



21st Century Trusteeship and Governance

The drive by the Pensions Regulator to “raise the bar” in relation to governance standards in Defined Benefit (DB) schemes has been outlined in their recent discussion paper. The paper infers that employers should conduct a full review of governance procedures ensuring that their trustee boards are fit and proper for their purpose.

Trustee board effectiveness

The Regulator will be focusing on the fundamentals of good governance and effective management, such as;

- Board competence, including recruitment and succession planning, skills and knowledge assessments, action plans and ongoing training and development,
- clear definition of roles, responsibilities and accountabilities of key scheme participants,
- effective governance structures and decision making processes,
- effective business planning.

The discussion paper suggests that DB pension schemes (like Defined Contribution schemes) should be required to appoint a chair and produce an annual governance report. The Regulator is considering with DWP how best to encourage DB schemes to deliver good governance and value for money for their sponsoring employer and explore different frameworks.

Trustee knowledge and understanding

The Regulator has commented that continuous development is crucial in improving effectiveness to demonstrate sufficient trustee knowledge and understanding. The Regulator suggests that a more formal continuous professional development (CPD) framework could prove to be of benefit for trustees. Therefore, trustees can expect to see the introduction of a specific education programme to raise trustee standards.

The Pension Regulator's next steps

The Regulator is determined to improve the standard of governance and administration, and the competence of those managing DC and DB trust-based occupational pension schemes.

The Regulator will do this through;

- implementing targeted education and tools to raise standards of poor trustees,
- provide greater clarity on the requirements for higher standards for professional trustees,
- provide further details on specific qualities and skills the Regulator expects chairs to bring to trustee boards,
- tougher enforcement against trustees who fail to meet the required standards.

The Regulator intends to impose fines for poor trusteeship and governance. A possible other ramification is the removal of poorly performing trustees.

For further information please contact your 44 Consultant.

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