



PASA GUIDANCE

Trustees Administration Governance Checklist

July 2018

Administration Governance Occupational Pension Scheme Trustee Checklist

PASA has prepared this checklist for trustees to evidence and action appropriate levels of governance over their pensions administration service provider, whether in house or provided by an external party.

The checklist is derived from the Governance principles included within the PASA Standards, which PASA accredited members are regularly audited against. This checklist has therefore been developed for trustees whose administrator hasn't been accredited by PASA. PASA accredited administrators are assessed against these items as part of their accreditation programme, and in these cases this checklist is superfluous. Where the trustees are able to answer all points positively, they're demonstrating to their members and to external bodies such as the Pensions Regulator (TPR), they're adopting good practice and delivering good governance in relation to administration and record keeping, at a level in line with a PASA accredited administrator. Further details of the PASA Standards can be found in the Standards section of the PASA website, www.pasa-uk.com.

At its launch of 18 September 2017, to raise the standards of governance of pension arrangements TPR identified Good Governance can be described thus:

"Good governance is about having motivated, knowledgeable and skilled Trustees in place. It's also about having the right structures and processes to enable effective, timely decisions and risk management, and to provide clear scheme objectives. It helps you to effectively oversee:

- *administration and record-keeping*
- *funding (where the scheme has defined benefits) and investment*
- *communications with members*

As a Trustee, it's your responsibility to make sure your scheme is well run. You should spend time and resources getting your scheme governance right. This will help you to minimise risk and maximise opportunities for your scheme and your members. Investing in good governance is likely to save you in the long run, delivering good value for members and sponsoring employers, and improving member outcomes."

Further in the February 2018 Statement 'Managing service providers' TPR said:

"When reviewing the suitability of providers, you should consider relevant independent frameworks which provide evidence of the suitability of the provider. This can include ISO certification, or independent accreditation frameworks for specialist functions, such as administration".

Application of the checklist

Trustees should complete the checklist below to evidence the status of their administration against this measure of good governance.

In an ideal world, there would be a positive outcome to each item of the checklist. In this case, the trustees would be able to demonstrate a robust governance process is in place with their appointed administrator(s).

Inevitably there'll be areas where the answer isn't positive or isn't clear. Where this arises, the trustees need to assess whether the lack of a positive response introduces a level of operational or supplier risk which might be considered unacceptable. In this case, the trustees will need to engage in a dialogue with their chosen supplier to air concerns and seek to agree corrective action which mitigates in whole or part the unacceptable risk.

Where a substantial number of responses aren't positive, this would be a major cause of concern in relation to the quality of the administration service and the outcomes to members. In this case the trustees may need to undertake a more detailed evaluation of their supplier to implement corrective actions and, where these can't be satisfactorily addressed, to consider more substantive measures to address the shortcomings or source an alternate supplier.

Further guidance on administration issues can be found in several sources including:

- <http://www.thepensionsregulator.gov.uk/docs/managing-service-providers-statement-2018.pdf>

- <http://www.thepensionsregulator.gov.uk/trustees/db-governance-and-administration.aspx>
- <http://www.thepensionsregulator.gov.uk/trustees/administration-in-your-dc-scheme.aspx>,
- www.pasa-uk.com/pasa-standards, and
- in the Additional Notes contained in the Appendix to this checklist.

Checklist

Administration Agreement <small>(Additional Note 1)</small>	Yes/No	Next Steps	Last Updated
There's a written agreement in place between the trustees and the administrator.			
The agreement:			
Clearly sets out the obligations of each party.			
Sets out the appointment period for the agreement.			
Sets out the requirements for renewal of the agreement.			
Clearly sets out the detail of the services to be provided.			
Clearly sets out the fees for services and terms of payment and review, as well as any dispute mechanism for any fees for the services.			
Clearly sets out the frequency and content of any reporting to the Trustees.			
Clearly sets out the performance requirements and performance reporting requirements.			
Clearly sets out the notice periods for termination by either party.			
Clearly sets out the obligations of the service provider on service termination, including services, costs and timescales.			
Sets out the obligations for the provider under data security.			
Sets out the obligations for the provider under data protection.			
Sets out the mechanism for the resolution of any dispute between the parties.			
Has been subject to a formal Trustees review in the last three years.			

