

# PASA GUIDANCE

**DC Governance**

**June 2022**

# DC Governance Guidance

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## DISCLAIMER

While this document sets out detailed Guidance with the intention of providing a framework for good DC scheme governance, it should only be considered as Guidance.

The contents of this document is an addition to the PASA Standards and should be read in conjunction.

# Acknowledgments

PASA is grateful to the authors of the Guidance and members of the PASA DC Working Group (DCWG) and their employers.

David Pharo (Board Sponsor)	PASA
Lesley Carline (Chair)	KGC Associates Ltd
Andrew Cheseldine	Capita Cranfield Trustees Limited
Anthony Brown	Fidelity International Limited
Catalina Esler	Evolve Pensions
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Gillian Bell	Hymans Robertson LLP
Jonathan Sharp	Baker McKenzie
Stephen Coates	Mercer UK Limited
Sue Pemberton	Premier

## 1. Introduction

Our first Defined Contribution (DC) Governance Guide was published almost 4 years ago. A lot has changed since then, with more in the pipeline. This everchanging landscape reinforces the need for practical and objective Guidance to trustees, employers and administration providers.

### Why do we need this Guidance?

The complexity surrounding the governance of DC pension arrangements continues to grow, with the Pensions Regulator (TPR) maintaining its focus on administration governance and the risk posed by poor DC administration to good saver outcomes.

*Good governance is the bedrock of a well-run pension scheme and there is a clear link between good governance and good fund performance. It is not a 'nice to have' but an essential part of effective scheme management – for all schemes.*

**The Pensions Regulator**

The PASA Standards were developed as an outcome-based guide to what good administration should look like, covering all types of pension schemes. However, due to various DC specific challenges and issues, additional DC specific administration governance Guidance is required.

Good DC administration isn't the sole responsibility of the administration provider. Oversight and governance is at three levels – the administration provider, the employer and either trustees or Independent Governance Committees (IGCs). Regular communications and input from the scheme's employer and trustees are required to ensure:

- processes are holistic, effective and up to date with legislative and regulatory requirements
- savers are educated, engaged and empowered
- data is accurate and available
- issues are identified quickly to avoid the need for rectification
- reporting is clear, informative, and understood by all parties

This document provides Guidance for all stakeholders involved in the DC administration process.

DC membership continues to grow, with TPR reporting 85% of active pension savers are in DC arrangements with assets under management in DC schemes increasing by 30% in one year and by over 430% since 2012<sup>1</sup>. The rise of the DC master trust and market consolidation of providers continues at pace. While automatic enrolment (AE) has introduced pensions to many more employers, these and many established pension schemes don't have a team dedicated to pensions. This Guidance provides a useful resource on what's expected from all parties in the

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<sup>1</sup> TPR DC Scheme Returns 2021 – 2022

administration process, specific to their pension arrangement type. It focuses on six key areas – Data, Transitions, Decumulation, Reporting, Chair’s Statement and Controls and Procedures.

Clear, useful and informative administration reporting is essential for good DC governance. All stakeholders need to understand the content of the reports and identify what’s essential, what’s useful and what’s 'nice to have'. More importantly, robust and relevant Service Levels Agreements (SLAs) need to be established by all parties. Clearly defined reports let the administration provider, employer and trustees spot any service issues quickly. The importance of data, how it’s used and why it’s so vital is set out, along with pointers for dashboard requirements. This area will necessitate further updates.

Governance has to be demonstrated and a section on the Chair’s Statement has been included in this updated Guidance. TPR’s expectations are set out, alongside a section on internal controls. Nothing stands still in DC pensions and we’ll keep an eye on TPR’s intention to consolidate its DC codes later this year.

Small pots activity is in the pipeline and this has been covered in the updated Decumulation section. The Guidance will evolve as DC pensions regulation and best practice evolves.

### **Why is good governance important?**

In any DC scheme there are several interacting stakeholders. For the scheme to work, all these interactions need to work too. This means smooth running of the scheme becomes inherently complex. A single failing can result in a scheme being unable to successfully administer saver’s benefits to the expected standard.

Good governance can help mitigate this risk by providing a stable base and a common understanding of what’s expected from each of the respective stakeholders, and how they interrelate. A good governance structure provides a robust safeguard to the scheme so it can deliver good saver outcomes.

This Guidance details the minimum standard required to make processes ‘Compliant’ in the key areas, and provides suggestions on how to improve these processes further to ‘Good’. The fundamental benchmark for Compliance isn’t limited to regulatory compliance. It’s the minimum required to protect pension savers’ interests to a level IGCs, trustees, employers and savers would naturally expect. Compliant processes are acceptable, but ‘Good’ is better.

## How to use this Guidance

The six areas of focus within the Guidance overlap and interlink, as detailed in the contents. You can read the sections individually if you have a particular area of interest, or it can be read as one document. Each section relates back to the various types of DC pension scheme – both trust and contract based, as well as identifying the three potential stakeholders involved in the governance of DC administration – the administration provider, employer and IGC or trustees.

The next 18 months will see further changes in the DC pension industry we will continue to refresh this document as details are confirmed.

## 2. Data

### Data and record keeping

Good saver outcomes need pension schemes to hold good data and keep high quality records.

TPR expects good records to be kept by trustees and the administration provider. If they don't, they can be fined. All pension schemes need to check the accuracy of their data regularly and correct any issues. To ensure trust based schemes are held to a high standard they're required to measure and report on the quality of their data on the annual scheme return. There's no explicit reporting requirement for contract based schemes.

Over the next few years the introduction of pensions dashboards will become a key area of focus for all schemes. The ability to match saver records from a variety of source providers will be key to ensuring dashboards are able to fulfil their purpose. The accuracy and quality of the data held within all pension schemes will be vital in this matching process and to allow for accurate information to be provided to savers.

### What is data?

Data is either personal (common data) or financial (scheme specific).

Personal data needs to be provided to ensure you can correctly identify an individual, whereas financial or scheme specific data is needed to be able to calculate and pay benefits, it's what links a person (identified in the common data) to the scheme. This will vary from scheme to scheme and depends on many factors including scheme type, structure and the administration system used.

### Why we need good data

Correct data underpins good saver outcomes. Savers with online self-service access can see their data 24/7, and once pensions dashboards go live many more people will have sight of their data. So it needs to be right.

Good data allows administration providers to invest contributions quickly, reconcile units and pay benefits. It may also lower administration costs, improve service levels and provide accurate management information reporting.

Employers need to agree the data required and the frequency of provision with the administration provider. Questions to ask include:

- What's required from the employer?
- Where's the data coming from? – payroll, HR or Flex systems
- What's the format of data? – large pension providers are generally less flexible around content and format than third party administrators (TPAs) and in house schemes

Early engagement is key and a timetable should be built around the requirement and availability of data i.e. payroll dates / employer processes.

AE requires employers to keep more types of data. TPR's [Guidance note 5](#) and [Guidance note 9](#) set the minimum level of data employers must hold to meet AE legislation.

### **What does good data look like?**

Good data is correct, complete and up to date. Data should also be prepared to be Dashboard Ready given the launch of the first phase in 2023.

Examples of good data:

- National Insurance number matches HMRC's records (when providing a Real Time Information (RTI) submission)
- Contribution amount received matches the expected amount, based on contribution structure and salary. Units purchased reconcile with amount received

### **What does bad data look like?**

Bad data can be out of date, incomplete and/or inaccurate.

Examples of bad data:

- The last postal communication was returned with the comment 'addressee gone away' and the address hasn't been updated to 'gone away' or removed on the administration system
- A saver selected a new fund choice for future contributions, but it wasn't updated on the administration system. The latest contribution was invested based on the previous instruction

### **The consequences of poor record keeping**

Poor record keeping can result in people receiving the wrong benefits or a delay in paying their benefits.

DC schemes can undertake many transactions over a short time. Without strong controls on data the likelihood of record keeping errors are more possible.

Poor data threatens the confidence in and credibility of employers, trustees and administration providers. Mistakes can be costly to rectify and can lead to people losing trust in their pension provider.



## Questions Trustees/Employers should ask to ensure the right data is held

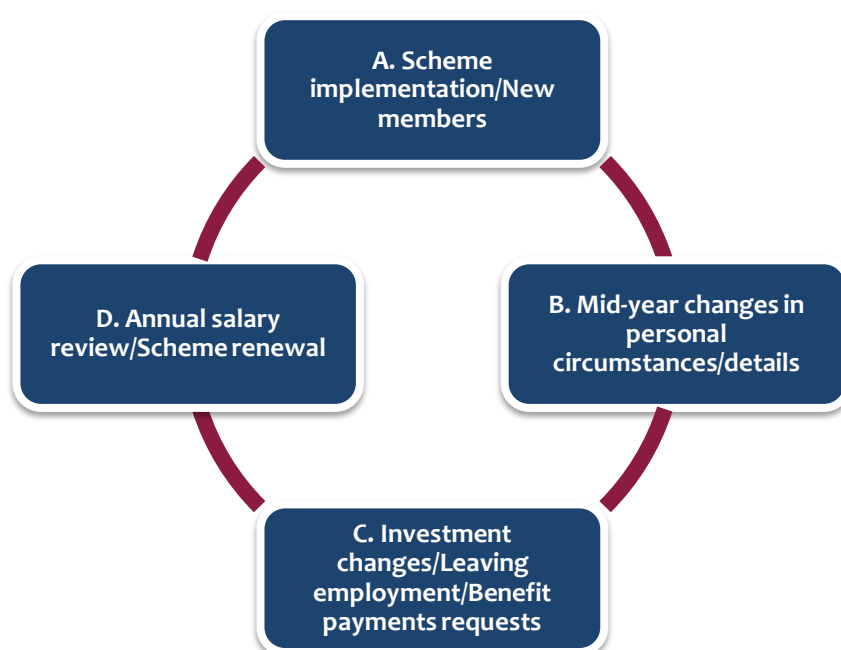
Question	Comments
What data should I provide?	<b>Has the administration provider clearly outlined the data they require?</b> Ensure the administration provider sets out clear guidelines and requirements of the data required at the beginning of the implementation
How good is the quality of our pension scheme data?	<b>Is your data up to date?</b> Ensure the administrators procedures are regularly reviewed to make sure data is kept up to date <b>Has it been loaded correctly to the individual's pension record?</b> Ensure the quality of the data is being reviewed regularly
Is there any data missing?	<b>Do you know what reports you can run?</b> If not, ask your administration provider to provide you with a data quality report and the backing data to support the results

Question	Comments
How do we ensure the data remains complete and accurate?	<b>Do you know what validation checks/reports are run? Are the checks sufficient? If data is regularly being flagged as incorrect, what action is being taken? Is there a problem with, for example, the monthly data upload files?</b> Sections 4 and 5 set out some examples of what you should expect to see and do to monitor your data
How often is data updated?	<b>Is the current level sufficient?</b> Constantly monitoring and updating data can be a full time role. Can you afford not to update/monitor on a regular basis? Out of date data can lead to incorrect investments and benefit payments, leading to additional costs when correcting errors. Missing data can lead to people suffering financially due to market movements/delayed payments. The sooner errors are spotted, the easier and cheaper it is to correct. Administration providers often charge for corrections when they're not at fault. Working closely with your administrators and ensuring the reporting covers data and controls as set out in section 5 will help mitigate data risks
Is it clear who's responsible for obtaining, providing and maintaining the data?	<b>Has this been established at the outset?</b> This is often more than one person/party. It can be helpful to map this out and share with all parties.
Do people know the importance of keeping their personal data up to date?	<b>Savers need to keep up to date with any change of member status or address - Do your savers know this? Do you remind them to look at their data?</b> Providing savers with access to their data online reminds them to inform you of changes. Communications campaigns can be used to remind members of its importance.
Is it easy for savers to check and update their own personal data?	<b>Can savers view their details online? Do they look?</b> Look at the processes and controls in place where the saver contacts the administration provider directly. <b>Do any updates result in data between the administration provider and employer becoming out of sync?</b> Administrators need a process to inform the employer of any changes, a reverse interface file is often used.

