

CONSULTATION DOCUMENT

ASSURANCE REPORTING ON MASTER TRUSTS

(October 2013 Master Trust Supplement to ICAEW AAF 02/07)

Background

Following the implementation of the Pensions Act 2012 the requirement for automatic enrolment of employees has started across businesses in the UK. For many of the larger companies the requirement for employees to be enrolled into pension schemes can be managed using existing corporate infrastructure. However, for smaller businesses (and indeed larger companies looking for alternative pension solutions) the process will be more time consuming and complex. Pension providers are responding to the inevitable business need by creating occupational defined contribution (DC) Master Trusts (referred to as 'Master Trusts' throughout this document) that can manage the pension investments of many individual companies, and their employees, within a single entity.

The Pensions Regulator (the 'Regulator') has considered the impact that the creation of Master Trusts could have on the pensions market. While there is no stand alone legislative or regulatory standard to which Master Trusts specifically need to operate, it is the Regulator's belief that Master Trust providers and Master Trust trustees would find it beneficial to be able to report on and thereby enable its scheme members and customers (employing companies) obtain a better understanding of the governance and administration arrangements of the Master Trust against good practice standards.

The Regulator has defined a Master Trust as an occupational trust-based pension scheme established by declaration of trust which is or has been promoted to provide benefits to employers which **are not connected** and where each employer group is not included in a separate section with its own trustees. For this purpose, employers are connected if they are part of the same group of companies (including partially owned subsidiaries and joint ventures).

The proposed framework is AAF 02/07: *A Framework for assurance reports on third party operations* and the expected nature of the report is a trustees report on the Master Trusts' operating arrangements supported by an independent assurance report over the description, design and effective operation of controls in accordance with a defined set of control objectives.

This consultation document is intended to seek comment on those control objectives and the related guidance which would form the basis of the trustees report and the associated independent assurance report.

Whilst this framework has been developed for Master Trust arrangements, other DC schemes (such as group schemes) may want to adopt this Supplement as good practice.

It is not intended that the provision of a trustees report or an independent assurance report should be mandatory. However market participants may find it advantageous to be able to provide such a report to potential and existing customers so they can obtain a better understanding of the governance and administration arrangements in order to protect the interests of the employing companies and their employees.

It is envisaged that Master Trusts would report annually and that assurance would be provided to lend additional credence to the Master Trust assertions.

The control objectives detailed in this consultation paper have been based, where possible, on existing materials and guidance issued by the Regulator, in particular the Regulator's six principles for DC schemes on which assurance is being sought are:

1. **Essential characteristics:** Schemes are designed to be durable, fair and deliver good outcomes for members.
2. **Establishing governance:** A comprehensive governance framework is established at set-up, with clear accountabilities, and responsibilities agreed and made transparent;
3. **People:** Those who are accountable for scheme decisions and activity understand their duties and are fit and proper to carry them out.
4. **Ongoing governance and monitoring:** Schemes benefit from effective governance and monitoring through their full life cycle.
5. **Administration:** Schemes are well-administered with timely, accurate and comprehensive processes and records.
6. **Communication to members:** Communication to members is designed and delivered to ensure members are able to make informed decisions about their retirement savings.

The six DC principles are what the Regulator expects DC schemes to do in pursuit of the good member outcomes. The six DC principles are underpinned by a number of DC quality features that set out in further detail those activities, behaviours and control processes that are more likely to deliver good member outcomes. The DC quality features represent the standards the Regulator expects trustees to attain and will assist trustees to demonstrate compliance with legal requirements where appropriate.

The control objectives that address the high level principles for governance and administration included in Appendix 1 are aligned with the DC quality features and have been framed to focus on ensuring that individual members' interests are protected.

Whilst the control objectives address the majority of the Regulator's DC quality features, four of the Regulator's DC quality features (noted below) are not subject to the independent assurance framework for trustees. These quality features are equally important however the intent behind these four features is considered either too subjective or dependent on the nature of the scheme for it to be practical to provide independent assurance:

- Trustees will ensure that sufficient time and resources are identified and made available for maintaining the ongoing governance of the scheme.
- Trustees will act in the best interests of all beneficiaries.
- Trustees will ensure that schemes offer flexible contribution structures that give members the option to pay more.
- Trustees will support employers in understanding their responsibilities for providing accurate information, on a timely basis, to scheme advisers and service providers.

Nevertheless, although these features do not form part of the framework, many of the controls, or a combination of, may inform their presence.

Assurance reporting on the internal control procedures of Master Trusts

AAF 02/07 was issued to provide a framework for performing assurance engagements on various aspects of operations provided by external organisations (third party operations) and which may be subject to external examination. It sets out the key elements of an assurance report including a conclusion in an agreed form.

The Master Trusts Supplement to AAF 02/07 has been jointly developed by ICAEW and the Regulator for both trustees of Master Trusts (hereafter referred to as 'trustees') and practitioners engaged to issue an independent assurance report whereby:

- The trustees report on the description, design, and operating effectiveness of the Master Trust's control procedures related to the control objectives set out in this Supplement; and
- Practitioners undertake procedures to issue a reasonable assurance report on the description, design and operating effectiveness of the Master Trusts' relevant control procedures related to the control objectives set out in this Supplement.

Paragraphs 37 to 41 of AAF 02/07 set out key matters relevant to the determination of suitable criteria and hence control objectives to be used as evaluation criteria. The Supplement requires that control objectives:

- are relevant, complete, reliable, neutral and understandable so as to communicate the basis of the evaluation;
- collectively reflect the level of control exercised at the Master Trust to satisfy the needs of employers and their members; and
- are guidance only and not intended to be exhaustive. It remains the responsibility of the trustees to ensure that the control objectives that are described are sufficient to satisfy the Regulator's good practice guidance and to add further objectives and supporting control procedures where appropriate. If certain criteria do not apply to a Master Trust, for example because the relevant activities are outsourced, the trustees explain the omission of the criteria in the trustees report.

The trustees are responsible for establishing procedures to meet the control objectives. Suitable control procedures will vary from Master Trust to Master Trust. Should the trustees decide to publish a report, the disclosure of how each objective is addressed by a Master Trust is likely to be unique to the Master Trust.

Transitional arrangements

The assurance framework is due to become effective in early 2014. In order to allow Trustees to benefit from the framework immediately we are proposing that in the first year of implementation it will be possible to obtain a report covering the arrangements at a point in time. We expect that all further reports will cover the arrangements over the period of assessment (we expect this to be one year).

