PMI Level 3 Award in Pension Trusteeship
(Defined Contribution and Defined Benefit Schemes)

PMI Level 3 Certificate in Pension Trusteeship
(Defined Contribution and Defined Benefit Schemes)

PMI Level 3 Award in Pension Trusteeship

PMI Level 3 Certificate in Pension Trusteeship

Unit 1: Pension Trusteeship
Unit 2: Soft Skills

Unit 1: Pension Trusteeship

RQF Level: 3
Credit value: 6 credits Unit Aim

To provide formal recognition of a trustee's knowledge and understanding (TKU).

Unit Abstract

The Pensions Act 2004 requires trustees to have knowledge and understanding of the law relating to pensionsand trustsand the principlesrelating to the funding of occupational schemesand the investment of scheme assets. Trusteesare alsorequired to be conversant with their own scheme's policy documents.

(The regulator has taken the phrase 'conversant with' to mean having a working knowledge of those documents such that the trustees are able to use them effectively when carrying out their duties as a trustee.)

The syllabusshouldgive trustees agood idea of the depth of the knowledgerequired. We do not expect trustees to take on the mantle of experts – we want trustees to be able to understand, discuss and challenge the advice that experts give them. We have no plans for any qualification based on the indicative syllabus to be mandatory or to become a regulatory requirement. Indeed, there is nothing
in the legislative framework which would allow the regulator to do this.

Those trustees who want recognition of their work may achieve this through an accredited qualification. The Pensions Management Institute (PMI) offers the Awards in Pension Trusteeship exams, which have received accreditation from the Qualifications & Curriculum Authority (QCA), as vocationally related qualifications (VRQ) at level 3, within the National Qualifications Framework.

Learning Outcome 1 (LO1) Understand the law relating to trusts
1.1 Summarise the Basic Concepts of a Trust and Reasons for a Trust • Placing assets in the care of persons of integrity for the benefits of others(the beneficiaries) • Separate pensions money from company money • Legal ownership with trustees, not employer or members • Government encouragement with tax benefits • Legal arrangement specifically designed to provide benefits on the future • Enforceable benefits can be given to those who are not employees e.g. spouses and children
1.2 Summarise the Creation of a Trust • Who can create a trust • How a trust is created • Legal definition of a trust • How a pensions trust is usually created • Trust documents e.g. trust deed & rules • Memorandum/Articles of Association (corporate trustees only) • Obligation under trust law to take legal action where appropriate

1.3 Summarise the Beneficiaries of a Trust
 	
• The persons or classes of persons given benefits by the trust documents, eg:
  o members (active, deferred, pensioners)
  o dependants
  o position of the employer as a beneficiary
  o position of divorced spouse

1.4 Analyse Fitness and Properness to Act as a Trustee
 	
• Provision of trust documents for the selection, appointment and dismissal of trustees
• Member nominated trustees
• Elections, nominations, committees of management.
• Different forms of trusteeship
• Person setting up the trust is trustee unless someone else is appointed
• Anyone agrees and is not legally excluded may be appointed a trustee
• Independent trustee
• Employer as trustee
• Corporate trustee
• Trust corporation (as defined by statute)
• The grounds for discharge of trustees e.g:
  o statutory disqualification
  o mental health
  o failure to attend meetings
  o being abroad for more than 12 months

1.5 Analyse Trustees Taking Office • The need for access to trust documents • The need for confidentiality • The requirement for signature mandates • The potential liabilities and consequent personal duties and responsibilities of the trustee role • The need to obtain professional advice when required • The need for appropriate training

1.6 Analyse Trustees Ceasing to Hold Office

- Provisions of trust documents
- Member nominated trustees
- Elections, nominations, committees of management
- Discharge of individuals
- Requirements to be taken off mandates
- Personal liability for past decisions remains

1.7 Summarise Fiduciary Duties

- To act in accordance with the trust deed and rules subject to overriding law
- Distinction between duties, powers and responsibilities
- Do not delegate unless authorised by the trust deed
- Act by majority unless the trust deed requires otherwise
- Comply with statutory requirements
- Provide required information
- The concept of the duty of care and the standard to which it should be exercised
- Act prudently, conscientiously and honestly and not profit from the trust e.g:
  - take a considered view
  - the ability to justify actions
  - all relevant factors taken into account and all irrelevant factors ignored
  - reaching a reasonable decision
- Duty to see sums owed are paid
- Required to act impartially e.g:
  - between all categories – actives, deferred and pensioners
  - between all groups of employees
  - between employer and pension scheme members
- Invest and safeguard scheme assets
- Keep proper records e.g:
  - obtain accounts
- Comply with statutory requirements
- Provide information
- Appoint auditor and scheme actuary (DB only)

1.8 Demonstrate an Awareness of the Organisation of Trustees

- How decisions are made
- Keep minutes to record decisions made
- Quorum as set out in trust deed or Articles of Association (Corporate Trustee)
- Meetings at a frequency appropriate to the necessity to make decision or confirm actions of sub committees
- Rights of trustees to call meetings
- Rights of trustees to act individually and jointly

1.9 Summarise Professional Advice and Decision Making

- Appointment of other professional advisers
- Written terms of reference
- When to ask for professional advice
- Challenging professional advice
- Responsibility for decision making is the trustee's

1.10 Summarise the Role of Advisers and Service Providers

- Actuary, administrator, benefits consultants, communications advisers, custodians, financial advisers, fund managers, insurance brokers, investment advisers, lawyers, statutory independent trustees
- Written terms of reference
- Understand the role of the auditor, both internal and external.
- Written terms of reference

1.11 Summarise Conflicts of Interest

- Independence of the trustee's role
- Act in the best interests of the beneficiaries, "best interests" as best financial interests in a trust providing financial benefits
- Requirements to set aside personal views and other interests
- Trust as a separate legal identity
- Exclusions from advisory roles
- All trustees must act for all the beneficiaries
- Trustees are not "representatives" of special interests even if they are member, pensioner, union or company nominated
- Trustees to be aware of situations giving rise to potential conflict
- Trustees to be aware of methods of resolving conflicts e.g:
  - declaration in minutes
  - absenting from decision making
  - taking independent advice
- The implications of the balance of powers
- Circumstances in which professional relationships may give rise to conflicts of interest
- Relations with sponsoring employer

1.12 Analyse the Role of Advisers and Use of Advisers where a Scheme or Employer is under threat or in wind up

- Powers and responsibilities of trustees
- The need to act and react promptly to changing circumstances and advice received
- The need to keep advisers fully up to date
- The need to reassess advisers if possible conflicts of interest
- The possible need for different types of advice such as accountants for financial investigations of the company
- Purposes of valuation (DB only):
  - solvency determination
- contribution rate
- discontinuance solvency in wind-up

1.13 Summarise Investing Funds

- Trustee investment powers
- Who can make investment decisions
- Invest the contributions promptly in accordance with the Statement of Investment Principles
- Statutory provisions including Pensions Act 1995/Investment Regulations (2005)
- Definition of "acting prudently"
- Significance of "responsibility for others"
- Nature of "best financial interests of beneficiaries"

