a master trust where its sponsoring employer and/or the trustees decide members would be better served through a master trust. We describe this as a non-regulated transition. Where a non-regulated transition is taking place, there will be more flexibility over the decisions made by the different parties involved.

3.2. The difference between a non-regulated and a regulated transition

It's important to be clear whether the transition is regarded as a non-regulated or a regulated transition because the steps needed in each situation will be different.

The following links help to explain this.

- Any decision by a master trust to wind up is a triggering event which carries certain duties: https://www.thepensionsregulator.gov.uk/en/master-trust-pension-schemes/master-trust-triggering-events-and-authorisation

- Any decision to transition all members and then wind up a master trust must follow Continuity Option One, as set out in the Occupational Pension Scheme Master Trusts/Regulations 2018 (the 'Master Trusts Regulations') (https://www.legislation.gov.uk/uksi/2018/1030/schedule/5/made). This requires trustees to undertake a number of key activities, including those relevant to administration and data:
    - TPR's guidance on pursuing a continuity option during a triggering event: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/master-trust-continuity-options-guidance.ashx?la=en&hash=C769BD845CB1B777A99F57D1F0F6B83CE6395A83

    - TPR's flow diagram setting out the mandatory timescales for key transition and wind-up activities for Continuity Option One: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/master-trust-continuity-option-flowchart.ashx?la=en&hash=B7E2D881845EC8D96B7EECCC0B0B78B12B5F3CB2

[4] http://www.legislation.gov.uk/ukpga/2017/17/part/1/crossheading/triggering-events-continuity/enacted

- Trustees of a master trust must produce an implementation strategy setting out how they'll handle a triggering event – this will extend to the master trust's transition and wind-up activities for Continuity Option One. This must be submitted and approved by TPR, which produced a template to help trustees prepare for this as follows: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/doc/master-trust-implementation-strategy-template.ashx?la=en&hash=340E39961669AE2591B1C664D10C319754985528

3.3. Potential legal pitfalls to avoid

The following items aren't an exhaustive list and we would expect these issues to have been covered during the due diligence undertaken by the ceding scheme when selecting the master trust provider.

3.3.1. Trust law duties must be observed

Whether the transfer is non-regulated or regulated, ceding trustees owe fiduciary duties to their pension scheme members. This means they must take a holistic view of the relative advantages and disadvantages of the transfer to their members, as well as ensuring the transfer is conducted in accordance with legislation and regulatory requirements. To achieve this, ceding trustees should undertake due diligence on the receiving scheme to see how it differs from theirs. Relevant factors to consider here could include a comparison of:

- Charges
- The quality of governance and administration
- Member services
- Benefit and investment options (particularly any default investment strategies which may be created as a result of 'mapping' member investments from the ceding scheme to the receiving scheme)
- Security of member benefits, including Financial Services Compensation Scheme protections

A useful place to start would be to review the respective trust deed and rules for each scheme. Consider, with help from the trustee's legal adviser, who holds the power to make key decisions e.g. amend or wind up the scheme and understand the kind of investments held. Asking practical questions about service standards and the number of member complaints received by the receiving scheme can also be a helpful way of gathering useful information to help the ceding trustees reach their decision.

As part of the initial due diligence, it's also helpful to check the administration contracts for the ceding and receiving schemes to see who is liable to provide services relating to the transfer process, and who must pay for those services.

Methods of dealing with the member transfer requests, divorce, and death cases arising during the transfer process should also be considered.

3.4. Key Legal/Regulatory Key Factors to Consider

The following points are common tasks and responsibilities which come high on the list of items typically not given enough time in the project plan and can be underestimated. This can cause pressure points and possibly project failure. This list is not exhaustive.

3.4.1. Employee consultation (for non-regulated transitions)

In an employer's trust based scheme, most employers will need to consider the requirement to consult with employees on any decision to:

- Reduce contributions to an occupational pension scheme in respect of DC benefits and/or
- Remove the liability to make employer contributions towards any occupational pension scheme in respect of members

The requirement is for the transferring employer to consult with 'affected members' for at least 60 days. This consultation period should be built into the project plan. The parties involved should also consider any impact on employer compliance with AE obligations and any changes to member risk benefits (for example, ill health or death benefits).

3.4.2. Amending the ceding pension scheme

It's important DC benefits cease to accrue in the ceding scheme to avoid any potential duplication of benefits/contributions after the transfer date. This will usually require an amendment to the ceding scheme to stop employee and employer contributions, as well as any other benefits which will no longer be provided from the scheme, such as death benefits. Legal advice will be required.

3.4.3. Getting the transfer documentation right

When transferring to a master trust, there are various transfer documents which need to be reviewed or drafted, and the trustees may need to take advice on these. The documentation used will vary depending on the master trust, but the following are typically seen:

- Transfer deed

  The transfer deed sets out the timing and mechanics for the transfer, as well as some other provisions such as indemnities and warranties. It's crucial for administrators the mechanics set out in the transfer deed reflect the practical reality of how the transfer will proceed, who'll need to be involved and when. Ideally, administrators should be kept informed of the proposed content of the transfer deed (particularly as regards any warranties being given by the parties)

- Out of market pre-funding agreement

  There is often a time delay between disinvesting assets from the ceding scheme and receipt by the master trust. A pre-funding agreement is a facility minimising this 'out of market risk' for members. Administrators should understand who they must transfer assets to, and when, under the terms of both the transfer deed and any pre-funding agreement. This out of market risk can also be addressed by the transfer of assets in specie, so administrators should also understand the proposals for any in-specie transfers

- Transfer information requirement
  Information about the proposed transfer and details of the value of the rights to be transferred, including rights in respect of death in service benefits and survivors' benefits, must be provided to the member at least one month before the proposed transfer is due to take place. In certain circumstances it may also be necessary to notify TPR of the transfer. Administrators should make sure any member communications are flagged in the project plan.

- Hybrid benefits in employer pension scheme - pension commencement lump sums
  In the past, some pension schemes will have set up a new DC section when the Defined Benefit (DB) section of the scheme closed to new members. These 'hybrid' schemes pose a unique challenge when transferring the DC section benefits into a master trust. For example, a member may be permitted to use DC savings to fund a tax-free pension commencement lump sum, rather than having to commute a DB pension. This tends to be beneficial for members in schemes where, DB commutation factors might be deemed unfavourable. As this option will be lost on the transfer of all DC assets to a master trust, serious attention should be given to such provisions early on, to ensure all relevant parties can consider these issues, and legal advice may be required.

- HMRC protections
  Members of the ceding scheme may hold various statutory transitional tax protections, protected retirement ages and benefits. These may protect rights or benefits accrued before certain changes to pensions legislation were made or preserve more favourable tax treatment for the members' pension savings. It's important to check if these protections will be lost upon transfer. Where a member is transferred to a new arrangement, provided certain conditions are met, it's usually possible to maintain such protections. Administrators should therefore ensure trustees have taken legal advice about any members with HMRC protections.

- Winding-up
  Where a DC pension scheme has transferred all benefits to a master trust, and no further benefits are to be provided through the scheme, the ceding trustees will need to consider winding-up the ceding scheme. Winding-up such a scheme will require the trustees, with support from their legal adviser, to follow the winding-up process set out in the scheme's trust deed and rules, and to consider putting in place trustee protections, such as insurance. Administrators are likely to be involved in this crucial part of the process and will need to ensure appropriate provision has been made to cover the winding-up costs

- Indemnities and insurance

  Trustees may be personally liable for any loss they cause to the scheme as a result of a breach of trust. Even where the scheme has wound-up, trustees are still liable for the decisions they took when they were a trustee. The rules of the pension scheme might provide some protection from personal liability, for example through exoneration or indemnity clauses. However, statutory limitations apply, and, for example, it's prohibited for a scheme to indemnify trustees for civil penalties and fines. Trustees should consider seeking legal advice on the extent of any protection provided for by the scheme rules. Even where there are scheme provisions, this is likely to be limited to a transfer of liability between the trustees, beneficiaries and employer – which won't address how claims or remedial costs will be funded. Trustees and scheme sponsors may therefore want to consider taking out insurance to cover the cost of any potential loss arising from a breach of trust during the time the scheme was in operation.