Invitation for comment

Comments should be sent by 16 December 2013 to the address below:

Henry Irving
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For ease of handling, please send comments by e-mail to henry.irving@icaew.com. We may publish comments received as part of our response unless explicitly requested by you otherwise.

Specific questions on which we would welcome commentators' views are as follows:

Question 1

Are the control objectives set out in this Supplement appropriate and relevant? If not, what are the obstacles? Is the linkage to the Regulator's DC quality features useful in setting the context for the control objectives?

Question 2

Are the control objectives relevant to governance activities in Master Trusts? Are there any other control objectives that should be added to address key risks inherent in Master Trusts?

Question 3

In the discussion document we identify four of the Regulator's DC quality features that are not included in the list of controls included in Appendix 1 on the basis that they are too subjective to be practically audited. Do you agree with this or do you think that they can and should be incorporated in the list of control objectives?

Question 4

Is the guidance in the Supplement clearly drafted for (i) trustees of Master Trusts, and (ii) practitioners? If not, what further explanation should we provide?

Question 5

The independent assurance framework will provide a tool to help trustees of Master Trusts demonstrate and evidence the presence of DC quality features as well as obtain reasonable assurance that the underlying control procedures that underpin these features are operationally effective. Do you therefore agree that the assurance opinion should cover the description, design and operating effectiveness of the internal controls relating to the specific Master Trust activities, as suggested in the Exposure Draft?

Question 6

How might other industry pension standards (such as NAPF's pensions quality mark for Master Trusts) and assurance frameworks be co-ordinated with the assurance framework provided in this supplement?

Question 7

The control objectives in Appendix 1 are intended to apply to Master Trusts of all sizes. Are there any perceived barriers to implementing the expected controls, for example, do providers foresee difficulty providing documentary evidence to support the assurance conclusions? Do practitioners envisage practical difficulties in proving assurance on any of the control objectives?

Question 8

Do you agree that the proposed transitional arrangements are adequate?

Question 9

Are there any other issues related to the assurance framework for Master Trusts that you think we should consider?

Question 10

Appendix 2 of the attached exposure draft is an example of a reporting accountant's report and refers to AAF02/07 for example wording to restrict the distribution of the report. Are there any other restrictions in the use of the report which should be included?

EXPOSURE DRAFT

ASSURANCE REPORTING ON MASTER TRUSTS

(October 2013 Master Trust Supplement to ICAEW AAF 02/07)

1. Following a consultation on a regulatory approach for defined contribution (DC) schemes, The Pensions Regulator (the Regulator) published its 'Strategy for regulating defined contribution pension schemes' in October 2013. This includes a regulatory expectation for trustees of Master Trusts to obtain independent assurance to further demonstrate the presence of governance and administration standards that meet DC quality features set out in the Regulator's DC code and DC regulatory guidance. A Master Trust is *an occupational trust-based pension scheme established by declaration of trust which is or has been promoted to provide benefits to employers which **are not connected** and where each employer group is not included in a separate section with its own trustees. For this purpose, employers are connected if they are part of the same group of companies (including partially owned subsidiaries and joint ventures).*
1. The DC quality features set out in the Regulator's DC code and DC regulatory guidance represent those activities, behaviours and control processes that are more likely to deliver good member outcomes.
2. The Master Trust Supplement to AAF 02/07: *A framework for assurance reports on third party operations* provides guidance on assurance reporting on Master Trusts' standards of governance and administration arrangements set out in the Regulators DC code and DC regulatory guidance. The development of the guidance is based on discussions held between the Regulator and the Audit and Assurance Faculty of ICAEW. They will keep this Supplement under review.
3. The guidance contained in AAF 02/07 was issued to provide a framework for performing assurance engagements on various aspects of operations provided by external organisations. The principles underlying the guidance are broadly applicable to trustees of Master Trusts who are responsible for putting in place and maintaining control procedures for the governance and administration of occupational defined contribution trust-based pension schemes. While this Supplement refers to specific sections of AAF 02/07, this does not replace the need to read the guidance AAF 02/07 in its entirety and apply it as appropriate.
4. The Master Trusts Supplement consists of:
 - Assurance reporting on the control procedures over governance and administration of Master Trusts;
 - Guidance for practitioners;
 - Appendix 1: DC quality features and related control objectives on governance and administration for Master Trusts;
 - Appendix 2: Example paragraphs from the report by the trustees of the Master Trust; and
 - Appendix 3: A pro forma practitioners' assurance report on the internal control procedures of the Master Trust.

Assurance reporting on the control procedures over the governance and administration of Master Trusts

The responsibility of trustees of the Master Trust

5. In accordance with the Regulator's DC quality features set out in Appendix 1 of this Supplement, trustees of the Master Trust evaluate their control procedures regarding governance and administration by reference to the control objectives set out for each of the DC quality Features.

Assurance reporting on Master Trust's governance and administration

6. The IAASB Assurance Framework, on whose principles ISAE 3000 and AAF 02/07 are based on five elements of an assurance engagement. These five elements are:
 - Three party relationship;
 - An appropriate subject matter;
 - Suitable criteria;
 - Sufficient appropriate evidence; and
 - A written assurance report in the form appropriate to the type of assurance engagement.

Certain aspects of these elements are likely to require specific consideration in the context of this Supplement. These are: three party relationship, an appropriate subject matter and suitable criteria and are discussed below.

Three party relationship

7. Assurance engagements involve three parties: a responsible party, intended users, and a practitioner.

Responsible party

8. The responsible party performs operations or provides information for the benefit of the intended user and hence is responsible for the subject matter over which assurance is sought. The responsible party is the trustee board of the Master Trust in the context of this Supplement. Trustees are responsible for the governance and administration of the Master Trust.
9. The trustees prepare a written report setting out their responsibilities and describing the control procedures in place within the Master Trust to support the control objectives set out in this Supplement. The report also includes the trustees' conclusion on the description, design and operating effectiveness of those control procedures. When making this statement in their report, the trustees state that it is referring to the control objectives in this guidance.
10. Example paragraphs from an illustrative trustees' report are set out in Appendix 2.

Intended users

11. The intended users of an AAF 02/07 report are typically expected to be the employer companies who have entrusted their employees' DC contributions to the Master Trust, or are considering doing so under automatic enrolment. Depending on the purpose of reporting by the Master Trust, the intended users would vary. However, this Supplement considers just the structure where the users envisaged are employer companies whose employees are already members of the Master Trust, or employers who are looking to select a Master Trust to enrol their employees.