<p><b>Is there a formal action plan to correct / update data?</b></p>	<p><b>If for any reason it's not possible to correct/update savers' data straightaway, do you have an action plan to correct the data? Is your plan reasonable?</b></p> <p>You should work with your administrator on a plan to rectify the data, setting out the roles and responsibilities, the process involved, reporting lines and completion date.</p> <p><b>Who's responsible for ensuring the plan is completed?</b></p> <p>The trustees are responsible even when the actual process is delegated to the administrator, it's therefore vital to ensure monitoring and sign off of the project.</p>
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### Saver Data Lifecycle

At each stage of the saver data life cycle it's important for it to be correct, complete and up to date.



#### A. Scheme implementation/New savers

When implementing a scheme, a large volume of data is loaded into the administration system. Robust data checks/validations need to be undertaken to ensure it's loaded correctly. When setting up a new saver(s), checks need to be undertaken at the time of joining or data transfer.

Incorrect data at scheme implementation/take on, or when a saver joins will lead to ongoing (and potentially escalating) issues during the lifetime of the scheme which may become costly to resolve with work arounds being adopted instead of correcting the data.

#### B. Mid-year changes in personal circumstances/details

Examples of common changes:

- Marital status

- Name change
- Date of birth correction (which can lead to investments changing if in a lifestyle investment strategy)
- National Insurance number correction
- Address change
- Salary change (which can lead to a contribution amount change depending on scheme structure)
- Contribution category/amount change
- Investment change - existing and/or future contributions
- Change of selected retirement age (which can lead to investments changing if in a lifestyle investment strategy)
- Change of hours/temporary absence (sickness/unpaid absence/maternity/paternity leave etc.)

#### **C. Investment changes / Leaving employment / Benefit payment requests**

- Individual fund switches
- Lifestyle investment switches due to reaching an age trigger
- Fund closure/restructure, Lifestyle restructure, AMC changes
- Transfer, retirement, death, divorce, drawdown

#### **D. Annual Salary review / Scheme Renewal**

- Annual salary review. Is the pay rise backdated? Is the salary provided in line with scheme rules? Does the next contribution payment file reflect this?
- Scheme Renewal
- Annual Benefit Statements, Statutory Money Purchase Illustrations

#### **Who controls the data?**

Data is controlled and processed by different parties at different stages. It's important to understand where the responsibilities and access lie. This is key under UK General Data Protection Regulation (UK GDPR).

#### **Employer**

As employers, you're responsible for the base data:

- Personal data needs to be accurate and up to date
- Pay details need to be correct and up to date
- Contribution amounts need to be stored accurately in % and £ terms
- Contribution amounts need to be deducted accurately and on time i.e. no negative contributions
- Leavers need to be notified in a timely fashion

The data must also meet the common and scheme specific data requirements.

You should pass any changes in data to the administration provider regularly, either automatically via a Changes File or by the usual method used to exchange monthly data.

Important changes are:

- Contribution amounts
- Marital status
- Address changes
- Non-pensionable absence periods
- Change of status and corresponding effective dates e.g. death, date of leaving company, date ceased, maternity/paternity leave, sabbaticals, family leave, AE

Aside from any UK GDPR obligations, your responsibility for the data ends at the point it's passed to your administration provider and validated. You may be able to request some types of data for active employees, but these requests must be reasonable and must be compliant with UK GDPR.

Once an employee leaves your employment, you're unlikely to have a legitimate reason to ask for their personal data.

### Trustees

The employer passes their payroll and HR data to the appointed administration provider. Once the administration provider receives the data, as trustees you're responsible for its storage, usage, security and accuracy. Queries relating to active savers can be referred back to the employer.

You need to ensure the employer provides the correct data to meet the common and scheme specific data requirements. Data on former employees (and current employees in certain circumstances) shouldn't be released back to the employer unless there are clear grounds for the request.

### 3. Decumulation

#### Why do we need standards for decumulation? (Even if we don't offer flexible options from within the scheme)

Trustees, employers and administration providers go to great lengths to ensure good value for savers during the accumulation phase of pensions. It's important not to let good work go to waste by allowing inefficiencies to occur just as people need to access their funds. If you offer flexible options from within your pension scheme, it's even more important your processes are robust and protect savers' interests.

#### How do they help you?

If you're a trustee, then having standards helps you to demonstrate you meet regulatory requirements. Importantly, they give you appropriate questions to ask your administration provider and any third-party providers involved in the retirement process. There are many different benefit formats at retirement, any of which are potentially appropriate for a saver, depending on their circumstances. Understanding the processes used will help you refine your saver communications.

If you're a scheme sponsor or an employer, it's important your savers properly understand the options available to them as they approach retirement. Particularly now there's no longer a legal default retirement age. After the time and effort of providing a pension scheme, it's important not to fall at the last hurdle.

If you're an administration provider, it can be complex dealing with savers - who have a tendency to change their minds on timing and format of benefits. It can be equally difficult dealing with any third-party providers. Having clear allocation of responsibilities and properly documented processes allows you to meet everyone's expectations and life will be significantly easier for everyone.

#### Consequences of poor processes and controls

Trustees and administration providers should agree on processes and controls in advance, with a proper level of understanding of the detail and implications. Without this, it's almost certain to lead to problems later on.

#### What do good DC decumulation processes look like?

The following table demonstrates the 'Compliant' minimum standard of fulfilment of an administrative function, alongside an improved 'Good' process. The fundamental benchmark for Compliance isn't limited to regulatory compliance. It includes the minimum required to protect saver interests to a level trustees, employers and the savers themselves would naturally expect.

#### Caveats and overlaps

Some requirements are driven by policy decisions outside the control of administration providers. You can only administer as per the Governing Documents of a relevant scheme. Therefore, some of the functions considered below won't be appropriate to all scheme types.

Areas of overlap considered at a high level were:

- A saver takes some or all of their benefits, but continues as a member of the scheme (whether contributing or not)
- An individual ceases to pay contributions but continues as an employee, they have a legal right to re-join (opt back into an AE scheme in most circumstances)
- Ensuring procedures are efficient, cost effective and compliant is likely to be the administration provider's responsibility, even where third parties contribute to the process
- The full implications of UK GDPR compliance are likely to take time to emerge (e.g. whether privacy notices to nominated beneficiaries are required), but in practice the market is expected to develop industry norms for compliance with UK GDPR

## Key Metrics

Administrative function	Good	Compliant	Why you're asking the question - Effect on Saver outcomes
<b>Project controls</b>			
<b>Initial and ongoing</b>	Pro-active management of responsibilities on a regular basis	Clear identification of responsibilities between scheme stakeholders (administration providers, investment managers, consultants, advisors, in house service providers and trustees)	Early is better – good enough is sufficient – don't let the perfect be enemy of the good
<b>Data Control</b>			
<b>Cross reference against employee data for accuracy as appropriate</b>	Check all required data in place 5 years prior to Normal Retirement Date (NRD). Ideally prior to any lifestyle switching period.	Check all required data in place at NRD or on saver request. Data list: <ul style="list-style-type: none"> <li>• Name</li> <li>• National Insurance No (NINO)</li> <li>• Other unique identifier</li> <li>• DoB (and note evidence)</li> <li>• State Pension Age (calculated from DoB)</li> <li>• Pensionable Earnings</li> <li>• Total Earnings</li> <li>• Scheme eligibility criteria</li> <li>• Other beneficiaries' data</li> <li>• Address (note country of residence now affects taxation of benefits)</li> <li>• Annual and Lifetime Allowance data</li> <li>• Any Protections in place (including Protected Lump Sums)</li> <li>• Email address</li> </ul>	Confidence in security, accuracy and accessibility

		<ul style="list-style-type: none"> <li>• Phone number</li> <li>• Bank details (if not transferring to an alternative authorised scheme)</li> </ul>	
<b>Note outstanding UK GDPR questions</b>		Particular note of sensitive saver data (e.g. health repayment before age 55)	Third party data transfer must be UK GDPR compliant for saver security
<b>Identifying eligibility</b>			
<b>(Evidence of) Age, Scheme rules, health, policy value, Annual Allowance (AA) certificate</b>	Identify eligible employees at least one quarter in advance of regulatory requirements	Identify eligible employees in time to meet regulatory requirements	Minimise saver uncertainty
<b>Calculating potential benefits</b>			
<b>Subject to legislation and Scheme rules</b>		Calculating protected lump sums as applicable	Facilitate informed decisions
	Notify saver and ask for details of other benefits at least one year in advance	Noting previous lump sum payments	Ensuring accurate payments and reducing delays at retirement
		Noting divorce orders	Ensuring accurate payments and reducing delays at retirement
	Estimating benefits prior to eligibility including future contributions		Helping savers assess their options
	Estimate comparison of benefits if decumulation is deferred		Helping savers assess their options
<b>Timing of communicating savers' options</b>			
	Directing to other guidance as available.	Directing savers to Pension Wise on request of decumulation information	Facilitate informed decisions
	Warm up communication issued earlier than prescribed regulatory period – ideally at least five years earlier	Communication issued within prescribed regulatory period	Helping savers assess their options
<b>Media for communicating savers' options</b>			
	At least two different regulatory approved methods used (or two plus, for example, saver presentations)	At least one regulatory approved methodology used	Maximise effective cover of communications

