

Master trusts

# Guide to completing the scheme financial template

This guide sets out the information you'll need to accurately complete each question in the scheme financial template, as part of the readiness review.

It's aimed at the trustees of master trusts, their advisers and scheme strategists. Completing the template will help you prepare your Cost Assets and Liquidity Plan (CALP). The CALP forms part of the master trust's business plan and summarises running costs and available financial resources, which is an essential part of the readiness review documentation.

## Contents

Background to the template	page 3
Overview of the template	page 3
Before submission	page 4
Income	page 5
Running costs	page 6
Financial reserves: run-on costs	page 9
Financial reserves: cost of compliance	page 11
Declaration	page 14
How to contact us	back cover

## Background to the template

We have developed an Excel template to assist master trusts in meeting the CALP requirements set out in our code when they submit draft applications as part of the readiness review.

The template contains 17 questions, which request financial and general information about the master trust. The financial information predominantly relates to the master trust's running costs and financial reserves, consisting of run-on costs and the costs of compliance required to satisfy the financial sustainability requirement of master trust authorisation. Where appropriate, we've provided further explanation and clarification on the specific information master trusts need to provide for each question.

The information required by the template relates to money-purchase benefits only. The information is likely contained in the master trust's business plan, and therefore generally available or under consideration. Therefore, we don't expect that a great deal of additional work is required to complete the template.

## Overview of the template

We want all financial information to be provided in a standardised format on a like-for-like basis across all master trusts. Where possible, we expect master trusts to group similar costs in order to provide the financial information within the fixed categories provided, rather than providing costs in unnecessary granular detail.

However, we recognise that the existing master trust market is quite diverse, given the range of business models, master trust structures and financial reporting formats looking to submit draft applications. Therefore, we also recognise that master trusts may not currently report their financial information in the format required within the template or there may be elements that we have not captured for a particular master trust.

Where possible, we've provided some flexibility within the template by providing additional rows where additional income streams and cost categories which we have not otherwise identified can be added manually. We have also provided text boxes next to each income stream and costs category for any explanations and assumptions where it adds clarity to the numbers provided. Please note that this needs to be concise as it is limited to a maximum of 200 characters.

The template includes both locked and unlocked cells. All cells apart from the white cells (input cells) have been locked and can't be accessed or changed. Additionally, no additional columns, rows or worksheets can be added to the template. Trustees may enter information in the input cells only. Please note that the format of many of the input cells has been restricted and therefore inputs must be in the correct format within the prescribed parameters (eg positive whole numbers only, percentage, decimals, date, text and free text etc). An error message setting out the correct input cell format and parameters will pop up if an input is not in the correct format or is outside the prescribed parameters.

Financial information from the most recent previous financial year available and the forecast three to five years as per the term of the master trust's business plan is required in full (no rounding in thousands or millions). Input cells which do not require information should also be left blank rather than entering unnecessary zeros.

We would typically expect master trusts to have considered various forecast scenarios (eg best case, base case and worst case scenarios), all of which would factor in some level of prudence. However, master trusts should only provide the financial information relating to their base case scenario when completing the template.

## **Before submission**

The template must be prepared by the scheme strategist and reviewed by another trustee of the master trust before it is submitted. Please provide the master trust name, pension scheme registration (PSR) number and the names of the scheme strategist and trustees who have prepared and reviewed the template respectively.

## Income

### **Question 1: Specific historical income for the previous reporting period, usually the end of the financial year and forecast (mid range/base case scenario) annual income over the term of the master trust's business plan?**

#### **Date**

Please provide financial year end dates for the most recent financial year end and the forecast financial year ends for the next 3-5 financial years. The number of forecast financial years provided should be consistent with those in the master trust's business plan. These dates only need to be entered once as they will be automatically entered in the template, where relevant.

#### **Income streams**

Please provide details of all the master trust's income in accordance with the income stream categories provided where possible. Any income streams which are not captured within the fixed categories provided may be entered in the additional input cells available.