- Actuarial Certification

  The relaxation of requirements to make a transfer to an authorised master trust explicitly excludes DC benefits with guarantees. If dealing with a transfer of DC funds which contain a guarantee (for example a guaranteed rate of return, guaranteed annuity rate, or guaranteed sum assured, often provided through a With-Profits fund), then the pre-existing requirement to obtain an actuarial certificate still applies. If such benefits are present, then trustees should take legal and actuarial advice at an early stage in the process.

4. Planning the Transition

Planning a transition of any sort is often an iterative process. Very early on, it's important someone is responsible for establishing how the project is going to be delivered, its approach and typically who is the sponsor, the key stakeholders and specifically who'll execute and deliver tasks.

The new pensions provider will ideally have been chosen as part of a detailed and robust selection and due diligence process, where findings surrounding capability, delivery or speed of transition will be factored into the planning.

The project plan itself may have several sub projects embedded within the main project. It's critical any sub-projects are coordinated and managed in line with the master Project Plan. Some sub-projects may have their own project lead reporting into the main Project Manager. Either way, it's important there's a collective understanding of what's trying to be achieved. This can be managed by referring to the project initiation documents, risk register, task lists.

4.1. Establish the Project Governance

Strategic set up

- Initial planning sessions
- Agree objectives, milestones, targets
- Set up management and communication processes
- Agree risk and stakeholder management strategy
- Apply key learnings from past experience
- Set up project governance process

Active ongoing management

- Regular decision-making groups (e.g. Steering Group)
- Active workstream and wider management
- Identification, escalation of issues and resolutions
- Objectives, milestones and targets monitoring

Project closure

- Review of objectives, milestones and targets achieved
- Lessons learned sessions and closure reporting

Project Governance Process – follow decision making channels and escalation process, regular project board/steering group meetings

Risk Management – continual monitoring and logging of risks

Stakeholder Engagement – ongoing communication with stakeholders, based on pre-agreed plan

Regular Reporting – written highlight reports and verbal updates

One of the critical questions in establishing a project, is who is going to lead it? Will it be a combination of people? Will it be led under a formal project management structure, such as a PRINCE2 framework, or Agile? This may sound bureaucratic, but it's very important to establish the project approach early on and the regular project meetings, touch points and reviews are held to ensure the project remains on track, there's limited scope creep, and any relevant risk registers and action logs are maintained throughout.

Following a formal project structure is incredibly helpful. A project initiation document (PID) captures key information and details not just the project objective but:

- How the project will be executed
- Who will be responsible
- What the escalation and mitigation points are

The PID also captures any critical decisions and their reasoning. A formal project board structure can help frame the project and maintain momentum, resolve conflicts and manage budgets.

This framework and project-discipline approach will help in the creation and implementation of the continuity strategy for those following Continuity Option One and will help anyone who needs to start thinking about constructing a transition plan.

4.2. Questions project leads should ask:

Question	Comments
Has anyone else in the industry achieved a successful migration to this system previously?	Lessons learned from other organisations when they completed similar transitions should be key when commencing a project. You should look to gain as much useful information as possible to aid the design of your own project
What are the implicit and explicit costs of the transition?	The explicit costs is the actual amount of money being paid to advisers, additional governance costs to oversee the transition, data cleanse costs, additional administrative costs etc. Implicit costs refer to costs incurred in, for example, the cost of the selling existing investment assets and buying new investment assets
How are you going to phase your migration?	Are all your members going to be migrated in one go or are you going to phase the migration? There are benefits in phasing the migrations as you can learn lessons from the first phase to the last, but it does increase the amount of work required
How do you gain commitment from the key stakeholders?	Don't assume everyone is as on board with the project as you are. You need to gain commitment to the entire project up front and have all parties, including ceding and new system supplier's sign up to the end to end project deliverables and timescales. You also need an escalation process if this commitment doesn't materialise
Do you need external help?	Do you need to engage an industry expert to help your migration or do you have the resources, expertise and track record to deliver this internally? There are organisations managing transitions as Business as Usual and could be critical to the success of your project

What can go wrong?	This is a long list, but you need to pay particular attention to the ability of your ceding system supplier to provide the data and data definitions. You also need to ensure your key administration experts are on hand to ensure the data mapping is done within the scheme and product rules, and within the prescribed timescales. Don't under-estimate the amount of time it will take to understand the structure of the data within the old system and then to convert this into the new system
How important is testing and acceptance?	Absolutely critical. There have been transitions where the data has been mapped perfectly from one system to another, but the testing and acceptance of the data and post transition processes were insufficient and this had a significant impact on the post-transition administration capability, so make sure you test and test again

4.3. The Plan

TPR's flow diagram (www.tpr.gov.uk/master-trust-continuity-option-flowchart) sets out the mandatory timescales for key transfer and wind-up activities (Continuity Option One) and should be a key part of establishing a project.

The following tasks give good guidance to consider when approaching the framework for master trusts or single employer schemes. This checklist details all the actions required to transition from a master trust to another master trust, or a single employer trust to master trust. There are other permutations such as Group Personal Pensions or a DC section of a DB scheme. However, for the purposes of this document we have concentrated on the most likely occurrences. We have by exception noted the differences.

Preparatory Workstream	Master Trust	Single Employer Scheme
Legal review of Trust Deed & Rules to establish powers for merger and discharge	Continuity Option One will follow Pension Schemes Act 2017	
Check whether the power of amendment can be exercised after wind-up has been triggered		
Draft legal documents, Transfer Deed, Data Sharing, Contract (where applicable)		
Recommendation of future contribution and discharge vehicle/provider(s) and default fund delivered and agreed by Sponsor and the ceding trustees	In Continuity Option One only the trustees can select the default with employers choosing a different path if they wish. However, both parties' choices are restricted by the Master Trust regulations	In an employer initiated transfer it would be only them who chooses
Scheme information and fund values to receiving scheme		
Receiving trustees to approve transition plan and implementation strategy		
Implementation plan created and agreed by all parties		
Briefing/training of field-team in relation to supporting participating employers and members		

Implementation Phase 1 – Before you transition	Master Trust	Single Employer Scheme
Audit of data quality with scheme administrators		
Plan on how to collate and audit employer responses and choices. Plan adequately for the challenge which transitions can bring	Required under Continuity Option One	
Issue 2 month notice of closure of the scheme to future contributions to employers, members and supporting intermediaries		
Ensure compliance with 60 day pensions consultation requirements.		
Engage with participating employers to arrange new Qualifying Workplace Pension Scheme (QWPS) for future contributions		
Receiving scheme to provide communications to support above activity and visit employers where required		
Provide communications for employers to communicate new QWPS to active members		
New QWPS arrangements established for all participating employers		
Receiving scheme to provide employers with sign up information sheet and sign them up online		
Receiving scheme should be aware of when a re-enrolment exercise would be triggered (i.e. a break in participation of a QWPS at no instruction of the individual member) and communicate accordingly		
First contributions to new QWPS		
Employer uploads payroll file on an ongoing basis		
Receiving scheme to send joiner pack to active members of scheme once payroll file uploaded		

Implementation Phase 2 – When you transition	Master Trust	Single Employer Scheme
Existence check/address tracing/death verification		
Draft letter to all members confirming the options available and including the options form. Obtain trustee agreement		
Place advertisements in the London Gazette and other publications confirming the scheme is merging leading to wind-up		
Trustee meeting to review progress, ratify decisions and agree communications		
Communication to active members giving details of ceding scheme transition		
Dealing with queries from active members and/or advisers. Receiving master trust administrator to take active member calls		
Communication to deferred members giving details of scheme transition		
Dealing with queries from members and/or advisers. Existing administrator to deal with deferred member queries		
Receipt, collation and validation of responses from Scheme/members		
Liaise with receiving scheme providing scheme information - administrator to provide scheme/investment data		
Agree pre-funding or other asset transfer mechanism		
Receiving scheme trustees, ceding scheme trustees and Sponsor to sign merger deed		
Implement pre-funding agreement following legal review		
Implement in-specie asset transfer		
Active Members: Transfer of bulk pension benefits to the new arrangement with confirmation of transfer values		
Preserved Members Transfer of bulk pension benefits to the new arrangement with confirmation of transfer values		
Set up member records for deferred members; transfer-in benefits for active members		
Transfer of assets to individual member records. Letters to members with CETV/confirm transfer to new provider		
Formal wind-up of the ceding scheme is triggered		
Notify TPR the wind-up has been triggered and membership is zero		

Finalisation Phase	Master Trust	Single Employer Scheme
Provision of scheme data by ceding and receiving administrators via spreadsheet to auditor for accounts		
Audit of scheme accounts		
Archive paper records. Final updates to member database. Electronic records are archived after 12 months. Download of electronic files sent to trustees/company		
Finalising the trustee liability insurance (if required)		
Notification to statutory authorities (TPR, Information Commissioners Office and HMRC)		
Closure Deed completed by trustees. Final accounts signed off by trustees		

5. Communications

A clear communication plan is a crucial tool when managing a transition. Like all good communication plans, it should consider different stakeholder needs with clearly defined primary objectives to provide clarity, facilitate understanding, drive engagement where necessary and minimise confusion that may end up adding to the workload of already busy teams in terms of supporting large volumes of member queries generated by poorly constructed or timed messages.

