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Trustee Accelerator Programme: Unit One

Tim Middleton



**Pensions
Management
Institute**
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Definition of a Trust

an equitable obligation binding a person who is called a trustee to deal with property which is called the trust property for the benefit of persons who are called beneficiaries

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Key characteristics of a trust

Distinction between legal owner of trust property and the beneficiaries

Trustees must use trust property as directed by trust deed

Trust property is separate from trustees' private property

A trust can only be enforced by the beneficiaries

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The three certainties

Intention

- The settlor must show intention to establish a trust

Subject matter

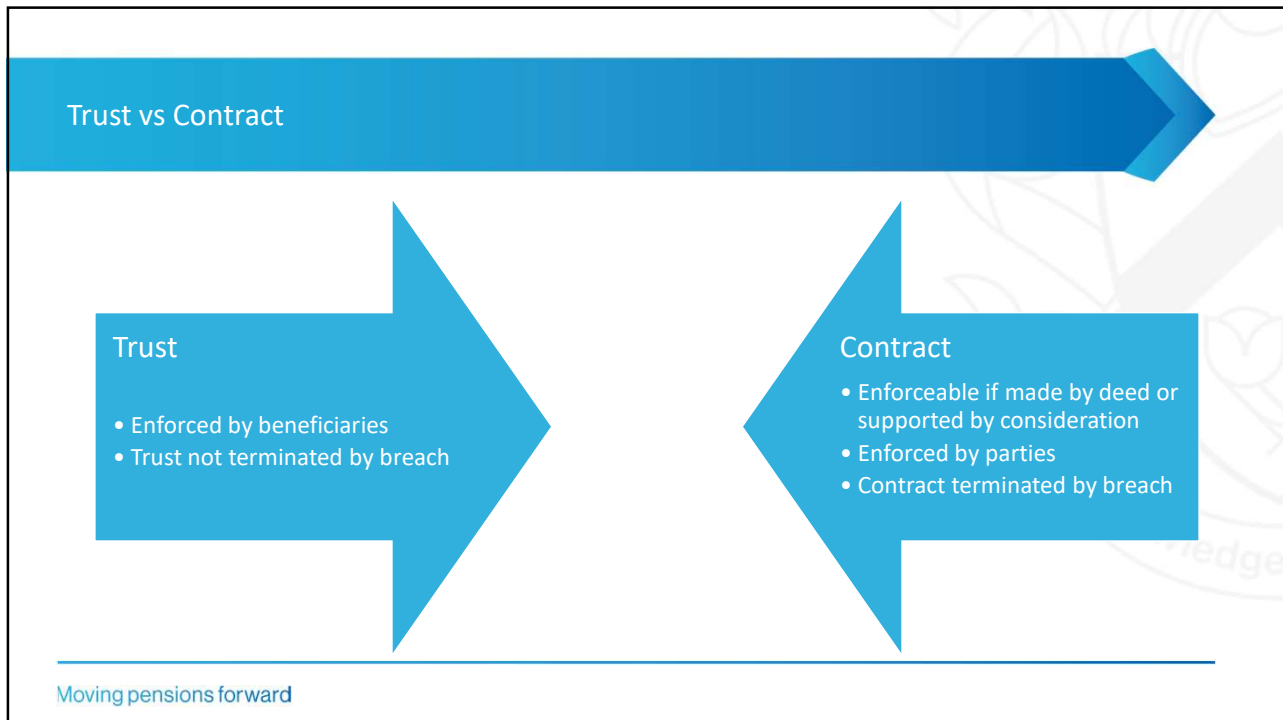
- Trust property must be clearly identifiable

Objects

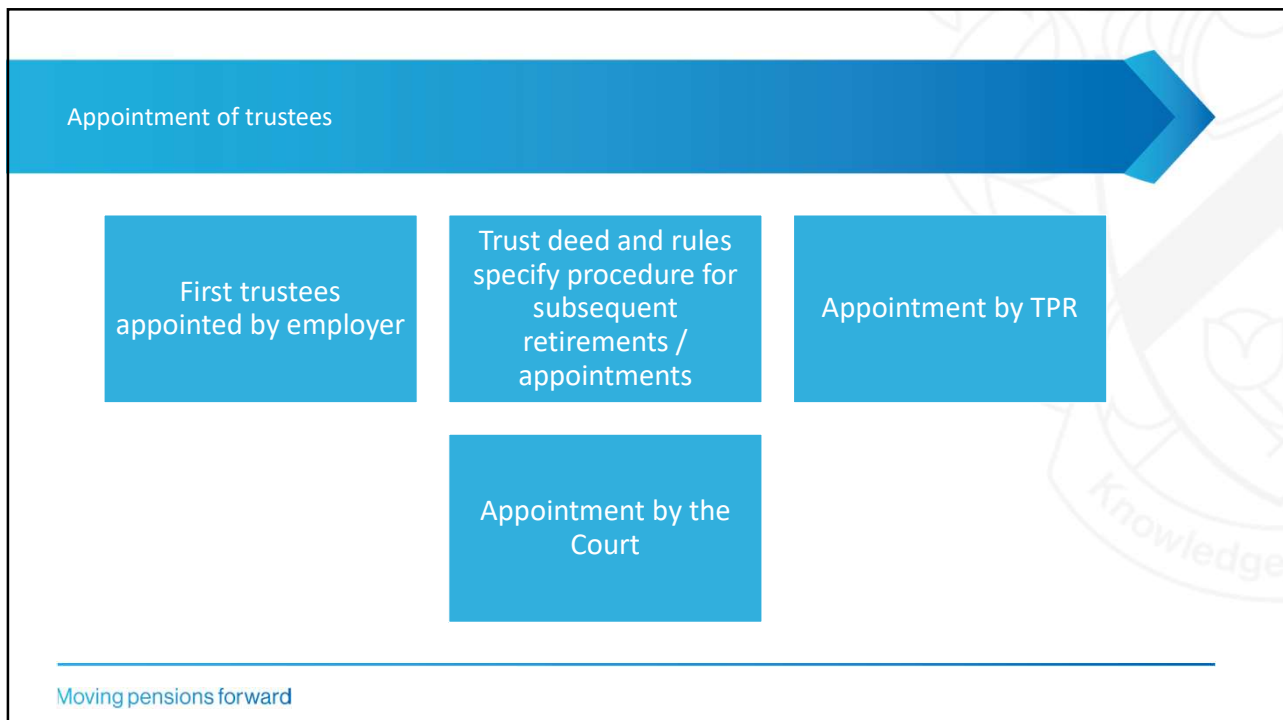
- It must be clear who the beneficiaries are and what benefits they are to receive