#### **Increase in aggregate automatic enrolment contribution rates**

This income stream should only include any amount directly relating to the increase in aggregate automatic enrolment contribution rates for the specific year it relates to. From the next financial year onwards, any income relating to the previous year's increase in aggregate automatic enrolment contribution rates should be recognised as part of the normal ongoing income stream to which it relates - such as income from assets under management – rather than extrapolated out within the current row for the other forecast financial years.

#### **Example: A master trust has provided five financial years of forecasts, the first being for the financial year end 31 March 2019.**

As a result of the aggregate employer and employee contributions increasing from 5% to 8% from April 6 2019 onwards, the master trust's income from all active members is expected to increase in the forecast financial year end 31 March 2020 (FY2). Therefore, this increase should initially be included within this income stream in the Forecast FY2 column. However, going forward from Forecast FY3 onwards this increase in income should be recognised in the master trust's normal income streams, such as assets under management stream.

#### **Contractually agreed consolidations/acquisitions**

This income stream is for forecast income which specifically relates to any contractually agreed consolidations or acquisitions which have not yet been completed as at the template's submission date. Please do not include any forecast income relating to consolidations and acquisitions which have not been formally contractually agreed at the template submission date other than organic income growth. Once the consolidation or acquisition has been completed, all income relating to it should then be recognised within the master trust's other normal ongoing income streams.

## **Question 2: Is the master trust currently, or proposed to be, used for automatic enrolment?**

This question relates to the entire forecast period of 3 to 5 years. Please select either 'Yes' or 'No' from the drop down list available.

## **Question 3: Where the master trust includes automatic enrolment members what forecast opt out percentage has been assumed?**

Provide the average annual opt out rates for the master trust's forecast active members as a result of the increased minimum employee contributions effective from 6 April 2018 and 6 April 2019 in the forecast FY to which the average annual opt out rate applies.

## **Running costs**

Running costs are the costs of setting up and running the master trust on an ongoing basis, whether in-house or outsourced. We expect the forecast running costs of the master trust to be consistent with those included within the master trust's business plan.

Some master trusts may hold insurance policies or indemnities that provide cover for certain costs, including both running costs and financial reserves. All running costs and financial reserves, whether or not covered by insurance policies or indemnities should be provided in full.

If any of the master trust's specific running costs or financial reserves provided in the template are elements covered under insurance policies or indemnities, please advise what, if any portion of these costs are covered by such policies and indemnities, allowing for any excess within the explanation/assumptions text box provided next to that specific cost.

## **Question 4: Specific historical costs for the previous financial reporting period and forecast (mid range/base case scenario) annual costs of setting up and operating the master trust**

### **Cost categories**

Provide details of all the master trust's costs within the categories provided, where possible. Any master trust running costs which are not captured within the fixed cost categories provided may be entered in the additional input cells provided. Any additional costs entered will only need to be entered once as they will automatically be entered for the following questions within the template where relevant.

Do not include any costs which specifically relate to one off contingent liabilities or planned significant capital expenditure, including the costs of consolidations/acquisitions, in response to this question as you will need to specifically provide this information elsewhere.

## **Prudence**

Provide any additional prudence factored the master trust's forecast under each cost category identified in pound note terms. This could be applied in the form using a formula which includes a flat percentage across all cost categories or at varying rates applied to specific cost categories, as long as the final cell output is in pound note terms as these input cells accept formulas to allow for this. The template allows master trusts to apply any level of prudence to any specific cost category. We would expect some level of prudence to be built into forecasts provided as part of the master trust's business plan. Therefore, the total (including prudence) for all costs in row 77 of the template should be consistent with figures within the master trust's business plan. The level of prudence and how this is applied is up to the trustees.

## **Administration costs**

Where possible, provide a breakdown of third party or internal administration costs into their individual components as much as possible. Eg where specific costs included within administration cost can be quantified, please provide these under the other fixed cost categories already provided and deduct these from any residual administration costs provided in this row. We recognise that specific cost categories within administration costs may not be identifiable or quantifiable in which case the total administration cost should be included in this row along with an appropriate explanation identifying what specific costs it includes if possible.