The plan should detail the communication deliverables (segmented by stakeholder group), identify the goals of the communication activity and define the costs involved. This allows the project management team to keep track of progress and the communications team to monitor its effectiveness. Appendix B sets out the communication requirements and associated timeline in relation to Continuity Option One. It includes the essential items required, but a successful communications campaign will vary in approach in line with the prevailing circumstances and stakeholder needs.

Ideally, a transition communication plan will be integrated into the wider communications strategy. If there isn't one in place, this presents a good opportunity to consider developing one.

5.1. Framing the challenge

5.1.1. Why do we want to communicate?

Considering the 'why' first is critical to ensuring the success of a communication plan. The immediate reason will be obvious – the scheme is transitioning. However, such a change also provides an opportunity to achieve broader aims for both the scheme and its stakeholders.

Considering wider drivers for communication at the outset will enhance the success of the plan. These will enable the communications team to construct content with a deeper understanding of what's important and to focus on achieving the basic requirements of the plan, but also to potentially add more value to the exercise.

5.1.2. Who are we supporting?

There is significant value to segmenting the various audiences/stakeholders early in the process. While many of the communications may work across a number of stakeholder groups, there will be clear distinctions in the types of support internal employer teams will need in terms of their ongoing business as usual, compared to members who will likely experience fewer, albeit equally as fundamental, changes. Mapping these out will identify areas of commonality, where unique support will be required and to ensure the overall timeline of communication and sequencing is in the correct order.

5.1.3. What do we want to communicate?

All good communication plans define their key messages and order how they should be sequenced from the outset. They start with clearly addressing the basic needs and context of the recipients, what is changing, why, when, what does the change mean for me and do I need to do anything? These primary messages are key and, while they should be crystal clear, they should be in language and tone of voice appropriate to the recipient and how they may feel about the coming changes.

To qualify as a master trust, the trust itself must demonstrate a robust plan is in place to engage members and seek their views. This may mean the scheme could benefit from enhanced member engagement, tools – such as online calculators/self-service – or improved member education. It's worth taking the time to fully understand the communications provision of the receiving master trust and, where there are enhancements to the current offering, highlight these to members.

Ensure contact is made early on to the receiving scheme, as they may have communications collateral ready for the stakeholders or mitigate the need to develop many communications from scratch.

In terms of driving value for both the sender and recipient, consideration should be given to what else can be achieved via these communications, without confusing the key messages. Necessary communications also provide a useful platform to engage with perennial hot topics such as:

- Fund selection review
- Completion of expression of wish forms
- Setting or review of target retirement ages
- Registration on membership websites
- General understanding and appreciation of benefit structures and options

Close reference should also be given to regulation 20[5] and schedule 5[6] of The Occupational Pension Schemes (Master Trusts) Regulations 2018.

5.1.4. What is the outcome we need?

And how will we know if we've achieved it? Positive outcomes - where all members and stakeholders are engaged with the change, well-informed, ready for it and kept up to date with progress - are a must. Ideally members will also be reassured regarding the drivers for change, understand the background and are prepared for any action they must take or new options they might have.

Measures of success should align to the objectives set for the plan and ensure it's understood whether the key messages have landed as intended. There are a number of ways to measure the success of a communications plan and consider the ones most closely aligned to the objectives. These could include:

[5] https://www.legislation.gov.uk/ukdsi/2018/9780111170533/regulation/20
[6] https://www.legislation.gov.uk/ukdsi/2018/9780111170533/schedule/5

- Levels of member engagement, measured in a number of ways including:
    - Positive action taken as a result of the communication i.e. an increase in member registrations on the website or other positive confirmation of the message being understood
    - Levels of web traffic, potentially driven by more traditional channels of communication such as print.
- Confidence levels and capabilities of internal teams who will be interacting with the new master trust
- Levels of unwelcome activity as a result of communication:
    - Failure demand - levels of unnecessary enquiries due to unclear communications
    - Increases in volumes of requests to transfer out

5.1.5. When do we need this by?

Ensuring stakeholders have the right level of information at the right time will be crucial to managing this change. Examples include, pre-initiation, during the transition and post-transition. Mapping these out by stakeholder group and project phase will help retain oversight, ensuring recipients receive the right information and support, at the right time.

Internal team will need to be prepared prior to any member communications. If they aren't supported, how can they support the members? Again, ensure the plans of the receiving scheme are understood and any communications from them are built into the timeline of communication.

Communicate to each group in manageable amounts. It'll be tempting to produce a catch-all communication, but will the audiences really stay engaged until the end of the communication?

5.2. Planning

5.2.1. Interested parties

Clearly a member communication plan should be in place, but all interested parties should be included in a broader communication plan. Key stakeholders including payroll, HR, pension teams (in house and TPAs), investment provider, TPR and Employee Benefit Consultancies, advisers, etc. should all be considered in the planning. Selecting the best channel of communication with each group is vital.

As well as communications engaging and educating stakeholders, how these are reported back to those involved with the transition on its key milestones and decision making must be considered. This project communication planning should be integrated into the wider stakeholder communications – they must be aligned to resequence the broader communications should transition timelines change.

5.2.2. Work with the project team to schedule tasks with correct lead times

A project management team should be in place with clearly defined roles, responsibilities, lines of accountability and escalation points. The project team will be responsible for working closely with the communications team (if separate) to ensure the delivery of the various communication plans.

5.2.3. Legal and regulatory requirements

The ceding scheme needs to ensure compliance with all relevant laws and regulations especially regarding communication methods and timescales. And remember, you as trustees have committed to a transition, and you may well lean on the receiving master trust, but it is imperative to keep reminding yourselves that the responsibility to follow TPRs rules still rests with the ceding schemes trustees whether the transition is under Continuity Option 1 or not.

5.3. Why is good communication needed?

A master trust transition is a complex transaction which is difficult to explain clearly to the average scheme member. Clear communication, written in Plain English and in the correct tone of voice for the end audience is key to success. A good communication strategy reduces member queries, ensures all those involved in the transition are well informed and know what their roles, responsibilities and any options are.

5.4. What does good communication look like?

Good communication is personalised, accurate and clear, with well-defined calls to action and/or reassurances. It's written in clear language and is highly effective i.e. outcomes are achieved. You should consider using a range of methods and communications channels to fit with the membership's (and other stakeholders) needs. Ultimately the best judge will be those receiving the communications – wherever possible try to integrate measures from simple polls to email and web analytics to ensure as the plan progresses it can be corrected if needed.

6. Data Transition

Good member outcomes need pension schemes to hold good data and keep high quality records. TPR expects good records to be kept by trustees, managers and providers of pension schemes and this will be monitored through master trust supervision. If they don't, they can be fined. Pension schemes should check the transition of scheme data is safe and accurate to ensure the ongoing maintenance of records and good member outcomes.

Good records are vital in the effective running of a scheme and ensuring savers receive the correct benefits at the right time. Poor record-keeping can lead to delays in the transition process and be expensive if things go wrong.

