PASA Master Trust Working Group

Master Trust Guidance

June 2024

Master Trust Guidance

DISCLAIMER

This document sets out a framework for good practice transitions between master trusts and should be considered as guidance only. The information isn't intended to be exhaustive and we urge trustees to seek independent and legal advice when appropriate. Our Guidance is in addition to the detailed regulatory requirements contained in the Pension Regulator's (TPR) document, **Pursuing a Continuity Option during a Trigger Event Guide**.

Acknowledgments

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1. Introduction

With DC master trusts firmly established as a mainstream pensions vehicle for millions of people, they've come under much greater focus. Active consolidation of master trust providers is still an active strategy. Additional regulation and authorisation requirements are now in place to ensure master trusts are robust enough to stand the test of time. As consolidation continues, it's imperative transitions follow the prescriptive legislation and industry best practice.

This Guidance is designed for situations involving transitions of savers to and from master trusts. Such a transition could happen for many different reasons, but this Guidance focuses on the two most common scenarios:

- **A.** Master trust to master trust where Continuity Option One[1] (CO1) is being followed
- **B.** Single employer trust to master trust

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

A key pillar in the reform of UK Pensions was the rollout of the Automatic Enrolment (AE) program. AE is seen as a success story with over 10.7m individuals now saving[2] into a pension who, without the program, wouldn't have done so. This is in addition to the circa 12m eligible employees already participating in a workplace pension scheme. AE led to a surge in new master trusts and there were concerns about how they would all provide good outcomes for savers.

The original version of this Guidance was issued in November 2019 and has been updated for 2024. Master trusts have developed in the intervening years and are no longer 'new', but the Guidance remains essentially the same. Master trusts are subject to regulation such as authorisation[3] and supervision. Economies of scale means consolidation remains a constant, encouraged by TPR through its belief of 'bigger is better' and regulation driving underperforming DC schemes into master trusts. TPR's authorisation regime drives standards and comes with high governance benchmarks and financial reserving requirements. It's vital individual savers have confidence their savings are being well looked after.

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

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[1] Continuity Option One is the method by which trustees of a master trust transfer all saver out and then take all other steps to ensure the scheme is wound up. This process for master trusts is broadly similar to winding up other occupational pension schemes under general legislation, but master trusts have some additional requirements that must also be met'. From TPR's **Pursuing a Continuity Option during a Trigger Event Guide**

[2] £114bn according to DWP 2021

[3] **Authorisation of new master trusts | The Pensions Regulator**

Master trusts failing to meet these stringent requirements are no longer permitted to operate and must make alternative arrangements for their savers (and participating employers). It's imperative any master trust exit is orderly and occurs in accordance with the prescribed legislative requirements and direction.

Initial master trust transitions were wholesale master trust to master trust where CO1 had been triggered. Transition activity is now more complex, with individual employers moving between master trusts and more single employer schemes moving to a master trust.

2. Transitions

Examples & legal considerations

A master trust may transition into another master trust where a 'Triggering Event' has taken place, as defined in the Pension Schemes Act 2017[4]. We describe this as a **regulated transition**. Where a regulated transition is taking place, certain requirements are specified in legislation and these must be complied with (see below) following CO1.

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

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

- Any decision by a master trust to wind up is a triggering event which carries certain duties: **Identifying and notifying triggering events | the Pensions Regulator**
- Any decision to transition all savers and then wind up a master trust must follow CO1, as set out in the **Occupational Pension Scheme Master Trusts/Regulations 2018 (the 'Master Trusts Regulations')**
- The **Pursuing a continuity option during a triggering event guide from TPR** requires trustees to undertake a number of key activities, including those relevant to administration and data. It also includes a flow diagram setting out the mandatory timescales for key transition and wind-up activities for CO1 and a template Implementation Strategy. Master trust trustees must produce an Implementation Strategy setting out how they'll handle a triggering event – this extends to the transition and wind-up activities for CO1 and must be submitted and approved by TPR

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

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

Trust law duties must be observed

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

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

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

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

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

Employee consultation (for non-regulated transitions)

In a single trust scheme, most employers will need to consider the requirement to consult with employees on any decision to:

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

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

Amending the ceding pension scheme

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

Secondary market

As the master trust space has matured, a 'secondary market' is emerging whereby employers are considering whether to switch from one master trust to another, with the potential for accumulated assets to be transferred as part of this.

This phenomenon was picked up in the Government's November 2023 review 'Evolving the regulatory approach to Master Trusts' and is an area all stakeholders should be aware of. Bulk asset transfers when employers 'switch' master trusts aren't governed by CO1 and it's not necessarily the case the interests of all parties will be aligned – so care should be taken in planning and resourcing such transitions. Legal advice is also necessary.

3. Planning the Transition

The receiving master trust should have been chosen as part of a detailed and robust selection and due diligence process, where findings surrounding capability, delivery or speed of transition will be factored into the planning.

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

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

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

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

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

This framework and project-discipline approach will help in the creation and implementation of the continuity strategy for those following CO1 and will help anyone who needs to start thinking about constructing a transition plan.

The project plan itself may have several sub-projects embedded within the main project. It's critical any sub-projects, and their associated plans, are coordinated and managed in line with the master project plan. Some sub-projects may have their own project lead reporting into the main project manager. Either way, it's important there's a collective understanding of what's trying to be achieved. This can be managed through the use of a PID, risk register, task lists and other supporting tools.

