PASA De-Risking Journey Management

Working Group

Mythbusters:
Navigating Buy-in and Superfund Transitions:
A Practical Guide

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Navigating Buy-in and Superfund Transitions: A Practical Guide

1. Introduction

Buy-in transactions and Superfund transfers are increasingly recognised as positive, strategic steps for schemes seeking long-term security and improved member outcomes. While the commercial and legal aspects of these transactions are well established, experience shows the operational and administrative impacts can be underestimated, particularly in the period leading up to and immediately following transition.

For administrators, these arrangements introduce new data standards, reporting requirements, governance expectations and member communication challenges. Established processes which have worked well for years may need to change quickly to meet provider requirements. Where this isn't anticipated early, schemes can face avoidable delays, additional costs and increased pressure on administration teams.

This Guidance is intended to support earlier, better-informed conversations between trustees, administrators and advisers, helping all parties understand what 'good' looks like from an operational perspective when moving to Buy-in or Superfund solutions.

Success relies on careful planning, strong data governance, and open engagement with members. By aligning with providers early, automating workflows and anticipating risks, administrators can avoid delays, control costs, and maintain member confidence. Designed for trustees, administrators, and advisers, this Guidance brings together best practice to turn transition challenges into opportunities for operational improvement.

2. Transitioning to Buy-in or Superfund – Key Priorities

Transitioning to a Buy-in or Superfund arrangement isn't simply a continuation of Business as Usual (BAU). It requires a shift in operating model, administrators need to align with new provider processes, controls and reporting frameworks.

Throughout this Guidance, administrators are encouraged to adopt a simple guiding principle:

Automate, Validate, Communicate

While each transaction will differ, there are a number of operational priorities which, if addressed early, can materially improve outcomes. This Guidance explores these themes in detail, focusing on practical actions supporting smooth onboarding, regulatory compliance, clear member communication and proactive risk mitigation:

- **Align Administration Early** – transfer administration to the Superfund or adapt processes for Buy-in providers to avoid onboarding delays

- **Compliance and Rule Reset** – adopt provider processes and rules, retire legacy practices and confirm permitted discretions to ensure clarity and legal compliance
- **Data Integrity and Reporting** – cleanse critical data fields post-transfer, validate benefits and implement automated monthly reporting to meet provider standards
- **Transparent Member Communication** – keep members informed throughout the transition, explain changes clearly and prepare FAQs and scripts for common queries
  - **Operational Adjustments for Deferred Members** – agree quotation processes, manage the adoption of insurer factors and coordinate cashflows to minimise delays and maintain accuracy
  - **Risk Management** – anticipate data gaps, payroll delays and cyber risks; define roles, deadlines and contingency plans upfront
  - **Resourcing and Budgeting** – agree scope, fees and contingency budgets early; leverage provider expertise and maintain regular progress update calls

3. Align Administration Early: A New Era Begins

Aligning administration early is one of the most critical success factors when transitioning to a Buy-in or Superfund arrangement. These transactions introduce new operating environments with defined data standards, reporting frameworks and governance expectations which must be met from day one.

Early engagement allows administrators to understand provider requirements, embed changes into systems and workflows, and prepare staff well in advance of transfer.

The specific requirements differ depending on whether a scheme is moving to a Superfund or entering into a Buy-in arrangement. The sections below set out the key administrative considerations for each.

Superfunds
- **Transfer administration at the point of transfer** – move administration to the Superfund appointed administrator to ensure contractual agreements are in place and the administrator has been selected based on their ability to service members within the Superfund's operating model
- **Leverage existing Superfund expertise** – administrators should already have knowledge of the Superfund's practices, reporting standards and benefit structures, enabling rapid onboarding without detriment to member experience
- **Early benefit and data review** - the Superfund panel administrator should review the scheme's anonymised, legally signed off benefit specification and, where possible, the ceding administrator's data dictionary to understand how benefits will be implemented within their systems
- **Agree transition data requirements in advance** - a pre-agreed set of data requirements should be established with the Superfund provider. Depending on the transaction, this may include a full data

dump including image extracts, member prints and control totals, or a prescribed data extract where scheme history isn't being absorbed