The key focus of this section is on member data. Data is vital to all transitions, but is particularly important for DC schemes given the potential volume of individual member transactions to be considered. See also the PASA Data Guidance and TPR's guidance/code of practice:

- PASA Data Guidance - https://www.pasa-uk.com/wp-content/uploads/2019/10/Data-guidance-FINAL.pdf
- TPR Record-keeping - www.tpr.gov.uk/guidance-record-keeping
- Code of practice 15 Authorisation & Supervision of Master Trusts - www.tpr.gov.uk/code15
- DC guide to administration at www.tpr.gov.uk/admin

6.1. What is a Data Transition?

A data transition is the process by which member data and benefits, employer data and in some cases, scheme data are transferred to a new pension scheme. This includes the handover of pension scheme administration.

6.2. What is a Good Data Transition?

Member and scheme data are received in a timely, secure manner with appropriate reconciliation checks being carried out at different stages to ensure the accuracy of the data and may include cleanse activities. As a result, the transition may lower administration costs, improve service levels and provide accurate management information reporting.

A good data transition allows you to confidently administer member benefits from day one following transition. This includes quick investment of contributions, reconciliation of units and settlement of member benefits.

To ensure a good data transition interested parties should consider the following:

6.2.1. Employer/trustee

Best practice is to appoint an independent specialist to project manage the transition, allowing providers to concentrate on the successful and timely transfer of data. Where costs are incurred, it's important to be clear on who is funding this consultancy cost before commissioning the work. For ceding schemes following Continuity Option One, these expenses should be factored into the financial sustainability and continuity strategy which requires submission when applying for authorisation and within three months for any subsequent revision. It will also need to form part of an Implementation Strategy following a triggering event.

There should be regular transition progress updates including any potential issues or areas requiring escalation. A final report highlighting the following will help both the ceding and receiving scheme trustees (and other interested parties) establish whether the transition was successful:

- Date transition completed
- Membership numbers transferred/reconciled
- Reconciliation of units transferred
- Reconciliation of bank account transferred
- Rectification plan outlining any potential data cleanse required
- Data quality score pre and post transition
- Employer data files are fit for purpose (protecting the quality of data and member service going forward)

6.2.2. Administrator

In addition to the employer/trustee points above, a good data transition should include:

- An assessment of the quality of data, with appropriate data cleansing activity plans where needed
- A test plan for calculations and processes
- Reconciliation of data throughout including any data cleansing requirements
- Data and scheme information transferred within agreed timescales

The extent of this work needs to be identified and planned to be deliverable within the overall project timeframe. Those following a regulated transition under Continuity Option One will need to ensure this work and any post transition work is achievable and needs to be included in the Implementation Strategy submitted to TPR. Non-regulated transitions should consider adopting this approach as best practice. Master trusts will be cognisant of the need to maintain historical data in some form as per the continued authorisation requirements.

6.2.3. Consequences of a bad transition

A poor transition can result in members receiving the wrong benefits, or a delay in paying their benefits. It can also lead to increased administration costs.

Due to the large number of transactions in a DC scheme, there is a likelihood of record-keeping errors, which can be expensive to correct. Poor data threatens the confidence and credibility of trustees/administrators and could lead to loss of trust and reputational damage.

6.3. Planning Your Data Transition

A number of activities have to be considered and planned to support the technical transition of the data (NB. some activities will depend upon whether the investment strategy and funds will be identical).

Task	Description
Project management	• Set up working group meetings to track transition progress (weekly/fortnightly meetings) • Ensure the correct personnel attend these meetings for a smooth and efficient handover and queries can be answered quickly
Prepare a handover plan	• Cover the handover between the providers and agree how any in-flight work items will be dealt with over the handover period • Agree with the trustees or employer when the last contributions will be invested by the ceding scheme. If applicable, carry out a shadow investment in the new administration system test environment to ensure investment splits agree with live data received • Agree the data items and format of the data to be transferred • Select a Secure File Transfer Protocol (SFTP) • Agree a test plan including reconciliation of data items
Understand the data quality	• Review previous data quality reports (TPR scores) • Consider carrying out a data audit along with data cleanse activities • Establish reconciliation of contributions and investment process and any known issues identified by the ceding scheme • Agree how a full history of transactions will be transferred and held on the new administration system. Will a 'rolled up' approach be taken?
Agree blackout period	• Refer to the Asset Transition section in this Guidance • Allow for investment deals to be completed so the units held against each member or policy are known at the point of the go- live transition
Scheme set up and standing data	• Configuration of lifestyling or other phased switching routines, fund platforms or straight through processing (STP) set up • Obtain assumptions for fund projections and benefit statements • Set up member and fund management charging if applicable • Banking and financial management
Contracts/agreements/ signatory lists	• If required, set up investment managers/bank accounts and contracts with any other third parties e.g. annuity brokers, group life insurers

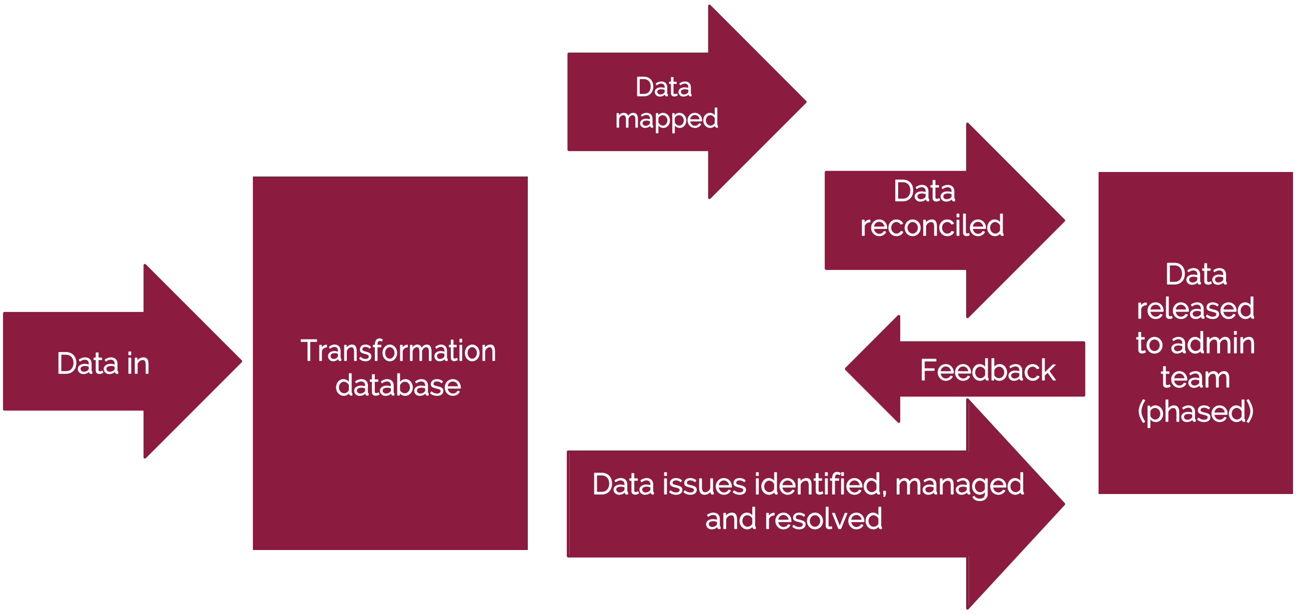
Retirement process	• If required, establish options available and annuity broking process in place
Handover of paper files and microfiche	• Arrange in advance to be received in time by the new administration provider
Infrastructure	• Ensure appropriate functionality and capacity to support transition testing and the production transition
Data deletion or archiving from source systems	• Agree data retention policy
Member website	• Set up online member access logins (if applicable) and timely communications of the website registration process details to members
Communications	• Refer to the Communication section in this Guidance • Identify if any bespoke member communications are required for ongoing administration. It's good practice to inform the members so they know this is happening and when, especially if there are going to be blackout periods and changes to online access

It's critical the right people are working on the right aspects of the project at the right times for a successful transition. The engagement of the ceding administration system supplier and forward agreement of their commitment is key. But this needs to be accompanied with the optimum level of skills and resource from the administration area affected by the transition.

It's also important the managers of each administration system are equally engaged from the start of the transition. All parties should be committed to attend project meetings and calls throughout the process. Appropriate escalation of issues needs to be agreed in advance in case key project resources are not available when they're needed. There's a Model Project Plan in Appendix A of this section which captures the activities and trigger points to help understand what tasks are expected in a typical project lifecycle and in which sequence they should happen.