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Types of trustee

Individual trustee

Corporate trustee

Custodian trustee and committee of management

- Splits ownership of trust property from its management

Pensioner trustee

Independent / Professional trustee

MNT / MND

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Individual trustee

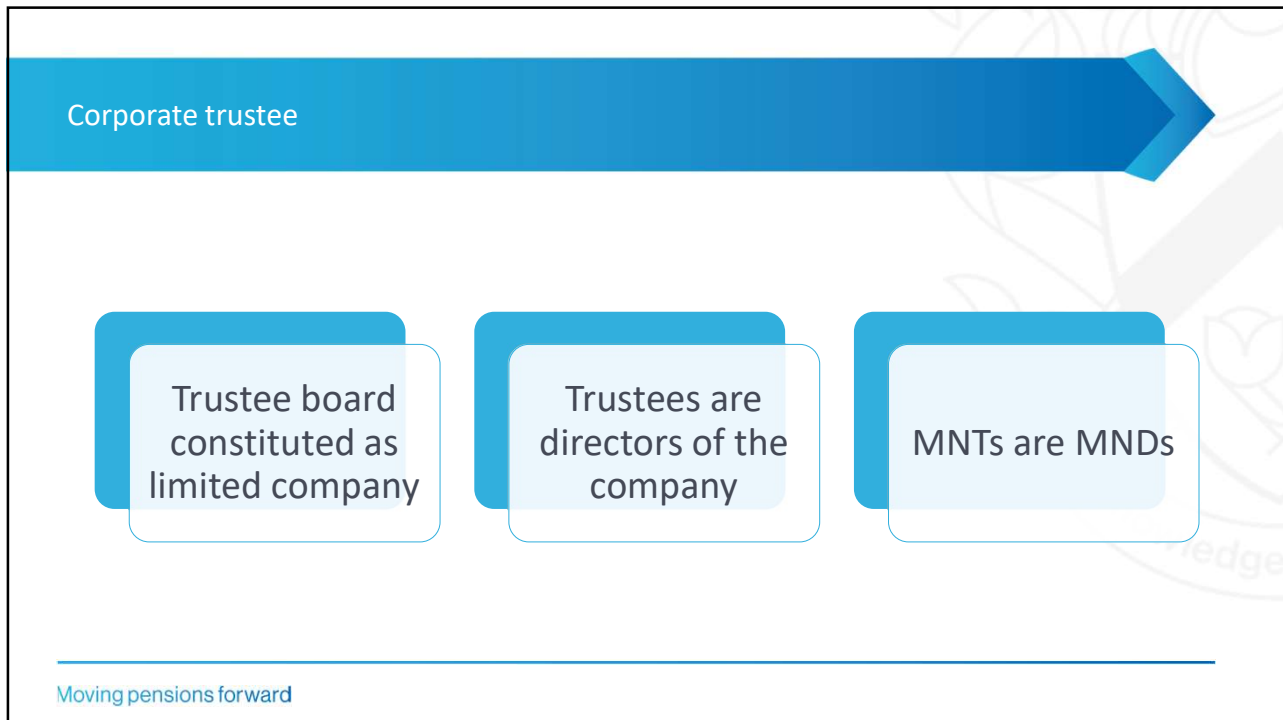
Any person over the age of 18, except:

- Convicted of crime involving dishonesty or deception
- Undischarged bankrupt
- Arrangement with creditors in force
- Disqualified from acting as a company director
- Prohibited by TPR