Establish the Project Governance

Strategic set up

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

Active ongoing management

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

Project closure

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

Project Governance Process

- follow decision making channels and escalation process, regular project board/steering group meetings

Risk Management

- identifying, assessing, mitigating, monitoring and logging risks

Stakeholder Engagement

- ongoing communication with stakeholders, based on pre-agreed plan

Regular Reporting

- written highlight reports and verbal updates

Questions project leads should ask:

Has anyone else in the industry achieved a successful migration to the administration platform used by the receiving master trust previously?	**Comment:** Lessons learned from other organisations when they completed similar transitions should be key when commencing a project. As much useful information as possible should be gathered to aid the design of the project
What are the implicit and explicit costs of the transition?	**Comment:** The explicit cost is the actual amount of money being paid to advisers, additional governance costs to oversee the transition, data cleanse costs, additional administrative costs etc. Implicit costs refer to costs incurred in, for example, the cost of the selling existing investment assets and buying new investment assets, as well as trustee time
How is the migration going to be phased?	**Comment:** Are all members migrating in one go or are they being phased? There are benefits in phasing the migrations as lessons learned from the first phase can benefit latter phase(s), but it does increase the amount of work required
How is commitment gained from the key stakeholders?	**Comment:** Don't assume everyone is as on board with the project. Commitment needs to be gained for the entire project up front and with all parties, including ceding and new system supplier's sign up to the end to end project deliverables and timescales. There must also be an escalation process if this commitment doesn't materialise
Is external help needed?	**Comment:** Is expert help needed to support the migration or are resources, expertise and track record available to deliver this internally? Various expert organisations can support managing transitions which could be critical to the success of the project
What can go wrong?	**Comment:** It's a long list, but particular attention needs to focus on to the ability of the ceding system supplier to provide the data and data definitions. Key administration experts also need to be on hand to ensure 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 to convert this into the new system
How important is testing and acceptance?	**Comment:** Absolutely critical. There have been transitions where the data has been mapped perfectly from one system to another, but the testing and acceptance of the data and post transition processes were insufficient and this had a significant impact on the post-transition administration capability. Testing and testing again is critical

The Plan

TPR's flow diagram in **Pursuing a continuity option during a triggering event guide** sets out the mandatory (CO1) timescales for key transfer and wind-up activities and should be a key part of establishing a project.

The following checklist details the actions required to transition from a master trust to another master trust, or a single employer trust to master trust.

Implementation Phase 1 – Before the transition

Audit of data quality with scheme administrators	
Plan on how to collate and audit employer responses and choices. Plan adequately for the challenges transitions bring (required under CO1 for Master Trust)	
Issue 2 month notice of closure of the scheme to future contributions to employers, members and supporting intermediaries	
Ensure compliance with 60 day consultation requirements	
Engage with participating employers to arrange new AE Qualifying Workplace Pension Scheme (QWPS) for future contributions	
Receiving master trust to provide communications to support above activity and (potentially) visit participating employers where required	
Provide communications for participating employers to communicate new QWPS to employees	
New QWPS arrangements established for all participating employers	
Receiving master trust to provide participating employers with online information and sign up	
Receiving master trust should be aware of when a re-enrolment exercise would be triggered (i.e. a break in participation of a QWPS at no instruction of the individual employee) and communicate accordingly	
First contributions to new QWPS	
Participating employer uploads payroll file on an ongoing basis	
Receiving master trust to send joiner pack to active members once payroll file uploaded	

Implementation Phase 2 – The transition

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

Implementation Phase 3 – Finalisation phase

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

4. Communications

A clear communication plan is a crucial tool when managing a transition. It should consider different stakeholder needs with clearly defined primary objectives to provide clarity, facilitate understanding, drive engagement where necessary and minimise confusion. This will avoid adding to the workload of already busy teams in supporting large volumes of member queries generated by poorly constructed or timed messaging.

The plan should detail the communication deliverables (segmented by stakeholder group), identify the goals of the communication activity and define the costs involved. This allows the project management team to keep track of progress and the communications team to monitor its effectiveness. Appendix B sets out the communication requirements and associated timeline in relation to CO1. It includes the essential items required, but a successful communications campaign will vary in approach in line with the prevailing circumstances and stakeholder needs.

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

Framing the challenge - Why do we want to communicate?

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

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

Who are we supporting?

There's significant value to segmenting the various audiences/stakeholders early in the process. While many of the communications may work across a number of stakeholder groups, there will be clear distinctions in the types of support needed. Mapping these out will identify areas of commonality, where unique support will be required and to ensure the overall timeline of communication and sequencing is in the correct order.

What do we want to communicate?

All good communication plans define their key messages and order how they should be sequenced from the outset. They start with clearly addressing the basic needs and context of the recipients, what's changing, why, when, what does the change mean for recipients and do they need to do anything? These primary messages are key and, while they should be crystal clear, they should be in language and tone of voice appropriate to the recipient and consider how they may feel about the coming changes. It's also important to ensure, where possible, there's a consistency in the terminology used. The timing of communications should be agreed with all parties so a logical order is established which doesn't confuse recipients.