6.4. Technical Transition of Data

Once the transition project plan and tasks have been agreed, the transition of data can begin. The sections below provide some guidance to assist with the successful transition and mapping of data from one provider and system to another. The diagram below shows a typical cycle of data being transferred, mapped and reconciled, with queries raised being referred to the ceding provider. This cycle can take place several times before the data received is satisfactory.



As mentioned previously in this Guidance, it's critical to identify the three areas of data sets as highlighted by TPR and in Code of Practice 15[7]:

- Common data – applicable to all schemes
- Scheme specific – dependent on scheme type, structure and system design
- Numerical data – to aid understanding of the results

See www.tpr.gov.uk/regulatory-guidance/record-keeping for further requirements.

6.5. Data Quality

Changing pension providers usually highlights deficiencies and errors in the scheme data, which will usually necessitate a data cleansing exercise.

The extent to which data cleansing is required will vary according to each scheme and whether any data cleansing activities had been carried out previously.

For the sake of brevity, we include uncertainty over the benefit provision within the overarching term 'data cleansing'.

[7] https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-15-authorisation-and-supervision-of-master-trusts

It's the trustees' duty to ensure members receive the correct level of benefits. They are accountable for operations and activities including data quality, not only that the data exists, but the data is accurate. They should therefore consider, along with their advisers (including administrators), the appropriate level of data cleansing.

Trustees should also consider the quality and accuracy of deferred member contact details and if a tracing exercise should be undertaken as part of any data cleanse prior to transition. Deferred members are entitled to the same communications as active members and reasonable endeavours should be undertaken to ensure this cohort is informed of the changes to their pension provider.

As this can be a time-consuming exercise it should be considered at an early stage in the process.

TPR's record keeping guidance[8] and the PASA Data Guidance[9] should be referred to.

To avoid poor quality data, trustees should consider making an upfront investment to rectify any data issues and then carry out data review exercises on a regular basis.

You should consider who should carry out such a data quality reconciliation exercise, and the length of time this will take. TPAs may include this in their suite of services, resources may be available in your in-house pensions administrator or you could use an independent data specialist.

6.6. Data Validation and Data Cleansing

To maintain good quality of data it's important to validate the data extracted from the source administration system is of sufficient quality to be loaded onto the new administration system. The following validation activities should be carried out, usually by the ceding scheme but can be outsourced to a third party or the receiving scheme:

Task	Description
Analysis	• Analysis of the data should be performed at the outset to look for inconsistent or missing data items to ensure the data is complete and accurate • The review of the data should include common and scheme specific data items as set out in the TPR record keeping guidance and Code of Practice 15 • Pay particular attention to contribution and investment transaction areas – see Data Table below • If it's been decided to transfer files, the extract of images and electronic files should also be checked to ensure indexes have been provided for all files and all files listed in the index have been extracted from the source • All agreed pre-transition data cleansing activities must be executed in a timely manner

[8] https://www.thepensionsregulator.gov.uk/en/trustees/managing-db-benefits/governance-and-administration/record-keeping
[9] https://www.pasa-uk.com/wp-content/uploads/2019/10/Data-guidance-FINAL.pdf

Cleanse Plan	• Where it's been established data is missing or incorrect, a cleanse plan should be drawn up to capture all identified data cleanse requirements. The plan must be used to record the priority and approach to be taken to address any data exceptions
Member Tracing	• A tracing exercise should also be considered. Engaging with the members is an important action during changing pension providers

Data Table

The review of the data should pay attention to the following areas:

Data Item	Type	Check	Exceptions
Contribution History	Missing contributions	Missing intervals or pay periods depending on payroll frequency (weekly/monthly/two-weekly/four-weekly etc.)	
	Outstanding contributions	No contributions received in the last contribution period for a regular contribution source with open contributions rates	Members not active
	Transfer in contributions	DC transfer in not reflected in contribution table	
Contribution Rates	Duplicate contribution rates	More than one open contribution rate per contribution source	Members not active
	Contribution rates relevant to section of scheme	Ensure contribution rates on record relevant for section of scheme member in, e.g. auto enrolment sections	
	Contribution rate relevant to member age band/scheme service	Are contribution rates age/service related? Check to ensure member in correct band	
Fund Balances	Balance check	Sum of investment history does not equal stored unit balance	Systems which don't hold a separate data set with the current unit totals
	Closed Funds	Unit balance in Closed or Defunct funds	
	Exits with remaining units	No liability or Exit status with remaining unit balances	Partial retirements
	Lifestyling	Lifestyling members with units in non-lifestyling funds	Systems which allow partial lifestyling
	Missing Contribution History	Members with fund balance but no contribution history	

	Negative unit balances - check 1	Negative unit balance (check 1) - investments grouped by Fund	
	Negative unit balances - check 2	Negative unit balance (check 2) - investments grouped by fund and contribution source (EE/ER/AVC) (Check 1 may miss the scenario where there are positive and negative balances in different contribution types, but the overall fund balance is positive)	
	Inherited issues	Any inherited data issues should be highlighted by the receiving master trust at the outset and unit differences maintained. Action plan should be put in place with the client to resolve any known issues.	
	No investments	Active or preserved status without a unit balance greater than zero	Recent New Joiners or ongoing settlement at handover, e.g. death cases
	Target Dated Funds	Unit balances not consistent with Target Retirement Age	
Fund Choices	Target or Selected Retirement Date	Date is present. Check it is consistent and reasonable	
	Closed Funds	Open investment allocation in Closed or Defunct funds	Members not Active
	Fund Choices Error	Investment allocation percentage not equal to 100%. Check all contribution sources	Members not Active
	Single Payments	Open investment allocation for Single or Transfer in contribution sources	Members not Active
	Default option	Check investment choice percentages reflect the point reached on the default Matrix or the member is in the correct target date fund for their age	Single fund defaults
	Lifestyling Members	Non-Lifestyling Investment fund choice for lifestyling	Schemes allowing partial lifestyling

		member	
	Target Dated Funds	Fund Choices not aligned to Target Retirement Age	
Investment History	Contribution Comparison	Investment history not consistent with contribution history - compare the value of contributions invested to the contributions received	Not all systems hold a separate contribution and investment tables
	Contributions before Start or after Leaving	Contributions outside of Date Joined Scheme and Exit Date	
	Fund Switches	Switch transactions where the value of units sold is not the same as the value of units bought	
	Incomplete transaction details	Check the transaction contains all the appropriate information e.g. fund ID, contribution received date, investment date, amount invested, units purchased, contribution type and transaction type	Tailor to the requirements of the transaction types - not all transactions require all the fields to be populated e.g. charges, and work in progress
	Inconsistent Investment Date	Investment date before contribution received date	
	Inconsistent unit transactions	Buy transactions with negative units or sell transactions with positive units	
	Transfer in contributions	DC transfer in not reflected on investment table	
Lifestyling	Appropriate fund choices	Check investment choice percentages reflect the point reached on the lifestyling Matrix	
	Appropriate investments	Check member fund levels match the point reached on the lifestyling profile	
	Lifestyling Indicators	Inconsistent lifestyling flags - most systems hold lifestyling Indicators in multiple places, check the lifestyling information stored in different fields is consistent	
	Reverse switching not allowed	Switch buys in a fund which should not have any within the lifestyling period	Schemes where the investment strategy allow reverse switching during the lifestyling phase

Scheme Fund Balances	Unit Reconciliation	Check the unit balances against manager unit totals Ensure any non-member or Trustee units are correctly identified and accounted. An action plan to resolve any discrepancies should be agreed with client, as they may seek compensation for any loss to members from previous administrators	
	Cashflow reconciliation	Handover of scheme bank account, with breakdown and explanation of funds including benefits to be settled, amounts to be invested	

6.7. Data Items

As part of the data transfer plans, you need to agree what data is required to be transferred and the format. Not all data will be required and will depend upon whether the investment strategy and funds will be identical. Where the investment funds are identical, then the current investment choices and investment solutions will need replicating and relevant data transitioning to the new provider for the setup phase. Where the investments are different the new investment choices must be included as part of the transition process and based on the member choice, or the default position as laid out by the trustees where no active decision is forthcoming.

It's usual for the receiving scheme to provide a template for completion by the ceding scheme which will set out the exact data items and format. Alternatively, a full data extract may be provided.