## **Member and employer communication costs**

Includes all costs associated with communications to members and employers in the ordinary course of business, including those prescribed by law and the master trust's trust deed and rules.

## **Regulatory compliance and communication**

Includes all costs relating to compliance and communication with regulatory bodies such as The Pensions Regulator (TPR), the Financial Conduct Authority (FCA), Bank of England and the Prudential Regulatory Authority (PRA). It also includes internal costs relating to the preparation of financial reports and statements (the professional fees relating to financial reporting are not included here as there is a separate cost category for this).

## **External professional adviser fees**

Costs relating to any external professional advice obtained, such as accountancy and legal advice. Do not include investment related costs as there is a separate cost category for this.

## **Employee costs**

Includes all employee costs including employer national insurance and pension costs. We would typically expect to see these costs increase as a result of increases in employer pension contributions.

### **Trustee costs**

These costs only include costs relating to remuneration and overheads associated with paying trustees, while the cost category 'Trustee external adviser fees' in the template includes the cost of the professional services commissioned by the trustees such as audit and legal advice. Please do not include any investment related costs as there is a separate cost category for this.

### **Scheme funder costs**

Includes all costs incurred by the scheme funder(s) directly related to the master trust such as business development and planning, research, marketing and any other dedicated support provided by the funder(s) to the master trust.

### **Investment-related costs**

Includes costs relating to asset managers, or an in-house team to manage the master trust's funds, investment advice and costs incurred executing the master trust's investment strategy.

### **Question 5: What, if any provision has been made to fund contingent liabilities?**

Include any provisions that have been made to fund contingent liabilities, such as correcting administration errors, break clauses in contracts, additional requirements from service providers as per the fixed cost categories. Please also include any other costs that might only arise if things went wrong, such as potential compensation and cost of remedial work, in the extra input cells where required.

### **Question 6: Specify the amount and timing of all significant capital expenditure**

Please specify the amount and timing of all significant capital expenditure for the previous financial year and planned during the term of the scheme's business plan, along with any prudence factored in for each specific category such as large IT projects, system changes, contractually agreed consolidations or acquisitions and moving premises etc.

### **Consolidations/acquisitions**

These are forecast costs which specifically relate to any contractually agreed consolidations or acquisitions which have not yet been completed as at the template's submission date. These costs may include commission payments, additional employees, new premises, fees, levies, outsourced services, new employers, purchase price of other master trusts, transfer of members and assets etc. Please do not include any forecast costs relating to consolidations and acquisitions which have not been formally contractually agreed at the template submission date or any costs associated with other organic income growth.

Once the consolidation or acquisition has been completed all ongoing forecast costs associated with the transaction should be recognised as part of the master trust's normal ongoing running costs as set out in question 4 of the template.



## Financial reserves: run-on costs

Financial reserves are the financial assets available to a master trust to keep it running following a triggering event. This is the sum of the run-on period costs and costs of compliance.

Questions in the template numbered 7, 8, 9, 10, 11 and 13 are to be completed on the basis of the strategy for continuity option 1 being implemented.

The starting point for estimating the costs for these questions should be the date as at the end of the first forecast financial year (FY1) previously provided, eg the estimated costs incurred for the 6 to 24 month wind up period (split into four six-month periods) should be calculated as if the triggering event leading to the implementation of continuity option 1 occurred on the last day of forecast FY1 rather than the current effective date.

For questions 8, 9, 10 and 11, the six month period in which the costs would be incurred should also be identified by inputting the relevant amounts in the corresponding columns (all costs incurred during the first one to six months in column D, 7 to 12 months in column E, 13 to 18 months in column F and 19 to 24 in column G). Costs provided in the four six-month periods should be consistent with the estimated run-on wind up period provided in question 7. For example, where a master trust is able to demonstrate that a shorter run-on period than 24 months is appropriate, costs provided in the six month periods should be consistent with that period. The template will automatically shade any of the six month cost columns where information is not required based on the estimated run-on period provided in question 7.