Where the Master Trust applies additional control objectives

12. The purpose of reporting by the Master Trust on its control objectives and supporting control procedures may be to enhance the confidence of the trustees over their

procedures related to governance and administration or to increase the confidence of current and possibly prospective users. The Master Trust communicates to the practitioner the purpose of its report and the associated assurance reporting need. Relevant control objectives are detailed in Appendix 1. However, the Master Trust may include additional objectives if the trustees consider them to be relevant and appropriate.

Practitioner

13. The practitioner performs the assurance engagement on the Master Trust's reporting on its control procedures. Relevant, generic guidance for the practitioner is set out in AAF 02/07 in the section entitled (a) Engagement with the responsible party within Third party operations (paragraphs 13 – 15) and Where the responsible party is the client in AAF 02/07 (paragraphs 58 - 61). As the Supplement covers different purposes of Master Trust reporting, practitioners consider AAF 04/06 Assurance engagements: *Management of risk and liability* to determine a suitable form of engagement accordingly. Further guidance for the practitioner is set out in the next section.
14. When requested to provide an assurance report the practitioner needs to clarify the purpose for which the assurance report is being sought, the party (or parties) seeking to benefit from the assurance report, and the use that will be made of the assurance report.

An appropriate subject matter

15. The subject matter in assurance reporting envisaged in this Supplement is the control procedures related to the Master Trust's governance and administration. The trustees prepare a written report describing the control procedures that have been designed and implemented to deliver its Master Trust operations at a given date or for a given period having regard to appropriate criteria including the control objectives set out in this Supplement and any other control objectives deemed relevant to the governance and administration of the Master Trust.
16. Where aspects of the administration operations of the Master Trust are outsourced (including where the outsourced provider is a related party of the Master Trust), the trustees may wish to obtain an appropriate assurance report from the service organisation to which the Master Trust has outsourced these operations as part of their evidence of monitoring those outsourced activities.

Suitable criteria

17. The control objectives in Appendix 1 are considered to be suitable criteria for the evaluation of the Master Trust's control procedures for governance and administration in so far as they:
 - Address the specific risks to individual members in relation to the six DC principles as summarised in 'Principles and features for good quality pension schemes'; and
 - are complete and appropriate to the provision of Master Trust services.
18. Control objectives:
 - need to be relevant, complete, reliable, neutral and understandable so as to communicate the basis of the evaluation;
 - are guidance only and not intended to be exhaustive. It remains the responsibility of the trustees to ensure that the control objectives that it describes are sufficient

to satisfy the conditions and to add further objectives and supporting control procedures where appropriate.

19. The Master Trust describes control procedures for a set of associated control objectives that are developed based on the criteria in Appendix 1. If there are omissions or misstatements with regard to the control objectives, in particular in the report by the Master Trust, the practitioner asks the trustees to amend the description. If it is not amended the practitioner considers the need to state that fact in their report.
20. The Master Trust is responsible for providing information on specific control procedures in place to meet the control objectives. Suitable control procedures will vary from Master Trust to Master Trust; therefore, the disclosure of how each objective is addressed by a Master Trust should be unique to the Master Trust.
21. The Master Trust explains in its report and to the practitioners how its control procedures relate to the control objectives for the provision of its Master Trust operations.

Other information provided by Master Trusts

22. The trustees may include in their report information that is not a part of the description of control objectives and procedures that relate to governance and administration. If a Master Trust includes other information, it should make it clear that this information would be outside the scope of assurance reporting unless there is a specific agreement with the practitioners in the engagement letter that it should be included.

Obtaining evidence regarding operating effectiveness of controls

23. Where the practitioners are unable to test a described control procedure because, for example, it has not operated during the year, they state the fact that no tests have been carried out and the reason in their description of tests.

Guidance for practitioners

24. Practitioners refer to the principles set out in AAF 02/07. The role of practitioners in the assurance reporting framework envisaged in AAF 02/07 is set out in paragraphs 29 - 32.
25. Practitioners refer to the section entitled *Guidance for practitioners* (paragraphs 46 – 105) and apply them as appropriate to the engagement. In particular, practitioners understand and agree the scope and purpose of assurance engagement between the parties to the engagement as set out in the sub-section entitled *agreeing the terms of engagement*, and in doing so refer to AAF 04/06 *Assurance engagements: Management of risk and liability* discussed in paragraph 57 of AAF 02/07.
26. Practitioners note that they are governed by ethical and quality control requirements as set out in paragraphs 51–56.

Assurance report

27. Practitioners conclude on the fairness of the description and the design and operating effectiveness of control procedures in relation to a specified reporting period. The practitioners' conclusion is expressed in a written assurance report attached to the Master Trust's report.
28. The assurance report reflects the agreement set out in the engagement letter. The report makes it clear for whom it is prepared and who is entitled to rely upon it and for what purpose as established in accordance with AAF 04/06.

29. Control procedures have inherent limitations and accordingly errors and irregularities may occur and not be detected. Also control procedures cannot guarantee protection against fraudulent collusion especially on the part of those holding position of authority or trust. Practitioners refer to such inherent limitations in their report.
30. A pro-forma practitioners' assurance report on the internal control procedures of the Master Trust is available in Appendix 3.

Reporting on description misstatements, design deficiencies or when control procedures are not operating effectively

31. Practitioners discuss with the trustees when they become aware that the control objectives in place are not in accordance with those set out in Appendix 1 so that the trustees may amend the description to include the specified control objective(s). If the trustees do not do so the practitioners add an explanation in the assurance report identifying the omitted or inappropriate control objective(s) to draw the attention of the relevant users. In addition, the wording of the conclusion paragraph may also be modified.
32. Although practitioners may qualify their conclusion on the fairness of the description of control procedures, this does not necessarily affect the suitability of design or operating effectiveness of the control procedures because the conclusion paragraph relates only to the control objectives that are included in the Master Trust's description. Practitioners note that it is the responsibility of the trustees and not the practitioners to ensure the completeness and the reasonableness of control procedures over governance and administration.
33. Where control procedures associated with stated control objectives are incomplete or inappropriate, practitioners also discuss this with the trustees so that the Master Trust may amend the description to include the associated control procedures. If the trustees do not amend the description, the practitioners add an explanatory paragraph preceding the conclusion to the report identifying the omitted or inappropriate control procedures to draw the attention of the users of the report. In addition, the wording of the conclusion paragraph may be modified.
34. Where practitioners conclude that a set of control procedures are not suitably designed in relation to a specified control objective, they consider the design deficiencies in their overall assessment of the control procedures. If the practitioners determine that control procedures are not suitably designed to achieve a specified control objective, they add an explanatory paragraph preceding the conclusion to the report identifying the design deficiencies and modify the conclusion.
35. Where practitioners' tests identify exceptions to the operating effectiveness of the control procedures, they consider whether this exception means that a control objective has not been achieved. In some cases deficiencies may be so pervasive that the practitioners modify their conclusion on the achievement of one or more control objective or issue an adverse opinion.
36. Where significant changes are introduced during the period covered in the report, the Master Trust reports this fact. If practitioners become aware that the description on changes is missing, they request the trustees to amend the description. However, the omission of information related to changes in the Master Trust's control procedure does not warrant a qualification of the conclusion on the fairness of the description, provided that the trustees' description of control procedures is fair as at the date of the description.