An authorised master trust must demonstrate it has a robust plan in place to engage savers and seek their views. This may mean the ceding scheme members could benefit from enhanced engagement tools – such as online calculators/self-service, or improved saver education. It's worth taking the time to fully understand the communications provision of the receiving master trust and, where there are enhancements to the current offering, highlight these to savers. The receiving scheme may have member communications collateral ready or mitigate the need to develop many communications from scratch. So it's important to make contact early on.

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

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

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

Deciding on what success looks like

A positive outcome where all members and stakeholders are engaged with the change, well-informed, ready and kept up to date with progress. Ideally members will also be reassured about the drivers for change, understand the background and are prepared for any action they must take or new options they might have.

Measures of success should align to the objectives set for the plan and ensure it's understood whether the key messages have landed as intended. There are several ways to measure the success of a communications plan and consider those most closely aligned to the objectives. These could include levels of engagement, measured in several ways including:

- Actions taken as a result of the communication, such as an increase in saver registrations on the website or other positive confirmation of the message being understood
- Levels of web traffic, potentially driven by more traditional channels of communication such as print
- Confidence levels and capabilities of internal teams who will be interacting with the receiving master trust
- Levels of unwelcome activity as a result of communication for example 'Failure demand' – levels of unnecessary enquiries due to unclear communications/a misunderstanding of what's happening

Deadlines

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

Internal teams need to be prepared prior to any member communications to ensure they can support them. Ensure the receiving master trust's plans are understood and any communications from them are built into the timeline of communication in a joined-up manner.

It could be tempting to produce a catch-all communication, but will the audience really stay engaged until the end of the communication? It's better to communicate to each group in manageable amounts.

Planning – Interested parties

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

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

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

Legal and regulatory requirements

The ceding scheme needs to ensure compliance with all relevant laws and regulations regarding communication methods and timescales. It's imperative to understand which party has responsibility at each stage.

Why is good communication needed?

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

What does good communication look like?

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

5. Data Transition

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

Data also has to be protected. Security is key to retaining not just confidence, but also security of benefits for their enjoyment in people's retirement. This will remain an important area for master trusts to manage to ensure their systems and processes remain fit for purpose. The principles are outlined in TPRs Cyber security Guidance.

Poor record-keeping can lead to delays in the transition process and be expensive if things go wrong. Data is vital to all transitions and is particularly important for DC schemes given the potential volume of individual transactions to be considered. The links below provide further reading in the topic:

- PASA Data Guidance
- TPR Record-keeping Guidance
- TPR Code of practice 15 Authorisation & Supervision of Master Trusts
- TPR DC guide to administration
- PASA master trust Dashboard Guidance

What is a data transition?

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

What does a good data transition look like?

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

A good data transition will allow the receiving scheme to confidently administer benefits from day one following transition. This includes quick investment of contributions, reconciliation of units and settlement of benefits. To ensure a good data transition interested parties should consider the following:

A. Employer/trustee

If internal resource and expertise is unavailable, best practice is to appoint an independent specialist to project manage the transition. This enables practitioners to concentrate on the successful and timely transfer of data. Where costs are incurred, it's important to be clear about who is funding this before commissioning the work. For ceding master trusts following CO1, these expenses should be factored into the financial sustainability and forms part of an Implementation Strategy.

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

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

B. Administrator

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

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

The extent of this work needs to be identified and planned to be deliverable within the overall project timeframe. Those following a regulated transition under CO1 will need to ensure this work and any post transition work is achievable and needs to be included in the Implementation Strategy submitted to TPR. Non-regulated transitions should consider adopting this approach as best practice. Master trusts will be cognisant of the need to maintain historical data in some form as per continued authorisation requirements.

Consequences of a bad transition

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

Due to the large number of transactions in a DC scheme, there's a likelihood of record-keeping errors which can be expensive to correct. Poor data threatens the confidence and credibility of trustees/administrators and could lead to loss of trust and reputational damage. This may also jeopardise a successful connection to pension dashboards.

Planning Your Data Transition

A number of activities have to be considered and planned to support the technical transition of the data (NB. some activities will depend upon whether the investment strategy and funds will be identical). The data transition will be a sub-project within the overall project plan.