1.14 Summarise Operating under Trust Deed and Rules and Subsequent Amendments

- Delegation powers
- Acting by majority unless the trust deed requires otherwise
- Compliance with statutory requirements
- Provide required information
- Obligation to be accountable for the performance of pensions

1.15 Evaluate Trustees' Liabilities and Protections

- Personal indemnity and exoneration in deed
- Insurance
- Trustee Act 1925 – application to court
- Pensions Act 1995 – reliance on professional advice/civil penalties and fines
- Financial Services and Markets Act 2000:
  - advice to individuals
  - scheme investment decisions
  - applies to investment managers
- Importance of seeking to do things properly in context of seeking protections
- Loss of protections in cases of willful default or fraud

1.16 Demonstrate an Awareness of the Importance of Sound Governance and Administration

- Secretariat functions, e.g. planning, minutes of meetings, correspondence, complaints
- Administration functions, e.g. record-keeping, payment of benefits, receipt of contributions, checks for fraud
- Risk management, e.g. internal controls, contingency planning, risk register
- Decision-making and delegation.
- Systems and controls to be proportionate and include:
  - accurate record keeping
  - adequate assessment of scheme administration risks
  - reconciliations of payroll, contributions and investments
  - capture and maintenance of correct and up-to-date member data
  - active co-operation with sponsoring employer over payroll data
  - accurate calculation and payment of benefits
  - accurate recording of cash movements
- Robust systems for contributions and unit allocations

1.17 Summarise the Trustees' Powers

- Significance of the scheme's own trust documentation in relation to trustee powers including the power to:
  - amend the rules
  - delegate functions while retaining responsibility
  - authorise signatories for payments
  - augment benefits (DB only)
  - set contributions (DB only)
  - exercise certain discretions (e.g. distribution of death benefits);
  - invest scheme assets
  - wind up the scheme
- The limitations and conditions imposed by the trust deed and rules and relevant legislation.
- Understand the effect of legislation in:
  - adding powers to those found in the trust documentation
  - altering or limiting powers found in the trust documentation
  - requiring amendments to the trust documentation

1.18 Demonstrate an Awareness of the Balance of Powers between the Sponsoring Employer and the Trustees

- The significance of the relative powers of sponsoring employer and trustees, particularly in making amendments to the scheme rules, setting contributions and agreeing recovery plans (DB only)
- The importance of using such powers with restraint and the risks of the misuse of powers
- The implications of legislation which overrides the scheme rules in relation to powers, e.g. the requirement to consult the sponsoring employer, the role of the regulator in the event of a dispute, and the significance of the strength of the sponsoring employer covenant when negotiating (DB only)

Learning Outcome 2 (LO2) Understand the law and regulatory guidance relating to pensions
2.1 Demonstrate an Awareness of Occupational Pensions Legislation • Demonstrate an understanding of occupational pensions legislation
2.2 Demonstrate an Awareness that Pension Law may Override the Provisions of the Trust Deed and Impose Obligations on Trustees not existing in the Trust Deed • Pensions Act 1995 and 2004, Pensions Scheme Act 1993 and associated regulations • Funding and contributions including the funding objective, requirements for a Statement of Funding Principles (SFP – DB only)/ certification, recovery plans investment including the requirement for a Statement of Investment Principles (SIP) as appropriate/consultation and advice/monitoring and revision/availability/socially responsible disclosure to members/Occupational Pensions Schemes (Disclosure of Information) Regulations 1996/aspects of pension schemes to which disclosure regulations apply: o scheme details o trustees' annual report o SIP o trust deed and rules o benefit statements o transfer values o actuarial valuations o regulatory authorities • Who is entitled to information and when: o to whom information should be made available o type and form of information to be disclosed o whether information is given automatically or on request o frequency of availability o whether or not a charge can be made o Other member communications such as simplified annual report/benefits of membership/pre- retirement counselling • Requirements for the appointment of Member Nominated Trustees (MNTs) • Role of trustees in wind up • Broad principles behind pensions splitting on divorce • Regulatory matters: o functions of the regulator in relation to trustees o reporting to the regulator o notifying the regulator if notifiable breaches o whistle blowing o codes of practice and guidance o existence of Pension Protection Fund (PPF) and its purpose (DB only)

2.3 Summarise Disputes Resolution

- Internal Disputes Resolution Procedure (IDRP)/notification to membership/time limits of reply/who replies
- Role of The Pensions Advisory Service (TPAS)
- Role of the Pensions Ombudsman to investigate complaints of mal-administration over disputes of fact of law
- Role of the Financial Ombudsman service and its limits in relation to pension schemes

2.4 Demonstrate an Awareness of Internal Controls and Sound Administration

- Legal requirements for adequate internal controls to ensure that the scheme is administered and managed in accordance with:
  - the scheme rules
  - the requirements of the law
  - the Data Protection Act
  - the responsibility under common law to hold accurate and up to date member information
- Legal and Regulatory requirements in relation to the sound administration of schemes, including accurate records of:
  - contributions
  - member data
  - payments of pensions and benefits
  - other payments made by or on behalf of the trustees

2.5 Demonstrate an Awareness of Pensions Related Legislation

- Data Protection Act/ how compliance is met
- Financial Services and Markets Act 2000/ arrangement for financial advice
- Anti-discrimination legislation
- Civil Partnerships Act
- Employment legislation
- Proceeds of Crime Act and other anti-money laundering provisions

2.6 Demonstrate an Awareness of Taxation

- The current tax regime:
  - Registration
  - UK Administrator
  - event reporting
  - lifetime allowance
  - annual allowance
  - consequences if allowances exceeded
  - benefits on death
  - income drawdown and flexibility
  - commutation – at vesting date/on grounds of triviality or serious ill health
- Overriding legislation
- Loss of privileges if scheme non-compliant with HMRC requirements

2.7 Demonstrate an Awareness of the State Pensions/Occupational Pensions Interface

- Basic State Pension
- Additional State Pension
- Financing basis/deferral
- Contracting out – reference scheme test (DB only)/ guaranteed minimum pension
- Pension Credit
- Effect on means tested benefits
- Forthcoming reforms
- National Insurance Contributions
- Rebates
- Interface with SERPS and S2P

2.8 Demonstrate an Awareness of the Pensions Regulator

- Constitution of the Regulator
- Powers
- Decisions
- Disclosure of information
- Duty to report breaches of the law
- Powers of the Regulator to intervene where trustees and employer are indisagreement
- Codes and guidance

2.9 Demonstrate an Awareness of the Requirement for Employers to offer a Qualifying Scheme for all Employees from 2012

- Proposed conditions for meeting the requirements for a qualifying schemecovering such matters as:
  - automatic enrolment of members
  - minimum contribution rates
  - eligibility for membership
  - the definition of pensionable pay
  - the powers of trustees to modify their scheme rules by resolution to meet the requirements for a qualifying scheme