APPENDIX 1: DC QUALITY FEATURES AND RELATED CONTROL OBJECTIVES ON GOVERNANCE AND ADMINISTRATION FOR MASTER TRUSTS

This Appendix sets out detailed control objectives for Master Trusts (Table 2) referred to in paragraph 5 developed in association with the Regulator. Control objectives are presented together with the DC quality features, the rationale and risks that the Regulator developed to provide the context and to facilitate the application of control objectives for governance and administration of Master Trusts.

This Appendix also summarises all the DC quality features and maps these against the full list of control objectives (Table 1).

These control objectives are not intended to be exhaustive, and it remains the responsibility of the trustees to ensure that the described control objectives are sufficient to cover off each feature of a good DC scheme as described in the DC code of practice and DC regulatory guidance (due to be published as a finalised documents in November 2013).

Master Trusts' control procedures should be evaluated against the control objectives to the extent that the trustees consider that they are relevant to their Master Trust activities.

For the purpose of assurance reporting, the guidance in the Supplement focuses on those aspects of the governance, administrative and accounting processes that are relevant to the Master Trust.

The control objectives specified in this Appendix are intended to be a minimum set of control objectives for inclusion in the Master Trust's report. Trustees may decide not to include a particular control objective, perhaps because the control objective and all the related control procedures are outsourced (including where the outsourced provider is a related party). Where control objectives are not included the Master Trust should explain in its report the fact and reasons for the omission and describe the functions and nature of the description of the activities performed by the outsourced service providers and how the Master Trust satisfies itself as to the effective operation of those outsourced services.

Table 1 - DC quality features mapping summary	Control Objective ¹
1. Trustees will understand their duties and be fit and proper to carry them out.	29 & 30
2. Trustees will regularly review their skills and competencies to demonstrate they understand their duties and are fit and proper to carry them out.	31
3. Trustees will ensure that accountability and delegated responsibilities for all elements of running the scheme are identified, documented and understood by those involved.	32
4. Trustees will establish and maintain adequate internal controls which mitigate significant operational, financial, regulatory and compliance risks.	35
5. Trustees will ensure that sufficient time and resources are identified and made	Not subject

¹ There are 4 DC quality features not subject to independent assurance. These quality features are equally important however the intent behind these four features is considered either too subjective or dependent on the nature of the scheme for it to be practical to provide independent assurance

available for maintaining the ongoing governance of the scheme.

**to
assurance**

6. Trustees will ensure that investment objectives for each investment option are identified and documented in order for them to be regularly monitored.	25
7. Trustees will ensure that the number and risk profile of investment options offered reflects the needs of the membership.	21, 22 & 23
8. Trustees will ensure that a default strategy is provided which is suitable for the needs of the membership.	18
9. Trustees will act in the best interests of all beneficiaries.	Not subject to assurance
10. Trustees will predominantly invest in assets admitted to trading on regulated markets. Where unregulated investment options are offered, it must be demonstrable why it was appropriate to offer those investment options.	12
11. Trustees will understand the levels of financial protection available to members and carefully consider situations where compensation is not available.	9, 10 & 11
12. Trustees will understand and put arrangements in place to mitigate the impact to members of business and/or commercial risks.	1 & 2
13. Trustees will monitor the ongoing suitability of the default strategy for the membership.	19
14. Trustees will ensure that arrangements are established to review the ongoing appropriateness of investment options.	24
15. Trustees will ensure that the performance of each investment option, including the default strategy, is regularly assessed against stated investment objectives.	20 & 26
16. Trustees will ensure that members are regularly made aware of their current investment strategy and what this means for them.	43
17. Trustees will be able to effectively demonstrate how they manage conflicts of interest.	27 & 28
18. Trustees will establish and maintain procedures and controls to ensure the effectiveness and performance of the services offered by scheme advisers and service providers.	33 & 34
19. Trustees will ensure that all members receive value for money.	13 & 14
20. Trustees will ensure that all costs and charges borne by members are clearly	17

disclosed to members.

21. Trustees will ensure that all costs and charges borne by members are transparent and communicated clearly at point of selection to the employer to enable value for money comparisons to be made and to assess the fairness to members of the costs and charges.	15 & 16
22. Trustees will ensure that schemes offer flexible contribution structures that give members the option to pay more.	Not subject to assurance
23. Trustees will ensure that members are regularly informed that their level of contributions is a key factor in determining the overall size of their pension fund.	43
24. Trustees will ensure that member data across all membership categories is complete and accurate and is subject to regular data evaluation.	7 & 8
25. Trustees will support employers in understanding their responsibilities for providing accurate information, on a timely basis, to scheme advisers and service providers.	Not subject to assurance
26. Trustees will take appropriate steps to monitor contributions and resolve contributions which have not been paid in accordance with the payment schedule in full on or before the due date.	38 & 39
27. Trustees will ensure that core scheme financial transactions are processed promptly and accurately.	36 & 37
28. Trustees will ensure that administration systems are able to cope with scale and are underpinned by adequate business and disaster recovery arrangements.	3, 4, 5 & 6
29. Trustees will ensure that a process is provided which helps members to optimise their income at retirement.	40 & 41
30. Trustees will clearly communicate to members the options available at retirement in a way which supports them in choosing the option most appropriate to their circumstances.	40 & 41
31. Trustees will ensure that scheme communication is accurate, clear, understandable and engaging and it addresses the needs of members from joining to retirement.	42

Table 2 - The independent assurance framework

Rationale/risk	Control objectives (bold text below denotes the control objectives. In some cases the control objectives are supported by further information to assist trustees and Reporting Accountants).	Reference to quality feature
Safety of assets and records		
Commercial and business risks	Commercial and business risks	Those running schemes understand and put arrangements in place to mitigate the impact to members of business and/or commercial risks.
Members' assets or entitlements may be put at risk due to a failure at the provider such as an insolvency event.	1. The trustees assess, document and make available to members and employers the extent to which member assets or entitlements are safeguarded in the event of the Master Trust or any key service provider failing.	
Trustees of Master Trusts must take steps to help ensure that business and commercial risks do not compromise the durability of their Master Trust and ensure that the interests of the scheme membership are protected.	2. A documented discontinuance plan (which has been approved by the trustees) is in place to manage the Master Trust and protect member assets or entitlements in the event the provider: <ul style="list-style-type: none"> • decides to wind up or close the Master Trust; or • transfer ownership of the trust to another entity; or • becomes insolvent or is unable to continue supporting the scheme for any other reason. 	
Risk	This plan is periodically reviewed and any deficiencies are addressed.	
Commercial or business risk result in a decision to close down, transfer or sell the Master Trust, this leads to a loss of member's funds due to inadequate safeguards in place.		