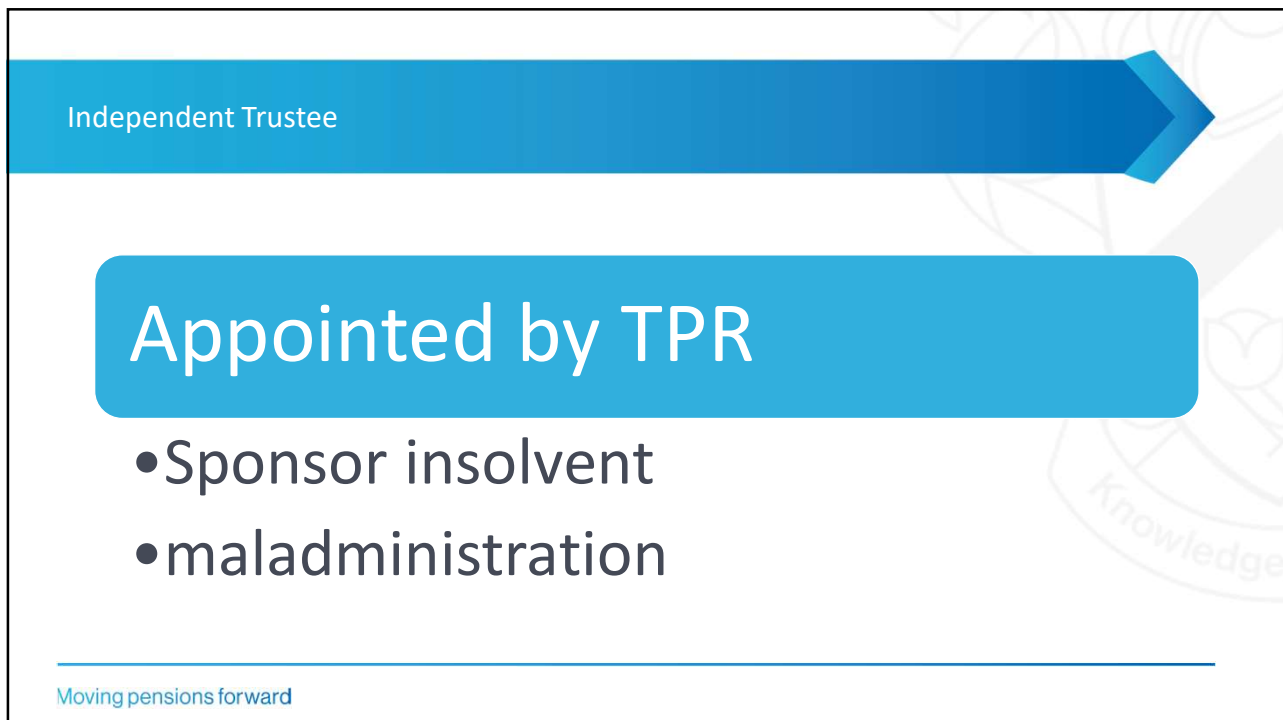
Usually appointed by scheme sponsor

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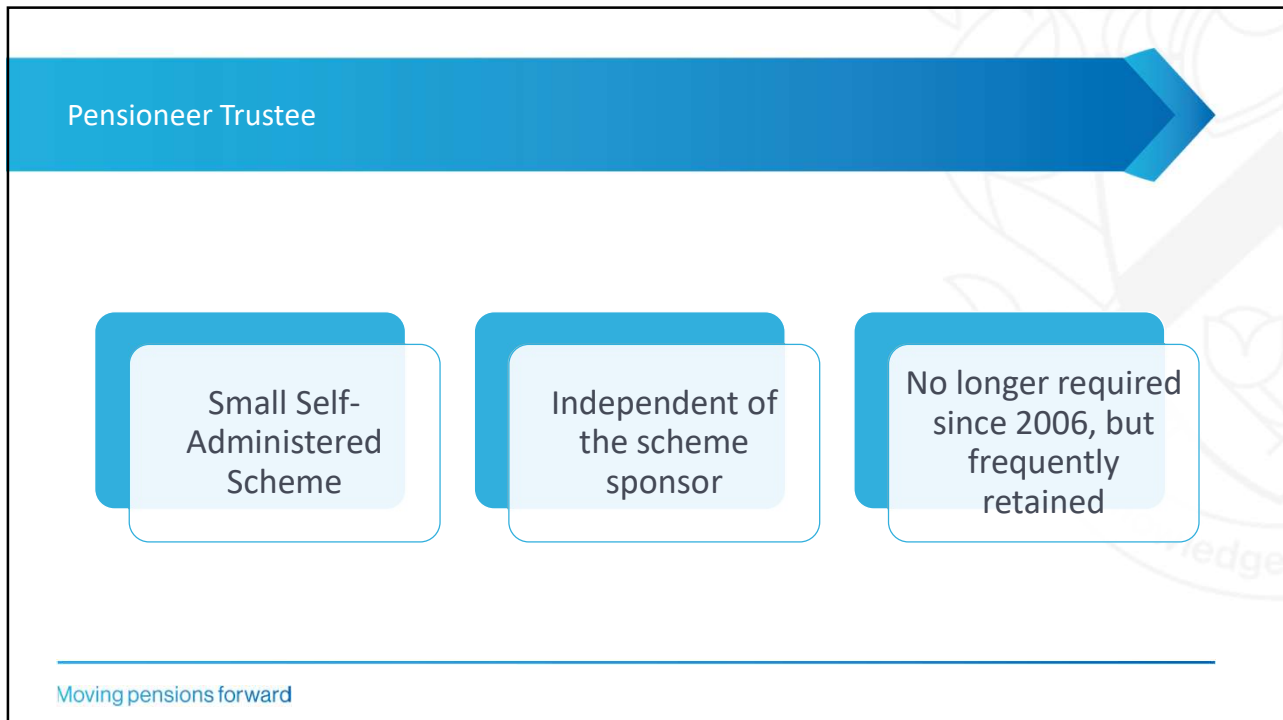