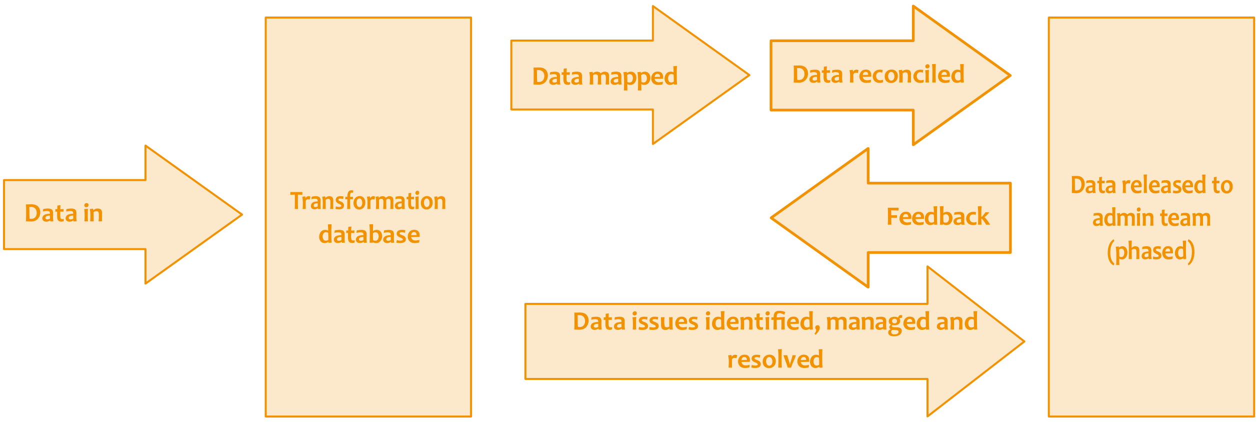
Project management	• Set up working group meetings to track transition progress (weekly/fortnightly meetings) • Ensure the correct people attend these meetings for a smooth and efficient handover, and to ensure queries can be answered quickly
Prepare a handover plan	• Cover the handover between the schemes and agree how any in- flight work items will be dealt with over the handover period • Agree with the trustees or employer when the last contributions will be invested by the ceding scheme. If applicable, carry out a shadow investment in the new administration system test environment to ensure investment splits agree with live data received • Agree the data items and format of the data to be transferred
Select a Secure File Transfer Protocol (SFTP)	• Agree a test plan including reconciliation of data items
Understand the data quality	• Review previous data quality reports (TPR scores) • Consider carrying out a data audit along with data cleanse activities • Establish reconciliation of contributions and investment process and any known issues identified by the ceding scheme • Agree how a full history of transactions will be transferred and held on the new administration system. E.g. will a 'rolled up' approach be taken?
Agree blackout period	• Refer to the Asset Transition section in this Guidance Allow for investment deals to be completed so the units held against each member or policy are known at the point of the go- live transition
Scheme set up and standing data	• Configuration of lifestyling or other phased switching routines, fund platforms or straight through processing (STP) set up • Obtain assumptions for fund projections and benefit statements • Set up member and fund management charging if applicable Banking and financial management
Contracts/agreements/ signatory lists	• If required, set up investment managers/bank accounts and contracts with any other third parties e.g. annuity brokers, group life insurers
Retirement process	• If required, establish options available and annuity broking process in place
Handover of paper files and microfiche	• Arrange in advance to be received in time by receiving new master trust administration
Infrastructure	• Ensure appropriate functionality and capacity to support transition testing and the production transition
Data deletion or archiving from source systems	• Agree data retention policy
Member website	• Set up online member access logins (if applicable) and timely communications of the website registration process details
Communications	• Refer to the Communication section in this Guidance • Identify if any bespoke communications are required for ongoing administration. It's good practice to inform people so they know this is happening and when, especially if there are going to be blackout periods and changes to online access

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

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

Technical transition of data

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



Data Quality

Changing administrators usually highlights deficiencies and errors in scheme data, which will usually necessitate a data cleansing exercise. The extent to which data cleansing is required will vary according to each scheme and whether any data cleansing activities had previously been carried out.

It's the trustees' duty to ensure their members receive the correct level of benefits. They're accountable for operations and activities including data quality, not only that the data exists, but it's accurate. Data cleansing could therefore be necessary. The level required will best be understood after data integrity testing has been carried out as part of the transition process.

Trustees should also consider the quality and accuracy of deferreds' contact details and if a tracing exercise is necessary as part of any data cleanse prior to transition. Deferred members are entitled to the same communications as active members, and reasonable endeavours should be undertaken to ensure this cohort is informed of the changes to their pension provider. This can be a time-consuming exercise and should be considered at an early stage in the process.

Who should carry out any data quality reconciliation exercise, and the length of time this will take needs to be considered. TPAs may include this in their suite of services, internal resources may be available, or an independent data specialist can be appointed.

The receiving scheme administrators need to hold take on data in full for at least seven years, but this may be archived once the pertinent data needed for ongoing administration is loaded. Not all historical data is migrated to the new platform.

Data Validation and Data Cleansing

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

Analysis	• Analysis of the data should be performed at the outset to look for inconsistent or missing data items to ensure the data is complete and accurate • The review of the data should include common and scheme specific data items as set out in the TPR record keeping Guidance and Code of Practice 15 • Pay particular attention to contribution and investment transaction areas – see Data Table below • If it's been decided to transfer files, the extract of images and electronic files should also be checked to ensure indexes have been provided for all files and all files listed in the index have been extracted from the source • All agreed pre-transition data cleansing activities must be executed in a timely manner
Cleanse Plan	• Where it's been established data is missing or incorrect, a Data 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
Saver Tracing	• A tracing exercise should also be considered. Engaging with the members is an important action during any change

Data Table

The data review should pay attention to the following areas:

Data Item: Contribution History

- **Type:** Missing contributions
  - **Check:** Missing intervals or pay periods depending on payroll frequency weekly/monthly/two-weekly/four-weekly etc.)

