

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.

It is 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 a master trust's business plan and summarises running costs and available financial resources, which is an essential part of your authorisation application or supervisory return.

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Background to the template

We have developed an Excel template to help master trusts meet the CALP requirements set out in our **Code of Practice no.15: Authorisation and supervision of master trusts** when they submit applications for authorisation or a supervisory return.

The template contains 17 questions on 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 and supervision. This quick guide clarifies the information that master trusts need to provide for each question.

The information required by the template relates to money-purchase benefits only. The information is likely to be contained in the master trust's business plan, and therefore generally available or under consideration.

Lessons learned

A number of the scheme financial templates we have received to date have contained some omissions and errors, which demonstrate misunderstanding of the requirements. We have highlighted in **bold** below how to avoid these issues with your application. You should refer closely to this guide when completing the template.

If you do not complete **all** the questions in the template, we may be unable to assess the information submitted. You must include **all** relevant costs and income that relate to the master trust, regardless of how these are allocated or who is meeting them. For example, you should include them even if they are being met by the scheme funder.

Completing 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 unnecessarily granular detail.

We also recognise that master trusts may not currently report their financial information in the format required by the template, or there may be elements that we have not captured for a particular master trust.

We have provided text boxes next to each income stream and costs category for any explanations and assumptions. Please note that these are 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 cannot be accessed or changed.** No additional columns, rows or worksheets can be added to the template. **You may enter information in the input cells only.** The format of many of the input cells has been restricted, and inputs must be in the correct format within the prescribed parameters (eg **positive whole numbers** only, percentage, decimals, **date**, text and free text etc. **NB: £ signs should not be included**). An error message with the correct input cell format and parameters will pop up if an input is in the wrong format or outside the prescribed parameters. You must download the template from our website and **only amend input cells. Input cells which do not require information should also be left blank rather than entering unnecessary zeros.**

Financial information is required in full from the most recent previous financial year available and the forecast three to five years (**please insert the dates above the relevant column in row 11**) to align with the term of the master trust's business plan. There should be no rounding in thousands or millions.

We expect master trusts to have considered various forecast scenarios (eg best 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.

The template must be prepared by the scheme strategist and reviewed by a 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 trustee who have prepared and reviewed the template in the cells in rows 6 and 7.

Income

Q1: 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 (row 11)

Please insert at the top of each column the relevant financial year end dates for the most recent financial year end and the forecast financial year ends for the next three to five 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 elsewhere in the template where relevant.

Please note that, where the financial year end does not coincide with the effective date of the business plan, sufficient forecast years should be inputted to cover the entire period of the business plan. For example, if the previous financial year end is 31/12/2017 and the effective date of the business plan 31/03/2018, forecast financial year ends of 31/12/2018, 31/12/2019, 31/12/2020 and 31/12/2021 should be input.

Income streams (rows 12-19)

Please give details of all the master trust's income in accordance with the income stream categories where possible. Any income streams that are not captured in the fixed categories provided may be entered in the additional rows available. **Please insert the revenues from contributions, not the contributions themselves.**

Increase in aggregate automatic enrolment contribution rates (row 15)

This income stream should only include income directly relating to the increase in minimum aggregate automatic enrolment (AE) contribution rates (effective from 6 April 2018 and 6 April 2019) for the specific year to which it relates (and should be stripped out of the normal ongoing income stream for that specific year to avoid double counting).

From the next financial year onwards, any income relating to the previous year's increase in aggregate AE 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.

The aggregate employer and employee contributions will increase from 5% to 8% from 6 April 2019 onwards, so 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, from forecast FY3 onwards, this increase in income should be recognised in the master trust's normal income streams, such as assets under management.

Income continued...

Contractually agreed consolidations/acquisitions (row 16)

This income stream is for forecast income which specifically relates to any contractually agreed consolidations or acquisitions¹ that have not yet been completed as at the template's completion date.