2.10 Summarise Member Nominated Trustee/Director Requirements

- Key aspects of the member nominated trustee (MNT)/director (MND) requirements including, as appropriate:
  - nomination processes
  - selection processes
  - the proportion of board members who are MNTs/MNDs
  - timescales
  - full participation by MNTs and MNDs
  - approval by sponsoring employer where appropriate
  - removal of MNTs or MNDs
  - the implications of being an MND and a member of a corporate entity

2.11 Summarise the Design of DB and DC Schemes

- CARE
- Final Salary
- DC Schemes

Learning Outcome 3 (LO3) Understand investment and funding issues for DC and DB pensions
3.1 Evaluate the Capital Market • Medium for investment in government, business, industry • Economic cycles • Impact on investment return and performance
3.2 Demonstrate an Awareness of the Major Asset Classes • Concept of risk/ reward • Risk characteristics of each asset class • Risk appetite of trustees and employer • Determining the preferred mix of assets within the risk appetite • Bonds, fixed interest and index-linked • Equities (shares in quoted companies) • Cash instruments • Property (real estate)
3.3 Evaluate Overseas Investments • Reasons for investment (opportunities, diversification) • Implications of investments denominated in foreign currency • Currency risk reduction by hedging
3.4 Evaluate Specialised Asset Classes and Methods • Packaged (or collective) investment products (unit trusts and other pooled vehicles) • Derivatives (futures, options, swaps) • Hedge funds • Insurance policies (with profits) • Infrastructure • LDI • Private unquoted equity (venture capital) • Currency (non–sterling cash) • Stock lending
3.5 Demonstrate an Awareness of With-Profit Insurance Arrangements • Designed to smooth investment returns • Nature of bonuses (reversionary and non- reversionary) • Market value adjustments on surrender • Interface between bonuses and statutory pension increases
3.6 Summarise the methods of Valuing Assets for Actuarial Valuations (DB only) • Market value on valuation date • Smoothed market value • Actuarial method (by discounting future expected returns)

3.7 Demonstrate an Awareness of Principles of Funding Defined Benefit Liabilities (DB only)

- Defined benefits payable on retirement are based on salary and length of service
- Members benefit options (e.g. lump sums in lieu of part of pension)
- Contributions are paid by the employer and also in most defined benefit schemes by members
- The fund (a pool of assets made up of past contributions plus investment returns less outgoing of benefits and expenses)
- The fund must be sufficient to pay the defined benefits as they fall due
- The accrued (past service allowing for future salary increases) liabilities as valued at regular intervals by the actuary
- The difference between the values of assets and liabilities yields a surplus or deficit at the valuation date
- If a deficit past service contributions are then adjusted accordingly
- Most defined benefit schemes are balance of cost schemes (ie a funding deficit falls on the employer)
- future service costs are valued to determined future service contributions
- Total contributions take into account future service costs, the past service deficit(or surplus) and scheme expenses
- AVCs/additional pension funding

3.8 Demonstrate an Awareness of Non-Funded, but usually Insured Scheme, Benefits, sometimes called Risk Benefits

- Death-in-service benefits/disability benefits

3.9 Summarise the Different Types of Funding Measurers (DB only)

- Liabilities in the event of discontinuing the scheme or buying out the benefits (solvency or buy-out);
- Ongoing liabilities (including pensions already in payment)
- Liabilities expressed for corporate accounting purposes for inclusion in financial statements (IAS19/FRS17)
- Liabilities in relation to both accrued (ie past) service and future service
- Technical provisions
- The setting of contributions and recovery plans in the event of deficit

3.10 Demonstrate an Awareness of the Importance of Complete, Accurate and Up-To-Date Data and Calculations

- The need for complete and accurate data and the difficulties in achieving this withoutrobust systems and processes. Explain the importance of (for example):
    - up-to-date records for every scheme member (including pensioner members)
    - reconciled membership lists eliminating duplications
    - calculation routines complying with scheme rules and overriding legislation;
    - independent verification
    - the impact of trustee decisions on the efficient administration of the scheme
    - effect of historical issues (e.g. data gaps, benefit entitlements)

3.11 Evaluate the Employer's Covenant

- Nature and strength of the employer's business:
  - ownership of business
  - corporate structure
  - current and future profitability
  - stability of the business
  - financial obligations of business, debt etc
  - free assets of company compared with the size of scheme(s)
- Monitoring the employer's covenant:
  - employer's audited accounts and published results
  - news and comment (press and other media)
  - market information (share prices, bond spreads)
  - publicly available analysts' reports
  - credit ratings
  - need for a employer/trustees dialogue, ie regular reports and disclosure of relevant information
  - report on employer from trustees- appointed expert
- Events which may weaken the employer's covenant and increase risks to scheme:
  - changes of ownership
  - mergers, demergers or take-overs
  - bad publicity undermining reputation or business
  - corporate restructure
  - changes of business strategy or company management
  - poor business performance, bad results, profit warnings etc
  - increased employer debt
  - attempts by employer to evade obligations to scheme (eg a threat to wind up or terminate contributions)
  - other notifiable events to Regulator
  - abandonment
  - volatility of assets relative to liabilities
  - to meet an increased level of scheme deficit

3.12 Demonstrate an Awareness of the Determination of Contributions (DB only)

- Understanding the actuary's method and assumptions:
  - maturity and shape of the liabilities (from proportions of pensioners, actives and deferred members)
  - profile of membership, age, sex, salary range, etc
  - sensitivity of the assumptions
  - are the financial assumptions consistent with the investment strategy?
- Understanding the setting of special contributions for past service as required:
  - the assessment of the range of options recommended by the actuary/actuaries
  - the importance of the relevant powers of trustees and sponsoringemployers
  - the importance of affordability and the requirements to reach agreement
  - processes for resolving the problem
  - recovery plans
  - notifying the regulator
- Managing the financing of a deficit:
  - reference to the power of employer and/or trustees to determine contributions
  - process for dealing with the issue
  - funding targets
  - agreeing with the employer a recovery plan acceptable to the trustees in the light of the employer's covenant
  - is the recovery plan consistent with the investment strategy?
  - notifying the Regulator of the recovery plan or in the event of failure to agree

3.13 Summarise the Role of the Sponsoring Employer in the Calculation and Collection of Member Contributions (DC only)

- Reliance of the scheme on the sponsoring employer for:
  - the correct calculation, deduction and timely payment of the correct contributions
  - access to the relevant parts of the sponsoring employer (eg payroll, HR, IT and treasury)
  - meeting its legal responsibilities in respect of all these matters
- Know the implications of pension funding by members including (where appropriate):
  - regular contributions
  - additional voluntary contributions (AVCs)
  - free standing additional voluntary contributions (FSAVCs)
  - concurrent personal pension/stakeholder arrangements
  - timeliness of payments to the scheme
  - the importance of complete, accurate and up-to-date member records
  - the importance of robust systems and processes