- **Type:** Outstanding contributions
    - **Check:** No contributions received in the last contribution period for a regular contribution source with open contributions rates
        - **Exceptions:** Members not active
- **Type:** Transfer in contributions
    - **Check:** DC transfer in not reflected in contribution table

Data Item: Contribution Rates

- **Type:** Duplicate contribution rates
    - **Check**: No contributions received in the last contribution period for a regular contribution source with open contributions rates
        - **Exceptions**: Members not active
- **Type**: Contribution rates relevant to section of scheme
    - **Check**: Ensure contribution rates on record relevant for member's section, e.g. auto enrolment sections
- **Type**: Contribution salary/sacrifice/non-salary sacrifice
    - **Check:** Ensure the salary sacrifice status history of contributions is maintained
- **Type:** Contribution rate relevant to saver age band/scheme service
    - **Check:** Are contribution rates age/service related? Check to ensure member in correct band

Data Item: Fund Balances

- **Type:** Balance check
    - **Check:** Sum of investment history does not equal stored unit balance
        - **Exceptions:** Systems which don't hold a separate data set with the current unit totals
- **Type:** Closed funds
    - **Check:** Unit balance in closed or defunct funds
- **Type:** Exits with remaining units
    - **Check:** No liability or Exit status. With remaining unit balances
        - **Exceptions:** Partial retirements
- **Type:** Lifestyling
    - **Check:** Lifestyling members with units in non-lifestyling funds. For correct execution of lifestyle rebalancing. Unit balances not consistent with Target Retirement Age
        - **Exceptions:** Systems which allow partial lifestyling
- **Type: Missing contribution history**
    - **Check:** Members with fund balance but no contribution history
- **Type:** Negative unit balances – check 1
    - **Check:** Negative unit balance (check 1) - investments grouped by Fund
- **Type:** Negative unit balance – check 2
    - **Check:** 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)

- **Type:** Inherited issues
    - **Check:** Any inherited data issues should be highlighted by the receiving master trust at the outset and unit differences maintained. Action plan should be put in place with the client to resolve any known issues
- **Type:** No investments
    - **Check:** Active or preserved status without a unit balance greater than zero
        - **Exceptions:** Recent New Joiners or ongoing settlement at handover, e.g. death cases
- **Type:** Target Dated Funds
    - **Check:** Unit balances not consistent with Target Retirement Age

Data Item: Fund choices

- **Type:** Target or selected retirement dates
    - **Check:** Date is present. Check it's consistent and reasonable
- **Type:** Closed funds
    - **Check:** Open investment allocation in closed or defunct funds
        - **Exceptions:** Members not active
- **Type:** Fund choices error
    - **Check:** Investment allocation percentage not equal to 100%. Check all contribution sources
        - **Exceptions:** Members not active
- **Type:** Single payments
    - **Check:** Open investment allocation for Single or Transfer in contribution sources
        - **Exceptions:** Members not active
- **Type:** Default option
    - **Check:** Check investment choice percentages reflect the point reached on the default Matrix or the member is in the correct Target Date Fund for their age
        - **Exceptions:** single fund defaults
- **Type:** Lifestyling savers
    - **Check:** Non-Lifestyling Investment fund choice for lifestyling member
        - **Exceptions:** Schemes allowing partial lifestyling
- **Type:** Target Date Funds
    - **Check:** Fund Choices not aligned to Target Retirement Age

Data Item: Investment History

- **Type:** Contribution comparison
    - **Check:** Investment history not consistent with contribution history - compare the value of contributions invested to the contributions received
        - **Exception:** Not all systems hold a separate contribution and investment tables

- **Type**: Contributions before Start or after Leaving
    - **Check**: Contributions outside of Date Joined Scheme and Exit Date
- **Type**: Fund switches
    - **Check**: Switch transactions where the value of units sold is not the same as the value of units bought
- **Type:** Incomplete transaction details
    - **Check:** 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
        - **Exceptions:** 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
- **Type:** Inconsistent Investment Date
    - **Check:** Investment date before contribution received date
- **Type:** Inconsistent unit transactions
    - **Check:** Buy transactions with negative units or sell transactions with positive units
- **Type:** Transfer in contributions
    - **Check:** DC transfer in not reflected on investment table

Data Item: Lifestyling

- **Type:** Appropriate fund choices
    - Check: Check investment choice percentages reflect the point reached on the lifestyling Matrix
- **Type:** Appropriate investments
    - Check: Check member fund levels match the point reached on the lifestyling profile
- **Type:** Lifestyling indicators
    - **Check:** Inconsistent lifestyling flags - most systems hold lifestyling Indicators in multiple places, check the lifestyling information stored in different fields is consistent
- **Type:** Reverse switching not allowed
    - **Check:** Switch buys in a fund which should not have any within the lifestyling period
        - **Exceptions:** Schemes where the investment strategy allow reverse switching during the lifestyling phase

Data Item: Scheme Fund Balances

- **Type:** Unit reconciliation
    - **Check:** Check the unit balances against manager unit totals. Ensure any non-member or Trustee units are correctly identified and accounted. An action plan to resolve any discrepancies should be agreed with trustees, as they may seek compensation for any loss to savers from previous administrators

- **Type:** Cashflow reconciliation
    - **Check:** Handover of scheme bank account, with breakdown and explanation of funds including benefits to be settled, amounts to be invested

Data Items

As part of the data transfer, the ceding trustees (and their administrators) need to agree with the new administrators what data will be transferred and in what format. Not all data will be required and will depend upon whether the investment strategy and funds will be identical. Where the investment funds are identical, then the current investment choices and investment solutions will need to be replicated and relevant data transitioning to the new master trust for the setup phase. Where the investments are different the new investment choices must be included as part of the transition process and based on the self-select choice, or the default position as laid out by the receiving master trust trustees where no active decision is forthcoming.