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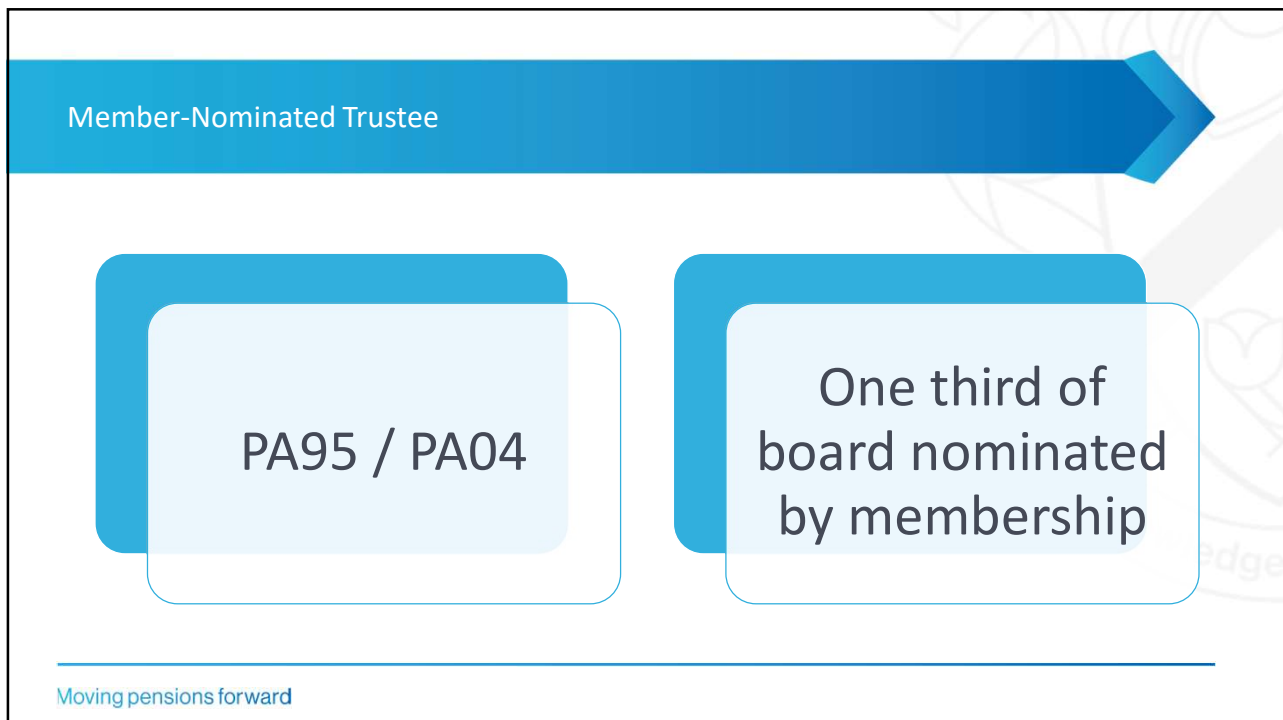
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Professional Trustee