Business and disaster recovery

Administration systems need to be underpinned by adequate business and disaster recovery arrangements. The systems need to be able to manage increased capacity resulting from automatic enrolment and the increased scale as the Master Trusts take on new business.

Risk - Member funds are put at risk due to loss of data following a system failure.

Business and disaster recovery

3. **Business recovery plans are documented, approved and maintained**, including an assessment of the adequacy of levels of any insurance. **Data and systems are backed up regularly, retained offsite and regularly tested for recoverability.**
4. **Administration systems recovery plans are documented, approved, tested and maintained.** Where administration activities have been outsourced the trustees obtain details of disaster recovery arrangements at the service provider including results of integrity tests.
5. **New business is accepted only when** the trustees have assessed and formally concluded that the **administration systems have sufficient capacity** to deal with the increase in scale.
6. **New business take-ons are properly established in the system in accordance with Master Trust's rules.**

Administration systems are able to cope with scale and are underpinned by adequate business and disaster recovery arrangements.

Data quality and security

Data quality is key to ensuring members receive the appropriate benefits. Also due to the sensitive nature of the information held by the Master Trust data security is essential.

Risk - Incorrect benefits are paid

Data quality and security

7. **Member data across all membership categories is complete and accurate and is subject to regular data evaluation.** Members' records consist of up to date information and are updated and reconciled regularly. Where data integrity issues are identified the Trustees produce a data improvement plan to address poor quality data.
8. **Member and Master Trust records and data are appropriately stored to ensure**

Member data across all membership categories is complete and accurate and is subject to regular data evaluation.

out or incorrect calculations are made at other times, e.g. unitisation due to poor quality member data.

security and protection from unauthorised use.

Protection of assets

Trustees of all schemes, including Master Trusts, must ensure that there are adequate safeguards over member assets.

This risk is particularly important as Occupational DC Trust Based Pension schemes do not, in their structure, contain any element of capital adequacy or compensation similar to the employer underpin and Pension Protection Fund protection provided in defined benefit schemes or, in certain cases, access to the Financial Services Compensation Scheme available to contract based schemes. Therefore members bear the entire investment risk and so it is essential that there are robust controls over the protection of assets.

Risk - Trustees (and members) are unaware of their exposure to unregulated markets or investments without compensation leading to loss of member funds through ill-informed investment

Protection of assets

9. Trustees have a documented and approved policy for the on-going protection of member assets or entitlements which is adhered to. This includes whether any form of collateralisation is permitted, for example stock lending. All member assets and entitlements are segregated from assets of the provider, or are the subject of other regulatory requirements and safeguards that relate to asset protection, for example Financial Conduct Authority (FCA) rules that relate to insured schemes (and rights under the insurance policy).

10. Cash is safeguarded and all payments are suitably authorised and controlled.

Compensation agreements

11. The extent and level to which financial protection is available to members in the event of default is assessed and documented and is clearly communicated to employers and members on request. The nature and extent of insurance arrangements to manage any residual risk is evaluated and recorded.

Unregulated markets

12. Trustees predominantly invest member funds in assets which are admitted to trading on regulated markets. Where unregulated investments are offered to members or investments are made through investment managers not regulated in

Those running schemes understand levels of financial protection available to members and carefully consider situations where compensation is not available.

Those running schemes seek to predominantly invest in assets admitted to trading on regulated markets. Where unregulated investment options are offered, it must be demonstrable why it was appropriate to offer those investment options.

decisions.

the UK or other jurisdictions:

- the trustees have reviewed the suitability of these investments, including why it was appropriate to offer these, and this review has been documented;
- the decision to select and offer these investments is approved by the trustee and this decision is formally recorded;
- monitoring mechanisms are established to evaluate the performance of unregulated investments; and
- information communicated to members clearly indicates investment choices which are not subject to regulation and highlights the implication of this.

Assessing value

Assessment of Value for Money

Members participating in a Master Trust receive value for money. Costs and charges are commensurate to the quality of pension provision offered to the membership.

Risk - Member outcomes are reduced due to excessive costs and charges which outweigh the value of the pension provision.

Assessment of Value for Money

13. Trustees obtain administration, investment reports and market data which enable them to assess the quality of service provided and the level of costs and charges applied to different classes of membership. These reports are formally reviewed at least annually. The Pension Regulator's DC guidance sets out a suggested format for this assessment. Where trustees determine that value for money is not being provided, documented action is taken.

Value for money strategic review

14. A value for money review of the Master Trust is undertaken at least every 3 years taking a longer term view of the appropriateness of the costs and charges and benefits provided when compared with other options available in the market.

All members receive value for money.

Communication of costs and charges

Master Trusts need to clearly and accurately disclose the charging

Calculation of costs and charges

15. Trustees maintain a detailed and accurate list of costs and charges incurred by members and employers. The trustees regularly assess cost and charges to

All costs and charges borne by members are transparent and communicated clearly at

structure of the Master Trust.

ensure accuracy and completeness.

point of selection to the employer to enable value for money comparisons to be made and to assess the fairness to members of the charges.

Employers should consider the charging structure of Master Trusts and compare with other arrangements when selecting a new pension product. They should be provided with a complete breakdown of all costs and charges that will be incurred by member.

Communication to employers

- 16. The Master Trust provider gives employers a complete and accurate breakdown of rates for all costs and charges** that will be borne by members and employers, in a readily accessible form **at the point of selection** in accordance with the Joint Industry Code: Pension charges made clear (which is available at www.napf.co.uk).

All costs and charges borne by members are disclosed to members.

Members should be informed about costs and charges that reduce their fund.