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

Identify all data sources

- At the outset investigate, define and agree all sources of data required to be in scope of the transition. It's crucial all sources holding administrative data are disclosed, including Excel spreadsheets or other sources storing information the scheme's previous administration provider's system couldn't accommodate

Data extracts & format

- Provide extracts of all data and files held on the source administration systems including the full history of contributions and investments. The receiving master trust should keep all necessary records needed to ensure the correct benefits are paid at the right time. More regular data items (i.e. those which will need to be accessed more frequently) should be populated and retained on the live system
- A full history of transactions (subject to the ceding administrator having received this information from a previous provider) should be transferred for each member with a current investment holding. The master trust authorisation standard (in particular for systems and processes) must be maintained. The source data should be delivered in a full and complete format as agreed and it can be worked upon by the receiving master trust. Data queries must be answered promptly by the ceding scheme's administrator

Images & documents

- If applicable, images and electronic files held by the ceding scheme will need to be extracted from the source systems or folders. An index of the extracted files must be supplied to the receiving master trust
- If applicable, transfer of paper files/saver backfiles and images should be identified and agreed at outset

Data Dictionary

- If the full data dump is provided, a data dictionary detailing what's contained within the extracted files must be supplied with the data extracts and it should include all the code translations used in the data

Reconciliation

- The extract should be accompanied by control totals which can be reconciled against containing row counts and totals of all numeric fields and membership numbers

Data Transfer

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

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

Data Mapping

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

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

Full data extract	• 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

Test Plan

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

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

    - Decumulation
- Retirement approach
- Lifestyle approach
- Routine Calculations
    - 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 receiving master trust should be reconciled so totals agree with the ceding scheme before any record keeping changes are made to the data and administration commences. The following activities should take place:

Report

- A full and robust reconciliation report should be produced accounting for all data and member movements. Membership numbers should be reconciled with the ceding scheme on take on
- The report must demonstrate all data has been reconciled at each step of the transformation from the source data to the destination system, to remove the chance of corruption or erroneous manipulation
- A decisions log should be kept

Discrepancies

- The reconciliation process should cover counts and summations across all data items and tables. Where discrepancies exist, a full explanation must be provided with a breakdown of the exemptions

Unit holdings

- It's essential a reconciliation is performed of the total number of units held by the investment managers with the units imported for savers and trustees at the point of take-on

6. Asset Transition

In the context of this Guidance, an asset transition is the handover of pension scheme assets between the ceding scheme and the receiving master trust. Assets may be transitioned into the same funds at the new master trust or (more likely) into new fund ranges. It's important in both of our scenarios, regulated and non-regulated, there's a legal change of ownership from one trustee to the other. It's critical any transition plan includes the transition of assets at an early stage due to the potential number of moving parts and differing asset types moving from one place to another.

Getting the asset transition wrong can have an enormous effect on individual's scheme values. They can lead to costly re-work and potentially large payments to compensate for any investment loss occurring due to poor management/errors in the process.

The three main methods of transitioning assets

Usually, the receiving master trust will offer a range of funds, which the trustees will have reviewed and determined the suitability of, during the due diligence phase. There will be a default fund or set of default funds to move into. There may also be self-select options for savers who make active investment decisions. While the majority of the assets in any scheme are in the default fund (anything between 80 and 95%), it's vital the same diligence and thought is given to the self-select savers.

During the master trust selection process, the mapping of assets from the ceding fund range to the new fund range would have been undertaken, gaps analysed in terms of asset class availability for both the default fund and for the self-select savers. These deliberations would have considered the risk and return profile, volatility, flexibility, ongoing appropriateness and costs of the receiving funds to arrive at the decision and the final fund mappings from the exiting scheme to the new master trust.

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

1) **In specie Transition** - a ceding fund has the same stock holding as the receiving fund. The fund manager doesn't sell the assets at the fund level, but transfers the underlying stocks (shares held in the fund) to the new fund manager. The new fund manager then invests those assets into their fund. This doesn't happen often with DC schemes, as it requires a close like for like fund to move to, but should always be considered due to the cost savings this can reap. In specie fund transitions are normally only efficient if the asset size being moved is multiples of £millions
2) **Re-registration of assets** - funds are held on a life insurance platform which many DC schemes use to access funds. It's a common occurrence in many DC scheme asset transitions and is an efficient method of transitioning assets where the receiving fund manager is using the same underlying funds. The assets held in the scheme's name are re-registered to a new beneficial owner on the receiving platform. At the time of this Guidance, most DC schemes still invest into passively managed funds and generally (although not exclusively) into a handful of managers providing these investments at scale and at low cost. This means there are many instances whereby the same passive funds from the same fund managers are used by both the ceding scheme and receiving master trust. Re-registration is performed by the platforms themselves and is a paper registration from ceding fund manager to receiving fund manager and incurs no transactional costs as there is no buy or sell. This is an extremely efficient method of transitioning and can happen efficiently with small asset values

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

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

The effect of charges

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

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

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

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

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

Out-of-Market Controls

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

By adopting out of market procedures and processes, the amount of time a contribution or portion of members' funds aren't invested can be controlled/limited to some extent. Out of market controls are about managing the potential financial impact on members during these periods and making sure risks and processes are communicated to those affected.