Administrative function	Good	Compliant	Why you're asking the question - Effect on Saver outcomes
<b>Content of communications of saver options</b>			
	Access to full suite of guidance on all available options. Additional elements might include, for example, explanation of tax issues on death benefits	Regulatory required disclosure	Minimise need to seek further information
		Warnings issued re potential implications for savers of Money Purchase Annual Allowance (AA).	Helping savers assess their options
	Readability checks on all saver communications. e.g. target a readability score on the Flesch-Kincaid Grade level of around 8-9, depending on who the communication is aimed at		Maximising saver understanding
	Campaign for Real English, Quality Mark		Maximising saver understanding
	Continuous improvement sought by using saver feedback on readability/ usefulness of communication		Maximising saver understanding
<b>Dealing with final period contributions</b>			
	Final period's contribution held as cash	Procedure clearly documented	Allow earliest access following "retirement"
<b>Transfer to decumulation pot</b>			
<b>All cases</b>		Define 'plan Bs' for when processes fail (e.g. volatile markets, unavailability of fund prices on a given day, or death of saver mid-process)	Minimise saver cost and risk
<b>If external</b>		Check receiving scheme authorised / anti scam checks	
	Disinvesting in time to meet saver expectations	Disinvesting when final contribution received	
	Transfer in specie or by re-registration of units		
<b>If internal</b>	Transfer by re-registration of units	Same day transfer /reinvestment	



Administrative function	Good	Compliant	Why you're asking the question - Effect on Saver outcomes
<b>AA monitoring/certificates</b>			
	Communications issued to savers as they approach AA, including any previous AA certificates. Pro-active communications could also be issued to savers over age 40 on fund value, AA and scope for future contributions. <i>(Although this is a communication issue rather than administration, it impacts this area.)</i>	Use of AA recorded and certificates issued as per regulations	Do not allow over contributions without savers understanding the consequences. Give savers information early enough to facilitate effective planning
<b>Option dependent – these will depend heavily on scheme rules</b>			
<b>No options other than transfer (inc. annuity)</b>	Wider communications, signposting to advice as well as PensionWise from Money Helper	Regulatory requirements	
<b>UFPLS &amp; transfer</b>	Wider communications, signposting to advice as well as PensionWise from Money Helper	Regulatory requirements	
<b>UFPLS, Drawdown &amp; transfer</b>		Wider communications including regulatory requirements	
<b>Continued investment</b>	Wider communications, signposting to advice as well as PensionWise from Money Helper	Noting MPAA implications. Managing internal record controls (e.g. is a second saver record required?)	

### Keeping up with regulations (and Regulators)

The only constant in pensions policy is change.

Regulations on decumulation can be implemented by both TPR and FCA and which regulations apply to your arrangement will depend on your scheme's circumstances. But it's safe to say both regulators issue updates regularly, which administration providers need to keep up to date with.

Some of these interventions have been prompted by [DWP Research on Decumulation](#) journeys and the work of the House of Commons Work and Pensions Committee on [Protecting Pension Savers](#). The latter focused on ‘supporting decision making at the point of access’ including:

- Investment Pathways
- Pension Wise
- Advice and the Pension Advice Allowance
- Enhanced Guidance and Limited Advice
- The role of schemes and employers
- Digital guidance

Recent amendments and interventions include:

- The [Pensions Schemes Act 2021](#) introduced rules on preventing pension scams including:
  - Collecting information
  - Due diligence (including red and amber flags)
  - Directing savers to mandatory guidance on MoneyHelper
  - When to refuse a transfer
- The [FCAs COBS 19](#) particularly around risk warnings.

The DWP issued the [‘Stronger Nudge to Pensions Guidance’](#) consultation in January 2022 on regulations due to come into effect on 01 June 2022 introducing requirements for individuals to be nudged to obtain appropriate pensions guidance by trustees and managers of occupational pension schemes:

Before starting on any provision of decumulation services (or advice) it’s imperative you consider all the most recent changes.

## 4. Controls & processes

Good administration can make for better outcomes for your pension scheme savers. TPR is placing greater focus on good governance and administration plays a significant role in this.

Following well documented administration processes supports good governance. This ensures consistency and continuity if administration teams change and can prevent bad habits being perpetuated and give a standard to measure compliance and procedures against.

### Why we need controls and procedures

Documented procedures and controls are the foundation for accuracy and consistency of service. They support compliance with the law, pensions regulation and scheme rules. Administration providers must demonstrate their processes are clearly defined, maintained and subject to review. Administration providers must show procedures are being followed and they're taking action where there's non-compliance. Importantly, controls and procedures are the practical link between aspiration and reality. Getting them right means you can deliver on your promises.

### How do they help you?

If you're a **trustee**, controls and processes help you demonstrate you're meeting your regulatory duties and you take them seriously. You can shape the way your scheme is run and improve standards. These ultimately make for better outcomes for savers.

If you're a **scheme sponsor, an employer or a trustee**, you need to be comfortable there's a clear framework of administration standards to follow. Ultimately, you're responsible for the quality of the scheme you run and you're playing a part in the financial health of the savers in your care. Having clear controls and procedures can give you peace of mind and protect your organisation from the consequences of things going wrong. The cost of providing a poor service is often higher than providing a good one.

If you're an **administration provider**, it can be difficult to interpret what the rules mean and how they apply to you and your job. Having things documented with expectations set can give you clarity and save you time. Often, it's clear *what* we need to be doing, but figuring out *how to do it* can be more challenging. This Guidance should help you structure around the rules and give you practical guidelines for implementation.

### Consequences of poor processes and controls

Poor processes and controls can result in scheme savers being put at a disadvantage, for example, receiving the wrong benefits or delays in paying their benefits. It can lead to an increase in administration costs. A large number of transactions and processes take place for a DC scheme. When something goes wrong, rectification is complex and time consuming. Poor processes and controls threaten the confidence and credibility of the trustees and administration providers, leading to loss of trust and reputational damage.

### What do good DC processes look like?

The DC process and control standards have been categorised below and should be considered in addition to the existing [PASA Standard on Operational Controls and Procedures](#). The list isn't exhaustive or definitive. We encourage you to use your own common sense and take account of your existing standards, processes and procedures:

- A. Dealing with errors and complaints
- B. Rectification
- C. Saver data quality
- D. Key data changes
- E. Measuring data
- F. Payroll collection and contributions
- G. Switching
- H. Investment transactions
- I. Reconciliations
- J. Out of market controls

#### A. Dealing with errors and complaints

Errors and complaints can create potential risk of financial exposure for you and your savers, or loss of your reputation.

Complaints are any expression of dissatisfaction, whether written or oral, justified or not, relating to the provision of, or failure to provide, a service. They can be aimed at trustees, employers or administration providers.

An error is any incorrect processing of a transaction (including delays) leading to potential financial loss to a saver and can include, but isn't limited to:

- Incorrect benefit options given to savers, resulting in savers making the wrong choices at retirement or on transfer
- Failure to disinvest units to settle benefits when initially instructed by the saver
- Failure to invest contributions in accordance with a saver's instruction
- Incorrect information included in Annual Benefit Statements

	Compliant	Good
<b>Process</b>	<p>A framework for defining, measuring and reporting errors.</p> <p>Errors are noted and rectified within the framework.</p> <ul style="list-style-type: none"> <li>• Log and acknowledge the complaint</li> <li>• Rectify any error</li> <li>• Accept responsibility</li> <li>• Undertake a root/cause analysis</li> </ul> <p>For occupational pension schemes this should include an Internal Dispute Resolution Procedure process for escalated complaints.</p>	<p>Administration providers should demonstrate there's a process for the early detection of errors.</p> <p>Errors are noted and quickly rectified and handled with care to deliver a satisfactory outcome for the client, saver and trustees.</p> <p>Learning points are identified and acted upon to reduce the risk of the same error reoccurring in the future. There should be a consistent lowering of errors, and processes should be reviewed and amended as necessary to prevent further errors, taking into account developments in technology that may be available.</p> <p>Complaints are acknowledged within at least 2 working days of receipt; progress updates are provided to the complainant every 10 working days until resolution (by telephone or e-mail).</p>
<b>Reporting</b>	<p>Error rates should be reported to the trustees and include a trend analysis.</p> <p>Error rates can be calculated as number of errors identified in a reporting period/cases processed in the same period</p> <p>(i.e. 10 errors reported and 250 cases processed = 0.04 error rate or 4%)</p>	<p>Administration providers should evidence errors are analysed and where arising from a system failure, show corrective action has taken place to reduce future instances.</p> <p>Details of saver complaints should be included in monthly reports to trustees, including the outcomes of the complaints, and financial redress offered/accepted, and the findings of the root/cause analysis.</p>

## Rectification

Rectification, at both an individual saver and process level, is designed to make sure savers aren't financially worse off as a result of an error. It's generally carried out by the administration provider, even if the error wasn't their fault.

The administration provider should be able to provide evidence its own errors are analysed regularly. Where errors happen repeatedly, or common themes are identified, action should be taken to change working practices or processes to ensure they don't happen again. Where the error arises from a process triggered by the trustees or employer, a similar review should take place.

	Compliant	Good
Process	<p>Administration providers will be expected to demonstrate they <b>identify and measure</b> errors.</p> <p>Every effort should be made to ensure the rectification places savers in a position where they are not financially worse off as a result of the error.</p>	<p>Common themes are identified and <b>action is taken to correct errors</b>.</p> <p><b>Root cause analysis</b> is used to reduce the risk of errors happening again. Root cause analysis aims to uncover the <i>reasons</i> for the errors rather than simply correcting an error after it has happened.</p> <p>Processes should be reviewed and amended as necessary to prevent further errors, taking into account developments in technology that may be available.</p> <p>Trustees and sponsors should be told rectification has taken place and savers aren't financially 'worse off' as a consequence of the error or oversight.</p>
Reporting	<p>Error rates should be reported to trustees or the employer.</p> <p>Trustees or employers should be made aware of any errors or omissions as soon as possible after they've been identified.</p>	<p>Administration providers should provide <b>written evidence errors are analysed and action has taken place</b> to reduce the chances of similar errors happening again.</p> <p>Trustee boards should regularly review and monitor their exposure to both new and existing errors and risks and keep their risk register up to date, including plans with target dates for mitigating or closing errors and risks.</p>

### Saver data quality

To ensure data quality for savers, the administration provider should periodically carry out processes to validate the quality and completeness of data held for each. See the [PASA Standards for Member Data Quality](#), further information is available via the following links:

- [TPR Record keeping guidance](#)
- [TPR DC code of practice](#)
- [TPR DC guide to administration](#)

	Compliant	Good
Process	<p>Administration provider generates regular and quarterly reports to identify absent or incorrect Common and Scheme Specific data and takes appropriate corrective action.</p>	<p>Administration provider generates monthly reports on the outcome of their data quality controls for <b>all</b> DC data.</p> <p>If any data is identified as absent or likely to be incorrect it should be corrected at first available opportunity, and the employer/saver made aware of the correction.</p>

<b>Reporting</b>	Monthly reports on quality of saver data, including trends.	
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### Key data changes

Administration providers must have a documented Data Management Policy evidencing data security, integrity and compliance with UK GDPR. Key data changes should only be made using documented controls and procedures. Change control processes should be set up to ensure process changes are only effective once fully tested and signed off, and there's a full audit history of any data changes.