3.14 Evaluate Strategic Investment Allocation

- Understanding that this is the first order of investment risk:
  - extent of mismatching of assets and liabilities
  - trade off between risk and reward
  - appetite for risk
  - tolerance of contribution and funding volatility (DB only)
  - marketability and liquidity
  - checking investment powers of the trust
  - volatility of assets relative to liabilities
- Agreeing the strategy after consultation with the employer:
  - adopting the Statement of Investment Principles (SIP)
  - attention to Myners' Principles
  - second order asset allocation (e.g. regional allocation, credit limits) to determine the detailed investment benchmark
  - need to review strategy after an actuarial valuation or a change in the structure of scheme (DB only)
  - closure of scheme
  - cessation of accruals
  - major transfers in or out of liability
  - winding up
  - current contributions no longer sufficient for benefit payments
- Review strategy on an employer driven event:
  - improvement or deterioration in the employer's covenant
  - changed appetite for risk
  - any sponsoring proposal for the buy-out of scheme liabilities

3.15 Demonstrate an Awareness of the Characteristics of alternative Asset Classes and Financial Instruments

- Understand the characteristics of alternative asset classes and financial instruments:
  - alternative investments (such as hedge funds, private equity, active currency)
  - derivatives
  - the correlation between investment returns of different asset classes

3.16 Analyse the Use of Specialised Investment Techniques (DB only)

- Understand the use of specialised investment techniques, in particular liability driven investment arrangements including:
  - interest rate and inflation swaps
  - longevity insurance/swaps
  - tailored bond portfolios

3.17 Summarise the Structure of Investment Portfolios

- Actively managed versus passively managed (tracker) funds
- Pooled funds versus segregated portfolios of individual shareholdings
- The combination of passive and active management (e.g. the use of core/satellite arrangements)
- The implications for cost, liquidity and governance of each major investment decision
- The extent to which asset allocation is delegated to the fund manager (e.g. tacticalasset allocation)
- The importance of rebalancing a portfolio, especially where there are two or more fundmanagers
- Investment style (e.g. value or growth)

3.18 Summarise the Selection of Fund Managers

- The appointment and role of advisers
- Long listing, short listing and the 'beauty parade'
- The importance of investment style (value, growth or an amalgam of these) as outlined in the SIP
- Agreement on benchmarks and targets
- The costs of fund management and the costs of transition
- Investment management agreements
- Managing the transition in the event of a change in fund management
- The importance of internal controls in the event of a transition

3.19 Demonstrate an Awareness of Investment Mandates

- Understand the mandates given to all advisers and managers and any other individuals to whom investment functions have been delegated, including:
  - the nature of the contract between the trustees and their advisers
  - the role of performance measurement and targets
  - fee structures and charges

3.20 Evaluate Investment Mandates

- The mandates given to all advisers and managers and any other individuals to whom investment functions have been delegated
- The nature of the contract between the trustees and their advisers, including the role of performance measurement and indices.

3.21 Summarise the Nature of Fee Structures

- The nature of the fee structures in place for all advisers and managers and why this set of structures has been selected

3.22 Summarise the Nature of Charges (DC arrangements only)

- The nature of the charging structures which apply to each fund option, including tracker funds

3.23 Demonstrate an Awareness of the Type of Investments undertaken

- The type of investments undertaken as a result of the mandates

3.24 Summarise Socially Responsible Investment and Corporate Governance

- The stance taken towards socially responsible investment and corporate governance

3.25 Summarise Measurements of Performance using Indices, Benchmarks and Targets

- Understand the use of indices, benchmarks and targets to measure performance, including:
  - the implications of index selection to reflect alternative asset classes
  - the construction of a suitable benchmark to reflect the investment requirements of the trustees
  - the implications for fund managers of having to meet a benchmark
  - the significance of having realistic targets
  - limitations of indices and peer group comparisons

3.26 Summarise the Mechanisms for Monitoring Investment Arrangements and Fund Managers

- Reports from fund managers, including:
  - diagrams and graphs illustrating performance
  - the significance of timescales in reporting performance
  - the way charges are accounted for
  - the quarterly record of corporate governance decisions
  - changes within the fund manager organisation
  - compliance with the statement of investment principles (SIP)
  - the completeness and accuracy of records (DB and DC) and of calculations (DC only)
  - the calculation and impact of charges and fees
  - management of any transition of assets between investment managers orasset classes
  - robust processes and systems
  - calculation and apportionment of investment returns

3.27 Demonstrate an Awareness of the Importance of Sound Custody Arrangements

- Issues to consider when selecting a custodian:
  - scheme specific requirements
  - the importance of a clear and structured selection process
  - transparency of fees and the place of benchmarking
  - legal advice on key provisions in custodyagreements
  - agreed service standards and reportingrequirements
  - incorporation of any operational issues, e.g. practice in recovering tax
  - level and frequency of relationship reporting
  - issues arising on transfer to new custodian, e.g. secure transition of assets;
  - the need for adequate monitoring and correct record-keeping.

3.28 Demonstrate an Awareness of the Importance of Responsible Ownership of Assets

- The extent to which social, environmental and ethical considerations are taken into account when making investment decisions
- The corporate governance of the companies in which the trustees invest
- The extent to which (if at all) they will exercise their voting rights

3.29 Summarise the Myners Principles for the Governance of the Investment Decision Making Process

- Understand the Myners principal for Governance of the Investment Decision Making Process introduced by Gordon Brown (then chancellor of the Exchequer)

3.30 Demonstrate an Awareness of Defined Contribution Arrangements

- Understand the extent to which members need to know about investment risk, including:
  - asset classes
  - equities
  - bonds
  - cash
  - property
  - insurance policies (including 'with-profits' where applicable)
  - the nature of risk and the risk/reward profile of each asset class
  - the concept of a member's own risk appetite; charges and their impact on fund growth
  - the implications of a failure to take these matters into account
  - the implications of trustee rather than member decision-making on investments.
- Additional pension funding by employees:
  - principle of concurrency
  - Additional Voluntary Contributions (AVCs)
  - Free Standing AVCs (FSAVCs)
  - Personal Pensions
  - Stakeholder schemes
  - salary/ bonus sacrifice
- Targeting an accumulated "pot" at retirement:
  - reducing investment risk as retirement approaches
  - factors affecting annuity rates (mortality, bond yields etc)
  - types of annuities (level, increasing, etc.)
  - open market options
  - income drawdown
  - members to take into account all other pensions/ savings arrangements held and personal circumstances
  - interface with state benefits
  - independent (i.e. not from trustees) financial advice
- The need for complete and accurate data and the difficulties in achieving this without robust systems and processes. Explain the importance of (for example):
  - up-to-date records for every scheme member (including pensioner members)
  - reconciled membership lists eliminating duplications
  - calculation routines complying with scheme rules and overriding legislation;
  - independent verification
  - the impact of trustee decisions on the efficient administration of the scheme