Task	Description
Identify all data sources	• At the outset investigate, define and agree all sources of data required to be in scope of the transition. It's key all sources holding administrative data are disclosed, including Excel spreadsheets or other sources storing information the previous provider's administration system couldn't accommodate
Data Extracts & Format	• Provide extracts of all the member data and files held on the source administration systems including the full history of contributions and investments. The receiving scheme should keep all necessary records needed to ensure the correct benefits are paid at the right time. We would expect more regular data items (i.e. those which will need to be accessed more frequently) to be populated and retained on the live system • A full history of transactions (subject to the ceding administrator having received this information from a previous provider) should be transferred for each member who has a current investment holding. Given any scenario here involves a transition to an authorised master

	trust, the authorisation standard (in particular for systems and processes) should be maintained[10]. The source data should be delivered in a full and complete format as agreed and it can be worked upon by the receiving scheme. Data queries must be answered promptly by the ceding scheme administrator
Images & Documents	• If applicable, images and electronic files held by the ceding scheme will need to be extracted from the source systems or folders. An index of the extracted files must be supplied to the receiving scheme • If applicable, transfer of paper files/member backfiles and images should be identified and agreed at outset
Data Dictionary	• If the full data dump is provided, a data dictionary detailing what's contained within the extracted files must be supplied with the data extracts and it should include all the code translations used in the data
Reconciliation	• The extract should be accompanied by control totals which can be reconciled against containing row counts and totals of all numeric fields and membership numbers

6.8. Data Transfer

To ensure the secure and successful transfer of data the following should be considered.

Task	Description
Data Transfer & Security	• Data transferred between pension providers must be transferred securely. A SFTP site should be used and the data should be encrypted or password protected using a separate data encryption program • The passwords and/or encryption keys should never accompany the data and it's good practice to provide the password to the recipient via a different medium, e.g. a phone call • Data queries should only be exchanged via secure FTP, encrypted emails or in a password protected attachment • Images can often be sent by disc due to size of file. FTP may not accommodate all types of data transfer, but data must be transferred securely

[10] https://www.pasa-uk.com/wp-content/uploads/2019/10/PASA-Code-of-Conduct-on-Administration-Provider-transfers-FINAL-May-2018.pdf

6.9. Data Mapping

Data mapping is the process of creating data element mappings between two distinct administration systems.

Task	Description

Specification	• The receiving scheme should prepare a comprehensive data mapping specification covering the detail of how the source data will be translated into the new administration system
	• The mapping document should capture the following information:
	  ○ Source to Destination field mapping
	  ○ Destination to Source field mapping
	  ○ If applicable, existing funds are being set up in ceding scheme these will need mapping
	  ○ Code translations for scheme categories and member statuses and miscellaneous code translations to cover other coded fields will use a different set of codes e.g. Titles, particularly in relation to DC transaction histories (contribution types, funds etc.)
	  ○ All business rules for data derivation and substitution
	• If applicable, the data transition analyst preparing the specifications should have access to scheme rules, scheme benefit summaries and member booklets to ensure the scheme benefits are understood and correctly interpreted in the implementation onto the new system

Full Data Extract	• It's important to migrate the full contributions and investment histories to the destination system (as opposed to only loading rolled-up opening balances) in order to be able to check historical transaction records if the client or members have queries about past contribution and transaction history • Any source system data not suitable for the destination system will require a suitable solution for storing or archiving in an accessible format for the new administration team
Review of Mapping	• The mapping specification should be reviewed by an expert on the scheme's benefits (could be either internal or an external person such as the Pensions Manager or a scheme consultant) resulting in initial sign-off of the document

6.10. Test Plan

A structured test plan must be agreed and executed on a suitable test environment to ensure the quality of the transition process. The plan should cover the following areas of the transition:

- Data implementation
  - Common, Scheme Specific, Numeric
- Access to historic images and electronic files provided by the previous provider, if applicable
- Processing of employer/payroll interfaces – contribution files and data changes
- Contribution investment process
- Lifestyling and other phased fund switching routines
- Any bulk and routine activities, including:
  - Decumulation
    - Retirement approach

        - Lifestyle approach
- Routine Calculations
    - Member Fund values
    - Transfer
    - Retirement
    - Switching
- Projections and benefit statements
- Identify any bespoke calculation requirements e.g. special retirement ages, protected tax-free cash

6.11. Reconciliation and Assurance

Data received by the receiving scheme should be reconciled so totals agree with the ceding scheme before any record keeping changes are made to the data, and administration of the scheme commences. The following activities should take place:

Task	Description
Report	• A full and robust reconciliation report should be produced accounting for all data and member movements. Membership numbers should be reconciled with the ceding scheme on take on • The report must demonstrate all data has been reconciled at each step of the transformation from the source data to the destination system, to remove the chance of corruption or erroneous manipulation • A decisions log should be kept
Discrepancies	• The reconciliation process should cover counts and summations across all data items and tables. Where discrepancies exist, a full explanation must be provided with a breakdown of the exemptions
Unit Holdings	• It's essential a reconciliation is performed of the total number of units held by the investment managers with the units imported for members and trustees at the point of take-on

7. Asset Transition

An asset transition is the handover of pension scheme assets between the outgoing and receiving administration providers, internal migrations to new administration platforms within the same organisation, or consolidation of pension schemes into one arrangement. Assets may be transitioned into the same funds at the new provider or into new fund ranges and it's important in both of our scenarios, regulated and non-regulated, there is a legal change of ownership from one trustee to the other. It's critical any transition plan includes the transition of assets at an early stage due to the potential number of moving parts and differing asset types moving from one place to another.

Getting the asset transition wrong can have an enormous effect on members' scheme values, can lead to huge amounts of costly re-work and potentially a large payment to compensate for any investment loss which occurs due to poor management or errors in the process.

7.1. The three main methods of transitioning assets

The receiving master trust will in many cases offer a range of funds which the trustees will have reviewed and determined the suitability of the funds prior to the appointment of the receiving provider. There will be a default fund or set of default funds to move into. There may also be self-select options for members who have or do make active investment decisions. While the majority of the assets in any scheme are in the default fund (anything between 80 and 95%), it's vital the same diligence and thought is given to the self-select members as, all members in a pension scheme deserve the same treatment in terms of thoughtful asset transition.

During the master trust selection process, the mapping of assets from the ceding fund range to the new fund range would have been undertaken, gaps analysed in terms of asset class availability for both the default fund and for the self-select members.

These deliberations would have considered the risk and return profile, volatility, flexibility, ongoing appropriateness and costs of the receiving funds to arrive at the decision and the final fund mappings from the exiting scheme to the new master trust.

Trustees need to consider how the assets can be moved most efficiently. There are three main methods of transferring assets from one scheme to another and in many cases, there will be an element of all three at the point of transition.

- In specie Transition

  This is where a ceding fund has the same stock holding as the receiving fund. The fund manager doesn't sell the assets at the fund level, but rather transfers the underlying stocks (shares held in the fund) to the new fund manager. The new fund manager then invests those assets into their fund. This isn't a hugely common occurrence within DC schemes as it requires a close like for like fund to move to but should always be considered due to the cost savings this can reap. Note in specie fund transitions are normally only efficient if the asset size being moved is in the many millions of pounds.

- Re-registration of assets

  This is where funds are held on a life insurance platform which many DC schemes use to access funds and is a common occurrence in many DC scheme asset transitions. This is an efficient method of transitioning assets where the receiving fund manager is using the same underlying funds. The assets held in the scheme's name are re-registered to a new beneficial owner on the receiving platform. Most DC schemes invest into passively managed funds for many reasons (cost, risk, ease of access for example) and generally (although not exclusively) into a handful of managers who provide passive investments at scale and at low cost. This means there are many instances whereby the same passive funds from the same fund managers are used by both the ceding and receiving scheme. Re-registration is performed by the platforms themselves and is a paper registration from ceding fund manager to receiving fund manager and incurs no transactional costs as there is no buy or sell. This is an extremely efficient method of transitioning and can happen efficiently with small asset values.

- Cash Transition

  This is where the assets are sold by the ceding fund manager and new units are invested in the receiving scheme. This is generally the most inefficient way of transitioning assets due to the need to have a trading cycle, a potentially longer out of market risk period and incurs fees on both sides of the transaction. Cash transitions occur when re-registration or in specie methods are not deployable.

