

PASA - Code of Conduct on Administration Provider Transfers

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1. Introduction

PASA was created from within the industry to be the body to set meaningful administration standards, assess compliance with those standards and act as a focal point for government and the pensions industry on matters relating to administration standards.

PASA is focused on three core activities:

- I. defining good standards of pensions administration relevant to all providers, whether in-house, third party or bundled insurers
- II. publishing Guidance to support those standards
- III. being an independent accreditation body, assessing the achievement of good standards for scheme members and sponsors (regardless of provider).

The set of best practice **Standards**, includes adoption of this Code of Conduct and the evidence of compliance with this Code as one of the requirements for attaining PASA Accreditation.

2. Why is a Code of Conduct needed for Administration Provider Transfers?

A change of pensions administration provider can be triggered for a variety of reasons. Mergers or acquisitions might lead to internal rationalisation of in-house teams or the decision to outsource in part or in full from inhouse to an external provider, or vice versa. Provider performance, competition or other factors may also lead to a change of provider. Irrespective of the cause of the change, PASA believes the transition should be managed in a professional manner between the providers to ensure the interests of the trustees the scheme members remain paramount, the transfer is not unnecessarily delayed, frustrated or rendered ineffective and service to members can be maintained.

PASA recognises the loss of service provision will have an impact on the ceding administration team. It's recognised the majority of those engaged in pensions administration are committed to providing a good service to members, trustees and sponsoring employers and will act professionally in cooperating fully to ensure continuity of service.

By becoming a corporate member of PASA, administrators agree to abide by the PASA Codes of Conduct. The Code is voluntary for other administrators. The purpose of the voluntary Code of Practice is to set out a framework which will enhance the transfer of services between providers, give clarity to all participants in relation to their responsibilities and accountabilities and limit the potential for delays. Ultimately, it has to be recognised the commercial aspects of termination of service provision will be governed by the contract in place with the trustees. It's hoped administration service providers will not seek to hide behind these agreements where the provisions for transfer are deficient when compared to the framework in the Code of Practice. Even with goodwill, the absence of an established good practice or poorly written (or absent) exit terms in Client Agreements unnecessarily increases the inherent risks which need to be managed on a transfer and can also inflate the transition cost for trustees, employers and the newly appointed administrator.

PASA has sought feedback from its members and from the industry on the effectiveness of the Code. If in future the Code proves ineffective, PASA may find it appropriate to recommend the introduction of regulation.

3. Examples where the absence of a good practice by the ceding administrator causes problems

- A delay by a ceding administrator in attending an initial meeting with the newly appointed administrator leads to a corresponding delay in the provision of a first cut of member data. This restricts the time a newly appointed administrator has for validating and mapping these records on to its administration platform and testing its programming of benefit calculations. Both of these critical activities cannot be rushed if the new administration is to start from a firm foundation
- Charging trustees unreasonable fees to produce promptly a first cut of complete data, with a clear explanation of each item of data supplied. adding unnecessarily to the cost to trustees of moving their administration. This practice reflects badly on the whole pensions administration industry
- The agreed contractual exit fee is subsequently deemed unreasonable by the trustees because of the poor level of service received by the administrator

4. What PASA is seeking from Pensions Administrators

This Code is directed at all pensions administrators, whether Third Party Administrators (TPAs), in-house administration teams or any other provider of services that include pensions administration.

For new administration appointments, PASA expects the Client Agreement to include a clause which sets out the key elements of and terms upon which services will be provided in the event of the subsequent transfer of services, as set out in the PASA Standards. This section should clearly state what the trustees can expect on exit, including its approach to charging and this should reflect the PASA Code of Conduct on Administration Provider Transfers.

For existing administration appointments, PASA expects administrators to have a clearly stated policy on its approach to transferring schemes to a newly appointed administrator, reflecting this Code of Practice – even where existing contract are silent on the issue. This policy should be available to trustees on request. If notice is received that a scheme will be moving to a newly appointed administrator, the ceding administrator should immediately provide the trustees with a copy of its policy. PASA will expect pensions administrators, whether TPA or in-house, to demonstrate their adherence to this Code as part of the evidence required to support any application for PASA Accreditation. We appreciate it may not be usual practice for an in-house administrator to have a contractual agreement with either its trustees or sponsoring employer. But PASA will seek evidence from an in-house administrator of a documented commitment to its internal clients, in the form of a service contract or statement of intent, to comply with this Code of Conduct in support of an application for Accreditation.