3.31 Summarise Transfers (DB only)

- Financial implications of individual transfers in and out of the fund
- Special factors of bulk transfers:
  - financial implications of basis of the bulk transfer (ie impact on share offund)
  - impact on shape of the liabilities, and hence the impact on investment strategy
- Obtain advice from the actuary
- Enhanced transfer values

3.32 Summarise Trustees' Discretionary Powers (DB only) • Impact on funding and investment by the exercise of trustees' discretionary powers where they exist e.g. on transfer bases, augmentations, granting of rights to benefits, eligibility to membership, consent to early retirements, etc.)
3.33 Summarise the Nature and Status of Professional Advice • The basis upon which advice is given • The implications if your adviser is also advising the sponsoring employer • The nature of agreements between the trustees and adviser, and what they cover
3.34 Demonstrate an Awareness of the Pension Protection Fund (PPF) • Insolvency Events • Assessment Periods • Payable Rates • Section 1.79 Evaluations • Calculating the Levy

Learning Outcome 4 (LO4) Understand a scheme's trust deed and scheme rules
4.1 Evaluate the Duties, Powers and Discretions of Trustees under a Trust Deed, Scheme Rules and Amendments • Setting contributions • Amending the trust deed and scheme rules • Augmentation of benefits • Power of delegation • Power to terminate the scheme • Power to wind up the scheme • Transfers • Investment • Changes in power in response to specific events

4.2 Demonstrate an Awareness of the Nature of the Employer/Trustee Relationship and the Effect of the Scheme's Funding Level on the Sponsoring Employer
 	
• The changes made in the Pensions Act 2004, including requirements for trustees, irrespective of scheme rules, to:
  ○ consult the sponsoring employer
  ○ takes responsibility for major decisions on contributions after taking professional advice
• The effects on the sponsoring employer of the disclosure of any deficit in the sponsoring employer's accounts

4.3 Evaluate the Balance of Power between Employer and Trustees and When it is Appropriate to Exercise various Trustee Powers (different for DC and DB Schemes) • A scheme or employer is under threat • A scheme in wind-up
4.4 Summarise Classes of Members in a Scheme • The classes of members in the scheme including eligibility for membership
4.5 Summarise the Benefits Offered and the Circumstances in which they are Payable and How the Payments are made • Pensions • Lump sums • Refund of contributions • Transfers • Death in Service • Divorce
4.6 Summarise Decumulation of Pension Funds (DC only) • Default option • Open market annuity options • Income drawdown

Learning Outcome 5 (LO5) Understand a scheme's Statement of Investment Principles (SIP)
5.1 Summarise the Responsibilities for Decisions preparing a SIP • The respective roles of the trustees, scheme actuary, investment consultant, fund manager and sponsoring employer when preparing the SIP
5.2 Summarise the Contents of a SIP • The legal, regulatory and other requirements for the information that must be included in the SIP, e.g.: o investment objectives o managing investment risk o the implications of charges o the place of active and passive management o the nature and purpose of mandates o the limitations on investment imposed by the SIP (if applicable) o the implications of transaction costs (including soft commissions) and their disclosure o the trustees' attitude to corporate governance and sociallyresponsible investment issues and how these are managed
5.3 Evaluate the Investment Objectives of a Fund ▪ The fund's investment objectives and the reasons for them ▪ The fund's investment objectives and the range of funds, including (as relevant): o the reason for the range (to suit the majority of members) o the number and various objectives of the funds in the range o the scope and objective of the pooled fund
5.4 Evaluate the Asset Allocation Strategy of a Fund • The fund's planned asset allocation strategy and its appropriateness to its liabilities and other risks, including: o target investment returns on each asset class o how the strategy has been arrived at o volatility considerations o risk tolerance o risk mitigation
5.5 Demonstrate an Awareness of the Requirement to Monitor and Update a SIP as appropriate • Understand the need for regular and frequent review and those matters which might prompt interim revisions of the SIP, including: o any change in investment arrangements for the scheme o marked change in investment environment o change in the status of the scheme, e.g. closure to new members o any change in the sponsoring employer covenant

Learning Outcome 6 (LO6) Understand a scheme's Statutory Funding Objective (SFO) and Statement of Funding Principles (SFP) (DB only)

6.1 Summarise a Scheme's SFO
 	
• The scheme's SFO and the policy for meeting that objective, including:
  o the actuarial method and assumptions used to calculate the scheme's - technical provisions
  o the risk associated with the SFO
  o how failure to meet the SFO is to be addressed

6.2 Summarise the Responsibilities for Preparing a SFP • The respective roles of trustees, employer and scheme actuary in preparing the SFP
6.3 Summarise the Contents of a SFP • The nature of the information that must be included in the SFP and the matters which must be agreed with the employer
6.4 Summarise the Need for Reviewing the SFP • The circumstances when the SFP may need to be reviewed and, if necessary, revised,including changes to the status of the scheme

Learning Outcome 7 (LO7) Understand other relevant scheme documents
7.1 Summarise the Principal Contents of a Scheme Booklet, Announcements and other Member Communications • Basic member details • Details of trustees • Disclosure requirements
7.2 Summarise the Principal Contents of an Actuarial Valuation Report and any Annual Updates • The principal contents of the most recent actuarial valuation and subsequent actuarial advice, including: o The recommendations in the valuation and the reasons for accepting them

7.3 Summarise the Value of the Minutes of Previous Meetings
 	
• The role and value of the minutes of meetings for the governance of the scheme including:
  o decisions that impact on individual members benefits payable
  o policy discussions and decisions recorded in them

7.4 Summarise the Contents of Stewardship Reports
 	
• The importance of receiving an appropriate report from all outsourced providers
• The need to:
  o analyse and question the contents
  o identify the key issues
  o anticipate the implications for the immediate or longer term
  o cover any compliance issues and breaches.

7.5 Summarise a Schedule of Contributions (DB) and any Payment Schedule (DC) • Know about the schedule of contributions (DB only) and any payment schedule (DC only) and how to monitor payments

7.6 Summarise the Contents of Internal Control Reports
 	
• Understand nature of the document and the limitations of the information provided, as well as the importance of:
  o checks on the adequacy and robustness of systems
  o accuracy in the calculations included in member communications
  o an action plan to rectify any issues identified
  o the place of the action plan in the scheme's business plan
  o the cost implications of exercises of this nature
  o risk management and the maintenance of a risk register
• Understand where all original documents are kept and the arrangements for their custody, safekeeping and access

7.7 Summarise the Principal Contents of an Annual Report and Accounts
 	
• Know the principal contents of the annual report and accounts or audited statement of contributions for the scheme
• For schemes, this will include:
  o trustees' report
  o financial statements
  o reports from fund managers
  o compliance statement
  o actuarial certificates (DB only)
  o auditors' report

7.8 Summarise the Principal Terms of any Significant Contract in Respect of Scheme Assets
 	
• Know the principal terms of any significant contract in respect of scheme assets, including:
  o contingent assets and guarantees
  o in outline, the terms of any insurance policies and their consistency with the trust documentation