Whichever approach is adopted, the main aim of the transition is to do it with minimum risk and minimum cost. As part of the planning process, trustees should engage early on with the ceding platform or fund managers and the receiving master trust. It's still the trustees' obligation to ensure an efficient transfer. In practice this element of the project is generally led by the receiving master trust and their investment platform or fund providers, working closely in conjunction with the ceding fund managers, the overall project plan and making sure the execution of the transition fits within the timetable.

7.2. The effect of charges

A good plan will include a lot of upfront analysis of the cost of the transition and is critical to understand the effect of decisions to transition and ensuring a fair outcome for members. It must be remembered every fund (even those with a single fund price) has a cost of trading both in and out. This is called the 'spread' or the 'bid/offer spread' and indicates the impact of the trades to the fund values.

Trustees should undertake an analysis and have a clear understanding of the effect of these charges and be able to describe and communicate them in terms of percentage cost which can then be translated into a real number.

Mitigating these costs could be achieved using in specie or re-registration approaches. Where these are not deployable a cash transition will take place to move the assets and this is where the cost of charges can reduce the value of the assets in the new scheme. These costs are generally reflected in the unit price. The member will still generally see their disinvested value and their invested value as being the same, but due to the cost being in the unit price, the number of units purchased in the receiving funds will be lower.

It's vital during the planning phase transaction costs estimates are calculated and appraised for reasonableness. Note some spreads for certain asset classes will always be greater as the tax regimes. For example, emerging markets or real estate include a high amount of taxation which is unavoidable.

Exit penalties for some funds such as with profits for example, still exist and these should be identified as part of the analysis.

7.3. Out-of-Market Controls

When undertaking a transition, irrespective of the approach used, there'll always be a point where the assets will be 'out of the market' while the assets move from one scheme to the other. It's prudent and necessary this period is as short as possible to limit the effect of market movements going against you.

By adopting out of market procedures and processes, you can to some extent control/limit the amount of time a contribution or portion of a member's fund isn't invested. Out of market controls are about managing the potential financial impact on members during these periods and making sure risks and processes are communicated to the members affected.

	Compliant	Good
Process	Out of market funds are typically invested with managers within 3 days of receipt of the money for individual member transactions. It may take longer where the receiving fund is not daily priced Bulk transactions will be subject to different service levels (SLAs) and trustees/employers are to be aware of the out of market period and the options to reduce this risk, such as prefunding the investment There is a documented process for managing out of market risk adhering to agreed SLAs	Out of market funds are invested with managers within 1 day of receipt for individual member transactions Prefund bulk transactions to reduce the out of market period An electronic interface with Investment Fund Manager is used to speed up disinvestment or investment process When it's not been possible to meet the SLAs, an explanation of the circumstances surrounding any delay should be given, together with agreed actions to mitigate any future delay

Reporting	Requests to invest money, disinvest it or switch it should be reported as part of the agreed services standard reports in the Administration Report. This will report against SLAs and highlight where they haven't been met	When it's not been possible to meet the SLAs, this must be reported upon

Consideration should also be given to a staggered transition of assets, especially where assets may be coming from. For example, less illiquid portfolios or where a large loss due to a poor performance return may be crystallised. These strategies are mainly deployed in DB asset transitions but could be replicated for DC. The knock-on effect of this could be a longer 'blackout period', a longer time frame for the project and more complexity from an administration and reconciliation perspective which in turn will increase the overall project costs. These impacts however, may be worth considering if there is a strong case for staggering the asset transition.

A blackout period is where no financial transactions can take place while the assets are in transition. Consideration needs to be given to claim handling, especially where an extended blackout period could affect payments for retirement income or death claims.

7.4. Framing the plan and executing the trades

The asset transition is affected by every aspect of the overall project plan from member communications to contribution cycles, administration blackout periods and final reconciliation processes.

It's never the intention for schemes to call or time the market in respect of a thoughtful transition. However best practice would dictate prior to the point of starting the actual first trade, a go/no go call is made with the investment managers or investment consultant, the appropriate fund managers and the trustees or project board in charge of the transition. Essentially, it's 'are we ready, is there anything peculiar occurring in the market, is it good to go'.

A go/no go call determines the receiving and ceding administrators are prepared and the transition has been well planned for each fund and different scenarios. If not, then it would be foolish to start the transition. If the answer is 'yes', then the current investment market conditions should be considered. If markets are volatile, it may be prudent, and in the member and schemes best interest, to pause the transition until markets settle back to normal levels of price volatility. It may be an event, such as an election, or a key Brexit vote, or a government budget taking place which could create undue volatility and therefore risk. It's never a perfect time to transition but due consideration should be taken when planning the asset transition date.

7.5. Planning Recommendations:

In summary, there are a lot of considerations when undertaking the actual asset transition and good, solid planning is the key to all good project outcomes. Below are the main recommendations and considerations one needs to be cognisant of when undertaking this technical journey:

- Ensure this element has its own project plan which fits into the overall transition plan
- Take a broader view of each event, ensuring someone is responsible for each task needed, be it the platform, investment consultant, fund manager or project manager
- Plan/timeline including key milestones
- Agree deliverables with the schemes, TPAs, and the current and target fund managers
- Produce a log of action points, issues and risks
- Produce a log of decisions made
- Manage project meetings/conference calls to monitor transition progress reporting actions and decisions accordingly
- Manage the project and investment phase within the constraints of those involved (i.e. blackout periods, administrators and member communications)
- Manage input to the go/no go meeting
- Agreed approach signed off and accepted by the schemes
- Construction and implementation of transition strategies have been designed to minimise cost and manage risk within the time constraints of the project
- Co-ordination of investment activity needed to subscribe or redeem from a wide range of funds
- Detailed timelines for activities taken on
- Ensuring any pre-investment agreement is completed
- Drafting the re-registration instructions from the ceding scheme to the current managers
- Signing of re-registration tri-partite agreements between the fund managers (if applicable), the schemes, and platforms subject always to the cooperation of the other parties to these agreements
- Facilitation of the re-registration and in specie process
- Management of the out of market risk for the cash investments as agreed in the transition strategy
- Drafting of the disinvestment instructions to the current managers for relevant holdings to be sold for cash, re-registration or transferred on an in-specie basis
- Calculation of the in-specie redemption values
- Unit Calculations
- Calculation of the estimated transition costs arising from the sale and purchase of funds for cash and notify these to the schemes. The costing will be at the fund level, not broken down to an individual member level
- Calculation of the actual transition costs arising from the sale and purchase of funds and notify these to the schemes. The costing will be at scheme level, not broken down to an individual member level
- Post trade report detailing actual transaction costs and savings
- Allocation of units in the funds and notify these to the TPAs

- Insist on a final three-way reconciliation of units, cash redeemed and invested value. This is a critical part of the transition and how a reconciliation will be performed should be considered as part of the planning stage. There are requirements under Continuity Option 1 and also just as best practice, to have a fully balanced and auditable trail.