Please do not include any forecast income (other than organic income growth) relating to consolidations and acquisitions which have not been formally contractually agreed at the template completion date. Once the consolidation or acquisition has been completed, all income relating to it should then be recognised within the master trust's other ongoing income streams.

Q2: Is the master trust currently, or proposed to be, used for automatic enrolment?

This question relates to the entire forecast period of the business plan (three to five years). Please select either 'Yes' or 'No' from the drop-down list available.

Q3: 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 financial year to which the average annual opt-out rate applies.

¹ Para 349 of the code

Costs

References to costs in the template and this guide are to cash costs.

Running costs

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

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 have elements covered under insurance policies or indemnities, please advise what, if any, portion of these costs are covered by such policies and indemnities in the explanation/assumptions text box next to that specific cost.

Q4: Specific historic 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 in the categories provided, where possible. Any master trust running costs not captured in the fixed cost categories may be entered in the additional input rows. You will only need to enter additional costs once, as they will automatically be entered for subsequent questions in the template where relevant.

Prudence

Provide any additional prudence factored into the master trust's forecast under each cost category identified in pounds actual terms. This could be applied in the form using a formula which includes a fat percentage across all cost categories or at varying rates applied to specific cost categories, as long as the final cell output is in pounds actual 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 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 costs in row 70 of the template should be consistent with figures in the master trust's business plan. The level of prudence and how it is applied are up to the trustees.

Running costs continued...

Administration costs

Provide a breakdown of third-party and internal administration costs into their individual components as much as possible. For example, if specific costs included in administration costs can be quantified, please state these under the other fixed cost categories already provided and deduct them from any administration costs. We recognise that you may not be able to identify or quantify specific categories of administration costs, in which case the total administration costs should be included with an explanation of what specific costs are included.

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 ourselves, the Financial Conduct Authority (FCA) and the Prudential Regulation 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, 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 pay rises and any linked pension contributions.

Trustee costs

These costs should 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 professional services commissioned by the trustees, such as audit and legal advice. Please do not include any investment-related costs here as there is a separate cost category for this (see below).

Scheme funder costs

Includes all costs incurred by a scheme funder directly related to the master trust, such as business development and planning, research, marketing and any other dedicated support provided by a funder to the master trust. Where all costs in relation to the master trust are met by a scheme funder, this row can be ignored as total costs in relation to the master trust will already be covered under all other relevant cost categories.

Running costs continued...

Investment-related costs

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

You should 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 the cost of remedial work, in the extra input cells where required.

Please specify the amount of all significant capital expenditure for the previous financial year and the relevant forecast financial years, along with any prudence, for each category.

Q5: Scheme surplus, as indicated by deducting running costs from total income

No input required; this section is calculated automatically.

Run-on and costs of compliance

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 7, 8, 9, 10, 11 and 13 must be completed on the basis of the strategy for continuity option 1 being implemented².

The starting point for estimating the costs for these questions should be the end of the first full forecast financial year, ie the estimated costs incurred for the 6-24 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 the first full forecast financial year rather than the current effective date. Please note that, where the financial year end does not coincide with the effective date of the business plan, the triggering event should be assumed to occur at the end of FY2, as the end of FY1 does not represent a full forecast financial year. **Please ensure that the triggering event date has been calculated correctly.**

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, 7-12 months in column E, 13-18 months in column F and 19-24 in column G). Costs provided in the four six-month periods should be consistent with the estimated run-on wind-up period provided in response to Q7. For example, where a master trust can show that a shorter run-on period than 24 months is appropriate, costs provided in the six-month periods should be consistent with that period **but note that it is for TPR to determine the appropriate run-on period**³.

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 Q7.

Q6: Estimated time required to run the master trust on in accordance with continuity option 1 after a triggering event

Provide an estimate of the minimum time required to run the master trust on in accordance with your continuity option 1 strategy following a triggering event (the run-on period), including transferring members out and winding up the master trust, taking fully into consideration the tasks and time scales in Schedule 5 to the Regulations⁴. We are required to set the length of the run-on period, which must be 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 of less than 24 months is appropriate and achievable, providing specific supporting evidence and assumptions within its business plan.