Communication to members

- 17. Trustees provide members with a complete and accurate break down of the rates (%) and amounts (£) of all costs and charges** borne by members, in a readily accessible form. Members need to understand the rates and amount of costs and charges they have incurred/will incur. Trustees should present information about all costs and charges to members, for example :

- on joining
- annually thereafter (for example, in the members' annual benefit statement)
- prior to members carrying out transactions that incur costs (for example, switching funds)
- on request
- on leaving the scheme/employer (in particular, increased charges for deferred members must be clearly flagged)
- before charges or funds change.

Risk - Members' retirement funds will be at risk if an employer selects a pension scheme with high charges that does not offer value for money.

Risk – Insufficient information provided to members about costs and charges prevents members from assessing whether they are getting value for money from their pension provider.

Assessment of investment options

Appropriateness of the default strategies

The default investment strategies set up by Master Trusts should take account of the likely characteristics and needs of the variety of employers and employees who will be automatically enrolled into it.

It is likely that employees from different employers will have different needs. It is also likely many employees in the default strategies will not be engaged in financial decisions, so decisions will need to be taken for them about their risk profile. As such there should be an appropriate balance between risk and return for the likely membership profile and the charging structure should reflect this balance.

Risk - Members' eventual retirement income will be at risk if the default strategies are not designed with the likely membership risk profile in mind.

Default Strategy

- 18. The default strategy options are designed and implemented in accordance with standards set out in the DWP 'Guidance for offering a default option for defined contribution automatic enrolment pension schemes' and the Master Trust's investment strategy.**

Ongoing assessment

- 19. The appropriateness of the design and on-going suitability of the default strategies relative to the current and prospective membership profile is subject to a regular documented assessment**, having regard to relevant DWP guidance www.dwp.gov.uk/docs/def-opt-guid.pdf
- 20. The performance of the funds within the default strategy is checked at regular intervals throughout the year.**

A default strategy is provided which is suitable for the needs of the scheme membership.

Those running schemes monitor the ongoing suitability of the default strategy.

Appropriateness of the other

- 21. Trustees have a documented investment objective** which outlines the range of all

The number and risk

<p>investment options</p> <p>Members need to be offered a range of investment choices that provides an appropriate variety of risk profiles to accommodate members with ranging investment risk appetites.</p> <p>In order to know what types of funds to offer to members, Master Trusts need to develop an overall investment strategy.</p>	<p>investments offered to members, the objectives of each investment, risk profile of each investment, the nature of life-styling arrangements and the procedures for formally reviewing all investments. This is reviewed and kept up to date on a regular basis.</p> <p>22. The range and risk profile of investment options offered by the Master Trust are assessed for suitability, having regard to the likely membership, and approved by the trustee. When determining the range of other investment options offered:</p> <ul style="list-style-type: none"> • the trustees can demonstrate that they have considered the financial literacy of scheme membership; or • provide access to financial advice to help enable members to make knowledgeable decisions. 	<p>profile of investment options offered reflects the needs of the membership.</p> <p>Arrangements are established to review the ongoing appropriateness of investment options.</p>
<p>Risk – The ability of a member to make appropriate investment decisions is hindered by an inadequate variety of options presented. This includes situations where the investment options do not cover a sufficiently wide variety of risk profiles, where the number of options is bewilderingly long or where the list of options assumes an inappropriate level of financial literacy.</p>	<p>23. Complete and accurate descriptions of the investment options are prepared and approved and made available by the Master Trust for distribution by the employer to prospective members on a timely basis.</p> <p>24. The appropriateness and suitability of all investment options (other than the default strategy) relative to the current and prospective membership profile is subject to a regular documented assessment. This assessment is acted upon.</p>	
<p>Identification of investment objectives and assessment against them</p> <p>To enable trustees to effectively</p>	<p>25. The aims, objectives and characteristics of all investment choices offered by the Master Trust are documented in a statement of investment principles (produced in line with the Pension Regulator’s DC code of practice) and formally reviewed by the trustees regularly, including whenever there has been a</p>	<p>Investment objectives for each investment option are identified and documented in order for them to be</p>

monitor the suitability and range of investment choices they need to understand the aims, objectives and characteristics of each investment fund to inform their review.

Risk - If investment options are not monitored against investment objectives then poor performance, lack of appropriateness or other issues will not be identified and rectified, leading to potential financial detriment for members.

significant change in investment policy.

- 26. The performance of each investment option (other than the default strategy) is regularly evaluated against its relevant objectives and industry benchmarks.**
This assessment is acted upon.

regularly monitored.

The performance of each investment option, including the default, is regularly assessed against stated investment objectives.

People

Conflicts of interest

Trustees need to make sure all actual, potential or perceived conflicts of interest are actively identified, monitored and managed. In Master Trusts, provider representation on the trustee board may result in non trivial conflicts of interest so must be managed.

Risk - If decisions about the scheme and its governance (eg investment or administration) are

Conflicts

- 27. Trustees maintain a documented conflicts of interest policy** which includes a documented approach for identifying, recording and managing actual, potential and perceived conflicts of interest that impact on the Master Trust and its trustees, employers, members and providers. The trust deed and rules give the trustees the power to change any service supplier including the scheme administrator and investment manager.

- 28. Trustees maintain a register of interests** for all trustees and conflicts of interest identified. These are managed in accordance with the conflicts of interest policy. Key conflicts which must be managed carefully are when the provider (or a related party) of the Master Trust is also providing trustee, investment management, and/or

Those running schemes are able to effectively demonstrate how they manage conflicts of interest.

influenced by the needs of parties other than the membership (e.g. senior management of the product provider) this increases the risk of financial detriment for members.

administration services or when they also provide annuities. In these situations trustees must demonstrate how conflicts arising from these services are monitored and managed. Trustees need to be able to demonstrate that the use of related parties is in the interest of the membership.

For example, decisions are coloured by non-trivial, acute or pervasive conflicts of interest resulting from provider appointed trustees or services offered by related entities, resulting in financial detriment to members.