Process

Compliant

- Out of market funds are typically invested with managers within 3 days of receipt of the money for individual member transactions. It may take longer where the receiving fund isn't daily priced
- Bulk transactions will be subject to different service levels (SLAs) and trustees/employers should be aware of the out of market period and the options to reduce this risk, such as prefunding the investment
- There's a documented process for managing out of market risk adhering to agreed SLAs

Good

- Out of market funds are invested with managers within 1 day of receipt for individual saver transactions
- Prefund bulk transactions to reduce the out of market period
- An electronic interface with Investment Fund Manager is used to speed up disinvestment or investment proces
- When it's not been possible to meet SLAs, an explanation of the circumstances surrounding any delay should be given, together with agreed actions to mitigate any future delay

Reporting

Compliant

- Requests to invest/disinvest/switch funds should be reported as part of the agreed SLA reporting in the Administration Report, highlighting where they haven't been met

Good

- When it's not been possible to meet SLAs, this must be reported upon

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

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

Framing the plan and executing the trades

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

Schemes shouldn't intend or time the market in respect of a thoughtful transition. However prior to the point of starting the actual first trade, a go/no go call should be made with the investment managers or investment consultant, the appropriate fund managers and the trustees/Project Board in charge of the transition. This decision is based on 'are we ready, is there anything peculiar occurring in the market, is it 'good to go'.

A go/no go call determines the receiving and ceding administrators are prepared and the transition has been well planned for each fund and different scenarios. If the answer is 'yes', then the current investment market conditions should also be considered. If markets are volatile, it may be prudent and in member and schemes best interests, to pause until markets settle back to normal levels of price volatility. It may be an event, such as an election, or a government budget taking place which could create undue volatility and therefore risk. It's never a perfect time to transition but due consideration should be taken when planning the asset transition date.

Planning Recommendations:

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

Planning & Project Management	Ensure this element has its own project plan which fits into the overall transition plan
	Take a broader view of each event, ensuring someone is responsible for each task needed, e.g. the platform, investment consultant, fund manager or project manager
	Plan/timeline including key milestones
	Agree deliverables with the schemes, TPAs, and the current and target fund managers
	Produce a log of action points, issues and risks
	Produce a log of decisions made
	Manage project meetings/conference calls to monitor transition progress reporting actions and decisions accordingly
	Manage the project and investment phase within the constraints of those involved (i.e. blackout periods, administrators and saver communications)
	Manage input to the go/no go meeting
	Agreed approach signed off and accepted by the schemes

Transition Management Strategy	Construction and implementation of transition strategies have been designed to minimise cost and manage risk within the time constraints of the project
	Coordination of investment activity needed to subscribe or redeem from a wide range of funds
	Detailed timelines for activities taken on
	Ensuring any pre-investment agreement is completed
	Drafting the re-registration instructions from the ceding scheme to the current managers
	Signing of re-registration tri-partite agreements between the fund managers (if applicable), the schemes, and platforms subject always to the cooperation of the other parties to these agreements

Transition Instructions & Timing	Facilitation of the re-registration and in specie process
	Management of the out of market risk for the cash investments as agreed in the transition strategy
	Drafting of the disinvestment instructions to the current managers for relevant holdings to be sold for cash, re-registration or transferred on an in-specie basis

Unit Calculations	Calculation of the in-specie redemption values
	Calculation of the estimated transition costs arising from the sale and purchase of funds for cash and notify these to the schemes. The costing will be at the fund level, not broken down to an individual member level
	Calculation of the actual transition costs arising from the sale and purchase of funds and notify these to the schemes. The costing will be at scheme level, not broken down to an individual member level
	Post trade report detailing actual transaction costs and savings
	Allocation of units in the funds and notify these to the administrators
	Insist on a final three-way reconciliation of units, cash redeemed and invested value. This is a critical part of the transition and how a reconciliation will be performed should be considered as part of the planning stage. There are requirements under CO1 and best practice to have a fully balanced and auditable trail

7. Industry Developments

Upcoming industry developments likely to have an impact on the master trust space are:

- Mansion House Reforms as articulated in the Chancellor's speech on 11 July 2023 – set out a framework for reform to the UK pensions market in a number of areas

- Small Pots - The PASA Pot for Life Working Group (P4LWG) was formed in late 2023 to consider the proposals for a 'Lifetime Provider' solution to this issue. While there is no final approach, it's worth noting this will affect master trusts

- Value for Money - From 5 October 2021, VFM requirements were introduced for relevant occupational pension schemes with under £100 million of assets, requiring increased reporting and assessments. DWP's statutory Guidance, completing the annual VFM assessment and Reporting of Net Investment Returns, published in June 2021, states there are three areas to consider and report on:
    - Costs and Charges
    - Net Investment Returns
    - Governance & Administration

- Dashboards - The pensions dashboards initiative is a complex, long-term, development for UK pensions and PASA's Pension Dashboard Working Group (PDWG) has been instrumental in helping set standards. By introducing multiple pensions dashboards, and the underlying technology 'ecosystem' which supports them, Government is aiming to increase people's connection to, awareness of, and involvement with their different pensions. Note: this doesn't cover pensions already in payment. It should be noted master trusts are expected to be in the first round of connection to the dashboards ecosystem and hence there is an added urgency to be prepared

8. Conclusion

This Guidance is intended to help you navigate transitioning to and between master trusts. The DC world is evolving quickly, whether in preparing for dashboards, creating innovative and meaningful retirement products or executing business as usual functions. It's one of the biggest periods of market collaboration for some time, and it's key all parties have a common, core approach when consolidating or restructuring funds and considering administration impacts. As with all administration challenges, the devil is in the detail and the accuracy is in the data.