Processing any change to an individual's or the scheme data could:

- Create a need to amend individual fund holdings
- Affect the ability to provide correct benefits
- Affect the ability to contact the saver

Data changes can be provided by trustees, employers or the savers themselves. Examples of scheme data changes include changes to lifestyle investment strategies and replacement of specific investment fund choices. There must be clear audit trails enabling trustees/employers to be assured data is complete and accurate, transactions are being actioned promptly and correctly, and transactions are accurately recorded in savers' records.

	<b>Compliant</b>	<b>Good</b>
<b>Process</b>	<p>Documented and version controlled procedures.</p> <p>Maintenance and managed version control of releases and procedures are evidenced.</p> <p>Clear audit trails of changes made to all data.</p> <p>DC Data should be specified in the Data Management Policy, as a minimum.</p>	<p>Change control processes should be set up to ensure changes are only made live once processes have been tested and signed off.</p> <p>Continued annual publication of an AAF report (audit and assurance reporting) and the administration provider responds and rectifies the qualifications within the report.</p> <p>Data change procedures are updated or reviewed at least annually, taking into account developments in technology that may improve process efficiency and reliability. Changes are applied to saver records within two working days of valid data being received (and any subsequent investment transaction is then processed in line with Investment Transactions).</p>
<b>Reporting</b>	<p>Documented evidence of the audit procedures and controls.</p>	<p>Results of internal and AAF quality investigations are reported to trustees.</p> <p>Monthly reports of data amendments processed and analysed by data field/type, including volume of validation errors.</p>

## Measuring data

The administration provider should be able to articulate the value it delivers by demonstrating and evidencing its administration performance. They should check data is held in all the fields expected. They'll check consistency, carry out validation and specific process checks.

	Compliant	Good
<b>Process</b>	The administration provider generates quarterly reports to identify absent or incorrect Common and Scheme Specific data and takes corrective action.	Administration provider generates monthly reports on the outcome of their data quality controls for all DC data.  If any data is identified as absent or likely to be incorrect it should be corrected at first available opportunity, and the employer/saver made aware of the rectification.
<b>Reporting</b>	Administration provider's internal controls updated with confirmation the control reports have been generated and any rectification has taken place.  An improvement plan should be put in place to resolve any recurring issues.	Administration provider also reports to trustees/employer on a quarterly basis. All parties involved can gauge whether commitments are being met. Clear reporting will highlight where and how improvements are required.

## Payroll Collection and Contributions

Quality and timeliness of contribution data and payments are essential. This includes the remittance of employer and saver contributions to the scheme bank account, investing the contributions and recording contributions and units allocated against each saver's record.

	Compliant	Good
<b>Process</b>	<p>The contributions should be collected by the due dates set by the administration provider or trustees and no later than 22nd of the following month. They should be recorded against each saver's record. Ideally data should be received via secure portal which is compliant with UK GDPR.</p> <p>Invest contributions within three working days and allocate units to saver records.</p> <p>For AE savers, ensure they're given one calendar month during the opt-out period when the contribution isn't invested, but once the one month opt-out period has expired, invest their contribution within three working days to avoid out of market holding of monies. Contributions for savers who opted out in the one month opt-out should be returned to the employer.</p>	<p>Contributions to be recorded on each saver's record. Invest contributions within three working days using an electronic interface with Investment Fund Manager such as API (Application Programming Interface) and allocate units to saver records.</p> <p>Unit reconciliation to be completed at end of investment cycle.</p> <p>A Contribution Processing Agreement is in place with the employer/trustees outlining roles and responsibilities.</p>



	Administration provider undertakes all required reporting and communication to TPR, employer or trustees and savers where contributions are paid after the legislative date.	
<b>Reporting</b>	<p>Administration provider reports on the timeliness and quality of data received, and the nature of validation queries raised and period of time taken to resolve.</p> <p>Administration provider should escalate any concerns to the trustee or employer as and when an incident occurs.</p> <p>Administration provider reports at least monthly on payroll contribution files processed including details of volume of errors referred back to employer and dates when payroll file(s) were processed</p>	Administration provider also reports on specific issues encountered with a specific location or source of data and reports on proposed or planned changes to the quality of data to be provided, working with the employer on an efficient and streamlined approach.

### Switching

DC switching includes saver and Scheme/Plan investment changes and redirections. The switching of unit holdings can be between funds and/or fund managers whether as part of a lifestyling strategy or saver choice. Processing of automated investment switches in-line with scheme/plan lifestyle investment matrices.

	<b>Compliant</b>	<b>Good</b>
<b>Process</b>	<p>Saver investment change requests are actioned and submitted to investment manager within three days of receipt.</p> <p>Scheme wide investment changes such as lifestyling, implementation of new default investment options, fund switches/replacements and transitions should be carried out within agreed timescales.</p> <p>Undertake fund switches as quickly as possible, ensuring saver records are updated to record switch.</p> <p>Reconcile units on completion of switch.</p> <p>Lifestyle switches/rebalances are triggered three working days in advance of the trigger date and processed in line with investment transactions.</p>	<p>Saver investment change requests are actioned and submitted to investment manager within one day of receipt. Advantage should be taken of technological developments to reduce risk and shorten the time it takes to process individual and bulk switches.</p> <p>An agreement is put in place outlining roles, responsibilities, agreed timescales, out of market periods and blackout periods (where no investments may be made) for any bulk switch activities.</p> <p>Where the scheme investment managers have adopted the <b>ViaNova or other recognised</b> standard, an electronic interface with Investment Fund Manager (such as Straight Through Processing (STP)) is used to speed up switch cycle.</p> <p>Switch the funds as quickly as possible using STP where available to prevent out of market loss.</p> <p>Reconcile units on completion of switch.</p>

		Lifestyle switches/rebalances are triggered one working day in advance of the trigger date and processed in line with investment transactions.
<b>Reporting</b>	Individual saver requests and scheme lifestyle rebalance/redirects should be reported as part of the agreed services standard reports in the Administration Report.  Confirm all lifestyle switches due in each contribution cycle have been correctly processed.	A report should be submitted following any scheme investment changes, providing confirmation of amounts switched, volume of savers included and whether agreed timescales were met.

### Investment Transactions

DC investment transactions are the processing of investment deals (buy, sell and switch) with scheme investment managers.

	Compliant	Good
<b>Process</b>	Investment instructions given to the investment manager <b>within three working</b> days of the request and receipt of the necessary data  Investment changes are carried out within timescales agreed with the trustees/employer.	Investment instructions given to the investment manager <b>within one working day</b> of the request and receipt of the necessary data.  Where the scheme investment managers have adopted the <b>ViaNova or other recognised</b> standard, investment instructions are processed using STP.  An Investment Processing Agreement is in place for every investment related project. This will outline the timescales, out of market and blackout periods and will be signed off by employer/trustees.
<b>Reporting</b>	Details of any investment transactions processed outside of the target working days to be reported on at least <b>every month</b> .	An improvement plan <b>is in place to resolve any recurring issues</b>

### Reconciliations

The administration provider fund holdings must reconcile with those of the investment manager, at both a scheme and individual saver level. DC bank account holdings should reconcile with the administration provider cash analysis, and DC payments and receipts have been settled/invested within TPR Guidelines.

Poor processes and controls can result in savers receiving the wrong benefits, delays in investing their contributions or paying their benefits. It can also lead to an increase in administration costs. A large number of transactions and processes take place for a DC scheme. When something goes wrong, rectification is complex and time consuming.

Poor processes and control also threaten the confidence and credibility of the trustees and administration providers and could lead to reputational damage.

Some common mistakes made when remitting and reconciling monthly contributions are:

- Employers paying negative contributions for individuals which can't be allocated and delay investing the contributions for all savers
- Delays with employers submitting the contributions schedules to support the receipt of payment and delays the investment of the contributions
- The amount received isn't tested for reasonableness, resulting in contribution errors not being detected

	Compliant	Good
Process	<p>The administration provider should have processes for reconciling the DC unit holdings and the DC bank account. This should take place <b>every month end</b>.</p> <p><b>Complete a reconciliation</b> on a regular basis, at least monthly. The reconciliation must cover every step of the process:</p> <ul style="list-style-type: none"> <li>• Contributions received</li> <li>• Allocation of contributions to savers</li> <li>• Assessing reasonableness of contributions at saver level to be at least within 10% of expected contributions</li> <li>• Allocation of units at saver level</li> <li>• Reconciliation of contributions and units at scheme level and agreement to units held by fund managers</li> </ul>	<p>The administration provider makes <b>weekly (or even daily) reconciliations</b> of both unit holdings and bank accounts (frequency depending on volume of transactions processed in that period) and investigates and rectifies any discrepancies. Developments in technology should be utilised to reconcile frequently, after every trade if possible.</p> <p>The administration provider undertakes <b>month end DC bank account reconciliation and cash analysis</b> to ensure all payments and receipts have been settled or invested within TPR's guidelines.</p> <p>A <b>comprehensive historical record is maintained</b> to enable a full audit of transactions, if called upon.</p>
Reporting	<p>The administration provider's internal controls are kept up to date to confirm the <b>control reports have been completed and any rectification has taken place</b>.</p>	<p>An improvement plan <b>is in place to resolve any recurring issues</b>.</p> <p>Monthly reporting <b>on the internal controls which includes details of the fund and bank account reconciliations</b>.</p>

### Out of Market Controls

Out of market procedures and processes limit the amount of time a contribution or portion of a saver's fund isn't invested. This may follow a payment, such as a contribution, a request to move funds from one pension scheme to another, or from one fund to another. Controls are particularly important when moving funds from one investment manager to another. Out of market controls are about managing the potential financial impact on savers during these periods and making sure risks and processes are communicated to the savers affected.