<p>Fit and proper trustees</p> <p>Master Trusts must be run well by sufficiently skilled and competent trustees in accordance with the trust deed and rules.</p> <p>All the trustees must act with integrity, honesty and must be financially sound to undertake their role.</p> <p>Risk – members’ money may be put at risk if those responsible for managing the scheme are not fit</p>	<p>Fit and proper trustees</p> <p>29. Trustees maintain a documented policy which outlines the requirements of trustees in terms of being fit and proper.</p> <p>30. Trustees are only appointed where the trustee board has assessed and concluded that the individual is fit and proper for the role, including whether they have the sufficient level of knowledge and skill required for the role, and has documented the decision. Upon appointment trustees’ duties are formally documented (e.g. through a formal letter of appointment) and continuing suitability of all trustee appointments is formally reviewed and monitored.</p> <p>31. Trustees maintain a training plan which ensures that all trustees have the appropriate levels of knowledge and understanding. Each year an assessment is</p>	<p>Those running schemes understand their duties and are fit and proper to carry them out.</p> <p>Those running schemes regularly review their skills and competencies to demonstrate they understand their duties and are fit and proper to carry them out.</p>
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and proper (including competent) to carry out their duties.

undertaken to identify knowledge and skill gaps on the trustee board. **Training is conducted and training records are maintained by all trustees in accordance with a documented training policy.** New trustees successfully complete the Pension Regulator's Trustee toolkit within 6 months of their appointment or demonstrate that they otherwise meet the requirement for appropriate knowledge and understanding (in accordance with Regulation 3 of the Occupational Pension Schemes (Trustees' Knowledge and Understanding) Regulations 2006).

Governance

Third parties

The appointment and ongoing effectiveness of firms offering services are properly managed.

Risk - Service providers: Service providers not performing represents a risk to the security and size of members' retirement outcomes.

Scheme adviser: A lack of accountability for the quality of their advice means that quality advice may not be guaranteed and recourse may not be in place if the advice results in member detriment.

Third parties

32. Roles, responsibilities and duties of all trustees, advisers and service providers are documented, approved by the trustees and subject to a regular performance review. Where services are provided by organisations related to the Master Trust, mutual responsibilities are specified clearly in formally documented service level agreements and actual performance is monitored by the trustees.

33. Due diligence is carried out before appointing all professional advisers.

34. Scheme advisers and service providers (both third party and related party) are properly managed and monitored through application of formal agreements, regular documented reviews (for example including assurance reviews) and service quality measures. Trustees will need to determine what levels of assurance can be provided by service providers in the absence of independent assurance reviews, in the case of administration for example. The trustees have a documented policy for addressing poor performance which is acted upon.

Accountability and delegated responsibilities for all elements of running the scheme are identified, documented and understood by those involved.

Those running schemes establish and maintain procedures and controls to ensure the effectiveness and performance of the services offered by scheme advisers and service providers.

Internal control framework

Schemes need to develop robust systems and control that detect, mitigate and manage risk.

Risk - Members are enrolled into a pension scheme that does not carry out any monitoring to mitigate the operational, financial, regulatory and compliance risks. For example, inadequate internal controls expose the final outcome of members' pensions to a higher level of risk and uncertainty.

35. Trustees establish a risk management framework in accordance with the DC code of practice. Risks are identified and evaluated and recorded in a risk register together with internal controls and mitigations of significant operational, financial, regulatory and compliance risks identified by the trustees. This is reviewed and updated at least annually.

Those running schemes establish and maintain adequate internal controls which mitigate significant operational, financial, regulatory and compliance risks.

Core scheme transactions

Core scheme financial transactions impact on the benefits of all classes of members (for example active and deferred) and beneficiaries and include:

- Bulk transfers in and out
- Member fund switches and redirections
- Receipt of contributions
- Member unitisation and

36. Contributions, benefit payments, investment transactions, balances and related income are promptly, completely and accurately processed and recorded in the proper period. A reconciliation of member units (between those units held by the administrator and fund managers) is undertaken on a monthly basis following contribution and switching exercises.

Core scheme financial transactions are processed promptly and accurately.

37. Transaction errors are rectified promptly and members are treated fairly. Trustees have arrangements in place to fully fund the cost of administrative errors that impact on member benefits.

investment of contributions

- Investment and disinvestment of scheme assets
- Individual transfers in and out quotes and payments
- Benefits payable on death
- Purchase of annuities and payments of lump sums

Trustees need to make sure that core scheme financial transactions are managed. The volume of transactions in Master Trusts will be considerable, so trustees need to make sure that systems and controls are able to manage this properly.

Risk - Members benefits are at risk if there are delays or administration errors that are made when processing key member events such as retirement, fund switches, receipt and investment of contributions.

Contributions

Trustees must collect

38. Payments of contributions are processed and recorded accurately in the proper period and invested within 5 working days.

Those running schemes take appropriate steps to

contributions in accordance with the Payment Schedule and within legal due dates.

Risk - Member benefits are at risk if the employer is not making the required contributions and the trustees do not pursue the outstanding amounts.

39. Late and inaccurate payments are pursued and resolved in accordance with the requirements set out in the Maintaining Contributions code of practice published by the Pensions Regulator.

pursue and resolve all late and inaccurate payments of contributions.

Retirement options

In DC schemes members need to take advantage of retirement options that maximises the conversion of their fund into a pension which offers the most suitable level of income at retirement. Master Trusts may offer use of annuities offered by related companies, but must ensure that all retirement products, including the availability of an open market option, are clearly and fairly presented.

Members need quality information to help to choose the most suitable product at retirement; highlighting advantages and disadvantages of

Retirement options

40. Trustees communicate to members relevant information at the right time to support the decisions members need to make at retirement using the following timelines:

Time before retirement	Trustees actions
Throughout period of scheme membership	Start education and warm-up process to enable members to take effective decisions at retirement. For example, include messages in annual benefit statements with links to tools, resources and information. Also remind members how lifestyling works and the importance of advising the scheme of any change in their expected retirement date.
Between 5 and 15 years before the members' retirement date	A statement explaining lifestyling and its potential advantages and disadvantages and when it is likely to be adopted. This allows members to consider whether this is still appropriate to their circumstances and consistent with their planned retirement date.

A process is provided which helps members to optimise their income at retirement.

Those running schemes clearly communicate to members the options available at retirement in a way which supports them in choosing the option most appropriate to their circumstances.

different products.

Risk - Members who are not made aware of the various annuity and other retirement options will be unlikely to secure their optimum retirement income.

Between 2 and 5 years before planned retirement

Start communicating with members about their retirement options; encourage them to start considering these and introduce them to the decisions that they need to make. Explain to members who are in volatile or illiquid funds that they have the option to switch into funds that are less volatile or illiquid as they approach retirement, the potential impact of such a switch and where this option to switch is available.

At least 6 months before retirement send a wake-up letter

Send the required information about the Open Market Option (OMO) to members including information about the retirement process and annuities. Trustees must include prescribed information, for example by including the Money Advice Service (MAS) guide 'It's time to choose'.