### **Question 7: Estimated time required to run the master trust on in accordance with continuity strategy 1 after a triggering event**

Provide an estimate of the minimum time required to run the master trust on in accordance with its continuity option 1 strategy following a triggering event (the run-on period), including transferring members out and winding up the master trust, taking into consideration the tasks and time scales outlined in Schedule 5 to the Regulations. We are required to set the length of the run-on period, which must be a period of between 6 and 24 months. Master trusts must hold sufficient financial resources to meet the costs of continuing to run the master trust for this period, which we anticipate is likely to be the full 24 months for most master trusts.

Should the length of the run on period provided be less than 24 months, master trusts should outline why a period less than 24 months is appropriate and achievable, providing any supporting evidence and assumptions within its business plan.

### **Question 8: Specific costs in question 4 above which are expected to either stay neutral, increase or decrease, and an explanation of why**

All cost categories within this question are fixed as they have been taken from those provided previously in question 4. Trustees are required to provide an estimate for each of these same cost categories on the basis of implementing the master trust's continuity option 1 strategy, whether or not they are forecast to remain neutral, increased or decreased from the amount provided in question 4 of the template.

All costs provided should reflect the total costs as well as identify any prudence factored in for each specific cost category. Do not simply provide the amount by which each cost category in question 4 has subsequently changed as a result of continuity option 1 being implemented. Please also provide an explanation as to why each cost category has either remained neutral, increased or decreased from that amount provided in response to question 4.

If there are any new costs which have not been covered by the fixed cost categories within this question, these can be provided in question 9.

### **Question 9: Specific costs not included in question 4 above, including any specific prudence factored in and explanation of why these costs would be incurred**

Any other new run-on costs and specific prudence forecast during the 6 to 24 month wind-up period provided which are not covered by the fixed cost categories in response to question 8 should be provided here.

### **Question 10: What, if any provision has been made to fund contingent liabilities?**

Provide any provisions forecast to fund contingent liabilities such as dilapidation, correcting administration errors, break clauses in contracts, additional requirements from service providers as per the fixed cost categories within the four six-month periods as appropriate (provided in columns D to G) in which they are forecast to be incurred. Please also include any other costs that might only arise if things went wrong such as potential compensation and cost of remedial work in the additional input cells provided where required.

## Financial reserves: cost of compliance

The element of the financial reserves required to deal with specific costs following a triggering event.

### **Question 11: Specific costs arising from the master trust's discontinuance costs in complying with continuity option 1**

This question includes a number of fixed cost categories and any specific prudence factored in to allow for all costs of compliance we would expect the master trust to make an allowance for, some of which are dictated by activities required by legislation and some activities with discrete additional cost to those required to continue to run the master trust after a triggering event. Master trusts should also include any other costs which do not fall within the fixed cost categories already provided where required.

All costs and specific prudence should input into the appropriate six month period. Please also see below the notes on some specific costs:

#### **Employee termination and redundancy**

Provide all costs relating to employee termination and redundancy cost (based on the corresponding redundancy clauses contained within employee contracts) in the six month period to which they are likely to be incurred.

#### **Consultancy/contracting staff**

Provide the forecast costs for any additional staffing resource which would be required to implement continuity option 1 taking into account any loss of full time employees throughout the 6 to 24 month run-on period. We would also expect that on a like for like basis a premium for contracting staff would be appropriate given the cost of a contractor to fill the role of a full time employee at the same or similar level will generally be more expensive.

#### **Member and employer communication**

Refer to the information on question 13 for the detail on this cost.

#### **Asset reconciliation**

Include all costs associated with reconciling assets with member level and recovery of outstanding employer and member contributions post triggering event.

## **Question 12: What, if any, triggering event do you consider would be more expensive to resolve under continuity option 2 rather than implementing continuity option 1?**

In most circumstances, we consider that continuity option 1 will be more expensive than continuity option 2. However, if you think a triggering event from the drop down list would be more expensive to resolve under continuity option 2 than continuity option 1, please select the most expensive triggering event to resolve from the drop down list. If you don't think any of the triggering events would be more expensive to resolve than implementing continuity option 1, please select 'Not Applicable – Continuity Option 1 is the most expensive' from the drop down list.