	Compliant	Good
<b>Process</b>	<p>Out of market funds are typically invested with managers <b>within three days</b> of receipt of the money for individual saver transactions. It may take longer where the receiving fund isn't daily priced.</p> <p>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.</p> <p>There's <b>a documented process</b> for managing out of market risk adhering to agreed SLA timescales.</p>	<p>Out of market funds are invested with managers <b>within one day</b> of receipt for individual saver transactions.</p> <p>Prefund bulk transactions to reduce the out of market period.</p> <p><b>An electronic interface</b> with Investment Fund Manager is used to speed up disinvestment or investment process.</p> <p>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.</p>
<b>Reporting</b>	<p>Requests to investment money, disinvest or switch it should be <b>reported as part of the agreed services standard reports in the Administration Report</b>. This will report against SLAs and highlight where they haven't been met.</p>	<p>When it's not been possible to meet the SLAs, this must be reported upon.</p>

## 5. Management Information (MI)

TPR states:

*It's important that trustees ensure their pension scheme delivers good outcomes for savers' retirement savings, whether it is a scheme offering defined benefit (DB) or defined contribution (DC) benefits.*

One way to approach this key task is to ensure the relevant MI is available. Only by having the right information will you know if the pension scheme is being administered appropriately and is delivering good saver outcomes. The importance of MI has grown significantly with pension schemes relying upon it to evidence statements made within the Chair's Statement and for Master Trusts to meet their supervisory requirements. This reliance upon the provision of timely and accurate MI from administration providers has led to an increase in its content, with availability of real time information growing in significance.

### What is MI?

MI is any management information helping you make informed choices on the design and day to day running of pension schemes. It's important to assess the usefulness of what's being provided and to ensure what you receive is accurate and timely.

What's important to one person or organisation may not be as important to another. Whilst there's no one size fits all approach, certain information must be provided as set out in TPR's DC code.

### Why we need good MI

MI helps you check you're delivering good saver outcomes. You can check saver's benefits are being set up correctly and on time and the right information is available for the Chair's Statement. It's important your administration provider can provide the correct MI you need when you need it.

### What is good MI?

Good MI is:

- Reliable and understandable data
- Provided when it's required
- Presented in a format you understand

### What is poor MI?

Poor MI is:

- Data which doesn't meet your needs
- Data which only provides a limited range of information

- The frequency of data provided is solely decided by your administration provider

### The consequences of poor MI

Poor MI may mean you're unable to assess whether saver data is incorrect; the wrong benefits are paid or paid at the wrong time. Poor MI may lead to increased costs and bad saver outcomes.

### Who is entitled to see MI?

Different types of MI are available to different groups and for different types of schemes, the following subsections are focused on a trust based arrangement, contract based arrangements would have different set of criteria, for example, employers aren't entitled to see certain personal details.

Before asking for MI it's important to consider whether you're able to see this particular data. Below are a couple of examples of where MI is typically available for one stakeholder and not another:

Process	Data	Administration provider	Trustee	Employer/Pensions Manager
New entrant process	Number of new entrants over a period	Yes	Yes	Yes
	Names of all new entrants over a period	Yes	No	No
	SLA details regards processing new entrants	Yes	Yes	No
	Saver complaints	Yes	Yes	No for details of individual complaints but yes if it's reporting on the number of complaints
	Number of new entrant packs/letters breaching regulatory deadline	Yes	Yes	No
	Number of incomplete new entrant forms/records on bulk upload file	Yes	Yes	Yes
Contribution processing	Contributions invested within one day of receipt	Yes	Yes	Yes
	Contributions received late (after 19 <sup>th</sup> of the following month or 22 <sup>nd</sup> if paid electronically)	Yes	Yes	Yes
	Investment options selected	Yes	Yes	No

## MI for the administration provider

MI is equally important for the team responsible for the administration of a DC arrangement whether in-house, part of a TPA or a pensions provider. The day to day management and strategic decisions will rely heavily upon MI derived from the administration platforms. Below we set out how MI is used in daily administration, project driven events and strategic decisions:

Administration dashboard - workloads		
	Compliant	Good
<b>Manager level</b> Total number of administration cases: <ul style="list-style-type: none"> <li>• By Team</li> <li>• By Type</li> <li>• By target date</li> </ul>	This view shows a high level of the total number of cases currently in department.  Drop down to see number of cases by type	Status would record how many days away from SLA deadline by colour coding, e.g.: Green = X number of days Amber = Y number of days Red = missed deadline
<b>Team level</b> Cases by type	Administration Manager can see the number of cases at a team level Drop down by type	As above
<b>Team level</b> Cases per administrator	Team leader view of current workload of individual administrators	As above but used to reallocate task to avoid bottlenecks
<b>Administrator level</b> Cases to be undertaken	Administrator can see their own work loads	As above. Administrator can alert team leader if needs assistance or more work
Administrator dashboard – accuracy reporting		
A quality measure such as percentage of cases failing checking	As a total, at team level and at administration level	Used to monitor training needs and effectiveness of process and procedures
Complaints		
Report monitoring client and saver complaints	Administration manager, team leader and Client Relationship Manager can see number of complaints by type, team and administrator	Used to: <ul style="list-style-type: none"> <li>• Monitor progress of complaint resolution</li> <li>• Identify areas for root cause analysis and process review</li> <li>• Training of team members</li> </ul>

The table below sets out key MI for monitoring ongoing maintenance, setting out the events and data you should expect to review to ensure the arrangements are being correctly administered. These include periodic, typically monthly and annual event plus expectations of MI provisions on ad hoc projects.

Scheme Event Reporting	
Periodic contribution cycle <ul style="list-style-type: none"> <li>• Contributions received</li> <li>• Contributions validated</li> <li>• Contributions reconciled</li> <li>• Queries rectified</li> <li>• Money received matches contributions schedule</li> <li>• Investment instructions sent</li> <li>• Contract notes received with information on purchases and sales</li> <li>• Unit allocation report</li> <li>• Unit reconciliation report at saver, scheme and investment holdings level</li> <li>• Bank reconciliation</li> <li>• Switching of savers funds and/or contributions</li> </ul>	The contribution cycle is highly automated leading to a requirement for accurate MI to identify any issues/trends. The key MI following this process is the unit reconciliation report at the three levels – saver holdings, scheme level holdings and investment managers’ holdings.
Contribution monitoring Due date of contributions verses receipt of contributions	Administration providers should monitor the receipt of the contributions and monies to ensure compliance with regulations.
Scheme annual schedule of events – examples  Annual Benefit statements	Most schemes have an online annual calendar setting out the timeline for annual events which is used by team leaders and projects teams to ensure timely delivery of services
Project Reporting	
Some typical projects: <ul style="list-style-type: none"> <li>• Changes to investment strategies/defaults/funds on offer</li> <li>• Communication exercises e.g. behavioural financial education or nudges to savers</li> </ul> Typical reports: <ul style="list-style-type: none"> <li>• Project executive summary report</li> <li>• Project initiation Document</li> <li>• Project Plan</li> </ul>	Reporting requirements will depend upon the degree of involvement required to enable the administration provider to manage business as usual resources and specialist resources required by the project itself, plus planning of any communication to savers, including where relevant specific training of the teams involved

The above table demonstrates the significant amount of MI available to administration managers, team leaders and administrators, each having access to different views pertinent to their roles and the maintenance of a pension arrangement.

### Trustee MI

Trustees rely heavily upon MI in demonstrating good governance, whether as evidence in their Chair’s Statement, completing Scheme returns or for Master Trust’s supervisory returns. MI comes in a variety of forms, regular administration reporting, an agreed set of standard reports and ad hoc reporting to meet a specific need. As MI has moved online, the way in which MI is provided is changing with both static and interactive sources of information.



## **Quarterly stewardship reporting**

This regular administration report has developed over the years to provide information to the trustees on the management of the pension scheme. The style and information provided varies from administration provider to administration provider but there are certain core elements common to all, below we set out the MI typically found in an administration report.

### **A. Executive summary page**

This page typically highlights information contained within the reports such as Service Level Agreement (SLAs) achieved over the period, volume of work carried out, value of the funds, project statuses, qualitative measures and anything important happening on the scheme or at the administration provider.

### **B. Introduction**

Typically, the Client Relationship Manager or a senior administrator would provide a couple of paragraphs on the running of the scheme, any activities within the administration provider trustees should be aware of.

### **C. Saver statistics**

Standard data provided includes the size of the membership, how many active and deferred savers at the beginning and end of the reporting period. Data provided will include new entrants, opt outs and leavers. This enables the trustees to identify any trends i.e. should a large number of active savers move to deferred over the period, trustees may wish to investigate why.

### **D. Saver experience**

Understanding the saver experience is useful to the trustee. The administration provider may have done everything within SLA but if the end to end process from the savers point of view takes nine months it's likely to be a poor saver experience and the process could be investigated to identify different and/or more efficient processes.

### **E. Contribution data**

As part of a trustee's role, they need to ensure contributions are paid over by the 19<sup>th</sup> (22<sup>nd</sup> for AE) of the month following the payroll. Within the administration report, the dates the contributions were received would be reported. It's rare to see negative contributions on a report, though this may occur where savers leave part way through a month. Alongside the statistical data, contextual information should be provided if any issues were encountered

### **F. Contributions investment and units purchased**

Following on from the above, trustees would expect to see the date contributions were received, reconciled, investment date and the units bought and at what price. This will be split by investment type and manager. Here the trustees are looking to see the timing between contributions received and getting the members' money invested. Any delays should alert trustees to potential issues, contextual information should also be provided

Trustees should also see a unit reconciliation report setting out the holdings at member, scheme and investment manager level. Discrepancies should be minor and be explained by rounding of decimal places (trustees will have agreed a policy for rounding conventions).

#### **G. SLA reporting**

Traditionally administration reports will provide achievements against SLAs in terms of percentage achieved, more detailed reporting includes:

- Cases at the beginning of the period, completed in the period and outstanding at the end of the period including details of transfers, switches, payments and any lifestyle rebalancing event
- Volumes of work achieved in the period compared to previous periods
- Accuracy reporting i.e. percentage of cases authorised first time as opposed to being found in checking
- End to end reporting i.e. time from commencement until completion including time out of the department

Trustees need to be wary of work being held in pending status, which may not be out of the department but have been moved to the pending status due to internal issues within the administration provider.