Appendix A - DC Transition Working Group - Model Migration Project Plan A

Task Name	Duration
Model Migration Project Plan	**180 days**
Project Management	**13 days**
Project Planning	**7 days**
Create Project Plan	1 day
Create Risks and Issues Log (data & project)	1 day
Create Communications Plan	1 day
Create Test Plan	1 day
Prepare a cutover plan	1 day
Review project documentation	1 day
Sign off project documentation	1 day
Fortnightly Project Update Meetings	**6 days**
Project Updates 1	0.5 day
Project Updates 2	0.5 day
Project Updates 3	0.5 day
Project Updates 4	0.5 day
Project Updates 5	0.5 day
Project Updates 6	0.5 day
Project Updates 7	0.5 day
Project Updates 8	0.5 day
Project Updates 9	0.5 day
Project Updates 10	0.5 day
Project Updates 11	0.5 day
Project Updates 12	0.5 day
Business Readiness Activities	**14 days**
Identify if any bespoke member communications	1 day
Agree Retirement process	1 day
Training requirements for New Provider	1 day
Set Up Contracts/agreements/signatory lists/platforms with Investment Managers	2 days
Set Up Contracts/agreements/signatory lists/platforms with Scheme Bank accounts	2 days
Other third parties set up e.g. annuity brokers, group life insurers	1 day
Arrange handover of paper files and microfiche	1 day
Agree data deletion or archiving from source systems with ceding provider	1 day
Set up online Member Access logins	2 days
Communications of the change of administration to members	2 days

Technical Migration - Pre-Migration Tasks	5 days
Setup Activity	5 days
Obtain Scheme Rules and Trust Deeds	0.5 day
Identify all data sources in scope for transition (incl documents and images)	0.5 day
Provision of source system Data Dictionary	0.5 day
Obtain Decodes information	0.5 day
Details from System Control File from source system(s)	0.5 day
Establish Scheme set up and benefit configuration requirements (incl Fund mapping)	1 day
Details of any scheme specific validation checks prior to loading data onto Destination System	0.5 day
Schedule provision of source data Test cut	0.5 day
Schedule Provision of source data cut Live	0.5 day
Test Data Cut	90 days
Data Mapping	23 days
Create Scheme benefit summary	5 days
Create Data Mapping Specification & Perform Gap Analysis	10 days
Forward Remaining Mapping Queries for resolution	1 day
Scheme set up and benefit configuration	5 days
Data mapping specification review	1 day
Mapping document signed off	1 day
Data Preparation	6 days
Set Up Test Environment	2 days
Create Data Prep Template for Data Import process	2 days
Create Data Load Reconciliation Report Template	2 days
Data Analysis	9.5 days
Load Test data cut	0.5 day
Produce Control Totals and Reconcile with Data Received	0.5 day
Run Data Validation Queries and	1 day
Produce Detailed Analysis Report	5 days
Produce Cleanse Plans	1 day
Review of analysis results with ceding provider	1 day
Agree pre-transition data cleansing activities with ceding provider	0.5 day
Issue Data Analysis and Cleanse Plan Report to Client/Trustees	0.5 days
Technical Data Migration Set Up	40 days
Test cut	38 days
Create Migration Scripts	12 days
Finalise Set Up Schemes and functionality configuration	2 days
Run Migration Scripts	1 day
Reconcile Source to Destination Control Totals	2 days

Produce Reconciliation Reports & Exception Reports	1 day
UAT of test cut/raise & resolve queries	20 days
Test Migration Signed Off	**0.5 days**
Live cut	**2 days**
Live Data Received & Loaded	0.5 day
Run Migration Scripts	0.5 day
Reconcile Source to Destination Control Totals	0.5 day
Produce Reconciliation Reports & Exception Reports	0 days
Go-Live Release to client administration team	0 days
Sign off Migration	**0.5 day**

Appendix B - DC Transition Working Group - Model Migration Project Plan B

Specimen Project Plan

Work carried out by current adminstrator	
Work carried out by ceding scheme Trustee advisor	
Work carried out by Trustee advisor requiring Trustee / Employer input	
Responsibility of the Employer	
Responsibility of ceding scheme Trustees	
Responsibility of both Employer and Trustees	
Work carried out by new MT provider	
Work carried out by ceding scheme trustee advisor with new MT provider	
Work carried out by ceding scheme trustee advisor, current adminstrator with new	
Work carried out by Scheme auditor	

WORKSTREAM 1 - REDIRECTION OF CONTRIBUTIONS TO NEW MT		Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth	Mth	Completed By	Complet
1	Legal review of Trust Deed & Rules												Trustee / legal advisor	
2	Obtain Scheme data from TPA												Advisor	
3	Recommendation of future contribution and discharge vehicle / provider(s)												Advisor / Employer / Trustee	
4	Implementation plan created and agreed by advisor and new MT provider												Advisor / New MT Provider	
5	Briefing / training of advisor firm CRMs in relation to supporting participating												Advisor	
6	Issue 2 month notice of closure of the current MT Scheme to future												Advisor / Trustees	
7	Engage with participating employers to arrange new QWPS for future contributions												Advisor / Employer / Ceding scheme Trustee	
8	New MT provider to provide communications to support above activity and												New MT Provider / Employer	
9	Provide comms for employers to communicate new QWPS to active members												Advisor / New MT Provider	
10	New QWPS arrangements established for all participating employers												Advisor / Employer / Ceding scheme Trustee	
11	New MT provider to provide employers with sign up information												New MT Provider / Employer	
12	First contributions to new QWPS												Employer	
13	Employer uploads payroll file on an ongoing basis												Employer	

Specimen Project Plan

Work carried out by current adminstrator (TPA)	
Work carried out by cedingscheme Trustee advisor	
Work carried out by Trustee advisor requiring Trustee / Employer input	
Responsibility of the Employer	
Responsibility of ceding scheme Trustees	
Responsibility of both Employer and Trustees	
Work carried out by new MT provider	
Work carried out by cedingscheme trustee advisor with new MT provider	
Work carried out by cedingscheme trustee advisor, current adminstrator with	
Work carried out by Scheme auditor	

WORKSTREAM 2 - REDIRECTION OF CONTRIBUTIONS TO NEW MT		Mth	Mth8	Mth9	Mth	Mth	Mth	Mth	Mth	Mth	Mth	Mth	Completed By	Complet
1	Ceding scheme Trustees to approve merger												New MT Provider	
2	Both cedingscheme MT trustee and sponsor and receiving scheme MT trustees to sign merger deed												Advisor / Ceding Trustee	
3	Audit of data quality with Scheme administrator												TPA	
4	Existence check / Address tracing / Death verification												TPA	
5	Draft letter to all members confirming the options available and including the options form. Obtain trustee agreement												Advisor / Ceding Trustee	
6	Review which employers have redirected contributions to the recommended Master Trust arrangement and which employers have selected their own pension arrangement for new contributions												Advisor / Employer / Employer advisor	
7	Actuarial certification for transfer (if required)												Advisor	
8	Place advertisements in the London Gazette and other publications confirming the Scheme is merging leading to wind-up.												Advisor	
9	Trustee meeting to review progress, ratify decisions and agree communications												Advisor / Ceding Trustee	
10	Update to employers on the member communication												Advisor / Trustee / Employer	
11	Communication to active members giving details of Plan merger												New MT Provider	
12	Dealing with queries from active members and/or advisers. New MT provider to take active member calls												New MT Provider	
13	Communication to deferred members giving details of Plan merger												Advisor	
14	Dealing with queries from members and/or advisers. Advisor / adminstrator to take deferred member queries												TPA / New MT Provider	
15	Receipt, collation and validation of responses from Plan members.												TPA	
16	Liaise with new MT provider providing Scheme information - Adminstrator to provide scheme / investment data												Advisor / New MT Provider / TPA / Investment Manager(s)	
17	Participating Employers : Transfer of bulk pension benefits to the new Master Trust arrangement with confirmation of transfer values												TPA	
18	Non-Participating Employers : Where requested, transfer of bulk pension benefits to the new employer pension arrangement with confirmation of transfer values												TPA	
19	Participating Employers - Set up individual member policies for deferred members; transfer-in benefits for active members. Policy documentation sent by new MT provider												New MT Provider	
20	Non-Participating Employers - transfer of pension funds for members into new employer pension arrangement. Employer advisor to facilitate set-up of transfers-in												Employer / Employer advisor	
21	Transfer of assets to individual member policies. Letters to members with CETV / confirm transfer to other provider.												TPA	
22	Formal wind-up of the DC Scheme is triggered												Trustee / Legal advisor	
23	Employer surplus returned to respective Employers												Advisor / TPA	
24	Notify the Pensions Regulator that the wind-up has been triggered and membership is zero												TPA	
25	Provision of Scheme data by adminstrator / New MT provider via spreadsheet to auditor for accounts												TPA	
26	Audit of Scheme accounts												Auditor	
27	Archive paper records. Final updates to member database. Electronic records are archived after 12 months. Download of electronic files sent to Trustees/Company												TPA / Advisor / Ceding Trustee	
28	Finalising the trustee liability insurance (if required)												Advisor/ Employer / Ceding	
29	Notification to statutory authorities (tPR, ICO and HMRC)												TPA / Advisor	
30	Closure Deed completed by Trustee. Final accounts signed off by ceding scheme Trustees												Ceding Trustee	

THE PENSIONS ADMINISTRATION STANDARDS ASSOCIATION

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