Reporting <small>(Additional note 2)</small>	Yes/No	Next Steps	Last Updated
The administration agreement sets out the frequency of service reporting.			
The administration agreement sets out the minimum information to be reported upon.			
<p>The reporting includes, but isn't limited to:</p> <ul style="list-style-type: none"> • Membership numbers by category (pensioner, deferred, active member) • Membership activity (retirements, leavers, transfers, deaths etc) • Summary cash movements (money in and out analysed by category) • Confirmation of the receipt and investment date of contributions (DC Schemes) • A report (in relation to DC sections) confirming the full reconciliation of contributions received, investment movements and allocation to individual members with an action plan to resolve unreconciled items • Service performance measures (at aggregate and service measure level) • Comparable statistics in respect of prior reporting periods • Complaints received and commentary on progress to resolution • Error reporting statistics and commentary • Member satisfaction survey results (if any) 			
Includes a summary report on the scheme data measured under the Common and Scheme Specific Data tests of TPR.			
Confirms compliance with TPR code and/or reporting on compliance exceptions and commentary as appropriate. (DC Schemes).			
Identifies progress on in flight projects.			
Identifies forthcoming projects of change programme details.			
Provides reports on member feedback which covers all principle member related activity (retirements, transfers etc).			
Feedback reports are discussed with the supplier and corrective action plans implemented.			
Provides reporting on complaints/errors in administration services.			
There's clear and agreed definition of a complaint and an error.			

There's reporting on systematic complaints and errors and the corrective action taken to address the source of the complaint/error.			
The administrator reports to the trustees on any fraudulent or attempted fraudulent activity.			
Where member feedback is collected it should be <ul style="list-style-type: none"> Assessed and analysed against each single event (e.g. retirements) Timely – issued within a reasonable timescale of the event Repeatable and ongoing Include a qualitative/narrative element Be acted upon, and Reported to the trustees 			

Operational Procedures <small>(Additional note 3)</small>	Yes/No	Next Steps	Last Updated
The administrator provides a copy of the internal process and procedures manual and controls.			
There's an agreed process for updating and version controlling the manuals.			
There are agreed change control procedures documented and available to the trustees.			
There's regular reporting (as a minimum annually) on the audit and validation of the process controls and procedures.			

Business Continuity <small>(Additional note 4)</small>	Yes/No	Next Steps	Last Updated
The administrator has a documented disaster recovery and business continuity plan.			
The administrator regularly tests the procedures (at least annually).			
The administrator provides summary reports to the trustees on the outcome and corrective actions arising.			

Change Control <small>(Additional note 5)</small>	Yes/No	Next Steps	Last Updated
The administrator has a process for identifying and recording changes identified in the business or by their clients.			
The administrator has a process for reporting on the results of change control activity.			
The administrator has procedures in place to ensure service levels are undisrupted or there are contingency plans if services are likely to be disrupted because of the planned change.			
The administrator has a process which ensures any change request has a documented change plan where changes are identified, fully scoped, risk assessed, a delivery plan documented and signed off, resources allocated and the outcome of the change plan evidenced. Specifically, testing outcomes from any process or calculation change should be retained and documented for future audit and evidence of control. It's vital any change requests are managed to ensure service levels are undisrupted and maintained throughout the change life cycle.			
The administrator has a process where all change requests must be documented and change requests are signed off (agreed or rejected).			
The administrator has a process where all change requests, regardless of the outcome, should be captured, recorded and reported on throughout the change life cycle.			
The administrator has a process where all changes are carried out should be planned not to disrupt the normal service delivery, where applicable.			
The administrator has a process where all change activity has a clear and regular governance review to ensure administrators and key stakeholders will			

receive progress reports on their change requests throughout the change lifecycle.			
The administrator has a process where a change is implemented this will have passed appropriate quality measures, and the final change will be signed off by the senior user and project sponsor.			
The administrator has a process where any lessons have been learnt from the change will be appropriately documented for future change initiatives or activities (of Business as Usual).			

Controls Assurance <small>(Additional note 6)</small>	Yes/No	Next Steps	Last Updated
The administrator has a documented, risk based controls assurance programme operating in relation to the administration			
The assurance programme contains a schedule of work to be carried out by individuals independent of the administration service.			
Results of controls assurance investigations are reported internally to an audit committee (within a TPA) and by exception to the governing body in accordance with the PASA Reporting Standard.			
Where the administrator has an AAF01/06 report produced, the results are made available to the trustees.			