#### **H. Quality reporting**

This is a developing area but as a minimum, trustees should expect to see:

- Complaints - service related complaints received in the period, a description and resolution
- Compliments – highlighting members of the team praised and reason for compliments
- Outcome of saver surveys which may be carried out using telephony software i.e. post a call, online or via postcards on the completion of a case
- Performance against agreed KPIs i.e. quality measures at a client rather than saver level

#### **I. Financial reporting**

This section shows the bank account activity during the period, trustees should be able to identify key transactions and fees associated with the scheme.

#### **J. Forthcoming retirements**

Information on the forthcoming retirements, useful MI for strategic planning.

#### **K. Trustee discretions**

Details of cases and progress on implementing discretions.

#### **L. Transfer quotes and pension scam issues**

Savers in DC schemes are also subject to pension scams and reporting on transfers and suspect requests is equally important in DC as DB.

#### **M. Project updates**

Highlight updates on projects being carried out including a RAG status and brief description of progress, further details would usually be reported separately to the project steering committee.

#### **N. Website statistics**

Statistical analysis of savers' usage of the website including:

- Total of savers registered, new registrations
- Pages visited and average length of time spent on the page
- Actions carried out via the web, e.g. switching, completion of EOWs, etc

This may be particularly useful if the website includes financial education tools such as budgeting and guidance, for monitoring how successful the features are.

#### **O. Data reporting**

Common data reporting is usually provided within the administration report. Scheme specific reporting may be included periodically as agreed with trustees.

#### **P. Your administration team**

Trustees should monitor any changes to their administration team.

#### **Q. Technical updates**

Administration reports often include technical updates which serve as an introduction to regulations which will impact the scheme going forward and often alert the trustees to the need to prepare for potential changes coming.

#### **R. Online/interactive reporting**

Trustee access to a scheme website often provides access to real time information and the ability to run parametrised reports, example of these includes:

- Age profile and investment holdings - enabling the trustees to analysis which fund savers are investing in by age, they can examine whether savers are investing wisely.
- SLA reporting - Increasingly real time SLA reporting is allowing trustees to track work levels and monitor administration providers more closely, this is particularly useful if concerns have been raised over administration quality.
- Membership statistics - real time version of membership statistics and movements.
- Fund holdings - scheme level view of where funds are invested.

Online reporting allows trustees a degree of autonomy in accessing governance MI and aids strategic and business planning for the scheme. We anticipate access to this functionality will continue to develop.

- **Standard reports**

In addition to the administration report trustees should consider reviewing and analysing other data to ensure they make appropriate decisions:

- Age profile of savers and investment patterns
- Contribution rates and age profiles
- Analysis of how savers choose to crystallise benefits

- **Employer reporting**

Employers have more limited access to MI for example they can have access to how many savers are using the retirement modelling tools but not who is modelling their retirement. This is to protect the saver from discrimination, for example if an employer realises an employee is considering leaving or retiring.

- **Operational Reporting**

Due to the administration provider's interaction with the employer to run the pension arrangement, there are certain key operational reports required particularly where employer self-service is used:

#### **S. Online data exchange – validation report**

Typically HR notifies the administration provider of leavers, new entrants, personal detail amendment scheme as address updates electronically. The HR team would typically expect to receive a report detailing the acceptance of the upload, possibly detailing any errors, i.e. if an address is uploaded for someone who is not a member of the scheme.

#### **T. Contribution uploads**

Payroll typically uploads the contribution file and would receive a report detailing the acceptance of the data. Data may not be accepted until errors have been corrected, where this happens an error report is produced prior to the completion of upload report.

#### **U. Late payment of contributions**

Some administration providers have an early warning process in place to alert payroll a contribution file is expected. However, employers should have MI on late contributions in order to ensure issues with the process can be rectified.

## 6. Chair's Statement

### Introduction

DC schemes need to produce a Chair's Statement, signed by the chair of trustees, within seven months of the end of the scheme year. Certain aspects of the Chair's Statement need to be published on a scheme website.

We've set out below an overview of the Chair's Statement requirements. Additionally, [TPR has produced a quick guide to preparing these](#) which trustees should refer to. The guide outlines both the legal requirements which must be met, alongside examples of best practice. Trustees may also wish to review [the drafting template produced by the PLSA](#).

It's important trustees take care in completing their Chair's Statement correctly. TPR's position is where there's a breach of the requirements (even if the breach is minor), a mandatory fine of between £500 - £2,000 must be issued (for more information see Appendix 1 of TPR's [Monetary penalties policy](#)).

Alongside producing the Chair's Statement to comply with their legal obligations, trustees may also wish to consider producing a short summary of the statement itself for savers. This should draw out the key points and be more accessible.

### Default arrangement investment strategy requirements

Specific information should be included in the Chair's Statement concerning any default arrangements. Often it will be straightforward to identify the default arrangement. For example, the default fund is where savers are admitted to if they're auto enrolled into the DC scheme. However, it's important to consider whether there are any other funds which may qualify as default funds, and specific legal advice may be required on this. For instance, if there's been a DC scheme merger, and transferring savers' benefits are mapped across to funds matching those in the transferring scheme, then the funds in the new scheme may also qualify as default funds under the new scheme (depending on if the saver had selected the fund in the transferring scheme in the five years prior to transfer (Reg 4(4) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015)).

For those funds identified as default arrangements, the Chair's Statement must include information such as the latest SIP, information concerning any review of the SIP and the Implementation Statement.

### Requirements for processing core financial transactions

The Chair's Statement must describe how the trustees have ensured core financial transactions are processed promptly and accurately. The reference to core financial transactions includes the investment of contributions, investment switching and payments to and from the scheme.

TPR's guidance states the Chair's Statement is expected to include details about the processes in place. This includes any SLA with administration providers and how SLA compliance was monitored, along with whether the core financial transactions were processed promptly and accurately.

If trustees comply with the requirements of Section 4 (Controls & Processes) this will provide the information needed to complete this part of the Chair's Statement.

### Calculating saver borne charges and transaction costs

The charges for both the default arrangements and non-default arrangements should be included in the Chair's Statement, setting out the charges for each fund on an individual basis. The [DWP has issued statutory guidance](#) on the reporting of charges which should be followed by trustees when ensuring compliance. In its guidance, TPR gives an example of a common mistake of stating annual management charges without explaining whether this is the only charge payable by savers, such as transaction costs or whether any steps have been made to obtain these. Trustees can seek assistance from their investment consultant to obtain the necessary information from the scheme's investment managers and collate it into readable meaningful graphs.

### Value for savers

Trustees should also include in the Chair's Statement a reference to whether the scheme is offering 'Value for Members' and an explanation of why they have reached this conclusion. [TPR's quick guide](#) recognises:

*We [the TPR] understand that cheap doesn't necessarily mean better value but it should be clear from the trustees' explanation that their assessment took into consideration the quality of the services provided for that cost including, as a minimum, fund management and, for bundled schemes, administration and communications support.*

TPR has issued separate [Guidance concerning Value for Members](#) as part of its 21<sup>st</sup> Century Trusteeship initiative, and reference to it in [Code 13 Governance and administration of occupational trust based schemes providing money purchase benefits](#).

**Trustees should be aware changes may be forthcoming as DC Codes are brought into line in the Single Code.**

TPR recognises in Code 13 "there is no uniform approach to assessing value for members that is suitable for all schemes", so trustees have some flexibility to personalise the Statement (recognising their scheme savers' particular characteristics, their preferences and financial needs). However, as a minimum, TPR states trustees should consider the following four areas:

1. scheme management and governance
2. administration
3. investment governance
4. communications

**TPR's Value for DC members guide** expands on what points should be considered in each of these areas.

When assessing value for savers, where the employer also bears some of the costs of the scheme, TPR states trustees should focus on the elements of scheme provision where savers bear the cost. If there's an element of cost sharing, then this should be clearly set out in the Chair's Statement.

#### **Trustee knowledge and understanding (TKU)**

Trustees need to be able to describe how the TKU requirements have been met in the scheme year, and how the combined knowledge of the trustees (together with advice available to them) enables them to exercise their functions as trustees.

The TKU requirements are set out in legislation, but they include trustees being conversant with the trust deed and rules and having an understanding of the law relating to pensions and trusts.

**TPR's quick guide** includes examples of its expectations for trustee induction and development. Schemes should confirm there's an induction process in place for new trustees and provide details of the training provided to the existing trustees. The guide also suggests trustees could confirm there's an annual evaluation of the performance and effectiveness of the board.

#### **Future review**

It's anticipated the DWP will revise the Chair's Statement requirements, after a DWP review found the approach of using a single document to achieve multiple policy goals didn't work.

## 7. Transitions

Good saver outcomes need pension schemes to hold good data and keep high quality records. For a transition to be effective, it's necessary to pay the right benefits to the right savers at the right time and data accuracy is essential to do this.

TPR expects good records to be kept by trustees, managers and administration providers. If they don't, they can be fined. Data transitioning between schemes should be checked for existence and accuracy to ensure ongoing maintenance of records and good saver outcomes.

### What is a transition?

A transition is the handover of pension scheme administration between administration providers, internal migrations to new administration platforms within the same organisation, or consolidation of pension schemes into one arrangement. This Guidance covers all types of transitions of DC pension schemes.

The key focus of this document is scheme data. Data is vital to all transitions but is particularly important for DC schemes given the potential volume of individual saver transactions to be considered.