Provides trusteeship services professionally

Normally second career

Sole trusteeship

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Protections for trustees

Pension Trustee Liability Insurance

- Separate cover available for independent trustees

Winding-Up Insurance

Missing Beneficiaries Insurance

Cyber and GDPR

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General Powers of trustees

amend the trust deed and rules of the scheme

appoint and remove trustees

invest the scheme assets

set employer and member contribution rates

augment members' benefits

insure benefits

buy annuities in order to secure members' benefits

deduct tax from payments where necessary

make and accept transfer payments

admit new employers to participate in the scheme

wind up the scheme

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Tax rules for pension schemes

FA 1916

- Tax relief on contributions

FA 1921

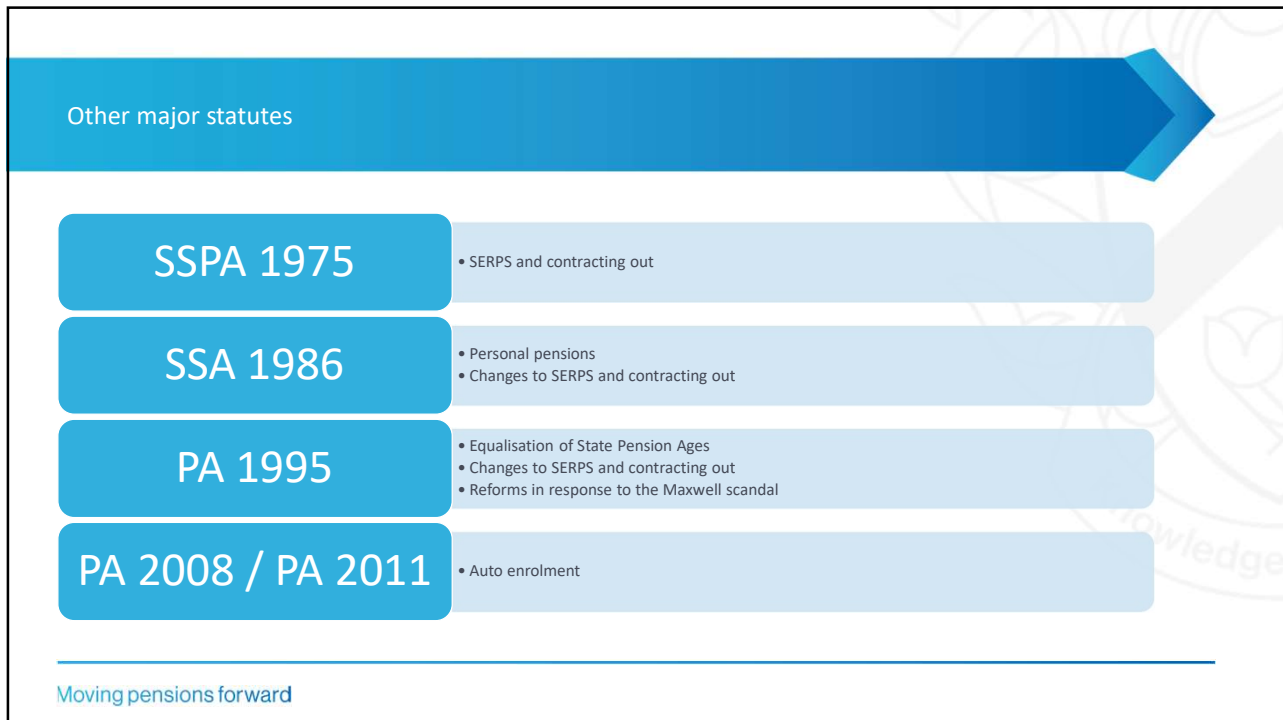
- EET Principle

FA 2004 / PA 2004

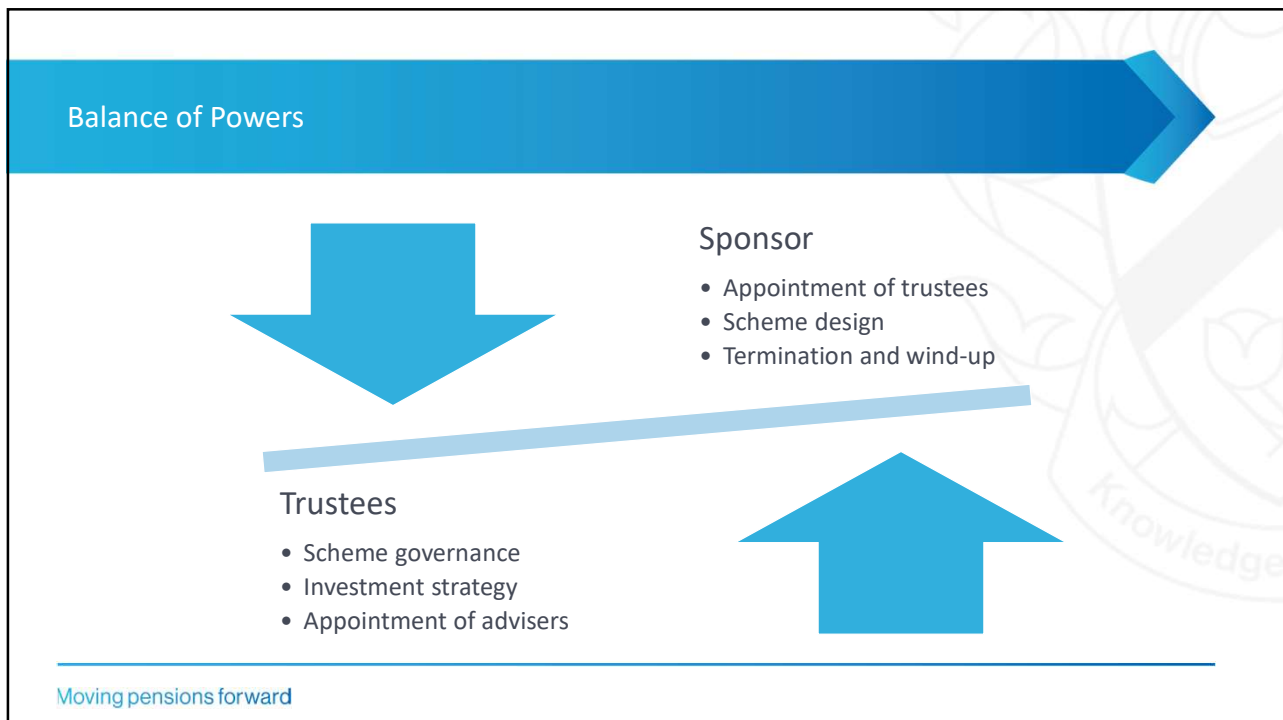
- Current tax regime for pension schemes

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Duties of trustees

- Comply with trust deed
- Act impartially
- Exercise reasonable care
- Act without charge
- Not to delegate
- Act jointly
- Not to profit from the trust
- Prepare accounts

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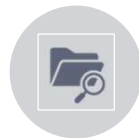
Statutory duties of trustees



DUTY OF CARE



PAYMENT OF TAX



DISCLOSURE



NOTIFIABLE
EVENTS

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Conflicts of Interest

Identify Conflicts of Interest

- Regular Reviews
- Declaration of Interests:
- Conflict Register

Evaluate the Conflict

- Impact Assessment
- Materiality

Mitigate and Manage the Conflict

- Policies and Procedures
- Independent Advice
- Exclusion from Decision-Making
- Disclosure

Document the Process

- Minutes of Meetings:
- Transparency

Review and Monitor

- Regular Monitoring
- Ongoing Training

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Appointment of professional advisers

