



Standards – Service Agreements

Sept 2024

PASA 

Standard:

1.1 Agreement to provide administration services

PASA expects there to be a formal contractual agreement in place between the Principal (the Trustees of a Trust, the Employer and the Trustees where services are provided by an in-house team, the Governing Body of any Master Trust, the Governing Body of any Annuity Provider) and the appointed administrator(s), governing the service provision and service delivery.

Rationale:

An appropriate contract or letter of engagement should be the bedrock of the relationship between the appointed administrator and their Principal (the Parties), providing clarity on the respective party's obligations to one another. It should set out the obligations of each party and provide a framework from which each party can judge the delivery of their obligations. Where parties fall short of their obligations the contract should have a clear escalation path to agree the framework for resolution.

General Principles:

Formal agreements between the Parties should contain service commitments consistent with any arms-length commercial administration relationship. This agreement should be formally reviewed at regular defined intervals and maintained to reflect all agreed amendments to the terms of the agreement. All The appointed administrators should have a formal agreement with their Principal setting out:

- ✓ Obligations of the contracting parties
- ✓ Terms of the appointment
- ✓ Services to be provided and the expected performance levels
- ✓ Terms of payment and the basis of any review of costs
- ✓ Reporting requirements
- ✓ Termination obligations of each party (including support for transition to a newly appointed administrator)
- ✓ Dispute resolution mechanisms
- ✓ Data protections and security obligations
- ✓ Service continuity provisions

All administration relationships should be governed by a contract, regardless of the nature of the relationship. The framework expects commercial third-party organisations

to fully meet the standard. Where a Letter of Intent has been agreed between the parties it should also place an obligation on the parties to implement a full agreement within a specified time and, in any event, no later than 24 months after the initial appointment.

Outcomes:

Parties who know exactly what their mutual obligations are, what the appointed administrator will deliver, how much it will cost and what will happen if anything goes wrong.

Measures/Evidence:

PASA believes agreements between the Parties should clearly specify the:

- terms of the agreement and any notice periods for termination of the agreement by either party (the agreement should have a notice period sufficient to allow the client to find another administrator and to migrate services in a controlled manner)
- basis and any notice periods required for the renewal or extension of the contract
- obligations of all parties and identify what services are being provided, including at what price obligations of all parties in respect of Data Protection, General Data Protection Regulations (GDPR), Data Security, Conflicts of Interest, Limitations of Liability, Force Majeure and matters of Confidentiality
- obligations and set out the basis of any associated charges applying in the event of a change of Law
- basis for change control and set out the basis of any associated applicable charges
- reporting requirements and the content of reports (consistent with the reporting section within the PASA Standards)
- obligations, including frequency of Governance meetings
- obligations of each party in the event of contractual termination of the agreement and provide for the appointed administrator to hand over files, data and other intellectual property on termination on a basis consistent with the PASA Code of Practice on Service Transfer (including the appropriate and timely manner of information and data transfer and cooperation with the newly appointed administrator). It should state if any additional charges will be levied for this transfer activity including any data transfer
- method for calculating ongoing, implementation and termination fees (including the basis for future increases), what's included and excluded from any fixed fee, how any additional charges will be calculated, communicated, agreed and levied and how fees are invoiced and payable (including any dispute resolution mechanisms)
- actions and remedies in the event of a breach or dispute and the circumstances in which the agreement can be terminated prematurely by either party (and what costs would be incurred if terminated)

- Service Level Agreement (SLA) with service measures appropriate to the client
- requirements around staff including change of key staff (if appropriate) and compliance with TUPE regulations
- obligations in the event of Force Majeure

Accreditation Approach:

For TPAs:

PASA expects TPAs to contract appropriately and in line with the Standard with all their Principals.

- **The Accreditation team will randomly select Principals and ask for a copy of the agreement for each**

For in-house teams:

Where the trustees rely on the sponsoring employer to provide administrative services (i.e. the administration team are in the employment of the sponsor, not the trustees), PASA expects an agreement to be in place providing for the delivery of services on an appropriate basis. This agreement may not have all the commercial detail of a contract between an appointed administrator and its clients (e.g. it may not include details of pricing and financial consideration in the event of breach) but it should still specify how the services are to be delivered and to what standard.

Where the trustee/trustee board have direct responsibility for administration then there's no need for a commercial contract. PASA still expects to see a service definition and an SLA in place setting out the objectives for the team and provide a framework for performance measurement.

- **The Accreditation team will ask for a copy of the agreement/SLA (or multiple agreements where the team serves more than one board)**

For Master Trusts and Annuity Providers:

PASA expects appropriate agreements to be in place with any appointed administrator (in house or external third party).

- **The Accreditation team will ask for copies of the administration agreements for review**

Timelines:

PASA expects appointed administrators to comply with the standard fully in relation to all contracts signed on and after 01 April 2014.



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PASA is a Community Interest Company and our full name is Pensions Administration Standards Association

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