Buy-in

- **Align administration processes with insurer requirements** – processes should be adapted to meet Buy-in provider requirements, recognising insurer reporting requirements form a contractual basis for ongoing reconciliation of membership movements and benefit entitlements

- **Agree requirements early and allow time to embed change** – data, reporting and process requirements should be agreed with the Buy-in provider as part of transition planning. Administrators need sufficient lead time to implement and test changes within their operating environment

Key Takeaways

1. Document and agree insurer or Superfund data requirements at the point of transfer
2. Document and agree administrative processes at the point of transfer
3. Deliver internal training for all staff supporting the scheme to ensure consistent understanding and execution

Don't just transfer members – Align admin early to avoid onboarding delays

4. Compliance and Rulebook Reset: Aligning with Provider Framework

A Buy-in or Superfund transaction fundamentally changes how scheme benefits are administered in practice. While legal scheme rules may remain in force, the benefits insured and the way they're calculated, reported and paid must align precisely with the provider's contractual and operational framework.

This creates a necessary 'rulebook reset' for administrators. Longstanding interpretations, historic practices and informal discretions must be reviewed, clarified or replaced with codified positions agreed during the transaction. Where this isn't done early and transparently, schemes risk inconsistent administration, delays in benefit processing and avoidable member dissatisfaction.

The following areas require particular focus to ensure compliance, clarity and operational certainty.

General Benefit Structure

- **Confirm insured benefits effective dates** – administrators must be informed of any changes to benefit structures and their effective dates. Benefits insured under a Buy-in may differ from the scheme rules, provided they're equal to or more generous

- **Understand sources of differences** – differences may arise due to insurer limitations, benefit simplification (e.g. consolidating historic membership categories), or voluntary benefit improvements, such as the use of surplus

Discretionary Cases

- **Codify discretionary benefits** – discretionary benefits (e.g. early or late retirement pensions and death benefits) must be formally agreed or 'locked in' by trustees and sponsors during the Buy-in process
- **Align administration with insurer discretions** – the insurer's codified approach to discretions will dictate how benefits are administered. The position must be clearly documented and communicated to administrators to ensure consistent application

Actuarial Factors for Member Options

- **Adopt insurer actuarial factors** – the insurer's actuarial factors (e.g. for retirement timing and commutation) will apply from the Buy-in phase
- **Clarify roles and reliance** – trustees must satisfy themselves as to the reasonableness of these factors, taking appropriate advice. Administrators will rely on the insurer's calculations when processing benefits

Benefits which are difficult to insure

- **Identify uninsurable benefits early** – certain benefits (e.g. money purchase or GMP underpins or service-linked benefits like enhanced ill-health entitlements) may be uninsurable at the Buy-in stage
- **Confirm outcomes and cessation dates** – administrators must be informed of agreed outcomes and any cessation dates for these benefits
- **Align scheme rules post-transaction** – legal or rule amendments may be required after the transaction to align scheme rules with the insurance terms (e.g. removing underpin provisions)

Benefit Options

- **Confirm which options are insured** – if trustees decide to remove uninsured options, administrators must update processes accordingly
- **Update member communications** – member-facing materials should clearly reflect any changes to available options. Some options (e.g. bridging pensions or dependant's pensions by surrender) may be excluded to simplify the transaction or due to insurer constraints

5. Data Integrity and Reporting: From Cleanse to Compliance

Data quality underpins every aspect of a Buy-in or Superfund arrangement. While significant data cleansing activity is often undertaken in advance of a transaction to support pricing and risk assessment, this is only the starting point. Once the transaction has completed, data accuracy becomes an ongoing contractual and operational requirement.

Post-transfer, administrators are responsible for maintaining high-quality data, responding promptly to provider queries and delivering regular, accurate reporting in line with agreed standards. Strong audit controls and automation play a critical role in ensuring compliance, reducing rework and maintaining confidence across trustees, providers and members.