Trustees expected to appoint

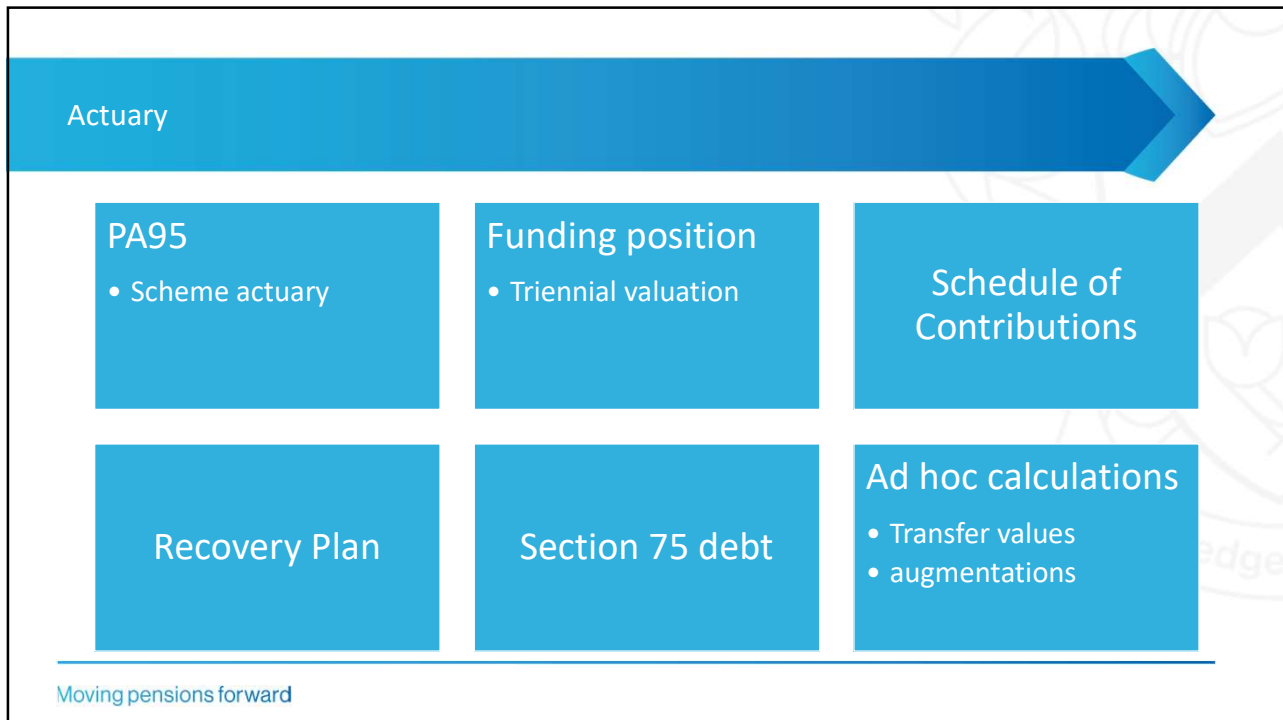
- Advisers
- Service providers

Section 47 PA 95

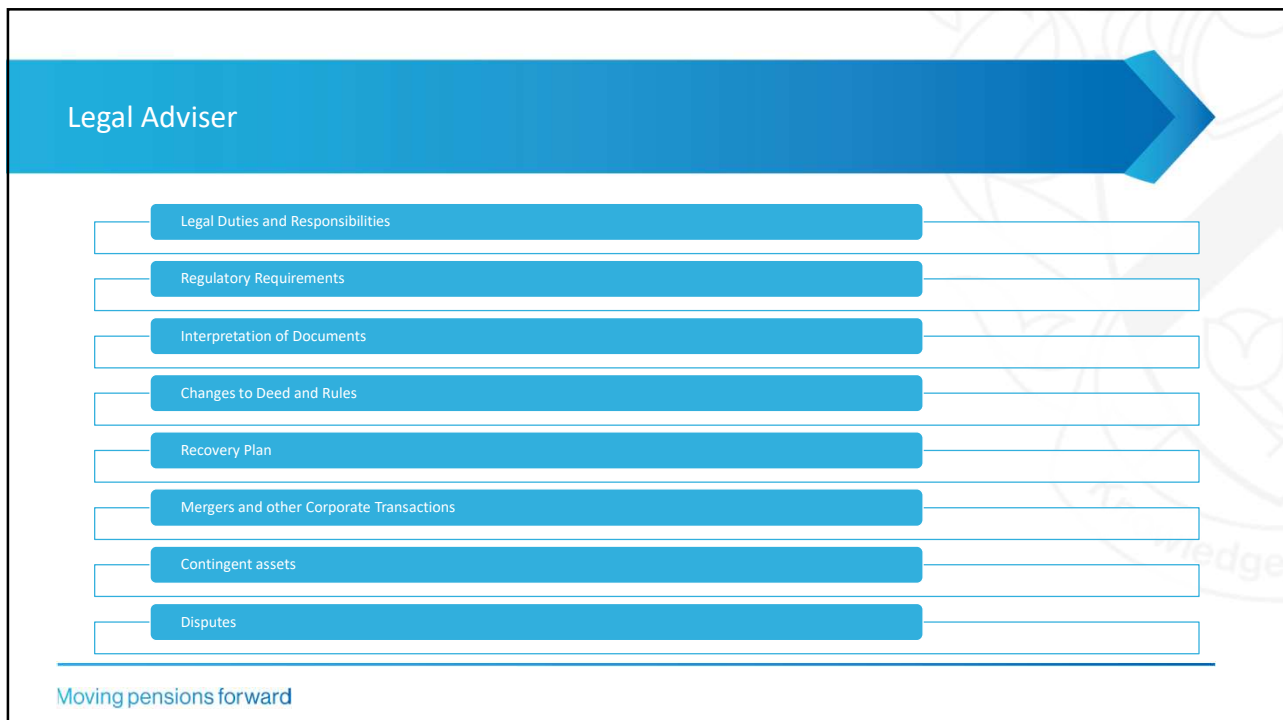
- Actuary
- Auditor
- Investment manager

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Investment Adviser



Research and Selection



Investment monitoring



Strategic modelling



Transition management



Trustee training

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Auditor

Financial Statement Audit

- Examine Financial Records
- Verify Contributions and Benefits
- Asset Valuation

Internal Controls Evaluation

- Assess Internal Controls
- Risk Management

Compliance with Regulations

- Regulatory Compliance
- Scheme Rules Adherence

Communication with Trustees

- Report Findings
- Advisory Role

Going Concern Assessment

- Financial Health Evaluation
- Funding Status Review

Fraud Detection and Prevention

- Fraud Risk Assessment
- Investigate Irregularities

Audit Documentation

- Maintain Records
- Audit Trail

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Challenging Advisers

TKU requirements

- Trustees should be confident enough to challenge the advice given to them

LDI crisis of 2022

- Too many trustees unable to do so!