At least 6 weeks before retirement – follow-up pack

Send a follow-up pack giving instructions on how to draw benefits and the different options available and give a strong message of the need to make a decision in a timely manner.

The wake up letter contains the following minimum requirements:

- A statement that different annuities have different features and different rates of payment including annuities that provide:
 - (a) the same payments every year;
 - (b) increasing payments every year;
 - (c) payments only for the person;
 - (d) payments for the person's spouse or partner; and
 - (e) a guarantee on the early death of the person.
- Either:
 - (a) an explanation of the characteristic features of the annuities; or
 - (b) a copy of guidance giving that explanation that has been prepared by the

regulator and approved by the Secretary of State.

- A statement that the person should consider taking advice about which annuity is most suitable for them.

- 41. Trustees monitor data that shows the range of retirement products selected by members at retirement** to determine whether members are taking advantage of the full range of products, for example an open market option, impaired life annuities or non annuity options such as income draw down, that will help maximise income at retirement.

Communication

To help members understand their pension and make informed investment related decisions, trustees should ensure that information provided to members is accurate, clear, concise and engaging.

Risk – information provided to members is overwhelming and does to enable members to easily make important decisions on a timely basis.

Investment related communications

- 42. Trustees maintain a communications plan** which includes:

- The process for assessing the accuracy and quality of member communications
- The frequency of communications to scheme members
- The process for ensuring that the timing of retirement related communications (as outlined in 40. above is maintained)
- The timescales for reviewing all member communications

- 43. Members are regularly made aware of their investment strategy, and the importance of reviewing the suitability of their investment choices, and that their level of contributions is a key factor in determining the overall size of their pension fund.**

Trustees will ensure that scheme communication is accurate, clear, understandable and engaging and it addresses the needs of members from joining to retirement.

Members are regularly informed that their level of contributions is a key factor in determining the overall size of their pension fund.

Members are regularly made aware of their current investment strategy and what this means for them.

APPENDIX 2: EXAMPLE PARAGRAPHS FROM THE REPORT BY THE TRUSTEES OF THE MASTER TRUST

The following text contains example paragraphs from an illustrative trustees' report.

As trustees of [name of Master Trust], we are responsible for the identification of control objectives relating to governance and administration in the operation of the Master Trust and the design, implementation and operation of the control procedures to provide reasonable assurance that the control objectives are achieved. Those objectives are derived from the DC code of practice and DC regulatory guidance.

In carrying out those responsibilities, we have regard not only to the interest of employer companies and members of the Master Trust but also to the requirements of the trust business and the general effectiveness and efficiency of the relevant operations.

We have evaluated the effectiveness of the [name of Master Trust]'s control procedures having regard to ICAEW's Technical Release AAF 02/07 including its Master Trusts Supplement and the criteria set out therein.

We set out in this report a description of the relevant control procedures together with the related control objectives which operated during the period [x] to [y] and confirm that:

- a. the report describes fairly the control procedures that relate to the control objectives referred to above which were in place throughout the period [date] to [date];
- b. the control procedures described were suitably designed throughout the period [x] to [y] such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily; and
- c. the control procedures described were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the specified period.

Trustee
Date

Signed on behalf of trustees of [name of Master Trustee]

APPENDIX 3: A PRO FORMA PRACTITIONERS' ASSURANCE REPORT ON THE INTERNAL CONTROL PROCEDURES OF THE MASTER TRUST.

Practitioners issue an assurance report to the trustees in a form suitable for the specific engagement. The report below is adapted from a pro forma assurance report (ii) (a) Appendix 2 of AAF 02/07 for the purpose of reporting in relation to the Master Trust's control objectives related to its governance and administration as set out in the Master Trust's report.

Independent practitioners' assurance report on the governance and administration control procedures of Master Trusts To xxxxx (See AAF 02/07 for wording)

Use of Report

Example wordings to describe applicable restrictions on the use of the report, together with supporting guidance on alternative forms of engagement and associated duties of care arising, are set out in AAF 02/07. However, restrictions should not exclude the use of the report by customers of the Master Trust who wish to obtain a better understanding of the governance and administration arrangements at the Master Trust.

Scope

We have been engaged to report on [name of Master Trust]'s description of its governance and administration control procedures throughout the period [date] to [date] and on the suitability of the design and operating effectiveness of the control procedures stated in the description.

Trustees responsibilities

The trustees' responsibilities and assertions are set out on page [] of your report.

Our responsibilities

Our responsibility is to form an independent opinion, based on the work carried out in relation to the control procedures of [name of Master Trust] as described in your report and report this]. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 and with ICAEW Technical Release AAF 02/07 including its Master Trustee Supplement. ISAE 3000 and AAF 02/07 require, among other things, that we comply with ethical and other professional requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fair and the control procedures were suitably designed and operating effectively. The criteria against which the control procedures were evaluated are the control objectives developed for the Master Trusts as set out within the Master Trusts Supplement to AAF 02/07 and identified by the trustees as control objectives to be applied for the purpose of governance and administration.

Our work involved performing procedures to obtain evidence about the presentation of the Master Trust's description of its governance and administration control procedures and the design and operating effectiveness of those control procedures. Our procedures include assessing the risks that the description is not fairly presented, and that the controls procedures were not suitably designed or operating effectively. Our procedures also included testing the operating effectiveness of those control procedures that we considered necessary to obtain reasonable assurance that the control objectives stated in the description were achieved. An assurance engagement of this type also included evaluating the overall presentation of the description, the suitability of the objectives stated therein.

Inherent limitations

[Name of Master Trust]'s description was prepared to meet the common needs of a broad range of users and may not, therefore, include every aspect of control procedures that may be relevant to each employer company or member of the Master Trust. Also, because of their nature, control procedures may not prevent or detect and correct all errors or omissions in performing governance or administration control procedures.

Our opinion is based on historical information. The projection of any evaluation of the fairness of the presentation of the description, or opinion about the suitability of the design or operating effectiveness of the control procedures to future periods would be inappropriate.

Opinion

In our opinion, in all material respects:

- i. the accompanying Master Trust's report describes fairly the control procedures that relate to the control objectives referred to above which were in place throughout the period [date] to [date];
- ii. the control procedures described on pages [] to [] were suitably designed to provide reasonable but not absolute assurance that the specified control objectives would have been achieved if the described control procedures operated effectively; and
- iii. the control procedures that were tested were operating with sufficient effectiveness to provide reasonable but not absolute assurance that the related control objectives were achieved throughout the period [date] to [date].

[Name of firm]

Chartered Accountants

[Location]

[Date]