5. Does the Code of Conduct on Administration Provider Transfers only apply to the ceding administrator?

The Code applies to situations both where an administrator is passing across the administration of a pension scheme to a new provider (as a ‘ceding administrator’) and where the administrator is taking on the administration of a pension scheme (as a ‘newly appointed administrator’).

By default, existing corporate members of PASA are signed up to the Code. PASA is looking for administrators to commit in writing to trustees of new and existing appointments or to make a prepared statement available on their website stating that they will adopt this Code as ceding administrators for a pension scheme.

Whilst the engagement and professionalism of trustees and other key stakeholders is vital in any transition of administration, successful transfers of pensions administration cannot be achieved without the engagement and activities of both the ceding administrator and the newly appointed administrator. They also hinge on joint commitment to quality of data and controls to ensure what is transferred is correct. PASA believes adoption of the protocols in the section of this Code applying to a newly appointed administrator will help to ensure a seamless transition

6. The Code of Conduct

The Code is presented in three sections:

6.1 Relates to ceding administrators

6.2 Relates to newly appointed administrators

6.3 Relates to all current administrators * **with effect from 01 January 2023** *

6.1 Ceding administrators

Ceding administrators should **conduct themselves professionally and work collaboratively** with the newly appointed administrator. It's a condition of membership corporate PASA members must be a signatory to PASA's **Professional and Ethical Code of Conduct**.

On receiving notice of termination, the ceding administrator must cooperate with the trustees and the newly appointed administrator in agreeing a **transition plan, as outlined in the PID**. The plan should specify the activities assigned to the ceding administrator and should set out delivery milestones in a timely manner. These activities will include, but aren't restricted to the following:

6.1.1 Representatives with a good working knowledge of the scheme will be made available to attend meetings with the newly appointed administrator **to disclose current administration practices**. This includes representatives from the payroll and scheme accounting functions, if these services are included and the activities have been segregated. Unless the administrators have this knowledge, an IT representative should be present who understands how member data is formatted and can be extracted for transfer to the newly appointed administrator. The number of meetings required will be dependent on the size and complexity of the scheme.

6.1.2 Reasonable timescales should be agreed between the ceding administrator and the newly appointed administrator for the provision of an initial extract of data, the delivery date being included in an agreed transition project plan or PID, to which the trustees are also a party. A delay while commercial terms are agreed between the ceding administrator and the trustees for its exiting activities should be mitigated by already having an agreed fee basis for these activities as described in sub-section 6.1.12 below. It would be very unusual to complete a robust transition in less than six weeks.

The extract from the ceding administrator will include **all of the member data held electronically**, including electronic images, together with a data dictionary clearly defining what data is held where. Control totals should also be provided, where it's not difficult for the ceding administrator to do so. Further extracts may be required, as agreed in the transition project plan, before a final cut of all member data is provided. Usually this will be in the same format (unless changes have been agreed

with the newly appointed administrator) and on a date soon before the final transfer of administration to be agreed with the newly appointed administrator.

Where the ceding administrator holds paper records, these may cover scheme business and/or member records. Arrangements should be made to pass these files over without undue cost (see 6.1.11 below).

6.1.3 The standard of **on-going routine administration during the transition period** mustn't deteriorate. The ceding administrator should continue to complete regular tasks and any previously agreed in train projects, including updating member records for all work received up to an agreed cut-off date shortly before an agreed final transfer date. This should be reflected in the transition plan agreed by both the newly appointed and ceding administrator.