The following post-transfer action plan sets out the key areas of focus

Immediate Data Cleansing:

- **Continue post-transaction data cleansing** – prior to a transaction, data cleansing may be required to support pricing. Following completion, these fields must continue to be reviewed and updated in line with insurer contractual timeframes
- **Prioritise high-impact data fields** – focus ongoing data quality checks on fields with the greatest operational and member impact, including:
  - Member existence checks to reduce 'ghost' pensioner risks
  - Beneficiary details to avoid disputes over spouse entitlements
  - Address accuracy to ensure effective communications
  - Core benefit data to ensure entitlements are calculated correctly

o Contingent spouse benefits, including confirmation calculations were completed at retirement or deferment and remain up to date

Resolving immediate insurer enquiries:

- **Respond promptly to post-transfer enquiries** – insurers may raise queries shortly after transition as part of onboarding and validation. These should be prioritised to avoid delays and escalation
- **Validate methodologies independently where required** – use independent actuarial reviews to confirm benefit calculations or methodologies, supported by trustee or client sign off where appropriate

Audit control and evidencing:

- **Apply robust audit controls to all data changes** – audit controls should apply to all data cleansing activity, from routine updates such as address or marital status changes to the complex benefit recalculations
- **Audit documentation should clearly record:**
  o How the work was planned
  o How the work was executed
  o The number of members impacted
  o Confirmation the data has been updated
  o The success rate of the exercise and finalisation statements
  o Follow-up plans for any unresolved issues

Monthly Reporting:

- **Submit member experience data promptly –** provide member activity data (including retirements, deaths, divorces and address changes) to the provider within one business day of month-end, or in line with agreed payroll or reporting schedules
- **Automated reporting where possible** – automation should be used wherever feasible to reduce administration overheads and improve consistency
- **Meet provider-specific reporting requirements** – include required data on member movements, new spouses and identified discrepancies. While insurers often have standard formats, requirements may vary by provider and contract
- **Maintain ongoing data quality reporting** - continue to report regularly on the quality of high-impact data fields
- **Complete monthly reconciliations where required** - some Insurers require monthly reconciliation of movements and benefit payments. Automate data feeds where possible to ensure timely completion

6. Member Communication: Transparency Drives Trust

A Buy-in or Superfund transaction represents a significant change from a member's perspective, even where benefit entitlements remain broadly unchanged. Clear, timely and consistent communication is critical to maintaining trust, managing expectations and reducing avoidable queries.

Experience shows proactive communication, delivered in plain language and at the right points in the journey, leads to better engagement, improved data quality and more efficient administration. Administrators play a central role in translating complex change into clear, member-friendly messages aligned with trustee and provider expectations.

The strategies below set out practical approaches to communicating effectively with members throughout the transition.

Types of member communications:
- **Transaction progress updates** – provide clear updates on Buy-in or Superfund transfer progress to keep members informed at key milestones. Early communication helps build confidence and can highlight additional data cleansing needs
- **Data cleanse requests** – where member input is required i.e. updating beneficiary details, explain the purpose clearly and involve members early. Use digital channels wherever possible to simplify responses and accelerate data collection
- **Changes to benefit calculations** – following transaction completion, new actuarial factors may be adopted, potentially affecting pension values. Set expectations clearly and plan targeted communications for members who have received retirement quotations within the last 12 months. Use clear, reassuring language, such as *'Your pension: What's changing, and what stays the same.'*

Query Management:

- **Prepare templated responses for common questions** - train administrators to respond confidently and consistently to FAQs, including:
  - Why is the scheme moving to a Buy-in or Superfund
  - Whether retirement dates are affected
  - Whether benefits or payment cycles will change
  - How spouse or dependent benefits are impacted
    - Use plain language across all channels – be explicit about what's changing and why. Pension communication is complex by nature. Simplified language reduces misunderstandings and follow up queries
- **Implement call handling scripts and FAQs** – develop agreed scripts and FAQs, with standard responses for phone, email and post to ensure consistent messaging
- **Align messaging with trustees and providers** - trustees remain responsible for defining the overall communication approach. Ensure all standard responses are agreed with the trustees and the Superfund or Buy-in provider before issue

Key Takeaways

- Review all existing member communications and update them to reflect agreed processes and benefit changes
- Plan resourcing to manage potential spikes in member queries following transaction-related announcements
- Train administration teams and script responses to support consistent, confident query handling
- Manage member expectations by being transparent around response times

Transparency drives trust

7. Operational Adjustments for Deferred Members: Navigating Complexity

Deferred members often present the greatest operational complexity following a Buy-in or Superfund transition. Changes to actuarial factors, quotation methodologies and insurer involvement can significantly affect how retirement quotes, transfer values and cashflows are calculated, verified and communicated.