Data Management <small>(Additional note 7)</small>	Yes/No	Next Steps	Last Updated
The administrator has a documented data management strategy and data control procedure and shared this with the trustees.			
The administrator provides induction and annual refresher training to its staff on their responsibilities and duties in relation to Data Protection.			
The administrator has a documented procedure for the secure and encrypted transmission and transfer of data.			
The administrator has a documented process for reporting on data breaches and consequent corrective action.			
The administrator has a documented Fraud Prevention procedure.			
The administrator has a documented Fraud risk policy.			

Staffing <small>(Additional note 8)</small>	Yes/No	Next Steps	Last Updated
The administrator keeps the trustees apprised of changes to the staff responsible for the provision of services.			
The administrator provides assurance to the trustees on the competency of staff allocated to provide services.			
The administrator monitors the competency of its staff.			
The administrator has a documented development and training policy for its administration staff.			

Appendix

Additional Notes

1. Agreements

It's important a clear and explicit contractual agreement is in operation between the trustees and their administration provider. This can be in the form of a letter, service agreement or a full-service contract. Irrespective of the style of the agreement an appropriate structure should be the bedrock of the relationship between administrator and the trustees, providing clarity on the respective party's obligations to one another. It should set out the obligations of each party and provide a framework from which each party can judge delivery of its obligations. Where parties fall short of their obligations the agreement should have a clear resolution path set out to address the issue. An appropriate framework will support an outcome where the trustees and administrator know exactly what their mutual obligations are, what the administrator will deliver, how much it'll cost and what'll happen if anything goes wrong.

Agreements should be reviewed on a regular basis (PASA recommends no less frequent than every three years) to ensure they remain current and reflect any changes agreed between the parties.

Where no such agreement is in place, it's recommended the trustees takes immediate action to correct this deficiency in conjunction with their administrator. Further information on what the agreement should contain can be found on the Standards section of the PASA website, www.pasa-uk.com.

2. Reporting

It's important there's an open dialogue between the trustees and the administrator around the provision of administration services. This'll enable the trustees to satisfy themselves services are being provided in accordance with the agreement and to the quality expected. One way of achieving this is to receive regular reports from the administration provider which evidence their stewardship of the scheme and provide the trustees with an understanding of the administration service performance and issues which their administrator is facing or has faced and how these have been resolved. Scheme size and the level of administration activity may determine the frequency of reporting.

PASA has set out their recommendations for the frequency and content of administration reporting within Standard 2.1 which can be found on the PASA website, www.pasa-uk.com.

Where the trustees reporting falls short of these expectations, it's recommended the trustees meet with their administrator to discuss and agree revisions to the reporting including the content of reporting required, how these reports will be provided and with what frequency.

3. Operational Procedures

Effective control over the operational procedures is critical to ensure the consistency of outcome from the administration service and to support the accurate, timely and high-quality outcomes expected. While, through the appointment of an administrator, the trustees have delegated the administration function to the appointed administrator, they remain responsible for the administration service, and the accuracy of benefit calculations and the timing of any benefit payment. By ensuring their administrator has a fully documented operational procedure and control environment, which is open and capable of scrutiny to ensure it is fit for purpose, the trustees can demonstrate strong governance and oversight. The trustees could further undertake a review of the operational procedures and control documentation with their administrator to satisfy themselves they're relevant and appropriate to the administration service provision, support good outcomes and manage operational risk within the trustees risk tolerances.

As part of the annual audit the trustees should instruct the Scheme Auditor to undertake calculation and control environment testing to provide some comfort there's an adequate control environment in place.

In the event there's no documented operational procedure or controls, then the trustees should engage with their administrator to discuss and agree corrective action to be taken to implement such a control framework. Without this it would be difficult, if not impossible for the trustees to satisfy themselves the administration function can deliver consistent outcomes, accurate benefit calculations and clear communication with members, which enable informed choice.

4. Disaster Recovery

Continuity of service provision in any organisation is crucial to its ability to meet the needs of its customers, no less so within a scheme being able to meet the needs of its members. While the trustees may delegate the provision of administration services to an administrator, they retain responsibility for the accurate administration of the benefits under the scheme. Hence it's important the trustees can demonstrate a suitable and appropriate disaster recovery plan is in place for the scheme and all its functional parts, particularly those which are time critical, for example the payment of pensions. Trustees should therefore ensure all suppliers including their administrator has a disaster recovery plan in place to ensure continuity of service in the event of a short or longer-term business interruption event, loss of operational functionality or data. The trustees should receive reports from its administrator on any implementation of disaster recovery plans and regular communication on progress to the reinstatement of service provision. The trustees should also receive regular reports from their administrator on the outcomes from testing and any changes emerging from any corrective action implemented to overcome shortcomings exposed during testing events. Failure to do so would be evidence of a weak governance oversight.