6.1.4 The ceding administrator should make sure the newly appointed administrator has been made aware of any assessment reports provided to the trustees to show the **condition of member data**. This includes:

- the degree to which the data meets The Pension Regulator's (TPR) targets for Common and Scheme Specific Data
- any concerns raised by the ceding administrator with the trustees about the completeness or accuracy of data
- any exercises planned to improve the quality of member data, but not yet completed

6.1.5 For **Defined Benefit (DB) schemes**, the ceding administrator should pass to the newly appointed administrator copies of any scheme documentation relating to the benefit calculation formulae received from:

- a previous administrator
- appointed Scheme Actuary
- trustees directly, in relevant minutes of their meetings
- legal advisors to the trustees
- a pensions manager
- any third party acting on behalf of the trustees

6.1.6 If the trustees previously appointed the Scheme Actuary to produce any form of calculation spreadsheet provided to the ceding administrator, PASA recommends a copy is passed to the newly appointed administrator. If this isn't possible, then the basis of the member calculations should be made available.

- 6.1.7 For **Defined Contribution (DC) schemes**, frequent reconciliations should have taken place. These would be of the aggregate investment units recorded for each member and the total unit holdings at the investment manager(s). It's incumbent on the ceding administrator these reconciliations are completely up to date as at the time of the transfer. With any variances accounted for and explained to both the trustees (for a trust based scheme) or sponsoring employer for other DC arrangement and the newly appointed administrator. The ceding administrator will make the newly appointed administrator aware of open and closed investment funds in which members have unit holdings, default funds used on entry and past and present life-style arrangements. A full history of transactions (subject to the ceding administrator having received this information from a previous provider) should be available for transfer for each member who has a current investment holding. The degree to which only 'rolled up' member record control totals are migrated (as an alternative to full historical member record control totals) must be agreed with the trustees. Where this is agreed, an archive of historical data should be retained by the ceding administrator without limitation of duration. This approach is recommended by TPR. If the trustees/scheme manager agrees, the archive can be provided to the newly appointed administrator for safe keeping.
- 6.1.8 The ceding administrator will make available appropriate **representatives** with a good working knowledge of the scheme **to answer any questions** the newly appointed administrator may have in relation to the administration practices adopted with respect to calculations for members' benefits. Such questions should be answered promptly – we suggest seven days from receipt would be reasonable in most cases. However, the key is having the timescale agreed by both parties.
- 6.1.9 Shortly before the transfer date, the ceding administrator will make ready all of its **paper files** and other records held in a non-electronic form. For example, paper, microfiche or compact disc, whether held on-site or remotely, for secure transportation to be arranged with the newly appointed administrator. If the data is held in an archive facility, responsibility can pass between the two without physically moving the files.
- 6.1.10 While some administrators can be data controllers, PASA subscribes to the principle trustees own all **data relating to members** created by an administrator which an administrator then holds on their behalf. We recommend as much of the data created as possible is passed to the newly appointed administrator to ensure the smooth transfer of business.

In drawing up a Code of Conduct, PASA doesn't wish to set out a requirement an administrator can't legally comply with. We therefore accept ceding administrators may choose to withhold some member data for the reasons below:

- Pro-forma and templates used for calculating member entitlements and benefit specifications may be legally viewed as intellectual property the ceding administrator wouldn't wish to pass on to the newly appointed administrator. That being the case, the basis of any calculations belongs to the trustees
- The ceding administrator may decide to retain their worked calculations of member entitlements in case they need to defend against a complaint or legal claim for work done while they were administering the scheme, where handing across this information could invalidate their professional indemnity cover by an insurance provider

6.1.11 To avoid an expense for either the ceding administrator (or the trustees if this expense is to be passed on), PASA recommends copies of any paper files held by the ceding administrator don't need to be taken and retained. However, member files aren't working papers and shouldn't be treated as such. Ceding administrators should take care not to leave actual working papers in member files. For working papers there can be a written agreement between the newly appointed administrator and the ceding administrator that copies of relevant files will be returned to the ceding administrator if required. Examples might be if either the newly appointed administrator has questions relating to information on the paper files, or if a claim for compensation is made against the ceding administrator for previous work done.

As in 6.1.10 above, this is another area where legal advice to a ceding administrator and/or the terms of the ceding administrator's professional indemnity policy might prevent some of the documents in files being passed across. If documents are being retained for legal protection, PASA considers this is for the business interests of the ceding administrator rather than the trustees and so no charge should be levied to the trustees for either copying or retention.