7.9 Summarise the Principal Contents of any Trustee Approved Procedures • The internal disputes resolution (IDR) • Arrangements for appointing all sub committees • Appointing a Chair • Delegated authorities • Letters of appointment with professional advisers or suppliers • Service level agreements • Any subcontracting of activities
7.10 Summarise the contents of a Statement of Compliance with the Myners' Principles • Summarise the contents of a Statement of Compliance with the Myners' Principles
7.11 Summarise the Principal Contents of the Memorandum and Articles of Association of a Corporate Trustee • The principal contents of the memorandum and Articles of the corporate trustee and that these are consistent with the trust deed, rules and MND procedure

7.12 Summarise the Principal Elements and Features of a Scheme Business Plan
 	
• The principal elements and features of the following:
  o business plan, including a skills audit (where applicable)
  o training plan
  o expenses budget
  o cash flow forecast
  o risk assessment and follow up
  o calendar of events

7.13 Summarise the Important Components of the Job Descriptions for the Chair and for other Trustees

- For the chair:
  - ensuring sufficient meetings to manage the business of the scheme
  - approving the papers for the meeting in good time for distribution to the other trustees
  - taking steps to ensure meetings are properly recorded
  - ensuring the trustees have appropriate advice and sufficient information to fulfil their role properly
  - arranging for the induction of new trustees
  - helping trustees evaluate their performance
  - monitoring the work of sub-committees
  - carrying out any tasks delegated by the board
- For the other trustees:
  - preparing for and attending meetings
  - keeping up to date with trust deed, and rules, legislation and other developments
  - ensuring they are satisfied with scheme's internal controls and administration
  - completing all necessary learning
  - participating fully in board discussions

7.14 Demonstrate an awareness of Pension Liberation Fraud

- Describe what it is
- Explain why it happens
- Explain what the Trustees' responsibilities are

APT READING LIST

In preparing for the examination candidates may find the following publications of use:

Core Reading

- The Pensions Regulator – Trustees
- The Pensions Regulator – Trustee Toolkit
- *The Pension Trustee's Handbook – Robin Ellison (2024)
- HMRC Pensions Tax Manual
- MoneyHelper – Pensions & Retirement
- Pensions UK (formerly PLSA) – Made Simple Guides
- Institute and Faculty of Actuaries Publications

Further Reading

- Perspective – Pendragon Information Service - Pensions legislation, regulation and commentary
- The Pensions Ombudsman – determinations and guidance
- Financial Reports of Pension Schemes: Statement of Recommended Practice (SORP)
- Institute and Faculty of Actuaries publications and research

Key Subject Areas Covered

- Trustee duties and responsibilities
- Scheme governance and administration
- Trust law and pensions legislation
- Funding and investment
- Member benefits and communications
- Pensions taxation
- Risk management and internal controls
- ESG and stewardship
- Cyber security
- Pensions dashboards
- Dispute resolution and complaints handling
- Professional trustee standards and TKU requirements

*The Pension Trustee's handbook is ideal for learners sitting the Award in Pension Trusteeship exam.

Robin Ellison is one of the leading experts on Trustee law and trustee requirements. Robin has written a number of books, including the predecessor of the Handbook. Robin has now produced a new and updated version called **The Trustee Handbook** and has offered the PMI the opportunity to partner with him and offer his book to our members.

The PENSION TRUSTEE'S Handbook:

Unlock the complexities of pension fund management with the Pension Trustee's Handbook, the ultimate guide for trustees and pension professionals. Written by Robin Ellison, a renowned expert in pensions law, this book is essential for both new and experienced trustees who want to excel in their role.

Key resource: A must-have for anyone pursuing the Award in Pension Trusteeship exam, the PMI Trustee Pathway qualification or involved in pension scheme management.

Who Should Read This Book?

- New trustees: Get a solid foundation in pension fund management and trusteeship.
- Experienced trustees: Deepen your knowledge with advanced topics in investment governance, legal compliance, and member engagement.
- Pension professionals: An invaluable resource for those working in pension fund administration, law, or consultancy.

You can purchase the Pensions Trustee handbook via The Great British Bookshop here.

Unit 2: Soft Skills

RQF Level: 3
Credit value: 8 credits Unit

Aim

To provide trustees with the skills, outside of the technical understanding necessary, to operate on a trustee board.

Unit Abstract

As a trustee, it has never been enough to be technically adept. You have to excel at soft skills as well. Soft skills are the personality traits, attitudes, habits, and behaviours you display when working with others.

Just as for different successful companies, trustee boards which are different can be just as successful in running their particular scheme. There is no magic 'one size fits all' make up for a trustee board. Whilst pension knowledge is important, we cannot overlook the soft skills which all boards need. For example, the ability to collaborate with other scheme stakeholders; a board which has diverse skills and backgrounds can avoid the dreaded 'group-think', the ability to recognise potential and real conflicts of interest and come up with a proportionate solution and the ability to develop a practical solution are critical skills for every trustee board. This invariably means the board has trustees who feel confident and supported enough to ask the awkward questions

All professional trustees need this balance between the hard skills of knowledge gained over many years (and lots of boards) and the soft skills that allow them to engage productively and efficiently in the interests of their members.

This unit considers soft skills over four distinct areas:

1. Leadership and Communications
2. Problem Solving and Decision Making
3. Negotiation and Conflict Management
4. Critical Thinking

Assessment for the unit is a 60 question multiple choice exam over 90 minutes which contains 15 questions from each soft skill area.

1. Leadership and Communications

Abstract

Winston Churchill once said, 'the difference between mere management and leadership is communication.

While management and leadership have been shown to be much more than communication, there is little doubt that communication skills are at the heart of effective leadership. Good communication skills alone, however, will not make an effective leader.

Research on leaders over many years has demonstrated that leaders spend from around 75% to 90% of their time on communication activities.

There are three levels of communication skills for leaders:

- core communication skills,
- team communication skills, and
- strategic and external communication skills

As a leader gains more responsibility in an organisation and undertakes more complex and demanding roles, the leader will need to improve core skills and become more effective in the higher level team and strategic skills. To be effective, the skills should be acquired and developed in a sequence that is from core to strategic skills.

The aim of this unit is therefore to map out the critical communication skills leaders need at the various levels in the organisational hierarchy.

Guidance

Learning Outcome 1 (LO1) The learner will have developed their own leadership and communication skills through both the study of theory, the application of these theories through analysis and practice.
1.1 Appreciate the key concepts of leadership. ▪ Communicating goals so everyone understands them and their role in achieving them ▪ Positioning team members to make optimal use of their talents ▪ Promoting productivity and quality standards ▪ Motivating and inspiring everyone to do their best work ▪ Keeping team members on task, on schedule, and on budget ▪ Maintaining morale and workplace harmony
1.2 Analyse your leadership style and understand how to adjust it to become a more effective leader ▪ Affiliative leaders ▪ Authoritative leaders ▪ Coaching leaders ▪ Coercive leaders ▪ Democratic leaders ▪ Pacesetting leaders ▪ Managerial Theories (Maslow, Hertzberg, Mintzberg, Weber)

1.3 Grasp the importance of verbal and non-verbal communication in the leadership process. • Formal Communication • Informal Communication
1.4 Apply the persuasive process to different genres and scenarios. • The art of using words to influence an audience. It involves directing, guiding or appealing to the thinking, logic or emotions of an individual or an audience.