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Investment of scheme assets

Unitised Funds

- Smaller DB
- All retail DC

Segregated portfolio

- Medium and large DB
- Large institutional DC

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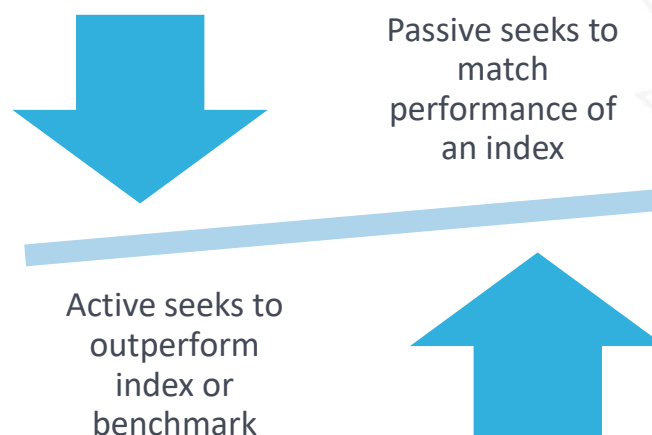
Typical Assets in a segregated portfolio

	Equities	UK and overseas
	Bonds	Conventional gilts Index-linked gilts Corporate bonds
	Cash	Liquidity
	Property	Larger schemes

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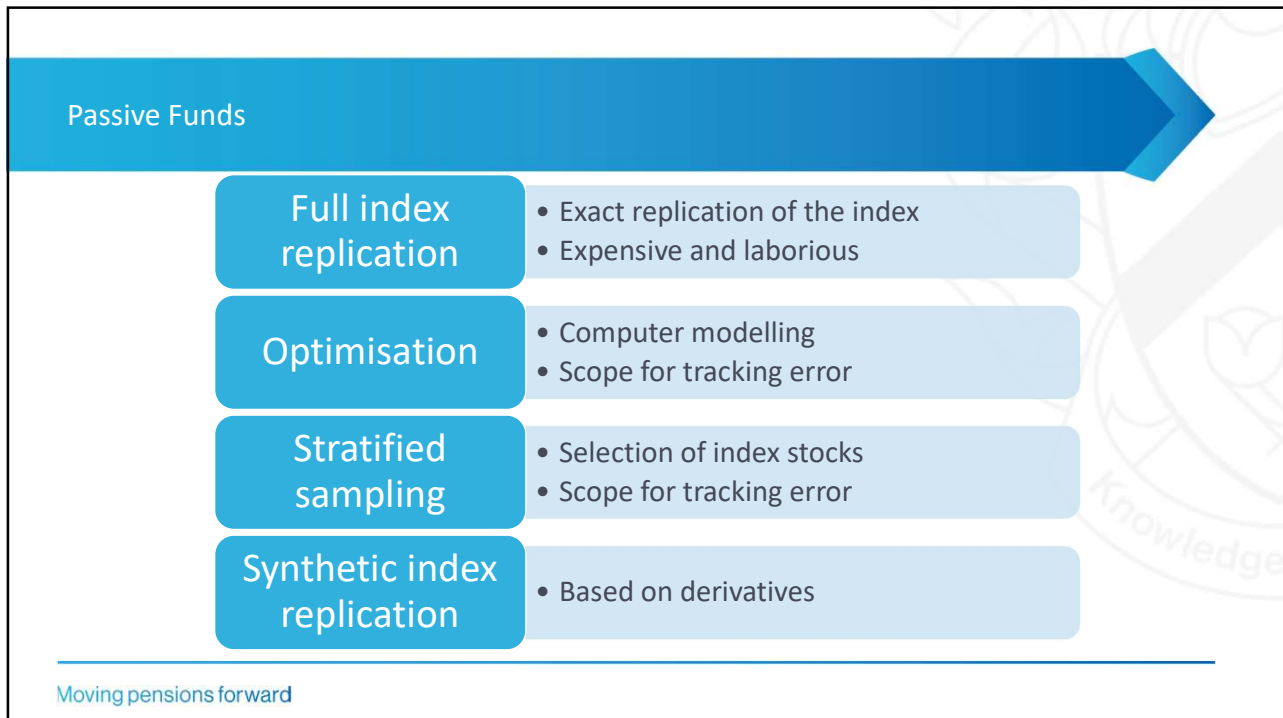
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Active v Passive