6.1.12 PASA doesn't wish to interfere in the commercial relationship existing between a ceding administrator and its trustees by prescribing a **level of fee** to be charged by the ceding provider for providing data, participation in meetings or answering reasonable questions from the newly appointed administrator. PASA considers reasonable costs incurred by the ceding administrator should be met and paid promptly. However, a ceding administrator shouldn't seek to take advantage of the dependence of a successful transfer on its release of information, particularly member data, by charging a disproportionate amount in relation to its incurred additional costs. In most cases, a time-cost basis of charging can be most appropriate with the same charge-out rates previously agreed with trustees as the basis for exit fees (see Section 4). Or otherwise using the same rates as would be used for any other out of scope project work. PASA recognises some trustees may prefer to agree a fixed fee but the same principle of charging only an amount commensurate with the work done applies.

6.1.13 The ceding administrator should **not seek any form of indemnity from trustees to avoid future litigation either in respect of the standard of administration it has provided, or the accuracy of the information passed over to the newly appointed administrator on exit.**

6.2 Newly appointed administrators

Successful transitions are, of course, also very dependent on the people deployed and procedures used by the newly appointed administrator.

Paragraphs 6.2.1 to 6.2.8 below reflect PASA's expectations of newly appointed administrators:

6.2.1 The newly appointed administrator should put in place recognised project-management discipline/structures, which includes:

- Producing an **overview project plan**, clearly setting out the activities required, and by when, from all parties, including the ceding administrator and/or pensioner payroll provider, the sponsoring employer(s) and any other third parties providing relevant outsourced services (for example, company payroll), and the trustees. The draft plan should be circulated for review and input by all parties included for actions in the plan as soon as possible after appointment and agreement sought
- Establishing which key stakeholders, for example, pensions manager or chair of trustees, will assume the role of **project sponsor**. This will be the person to whom issues should be escalated for resolution, as a last resort, if an impasse occurs. Similarly, a 'go to' person at the ceding administrator should also be identified, as a person who can resolve issues and enable the project to progress
- **Project managing activities** by all parties in accordance with the jointly agreed plan
- Reporting **progress against the project plan** to all parties participating in the transfer activities on a regular basis to be agreed with the project sponsor, but no less frequently than monthly
- **Address any actual or anticipated delay immediately** if the final handover time is likely to be impacted. If this isn't readily achievable the issue must be escalated to the sponsor for resolution or (exceptionally) an agreement to change the timing of the transfer
- Maintaining and actively managing both an **issues and a risks log**

6.2.2 The newly appointed administrator, acting on behalf of the project sponsor of the transfer (as described in 6.2.1 above), should **arrange a meeting with representatives of the ceding administrator**, including members of their internal or external IT support areas. This should take place as early as is convenient after both parties have been advised of the decision to transfer administration. The new administrator should seek to encourage a positive and co-operative

relationship with the ceding administrator for the benefit of the scheme and members. Previous administration issues should be resolved in the spirit of co-operation and goodwill. The newly appointed administrator should draw up an agenda for this meeting to cover, among other aspects:

- The transfer of electronic member data (including test cuts, further and final cuts of scheme and member data, pensions payroll, accounting and banking data if any is held separately to other data)
- The transfer of (or transfer of access to) any paper records relating to members, including any archived files
- Known concerns over Common or Scheme Specific Data, awareness of previous exercises to improve the quality of data and any previously planned or agreed data cleansing activity which hasn't yet been completed
- Documentation of current benefit calculation formulae in use and its source (for example, from the appointed Scheme Actuary)
- Discussion and, if possible within the meeting, agreement to ownership and timings of all activity strands in the high-level project plan
- The process for handling enquiries the newly appointed administrator will wish to put to the ceding administrator during the transfer period and an agreed expectation of response times

6.2.3 The newly appointed administrator (or any parties to which it's delegated some or all of its transfer activities) should draw on its experience of previous transfers and its due diligence of the scheme to recommend a **time-scale** for the transfer. This should identify and mitigate any high risks of transferring at a time coinciding with known large-scale activities such as pension increases, valuation data extract, a bulk investment switch for DC members or a planned redundancy exercise. Without unnecessarily protracting the time the transfer will take, the newly appointed administrator should allow for all of the time it will require to thoroughly map and validate the data it receives and consider any other information relevant to the good operation of the scheme. The newly appointed administrator should also allow enough time to gain a full understanding of benefit entitlements. Although this is a parallel activity to the work on data and many of the complexities of benefit calculations will relate to the tranching of benefits subject to different rates of increases pre and post retirement and how data is stored to reflect this.