2. Problem Solving and Decision Making

Abstract

Problem solving and decision making are critical skills to working professionals, yet most people learn these skills through trial and error and receive minimal formal training in these disciplines.

Cognitive science has made great strides during the past two decades toward better understanding how humans solve problems and make decisions. Modern tactics and skills can build upon prior experience and improve both individual and team performance.
Understanding Problem Solving and Decision Making provides the tools and tactics for working with real world problems in a professional environment. It provides analytical tools for problem identification and definition, evaluation of possible solutions, and solution selection, so that learners can bring better value to their organisations and customers.

This unit provides the learner with knowledge and skills necessary for effective, efficient and systematic business problem solving and decision making. It enables learners to appreciate and apply a variety of theories, methodologies, tool and techniques that are used for acquisition, analysis and management of business data and information - in order to make appropriate strategic and tactical business decisions. As appropriate to Environmental and Social Governance, ethical aspects and issues associated with decision making is also be covered/examined.

Guidance

Learning Outcome 2 (LO2) The learner will be able to plan, analyse situations, identify and solve problems (or potential problems), make decisions, and set realistic and attainable goals for the organisation.
2.1 Understand the context of business decision making and characteristics ofdecision making problems. ▪ It is a process of choosing a course of action from among the alternative courses of action. ▪ It is a human process involving to a great extent the application ofintellectual abilities. ▪ It is the end process preceded by deliberation and reasoning. ▪ It is always related to the environment. A manager may take one decision in a particular set of circumstances and another in a different set ofcircumstances. ▪ It involves a time dimension and a time lag. ▪ It always has a purpose. Keeping this in view, there may just be a decision not to decide. ▪ It involves all actions like defining the problem and probing and analysing thevarious alternatives, which take place before a final choice is made.

2.2 Identify issues involved in making decisions when dealing with complex business problems, including appreciation and understanding of relevant ethical aspects and issues that are associated with business decision making.

- Affiliative leaders
- Authoritative leaders
- Coaching leaders
- Coercive leaders
- Democratic leaders
- Pacesetting leaders

2.3 Appreciate and compare various quantitative and qualitative decision making models
 	
▪ Description:
  o Quantitative: Quantity is something that can be counted or measured.
  o Qualitative: Quality is a property or an attribute that a person or an object possesses. So it can be used to describe the object or the person as thecase may be.
▪ Nature:
  o Quantitative: Quantitative is objective. Quantitative is something that can only be measured but cannot be experienced.
  o Qualitative: qualitative is subjective. Qualitative is something that cannot be measured but can only be experienced.

2.4 Appreciate the need for approaching business problem solving as an integrated as well as more specialist, functional approach; and be able to approach a problem from different perspectives. ▪ Analytical Problem Solving ▪ Logical Problem Solving ▪ Rational Problem Solving ▪ Absolute Problem Solving ▪ Creative Problem Solving ▪ Positive Problem Solving
2.5 Select and use appropriate methodologies, tools and techniques to formulate and solve problems in order to make informed and justified decisions; and understand effectiveness, efficiency and impact of the chosen methodologies, tools and techniques. ▪ Identify the problem ▪ Identify the root causes ▪ Brainstorm the solutions ▪ Select the appropriate solution ▪ Implement and check the impact of the solution ▪ Plan, Do, Check, Act

3. Negotiation and Conflict Management

Abstract

In order for managers to lead and administer any organisation effectively, they must be able to negotiate with both internal and external constituents in a way and manner that develops or maintains relationships, creates value and can be utilised cross-culturally.

Similarly, managers must be able to identify different types of conflict, manage and harness conflict to make it beneficial to organisational and personal growth of key constituents.

Further, managers must be able to identify those conflicts that require the use of dispute resolution and the different types of dispute resolution methodologies that are available.

This unit provides substantive knowledge to round out the skill sets of the learners to make them highly effective leaders and managers.

Guidance

Learning Outcome 3 (LO3) The learner will be able to negotiate with both internal and external constituents in a way and manner that develops or maintains relationships and create value
3.1 Judge and select methods of negotiation and alternative dispute resolution ▪ Mediation ▪ Arbitration ▪ Litigation
3.2 Define and critically evaluate the different types of strategies employed tobecome effective negotiators • Conflict and Alternative Dispute Resolution • Conflict Styles and Negotiation Strategies and Situations • Moving towards a Positive Outcome: Distributive Negotiation • Moving towards a Positive Outcome: Integrative Negotiation • Effective Communication, Information Collection and Questioning • Persuading and Influencing Others • Behavioural Economics in Negotiation and Conflict Management: Heuristics and Biases • Conflict in the Workplace • Conflict Management and the Role of the Team Leader • Theories and Styles of Leadership vis-à-vis Conflict Management
3.3 Describe and assess substantive and affective conflict as well as interpersonal conflict • Substantive conflicts deal with aspects of performance or tasks and often relate specifically to the project or goals of a team or organisation • Affective conflicts, also known as personal conflicts, revolve around personal disagreements or dislikes between individuals in a team • Organisational conflict may be intra-organizational, meaning it takes place across departments or within teams, or it may be inter-organizational, meaning it arises from disagreements between two or more organisations • Interpersonal conflict occurs when a person or group of people frustrates or interferes with another person's efforts at achieving a goal.

3.4 Demonstrate an understanding of how to manage conflicts in a way and mannerthat leads to constructive outcomes • Handle the conflict sooner, rather than later • Recognise that you may be the problem • Brush up on your listening skills • Establish boundaries • Embrace your emotional intelligence
3.5 Construct a coherent approach and evidence-backed argument for persuading another • Ask 'how' rather than 'why' • Fill the knowledge gap with a convincing story • Reframe the issue • Appeal to an alternative identity • Persuade them to take an outside perspective • Be kind
3.6 Identify cognitive biases that stand as barriers to effective negotiation and conflict management and the deception and biases that could limit one's own negotiation and conflict management skills. • The three "blinders" – attitudinal, information, and cognitive
3.7 Demonstrate various communication skills (particularly, skills of persuading others) Skills • Coercion • A Better Way • Empathy • Active listening • Building rapport Barriers: • Thinking that you are better at persuasion than you are, and therefore failing to hone your skills. Instead, take a long, hard look at yourself, and see where your skills need to be improved • Trying too hard to persuade. Seeming too keen probably puts people off faster than anything else • Failing to put in the effort required to get what you want • Talking too much • Providing too much information, which just confuses people, and makes them think you are trying to blind them with science • Getting desperate • Being afraid of rejection • Not being prepared • Making assumptions about your audience • Forgetting that the whole conversation is important

3.8 Demonstrate the skills necessary to be more effective in their roles within anorganisation by negotiating and managing conflict.