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

Task Name	Duration	Duration
Model Migration Project Plan	**180 days**	**180.0**
Project Management	**21 days**	**20.5**
Project Planning	**7 days**	**14.5**
Create Project Plan	1 day	3.0
Create Risks and Issues Log (data & project)	1 day	2.0
Create Communications Plan	1 day	2.0
Create Test Plan	1 day	1.5
Prepare a cutover plan	1 day	2.0
Review project documentation	1 day	2.0
Sign off project documentation	1 day	2.0
Fortnightly Project Update Meetings	**12 days**	**6.0**
Project Updates 1	0.5 day	0.5
Project Updates 2	0.5 day	0.5
Project Updates 3	0.5 day	0.5
Project Updates 4	0.5 day	0.5
Project Updates 5	0.5 day	0.5
Project Updates 6	0.5 day	0.5
Project Updates 7	0.5 day	0.5
Project Updates 8	0.5 day	0.5
Project Updates 9	0.5 day	0.5
Project Updates 10	0.5 day	0.5
Project Updates 11	0.5 day	0.5
Project Updates 12	0.5 day	0.5
Business Readiness Activities	**14 days**	**17.5**
Identify if any bespoke member communications	1 day	1.0
Agree Retirement process	1 day	1.5
Training requirements for New Provider	1 day	1.0
Set Up Contracts/agreements/signatory lists/platforms with Investment Managers	2 days	3.0
Set Up Contracts/agreements/signatory lists/platforms with Scheme Bank accounts	2 days	2.0
Other third parties set up e.g. annuity brokers, group life insurers	1 day	2.0
Arrange handover of paper files and microfiche	1 day	1.0
Agree data deletion or archiving from source systems with ceding provider	1 day	1.0
Set up online Member Access logins	2 days	2.5
Communications of the change of administration to members	2 days	2.5
Technical Migration - Pre-Migration Tasks	**5 days**	**13.5**
Setup Activity	**5 days**	**13.5**
Obtain Scheme Rules and Trust Deeds	0.5 day	0.5
Identify all data sources in scope for transition (incl documents and images)	0.5 day	2.0
Provision of source system Data Dictionary	0.5 day	2.0
Obtain Decodes information	0.5 day	1.0
Details from System Control File from source system(s)	0.5 day	2.0
Establish Scheme set up and benefit configuration requirements (incl Fund mapping)	1 day	2.0
Details of any scheme specific validation checks prior to loading data onto Destination System	0.5 day	2.0
Schedule provision of source data Test cut	0.5 day	1.0
Schedule Provision of source data cut Live	0.5 day	1.0
Test Data Cut	**90 days**	**80.5**
Data Mapping	**23 days**	**24.0**
Create Scheme benefit summary	5 days	5.0
Create Data Mapping Specification & Perform Gap Analysis	10 days	10.0
Forward Remaining Mapping Queries for resolution	1 day	1.0
Scheme set up and benefit configuration	5 days	5.0
Data mapping specification review	1 day	2.0
Mapping document signed off	**1 day**	**1.0**
Data Preparation	**6 days**	**8.5**
Set Up Test Environment	2 days	2.5
Create Data Prep Template for Data Import process	2 days	3.0
Create Data Load Reconciliation Report Template	2 days	3.0
Data Analysis	**9.5 days**	**14.5**
Load Test data cut	0.5 day	1.0
Produce Control Totals and Reconcile with Data Received	0.5 day	1.0
Run Data Validation Queries	1 day	2.0
Produce Detailed Analysis Report	5 days	5.0
Produce Cleanse Plans	1 day	2.0
Review of analysis results with ceding provider	1 day	1.5
Agree pre-transition data cleansing activities with ceding provider	0.5 day	1.0
Issue Data Analysis and Cleanse Plan Report to Client/Trustees	**0.5 days**	**1.0**
Technical Data Migration Set Up	**40 days**	**47.0**
Test cut	**38 days**	**41.5**
Create Migration Scripts	12 days	12.0
Finalise Set Up Schemes and functionality configuration	2 days	3.0
Run Migration Scripts	1 day	2.0
Reconcile Source to Destination Control Totals	2 days	2.0
Produce Reconciliation Reports & Exception Reports	1 day	2.0
UAT of test cut/raise & resolve queries	20 days	20.0
Test Migration Signed Off	**0.5 days**	**0.5**
Live cut	**2 days**	**5.5**
Live Data Received & Loaded	0.5 day	1.0
Run Migration Scripts	0.5 day	0.5
Reconcile Source to Destination Control Totals	0.5 day	1.0
Produce Reconciliation Reports & Exception Reports	1 day	2.0
Go-Live Release to client administration team	1 day	1.0
Sign off Migration	**1 day**	**1.0**

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

Specimen Project Plan

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

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

Specimen Project Plan

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

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

Get in touch:

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