² Page 36 and para 152 of the code

³ Para 230 of the code

⁴ The Occupational Pension Schemes (Master Trusts) Regulations 2018

Q7: Specific costs in Q4 above which are expected to either stay neutral, increase or decrease, and an explanation of why

All cost categories in this question have been taken from those in Q4. Run-on costs should be broadly in line with business-as-usual costs following a triggering event ⁵.

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 and explain whether or not they are forecast to remain neutral, increase or decrease from the amounts in Q4.

All costs provided should reflect the total costs and identify any prudence. Do not simply provide the amount by which each cost category in Q4 has changed as a result of continuity option 1 being implemented, but state the anticipated cost. Please also explain why each cost category has remained neutral, increased or decreased from the amount in response to Q4.

Include 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 (columns D to G) in which they are forecast to be incurred. Please 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.

⁵ Para 232 of the code

Q8: Specific costs arising from the master trust's discontinuance costs in complying with continuity option 1

This question includes a number of specific cost categories and any specific prudence to allow for all costs of compliance for which we expect the master trust to make an allowance. Some of these are dictated by activities required by legislation and some activities with discrete additional cost to those generally 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. All costs and specific prudence should be input into the appropriate six-month period. Please 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 in which they are likely to be incurred.

Consultancy/contracting staff

Provide the forecast costs for any additional staffing 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 also expect that on a like-for-like basis a premium for contracting staff would be appropriate since the cost of a contractor to fill the role of a full-time employee at a similar level will generally be higher.

Member and employer communication

Refer to the information on Q13 for the detail on this cost. **This figure must reconcile with the totals in Q12.**

Asset reconciliation

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

Q9: Total run-on costs and costs of compliance

No input required; this section is calculated automatically and will provide us with a total baseline reserving figure.

Q10: Provide details of the assets to meet the financial reserving requirement

Please provide details of the assets held by the trustees and any scheme funder to meet the financial sustainability requirement. This includes the expected revenue offset, cash, guarantees, and any other assets that would be utilised to meet the costs of implementing continuity option 1.

Q11: 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 (which is the default answer in the drop-down). 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.

Q12: Forecast member and employer communication cost details

We expect member and employer communication costs will account for a material proportion of the total cost of compliance provided in Q8. Therefore, we require greater detail of the assumptions used to calculate these costs.

Please provide the number of members and employers communicated with by email or letter. The total number of members and employers in column F should correspond to the total forecast members and employers as at the end of the first full financial year in Q14 and Q15 respectively.

Schedule 5 to the regulations prescribes two communications that all members must receive (see paragraphs 4(1) and 6(1)). Therefore, the minimum number of member communications is two. The minimum number of employer communications is also two (see paragraphs 4(1) and 9).

However, you may also need to communicate matters 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 in the master trust's own trust deed and rules. These communications should all be considered in conjunction with the statutory communications required in the regulations. Where appropriate, and where time permits, you may be able to combine these additional requirements with those required in the regulations to reduce communication costs.

Where there are additional communication requirements for some members or employers, you can use 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 must also provide the average cost per email and letter, which should not be zero.

This section must be fully completed to include the number of members and employers, number of communications, and cost per email and letter. Once all this information has been provided, the total member and employer communication costs will be calculated 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 in response to Q8. Please provide any additional assumptions or explanations in the input cells provided.

Q13: Annual investment return assumption

Please provide the annual investment return assumption that has been applied in these forecasts, in percentage format.

Q14: Number of historical, current and forecast master trust members during the term of the master trust's business plan

You must 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.

Q15: Number of historical, current and forecast employers contributing to the master trust during the term of the master trust's business plan

You must state 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.

Q16: Total historical, current and forecast employer and member contributions received during the term of the master trust's business plan

You must state the total employer and member 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.

Q17: Total historical, current and forecast assets under management or administration during the term of the master trust's business plan

You must state 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.

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Free online learning for trustees

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