- Don't Go It Alone. Managers usually make matters worse when they try to resolve conflict in the workplace on their own. Because our perceptions are based on self-interest, we're likely to have difficulty finding solutions that both sides consider to be fair. In addition, people tend to escalate their commitment to conflict, leading to deeper and deeper animosity.
- Listen Actively. When negotiating conflict in the workplace with others, set a productive tone by letting the party you've been arguing with speak first. Samantha, for example, might give Brad as much time as he needs to explain what happened in the meeting, resisting the urge to interrupt him. She could question her understanding of what he's
- Don't Leave Emotions out of the Equation. It also can be important to talk about the feelings you've experienced when dealing with conflict in the workplace. Expressing the deep emotions that a conflict can engender not only can be cathartic but should also help the other party see you as a multi-faceted human being, rather than as the "enemy."
- Capitalise on Differences. In business negotiations, we can capitalize on our differing needs and preferences to create value.

3.9 Understand how to manage conflict actively through reduction, elimination or avoidance. Display:

- Emotional Intelligence
- Patience
- Impartiality
- Positivity
- Open

Communication Conflict

Resolution Skills:

- Don't jump to the defence
- Don't point fingers
- Let the person explain themselves, and actively listen
- Use "I" statements
- Maintain a calm tone
- Show a willingness to compromise or collaborate
- Don't talk behind people's backs
- Don't take anything personally
- Pay close attention to nonverbal communication
- Prioritise resolving the conflict over being right
- Know when to apologize and forgive
- Focus on the conflict at hand and not past ones
- Use humour, when appropriate
- Remember the importance of the relationship

3.10 Demonstrate the ability to prepare effectively for a negotiation and reach mutually beneficial agreements.

- Share information.
- Ask questions.
- Make multiple equivalent simultaneous offers (MESO).

4. Critical Thinking

Abstract

Critical thinking is the ability to think clearly and rationally, understanding the logical connection between ideas. Critical thinking has been the subject of much debate and thought since the time of early Greek philosophers such as Plato and Socrates and has continued to be a subject of discussion into the modern age, for example the ability to recognise fake news.

Critical thinking is self-guided, self-disciplined thinking which attempts to reason at the highest level of quality in a fair-minded way. People who think critically strive to always improve their reasoning abilities and to be aware of the common pitfalls of human reasoning – irrationality, prejudices, biases, distortions, uncritically accepted social rules and taboos, self-interest, and vested interest. They strive to improve the world in whatever ways they can and contribute to a more rational, civilized society. They avoid thinking simplistically about complicated issues and strive to appropriately consider the rights and needs of relevant others.

This unit therefore, allows you to identify, analyse and solve problems systematically rather than by intuition or instinct.

Guidance

Learning Outcome 4 (LO4) The learner will be able to apply critical thinking to analyse information effectively and enhance strategic thinking.
.1 Accurately interprets evidence, statements, graphics, and questions. ▪ What are the strengths and weaknesses of …? ▪ What is the difference between … and …? ▪ Explain why/how …? ▪ What would happen if …? ▪ What is the nature of …? ▪ How could … be used to …? ▪ What are the implications of …? ▪ What is … analogous to? ▪ What do we already know about …? ▪ How does … affect …? ▪ How does … tie in with what we have learned before? ▪ What does … mean? ▪ Why is … important? ▪ How are … and … similar/different? ▪ How does … apply to everyday life? ▪ What is a counter argument for …? ▪ What is the best …and why? ▪ What is a solution to the problem of …? ▪ Compare … and … with regard to …? ▪ What do you think causes …? Why? ▪ Do you agree or disagree with this statement? What evidence is there to support your answer ▪ What is another way to look at …?

4.2 Identify relevant arguments (reasons, claims, pros and cons) 1.1 identify passages of text and determine whether or not they are arguments 1.2 determine whether an argument is valid/invalid and strong/weak by using the 1.3 imagination test specify the exact conclusion of the argument.
4.3 Analyse and evaluate alternative points of view • Consider more than one point of view and then look at alternatives and discuss them. • Look at the impact of your decisions. This will involve discussing the consequences of your ideas, backed up with specific evidence. • Explore every point you make in detail. Include the impact, e.g. increases in cost, revenue and profit. • Judging which solutions you are putting forward are best, e.g. of the ideas I have put forward I think it would be best to do ……. because…….. • Prioritizing points in order of their importance and give reasons why, e.g. I think it is more important to do …… than ……. because …….. • Rank your ideas in time order (what should be done in the short run and long run) with reasons why, e.g. I think that …….. should be done in the short term because, but…… should be left to be done in the long term because ……. • Assessing the extent to which your suggestions will work and explain any assumptions you have made, e.g. your competitors will not lower their prices in response to you opening the business. • Identifying what information is missing and explain why it might be required/used. You may want to try and explain how you think the extra information would effect your decision, e.g. I would have preferred to have made my decision if I had known; I could have found this out by; If I had this information I think it would have changed my decision in the following ways…….
4.4 Justify key results or procedures and fully explain assumptions and reasons ▪ Accurately interprets evidence, statements, graphics, questions, etc. ▪ Identifies the salient arguments (reasons and claims) pro and con. ▪ Thoughtfully analyses and evaluates major alternative points of view. ▪ Draws warranted, judicious, non-fallacious conclusions. ▪ Justifies key results and procedures, explains assumptions and reasons. ▪ Fair-mindedly follows where evidence and reasons lead.

CPT Unit 2 Reading List

In preparing for the examination candidates may find the following publications of use:

Core Text

- Helen Isacke, Soft Skills for Strong Leaders: Ten Steps to Management Success.

Essential Reading

- Dale Carnegie, The Leader in You.
- Robbins & Coulter, Management (15th Edition).
- Daniel Goleman, What Makes a Leader?

- Lewicki et al., Negotiation.
- McShane & Von Glinow, Organizational Behaviour.
- Stella Cottrell, Critical Thinking Skills: Developing Effective Analysis and Argument.

Further Reading

- Dalglish & Quamrul, Leadership: Understanding its Global Impact.
- Lussier & Achua, Leadership: Theory, Application, Skills Development.
- Bowell & Kemp, Critical Thinking: A Concise Guide.
- Van den Brink-Budgen, Critical Thinking for Students.
- Robin Ellison, The Trustee Handbook.

Additional Resources

- The Pensions Regulator Trustee Guidance & Toolkit
- Pensions UK Made Simple Guides
- MoneyHelper pensions guidance

Recommended Coverage Areas

- Leadership and Communication Skills
- Influencing and Persuasion
- Problem Solving and Decision Making
- Negotiation and Conflict Management
- Critical Thinking and Analysis
- Stakeholder Engagement
- Trustee Board Effectiveness
- Ethical Decision Making
- Governance Behaviours