Administrators must adapt systems, processes and expectations to align with insurer requirements, while continuing to deliver timely, accurate information to members. Early agreement on calculation routes, roles and responsibilities is essential to avoiding delays, rework and dissatisfaction.

This chapter sets out the key operational considerations and practical approaches for managing deferred member activity effectively.

Insurer Factor Adoption

- **Adopt insurer factors for all relevant calculations** - use the insurer's transfer value basis and retirement factors including commutation and early or late retirement factors
- **Confirm system capability early** – assess whether TPA systems can support factor updates. Any limitations to automation should be identified early and communicated to trustees and the scheme provider

Two Approaches to Providing Quotations:

Option 1: Insurer Calculates Figures

- Administrator requests quotations, with the insurer applying its own factors for revaluation and early or late retirement
- PCLS factors may remain fixed for a period, but this varies by provider
- Lump Sum Allowance (LSA) must be incorporated using insurer factors. TPAs should ensure this is correctly reflected
- Insurer-led calculations may extend quotation and settlement timescales due to additional process steps
- Member communications should clearly reflect the potential for longer lead times compared to pre-transaction experience
- Administrator may carry out high-level reasonableness checks but can't fully verify calculations where the insurer's basis isn't disclosed
- Ongoing administration teams remain responsible for answering member queries relating to calculations
- Request provider FAQs on calculation methodologies to support consistent responses
- System impact: No system updates needed

Option 2: Administrator Calculates Using Insurer's Factors

- Administrators calculate quotations using insurer-provided factors, with figures checked and approved by insurer before release
- Agree a standardised data set for insurer checks, including supporting detail rather than headline figures only
- Delays may still arise during sign-off. Members should be kept informed
- Best practice includes:
    - agreeing sample calculations upfront to streamline future quotes
    - document factor change dates and schedules clearly, with formal agreement from all parties

Key Considerations

- **Managing Expectations** – insurer involvement may require SLA review and active monitoring. Use automated reminders and regular updates to keep members informed
- **Increased Activity & Costs –** additional reporting, meetings and governance may lead to higher administration fees
- **Quote Validity** – quote validity is typically three months but varies by provider. Normal Retirement Age quotes should be issued closer to retirement where possible to avoid recalculations
    - **Trustee Discretions** – trustee discretions may change post Buy-in, for example consent for early or late retirement. Agree processes and data requirements upfront and use checklists to ensure consistency
    - **Benefit Specification Compliance** -all calculations must align with the legally reviewed specification. Clearly define calculation responsibilities to support audit and assurance
    - **Existence Checks** – providers may impose specific existence check requirements, especially for overseas members
    - **Member Data Updates** – keep insurers informed of address changes and member movements. Standardise and automate data reports using agreed templates

Cashflow Coordination:

- **Manage interactions for:**
    - Pension Commencement Lump Sum (PCLS) and transfer value settlements
    - Pensioner beneficiary setups
    - Overpayment processes including agreed de minimis limits (e.g. under £250)
    - Suspended pensioner processes, such as mortality screening
- **Reporting requirements** – produce monthly cashflow forecasts (typically six months ahead) and reconciliations, including actual vs forecast in reports
    - **Pension Increases** – run preliminary increase processes early to inform cashflow needs

Key Takeaways

- Understand and document the processes for updated calculation routes or methodologies
- Update automated calculations or pro forma to incorporate contractual changes and updated factors
- Capture and document all operational changes
- Operational re-alignment is the foundation of successful transactions and sustainable administration
  Operational clarity: adopt insurer factors, streamline quotes, and manage cashflow

8. Risk Management: Anticipate, Adapt, Overcome

Buy-in and Superfund transitions introduce a range of operational, data, payroll and communication risks. These risks aren't unusual but unmanaged, they can lead to delays, increased costs and member dissatisfaction.

Effective risk mitigation relies on early identification, clear ownership and proactive planning. Administrators play a central role in translating contractual and operational requirements into practical controls keeping transitions on track.

