



Pensions Life Hack by Patricia Bailey

Changing Service Providers

What Is the Issue?

As a matter of good governance and as part of compliance with The Pensions Regulator's draft general code of practice, many trustees will have a policy for selecting and appointing service providers, and for assessing and managing their performance. However, the policy may not cover all the practicalities involved when changing service providers. Particular challenges arise when replacing the scheme administrator.

How to Ensure the Process Is as Smooth as Possible

In our experience, the administration transition process often takes longer than initially anticipated. A key part of the process is to communicate timescales clearly to both the outgoing and incoming service provider. Consideration should be given to delivering on statutory requirements (such as preparation of the report and accounts, triennial valuations and submission of the scheme return) during the transition period. From the outset, trustees and service providers should be clear on which party will be responsible for each critical task so that deadlines are not missed.

Lessons Learned

Every effort should be made to ensure that the transition is not disruptive to members, especially in terms of pension payments. The project plan should take account of factors such as the timing of employer contributions to ensure that there are sufficient funds in the new bank account for pensioners to be paid on time. Where pensioners are paid on different dates (for example on the anniversary of their retirement date), a payroll alignment process may be helpful, which should be factored into the project plan and agreed to well in advance. It is also important not to disrupt the annual process of applying pension increases.

Top Tips

1. Check the terms of the agreement with the outgoing service provider around the termination provisions and the fees associated with the handover process – seek legal advice if necessary.
2. Prioritise data protection compliance and cybersecurity measures. Consult your advisers on the potential need for a data protection impact assessment and an update to your privacy notice.
3. Ensure that there is a detailed project plan in place for the transition of services, with clear timescales and responsibilities.