6.2.4 The newly appointed administrator should **inspect the latest version of the trust deed and rules** and any subsequent addendums to independently determine the basis for member benefit calculations. PASA encourages newly appointed administrators to seek agreement to its understanding of benefits from the appointed Scheme Actuary/legal adviser. Any divergence between the newly appointed administrator's understanding of the benefits from these source

documents and the current bases the ceding administrator has been using should be highlighted to the trustees for clarification.

- 6.2.5 If the scheme still has active members, the newly appointed administrator should **produce an administration manual** which enables payroll and/or HR departments (or a payroll bureau if this activity is outsourced) to clearly understand what information is needed from them, in what format and frequency. Examples are salaries, contributions, joiners (allowing for auto-enrolment requirements), and leavers. The newly appointed administrator should meet with those who'll be supplying data to confirm understanding of requirements is recommended to take place before the transfer date.
- 6.2.6 The newly appointed and ceding administrators, together with the trustees, should **agree the timing for cessation of day-to-day activities (also known as the blackout period)**, such as dealing with member requests for information or quotations. It's usual practice for new enquiries to be stockpiled for a short duration before the transfer date rather than for outstanding work to be passed across part-completed, but members should be advised if they are likely to experience more than a few days' delay.

While the paragraphs above relate to the critical areas of data and benefit calculations, the project plan for the transfer should also include the two following important strands:

- 6.2.7 **Communication of the change of administrator to all scheme members**, including new contact details, change of tax office and reference for pensioners. We expect a communication to be issued by the newly appointed administrator on behalf of the trustees.
- 6.2.8 Setting up the **process by which the on-going performance of the newly appointed administrator will be monitored, reported on and reviewed** with the trustees to reflect the Client Agreement.

With effect from 01 January 2023

- 6.2.9 The administration contract between the trustees and the newly appointed administrator should include a clause setting out the terms in the event of a subsequent transfer of services.

With effect from 01 January 2023

6.3 Current administrators

For all existing appointments, administrators should have a clearly stated termination policy including transferring schemes to a newly appointed administrator to be followed when existing contracts are silent on the issue. This policy should be made available to trustees on request.

1. PASA Transitions Dispute Resolution Service (DRS)

PASA offers a DRS to schemes experiencing difficulty in moving from one administrator to another. The service is designed to offer an expert and impartial view on whether the parties have acted in line with the detail and spirit of the Code and to bring the parties together in a positive way. Thereby enabling the smoother transfer of administration and services. PASA representatives considering any issue brought forward for mediation will be brought together to form a Determinations Board, members of which will always be independent of any commercial third party administrator (TPAs). The DRS is easy to access and affordable to schemes affected.

The service isn't a vehicle for TPA's to bring their general disputes for resolution. For PASA to investigate any issue, an authorised signatory of a specific scheme must complete and sign a **complaint form**.

The detail of any complaint is confidential, and advice given by PASA is an opinion given in good faith on the basis of the documents and information made available. Neither PASA nor its officers can be held responsible in law for opinions expressed, nor should any such opinion be regarded as grounds for legal action. All corporate members are bound by PASA's Codes of Conduct and agree to their remedies. If the Determinations Board finds a corporate member involved in the transfer has acted to the detriment of the Code, it may impose an appropriate remedy. There is also an appeals process.

The DRS was introduced in May 2018 and is free for schemes where at least one of the administrators involved are corporate or scheme members of PASA. Where none of the parties are members, PASA reserves the right to charge the scheme accessing the service. However, any cost would be to cover the time and effort required and will be agreed with the affected trustee before any investigation takes place.