Further information is available in the [PASA Member Data Quality Standards](#) and via the following links:

- [TPR Record Keeping Guidance](#)
- [TPR DC Code of Practice 13](#)
- [TPR DC Guide to Administration](#)

### What is a good transition?

Correct and secure transition of data is needed for good saver outcomes. It may also lower administration costs, improve service levels and provide accurate management information reporting. To ensure a good transition interested parties should consider the following:

#### A. Employer/trustee

The governing body of the scheme may wish to consider appointing an independent specialist (Consultant/Professional Trustee/Project Manager) to manage the transition. Importantly all aspects of the Scheme should be proportionate to the size, nature, scale and complexity of the activities of the occupational pension scheme.<sup>2</sup>

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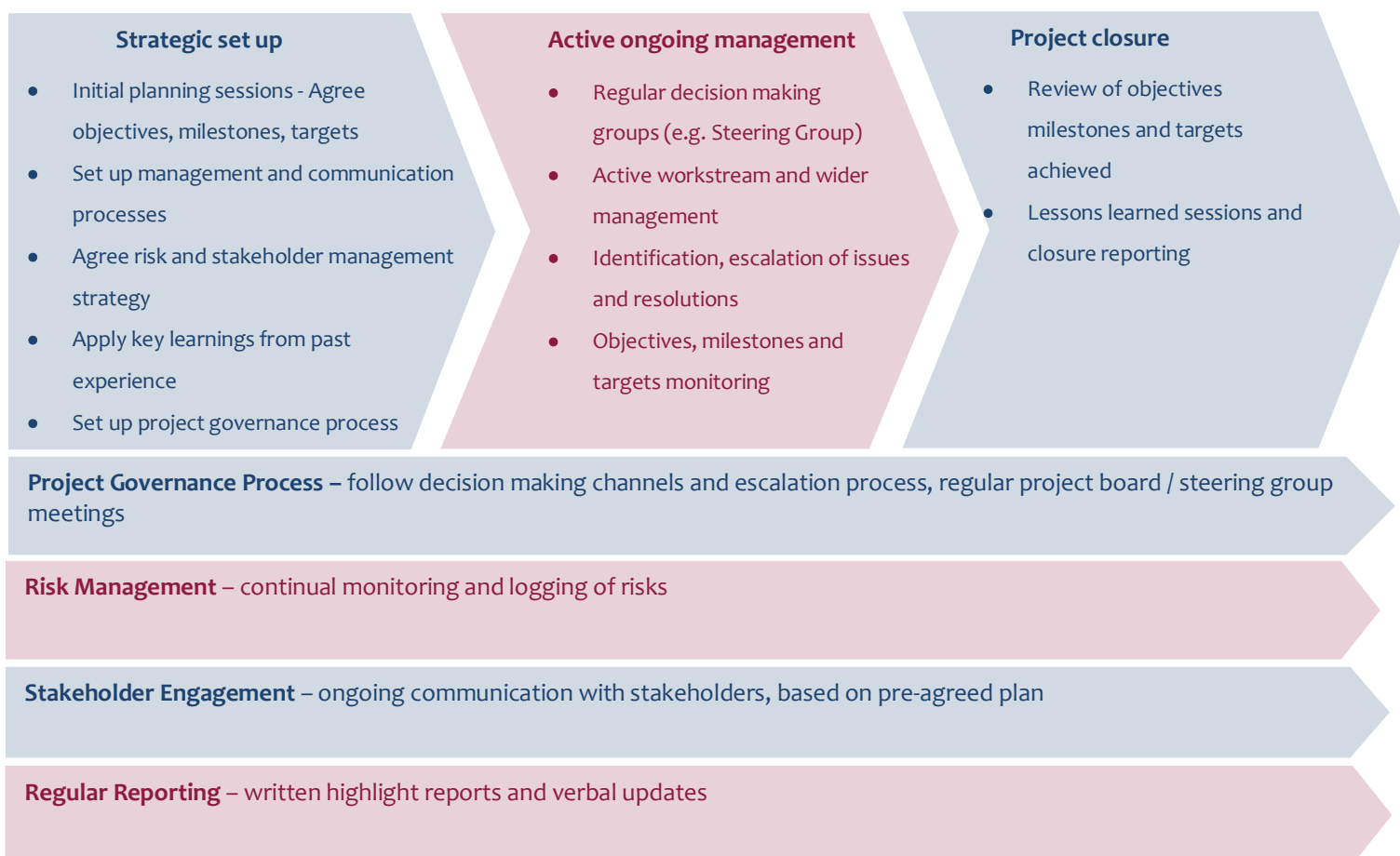
<sup>2</sup> <https://www.legislation.gov.uk/uksi/2018/1103/contents/made>



Regular transition progress updates should be provided, and the project sponsor should be made aware of any potential issues or areas requiring escalation. A report highlighting the following will help 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

Planning for a successful transition should include the following:



#### Administration provider

In addition to the employer/trustee points noted above to carry out a good transition the following should be included:

- A test plan for calculations and processes
- Reconciliation of data throughout
- Data and scheme information transferred within agreed timescales

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

### Consequences of a bad transition

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

Poor data threatens the confidence and credibility of the trustees/administration providers and could lead to loss of trust and reputational damage.

### Contracts

It's prudent to agree terms on exit with the current administration provider. Governing bodies should consider reviewing their current administration contract to confirm if it includes an **exit clause** and asking the administration provider for a copy of their transfer policy if this isn't explicit. All PASA members agree to adhere to the **PASA Code of Conduct on Administration Provider Transfers**. Further Guidance is currently being produced by PASA and will be published shortly (April 2022).

### Project Plan

A transition plan needs to be set in context with administrative requirements, e.g. timely provision of data for Scheme Accounts, Chair's Statement & Implementation Statement, in order to avoid any breach.

### UK GDPR considerations

- A Data Protection Impact Assessment should be considered before a transition commences
- Where the legacy administration provider wishes to retain data, it'll be important to establish the legal basis on which the legacy administration provider may retain this data

### Risk Register, analysis & management

The following areas could be considered when managing risk within the transition project:

- Fraud – identify where fraud can be introduced in a transition and set out contingency plans
- Cyber Security
- Disaster Recovery
- Business Continuity Plan

### DC Transitions in detail

The following sections provide more technical detail on areas key to a successful transition for project managers and administration providers and include:

- Planning the transition

- Technical Migration
  - Data Definition
    - Data Transfer
    - Data Mapping
  - Data validation and cleansing
  - Test plan
  - Reconciliation
  - Questions project leads should ask
  - Appendix A – Sample model migration project plan
  - Appendix B – DC Specific Validations

## Planning Your Data Transition

Multiple activities have to be considered and planned to support the technical transition of the data:

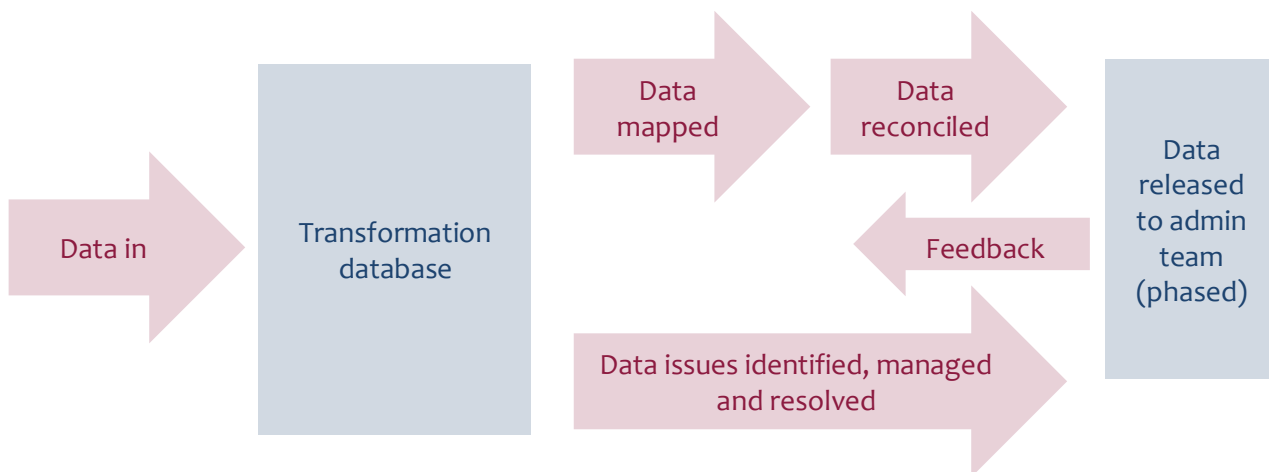
Task	Description
<b>Project management</b>	<ul style="list-style-type: none"> <li>Set up working group meetings to track transition progress (weekly/fortnightly meetings)</li> <li>Ensure the correct personnel attend these meetings for a smooth and efficient handover and queries can be answered quickly</li> </ul>
<b>Prepare a handover plan</b>	<ul style="list-style-type: none"> <li>Cover the handover between the administration providers and agree how any in-flight work items will be dealt with over the handover period</li> <li>Agree with trustees or employer when final contributions will be invested by ceding administration provider. Carry out a shadow investment in the new administration system test environment to ensure investment splits agree with live data received</li> </ul>
<b>Agree blackout period</b>	<ul style="list-style-type: none"> <li>Allow for investment deals to be completed so the units held against each saver or policy are known at the point of the go-live transition</li> </ul>
<b>Scheme set up and standing data</b>	<ul style="list-style-type: none"> <li>Configuration of lifestyling or other phased switching routines, fund platforms or STP set up</li> <li>Obtain assumptions for fund projections and benefit statements</li> <li>Set up saver and fund management charging if applicable</li> <li>Banking and financial management</li> </ul>
<b>Contracts/agreements/signatory lists</b>	<ul style="list-style-type: none"> <li>Set up investment managers/bank accounts and contracts with any other third parties e.g. annuity brokers, group life insurers</li> </ul>
<b>Retirement process</b>	<ul style="list-style-type: none"> <li>Establish options available and annuity broking process in place (if required)</li> </ul>
<b>Handover of paper files and microfiche</b>	<ul style="list-style-type: none"> <li>Arrange for files to be received in time by the new administration provider</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>Ensure appropriate functionality and capacity to support transition testing and the production transition</li> </ul>
<b>Data deletion or archiving from source systems</b>	<ul style="list-style-type: none"> <li>Agree data retention policy on handover</li> </ul>
<b>Saver website</b>	<ul style="list-style-type: none"> <li>Set up online Saver Access logins (if applicable) and timely communications of the website registration process details to savers</li> </ul>
<b>Communications</b>	<ul style="list-style-type: none"> <li>Identify if any bespoke saver communications are required for ongoing administration. It's good practice to inform the savers so they know this is happening and when, especially if there are going to be blackout periods and changes to online access</li> </ul>

It's critical to the success of the transition the right people are working on the right aspects of the project at the right times. The engagement of the ceding system supplier and forward agreement of their commitment is key. 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 new system supplier is 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 which captures the activities and trigger points to help understand the tasks expected in a typical project lifecycle, and in which sequence they should happen.

### Technical Migration of the Data

Once the transition project plan and tasks have been agreed, the transition of scheme data can begin. The sections below provide some guidance to assist with the successful transition and mapping of data from one administration 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 administration provider. This cycle can take place several times before the data received is satisfactory.