## **Question 13: Forecast member and employer communication cost details**

We expect member and employer communication costs will account for a material portion of the total cost of compliance provided in the previous question. Therefore, we require greater detail of the assumptions used to calculate these costs.

Please provide the number of members and employers which are communicated with by either email or letter. The total number of members and employers in column F should correspond to the total forecast members and employers as provided for FY1 in question 14 and 15 respectively.

Schedule 5 of the regulations indicate there are three statutory communications all members must receive under regulations 4(1), 6(1) and 9. Therefore, the minimum number of member correspondences is set at three.

Schedule 5 also indicates that there are two statutory communications all employers must receive under regulations 4(1) and 9. Therefore, the minimum number of employer correspondences is set at two.

However, we recognise that there may also be additional communication requirements for things such as other pre-existing statutory requirements, members who wish to transfer to an alternative master trust, any other pre existing master trust specific disclosure requirements and any requirements within the master trust's own trust deed and rules.

These communications should all be considered in conjunction with the statutory communications required by the regulations. Where appropriate, and where timings permit, it may be possible to combine any other additional communication requirements with those required by the regulations in order to reduce communication costs.

Where there may be additional communication requirements for a portion of members or employers this can be indicated by the use of an appropriate decimal rather than a whole number in the number of mailings applied in input cells relating to the number of correspondences for members and employers. This is then automatically applied to all members and employers to calculate the total cost.

You are also required to provide the average cost per email and letter.

All three inputs directly above (number of members and employers, number of correspondences and cost per email and letter) must be provided in order for the template to calculate the correct member and employer communication costs. Once all the information required has been provided the total member and employer communication costs is provided automatically. The total amount for both members and employers should correspond with the total member and employer costs provided for the total 6 to 24 month period provided in question 11. Please provide any additional assumptions or explanations in the input cells provided, where appropriate.

#### **Question 14: Number of historical, current and forecast master trust members during the term of the master trust's business plan**

Please provide the number of active, deferred and pensioner members as at the previous financial year, effective date and forecast financial years during the term of the master trust's business plan in the input cells provided. You are also required to input the effective date in the input cell provided.

#### **Question 15: Number of historical, current and forecast master trust employers contributing to the master trust during the term of the master trust's business plan**

Please provide the number of employers as at the previous financial year, effective date and forecast financial years during the term of the master trust's business plan in the input cells provided.

#### **Question 16: Total historical, current and forecast employer and member contributions received during the term of the master trust's business plan**

Please provide the total employer contributions as at the previous financial year, effective date and forecast financial years during the term of the master trust's business plan in the input cells provided.

#### **Question 17: Total historical, current and forecast assets under management or administration during the term of the master trust's business plan**

Please provide the master trust's total assets under management or administration as at the previous financial year, effective date and forecast financial years during the term of the master trust's business plan in the input cells provided.

## Declaration at the end of the questionnaire

Please read the declaration carefully and acknowledge whether the above statement is true or false by selecting 'Yes' or 'No' from the drop down list available.

Once the template has been completed, all the answers to questions have been reviewed and the 'Declaration' input cell is green, please submit the completed template as an Excel document using the 'Add evidence' function within the scheme financial details section in the online draft application portal at [exchange.thepensionsregulator.gov.uk](https://exchange.thepensionsregulator.gov.uk).

## How to contact us

Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

[www.tpr.gov.uk](http://www.tpr.gov.uk)

[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

Free online learning for trustees

Master trusts

### **Guide to completing the scheme financial template**

© The Pensions Regulator April 2018

You can reproduce the text in this publication as long as you quote The Pensions Regulator's name and title of the publication. Please contact us if you have any questions about this publication. This document aims to be fully compliant with WCAG 2.0 accessibility standards and we can produce it in Braille, large print or in audio format. We can also produce it in other languages.

**The Pensions  
Regulator**