The trustees should review the administrator's disaster recovery plan on a regular (at least annual) basis as part of its risk review. If the administrator has no such documented plan, or it's perceived to be weak, the trustees should initiate discussions with its administrator to agree the action to be taken to reach an acceptable position.

5. Change Control

Implementing change introduces additional risk factors which the trustees need to be satisfied are being managed in an appropriate manner. Any change to operational procedures, technology infrastructure, or scheme provision needs to be managed and controlled and subject to rigorous testing and validation. Good governance would suggest the trustees have oversight of any changes being implemented by its appointee and are kept informed of progress, risks and risk mitigation and outcomes (including lessons learned). Change should be planned to minimise service disruption and, where members might be affected by change, good communication used to manage expectations. The trustees should agree a process for managing and reporting on change by their appointee.

If the change control environment is weak or undocumented the trustees should meet with its administrator to discuss rectification activity.

6. Controls Assurance

If the administrator has an annual audit of its control environment (i.e. under an AAF 01/06, or AAF 02/07 audit) the trustees should ask for a copy of the final report to satisfy themselves the control environment has been subject to an independent review and the results of the audit are satisfactory. While such an audit isn't mandatory, it does evidence the provider has a documented control environment which is consistently applied and subject to independent audit.

Having an independent audit of the operational control environment is good practice and provides the trustees with some assurance over the operational capabilities of its administrator.

Where no such independent report is available, the trustees should make enquiries of their administrator to satisfy themselves a documented control process is in operation which governs the key facets of administration. It's subject to an annual review at a senior level within the administration organisation and the trustees are kept informed of the outcomes of any reviews or changes to the operational control framework. Further details of the areas which should be covered by the control assurance programme can be found in Standard 3.4 on the PASA website, www.pasa-uk.com.

7. Data Management

DB Scheme Trustees must report in their annual return to TPR on their scheme's data position by reference to the Common and Scheme Specific Data Standards, when they last measured these and what the outcomes were. TPR isn't proposing to take enforcement action on the basis of data scores alone, but may take action where they believe standards aren't being met or trustees are failing to demonstrate they're taking appropriate steps to improve data quality.

It's considered good practice to measure data quality on an ongoing basis, so the trustees are aware of deficiencies in member data and an agreed plan of activity is in place to correct deficiencies with their administrator and progress is being monitored to improve the quality of member data. TPR has identified its requirements for data management and data security in various guides published on its website. The guide for DB scheme trustees can be found at <https://www.thepensionsregulator.gov.uk/en/trustees/managing-db-benefits/governance-and-administration/record-keeping>. The guide for DC scheme trustees can be found at <http://www.thepensionsregulator.gov.uk/trustees/administration-in-your-dc-scheme.aspx>.

Additionally, the security and protection of member data is a key requirement for the trustees and is enhanced further since the GDPR came into force in May 2018.

The trustees should satisfy themselves their administrator has a robust data management policy in place, documented and disseminated to administration staff and there's a robust data security policy and protocols which govern the transmission of member data. This policy should include the reporting and escalation process to inform the trustees as soon as any data incident occurs so appropriate action can be taken to inform the affected members and the Information Commissioners Office.

In the event no such documented policy is in place, the trustees should engage with their administrator to agree how a policy can be implemented. The security and integrity of member data is a key risk management issue for the trustees and good governance would suggest an agreed data security policy is in place and all appointees comply with this or have policies in place which are aligned to the Trustees policy. The trustees should take action to review the security of member data and monitor it regularly with its appointees.

8. Staffing

Scheme members interact with the staff of the appointed administrator, it's important the administration staff have the skills and capability to interact with scheme members to enable them to make informed decisions. To support this, it's recommended the trustees satisfy themselves the appointed staff have the relevant competency to undertake their role, their knowledge is enhanced to keep up to date with developments and there are adequate numbers of qualified staff available to deal with the day to day administration of the scheme. The trustees should also be satisfied the administrator has appropriate succession plans in place to deal with changes to staff in the event of absence, promotion or resignation.

The trustees should receive regular reports from its administrator on these aspects. If these reports aren't made available the trustees should meet with its administrator to implement a process for reporting on staffing aspects.



THE PENSIONS ADMINISTRATION STANDARDS ASSOCIATION

Get in touch:

info@pasa-uk.com

www.pasa-uk.com