## Source Data Definition

All elements of source data should be transferred to the new administration provider as part of the transition. These can include the following:

Task	Description
<b>Identify all data sources</b>	<ul style="list-style-type: none"><li>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 administration provider's administration system couldn't accommodate</li></ul>
<b>Data Extracts &amp; Format</b>	<ul style="list-style-type: none"><li>Provide extracts of all the saver data and files held on the source systems including the full history of contributions and investments</li><li>The source data should be delivered in a full and complete format so it can be worked upon by the receiving administration provider. Data queries must be answered promptly by the previous administrator</li></ul>
<b>Images &amp; Documents</b>	<ul style="list-style-type: none"><li>Images and electronic files held by the previous administration provider will need to be extracted from the source systems or folders. An index of the extracted files must be supplied to the receiving administration provider</li><li>Transfer of paper files/saver backfiles and images should be identified and agreed at outset</li><li>Provision of Trust Deed and Rules (Governing documents) and all subsequent amendments and appendices, scheme booklet/member handbook (if there's is one), so work can commence on establishing a scheme benefit summary</li></ul>
<b>Data Dictionary</b>	<ul style="list-style-type: none"><li>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</li></ul>
<b>Reconciliation</b>	<ul style="list-style-type: none"><li>The extract should be accompanied by control totals for reconciliation purposes, containing row counts and totals of all numeric fields and membership numbers</li></ul>

## Data Transfer

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

Task	Description
<b>Data Transfer &amp; Security</b>	<ul style="list-style-type: none"><li>Data transferred between pension providers must be transferred securely. A secure File Transfer Protocol (FTP) site should be used and the data should be encrypted or password protected using a separate data encryption program</li><li>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</li><li>Data queries should only be exchanged via secure FTP, encrypted emails or in a password protected attachment</li><li>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</li></ul>

## Data Mapping

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

Task	Description
Specification	<ul style="list-style-type: none"><li>• The receiving administration provider should prepare a comprehensive data mapping specification covering the detail of how the source data will be translated into the new administration platform</li><li>• The mapping document should capture the following information:<ul style="list-style-type: none"><li>○ Source to Destination field mapping</li><li>○ Destination to Source field mapping</li><li>○ Code translations for scheme categories and saver statuses and miscellaneous code translations to cover other coded fields that will use a different set of codes e.g. titles, in particular in relation to DC transaction histories (contribution types, funds etc.)</li><li>○ All business rules for data derivation and substitution</li></ul></li><li>• The migration analyst preparing the specifications should have access to Scheme Rules, scheme benefit summaries and savers booklets to ensure the scheme benefits are understood and correctly interpreted in the implementation onto the new system</li></ul>
Full Data Extract	<ul style="list-style-type: none"><li>• It's best practise 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 savers have queries about past contribution and transaction history</li><li>• 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</li></ul>
Review of Mapping	<ul style="list-style-type: none"><li>• The mapping specification should be reviewed by an expert on the scheme's benefits (this 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</li></ul>

## Data Validation & Cleansing

To maintain good quality of data it's important to validate the data extracted from the source system is of sufficient quality to be loaded onto the destination system. The following validation activities should be carried out:

Task	Descriptions
Analysis	<ul style="list-style-type: none"><li>• 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</li><li>• The review of the data should include any validation or cleansing of saver data (e.g. names, titles, NI Numbers, payroll references, policy numbers, Date of Births, Retirement Dates, etc.)</li><li>• Particular attention should be paid to contribution and investment transaction areas. A list of DC specific data validations to perform as part of a transition is in Appendix B</li><li>• 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</li><li>• All agreed pre-transition data cleansing activities must be executed in a timely manner</li></ul>
Cleanse Plan	<ul style="list-style-type: none"><li>• 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</li></ul>

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 following areas of the transition:

- Data implementation
- Access to historic images and electronic files provided by the previous administration provider
- 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:
  - Joiners
  - Leavers
  - Decumulation
    - Retirement approach
    - Lifestyle approach
- Routine Calculations
  - Saver fund values
  - Transfer
  - Retirement
  - Switching
- Projections and benefit statements

- Identify any bespoke calculation requirements e.g. Special retirement ages, protected tax-free cash

## Reconciliation and Assurance

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

Task	Description
<b>Report</b>	<ul style="list-style-type: none"> <li>• A full and robust reconciliation report should be produced accounting for all data and saver movements. Membership numbers should be reconciled with the ceding administration provider on take on</li> <li>• 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</li> </ul>
<b>Discrepancies</b>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<b>Unit Holdings</b>	<ul style="list-style-type: none"> <li>• For DC schemes it's essential a reconciliation is performed of the total number of units held by the investment managers with the units imported for savers and trustees at the point of take-on</li> <li>• Ceding administration provider should provide an explanation of any inherited unit differences to be carried forward and rectified</li> </ul>
<b>Scheme Bank Account</b>	<p>Trust based only</p> <ul style="list-style-type: none"> <li>• The ceding administration provider should provide a breakdown and explanation of the bank account balance on transfer, identifying any funds to be settled or invested</li> </ul>

Questions project leads should ask:

Question	Comments
<b>Has anyone else in the Industry achieved a successful migration to this system previously?</b>	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.
<b>How are you going to phase your migration?</b>	Are all your savers 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 does increase the amount of work required.
<b>How do you gain commitment from the key stakeholders?</b>	Don't assume everyone's 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 suppliers sign up to the end to end project deliverables and timescales. You also need an escalation process if this commitment doesn't materialise.
<b>Do you need external help?</b>	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 which manage transitions as Business as Usual which could be critical to the success of your project.



<b>What are the main things that can go wrong?</b>	Many things can go wrong, 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 make sure the data mapping is done within the scheme and product rules, and within the prescribed timescales. Don't underestimate 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.
<b>How important is testing and acceptance?</b>	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 was insufficient and this had a significant impact on the post-transition administration capability. Make sure you test and test again.

### **Data Validation and Data Cleansing**

To maintain good quality data it's important to validate the data extracted from the source system is of sufficient quality to be loaded onto the destination system. An analysis of the data should be performed at the outset of the transition to look for inconsistent data or missing data items.

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
- All agreed pre-transition data cleansing activities must be executed in a timely manner
- 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

### **Other Implementation activity**

Many other activities must be considered and planned to support the transition which are in addition to the technical migration of the data and electronic files. These are:

- Project management working group meetings to track transition progress (weekly/fortnightly meetings)
- Ensure the correct people attend these meetings for a smooth and efficient handover and queries can be answered quickly
- Scheme set up and standing data – this covers configuration of lifestyle or other phased switching routines, fund platforms or STP trading set up, obtain assumptions for fund projections and benefit statements, set up saver and fund management charging if applicable, banking and financial management
- Contracts/agreements/signatory lists set up with Investment Managers/Scheme Bank accounts and any other third parties e.g. annuity brokers, group life insurers
- Retirement process agreed. Establish options available and annuity broking process in place (if required)
- Prepare a cutover plan to cover the handover between the administration providers and agree how any in-flight work items will be dealt with over the handover period. Agree with the client (trustee/employer) when the last contributions will be invested by the ceding administration provider. Carry out a shadow investment in a test environment to ensure investment splits agree with the live data received

- A suitable blackout period must be agreed to allow for investment deals to be completed so the units held against each saver or policy are known at the point of the go live transition
- The handover of paper files and microfiche (if applicable) must be arranged in advance to be received in time by the new administration provider
- The necessary infrastructure needs to be in place with appropriate functionality and capacity to support transition testing and the production transition
- Data deletion or archiving from source systems
- Set up online saver access logins (if applicable) and timely communications of the new registration process details to savers
- Identify if any bespoke saver communications are required for ongoing administration

### **Test Plan**

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

- Data implementation
- Access to historic Images and electronic files provided by the previous administration provider
- Processing of Employer/Payroll interfaces – contribution files and data changes
- Contribution investment process
- Lifestyling and other phased fund switching routines
- Projections and benefit statements
- Identify any bespoke Calculation requirements e.g. special retirement ages, protected tax-free cash

### **Reconciliation and Assurance**

- A full and robust reconciliation report should be produced accounting for all data and saver movements to provide the assurance on the success of the data migration
- Reconcile membership numbers 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
- 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
- For DC schemes it is essential a reconciliation is performed of the total number of units held by the investment managers with the units imported for savers and trustees at the point of take on
- Ceding administration provider should provide an explanation of any inherited unit differences to be carried forward and rectified

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

Task Name	Duration
<b>Model Migration Project Plan</b>	<b>180 days</b>
<b>Project Management</b>	<b>13 days</b>
<b>Project Planning</b>	<b>7 days</b>
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
<b>Fortnightly Project Update Meetings</b>	<b>6 days</b>
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
<b>Business Readiness Activities</b>	<b>14 days</b>
Identify any bespoke saver 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 administration provider	1 day
Set up online saver access logins	2 days
Communications of the change of administration to savers	2 days
<b>Technical Migration - Pre-Migration Tasks</b>	<b>5 days</b>
<b>Setup Activity</b>	<b>5 days</b>
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

<b>Test Data Cut</b>	<b>90 days</b>
<b>Data Mapping</b>	<b>23 days</b>
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
<b>Mapping document signed off</b>	<b>1 day</b>
<b>Data Preparation</b>	<b>6 days</b>
Set Up Test Environment	2 days
Create Data Prep Template for Data Import process	2 days
Create Data Load Reconciliation Report Template	2 days
<b>Data Analysis</b>	<b>9.5 days</b>
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 administration provider	1 day
Agree pre-transition data cleansing activities with ceding administration provider	0.5 day
<b>Issue Data Analysis and Cleanse Plan Report to Client/Trustees</b>	<b>0.5 days</b>
<b>Technical Data Migration Set Up</b>	<b>40 days</b>
<b>Test cut</b>	<b>38 days</b>
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
<b>Test Migration Signed Off</b>	<b>0.5 days</b>
<b>Live cut</b>	<b>2 days</b>
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
<b>Sign off Migration</b>	<b>0.5 day</b>

## Appendix B – DC Specific Data Validations

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	Savers 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	Savers not Active
	Contribution rates relevant to section of scheme	Ensure the contribution rates on record are relevant for the section of the scheme the saver is in, e.g. auto enrolment sections	
	Contribution rate relevant to saver age band/scheme service	Are contribution rates age/service related? Check to ensure saver is in the 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 savers with units in non-lifestyling funds	Systems that allow partial lifestyling
	Missing Contribution History	Savers 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 at 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 Retirements Age	
<b>Fund Choices</b>	Closed Funds	Open investment allocation in Closed or Defunct funds	Savers not Active
	Fund Choices Error	Investment allocation percentage not equal to 100%. Check all contribution sources	Savers not Active
	Single Payments	Open investment allocation for Single or Transfer in contribution sources	Savers not Active
	Lifestyling Savers	Non-lifestyling Investment Fund Choice for lifestyling saver	Schemes that allow partial lifestyling
	Target Dated Funds	Fund Choices not aligned to Target Retirement Age	
<b>Investment History</b>	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 saver 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	





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