This chapter highlights common risks encountered during transitions and sets out practical mitigation strategies to support resilient delivery and positive outcomes.

Governance and Accountability Risks

Risk	Mitigation
Unclear roles & responsibilities	• Define roles and responsibilities at the outset and update them as new tasks arise • Hold a kick-off call to align expectations and confirm ownership
Missed or misunderstood contractual deadlines	• Request early confirmation from trustees of all insurer contractual deadlines which require administrator input or action. • Track deadlines centrally and review them regularly

Data and Benefit Risks

Risk	Mitigation
Incomplete or inaccurate member data	• Agree with trustees whether early data audits or gap analysis are required • Undertake marital status screening and benefit recalculations where appropriate • Agree a clear approach to validating spouse and dependant benefits
Lack of a unified, agreed benefit specification	• Develop a comprehensive benefit specification in collaboration with actuaries and legal advisers • Ensure all stakeholders formally sign off the specification before transaction initiation
Delays in data cleansing activity	• Allocate temporary or additional resource where needed, including outsourcing non-core tasks to maintain momentum

Payroll and Payment Risks

Risk	Mitigation
Delays in payroll transition	• Agree key transition actions and dates between the administrator, trustees and insurer • Ensure incumbent payroll isn't closed before insurer payroll is live, retaining the ability to run payroll during transition
Delays caused by post-transfer data or benefit changes	• Agree a clear process with the insurer for identifying, notifying and implementing payroll changes arising from updated data or benefits

Member Experience Risks

Risk	Mitigation
Member dissatisfaction or increased queries	• Launch a dedicated helpline and FAQ portal during the transition • Communicate proactively with members about what to expect and when • Establish dedicated support channels for the transition period

Systems and Reporting Risks

Risk	Mitigation
Incompatible automation or workflows	• Review administrative systems in advance and adapt workflows to align with insurer processes • Train staff on new systems, processes and provider requirements
Insurer reporting errors	• Pilot reporting processes using sample data before going live to identify and resolve issues early

Cyber and Data Security Risks

Risk	Mitigation
Increased cyber exposure during data transfers and integrations	• Review and implement robust cyber resilience and data protection protocols • Engage with PASA's Cyber Forum and follow The Pensions Regulator's guidance on data security and protection

9. Resourcing & Budgets: Secure Success Upfront

Effective resourcing and realistic budgeting underpin every successful Buy-in or Superfund transition. While many of the operational challenges described in this Guidance are well understood, difficulties most often arise where the scale, timing or intensity of the work has been underestimated.

Transitions are rarely linear. Activity levels fluctuate, additional tasks emerge and dependencies on third parties can introduce delay. Securing appropriate resources and budgets upfront with flexibility built in enables administrators to respond confidently, maintain service quality and avoid reactive decision-making.

This chapter highlights practical steps to support robust planning and sustained delivery.

Pro Tips

- **Scope & Fee Agreement:**
  - **Define scope early and clearly** - Identify and document all tasks (e.g., data cleanse, reporting changes, transition support), agree responsibilities and confirm resource and budgets before the transfer
  - **Build in contingency** - include a contingency within budgets for unexpected delays (e.g., tracing missing members)
- **Leverage Insurer or Superfund Expertise:**
  - **Use provider tools and frameworks** – request the Buy-in or Superfund provider's data validation toolkit to support efficient data cleansing
  - **Adopt proven transition approaches** – request a copy of the Buy-in or Superfund provider's preferred transition process plan

- o **Maintain regular engagement** – schedule regular update calls with the Buy-in or Superfund providers transition team to monitor progress, resolve issues and maintain momentum

Key Takeaways

- Be clear and realistic on costs and when they'll be incurred. Transition effort isn't linear, making active budget management critical
- Collaborate with the provider to understand requirements, dependencies and trigger points for additional resource
- Develop and maintain a tailored resource and budget plan to support workload planning and delivery throughout the transition

Plan resources and budgets upfront for a smooth transition

The Administrator's Mantra
'Automate, Validate, Communicate'

Applied consistently, this approach supports resilient administration, confident delivery and positive member outcomes throughout Buy-in and Superfund transitions.

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