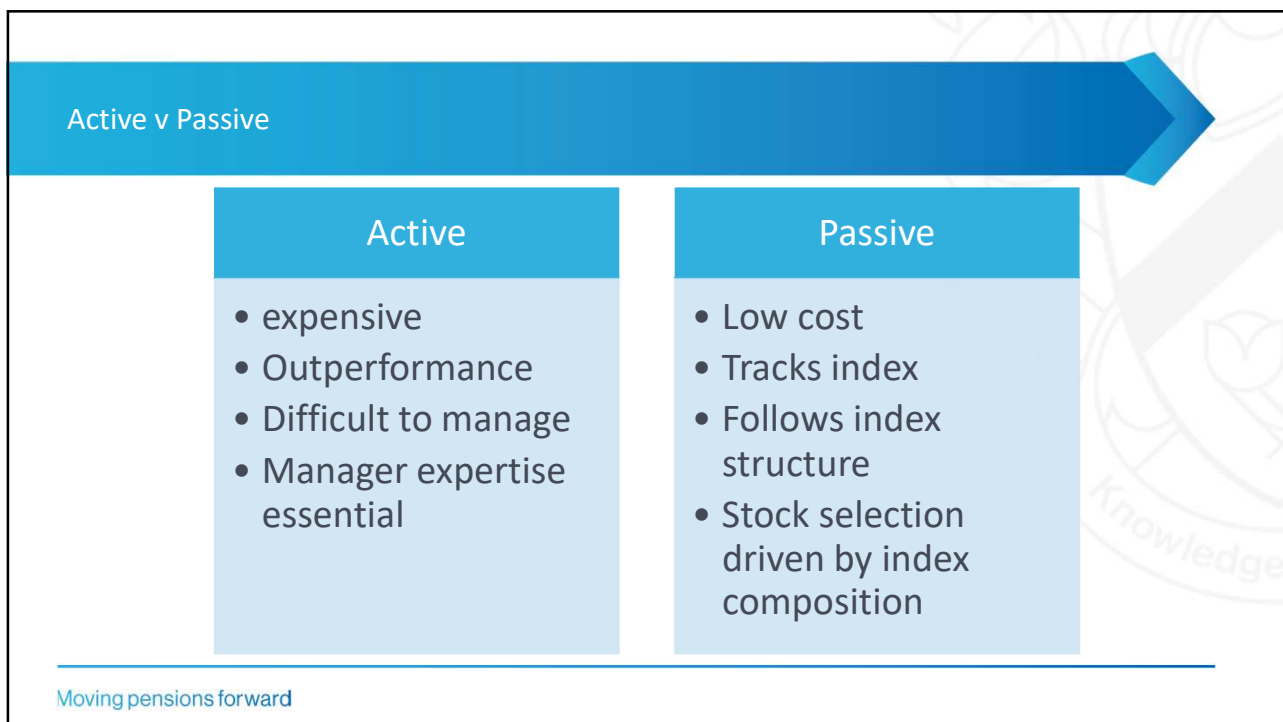


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Asset Allocation

Strategic Asset Allocation

- Blending of different types of asset

Tactical Asset Allocation

- Selection of specific assets

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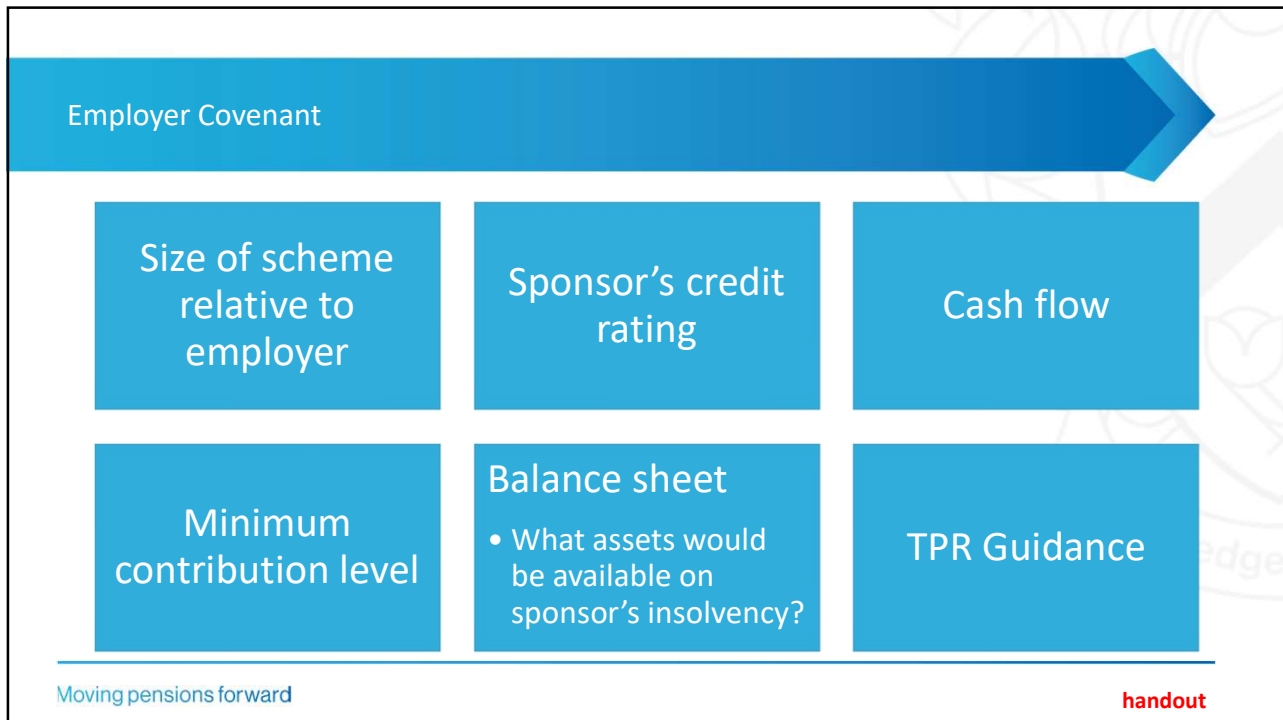
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Statement of Investment Principles

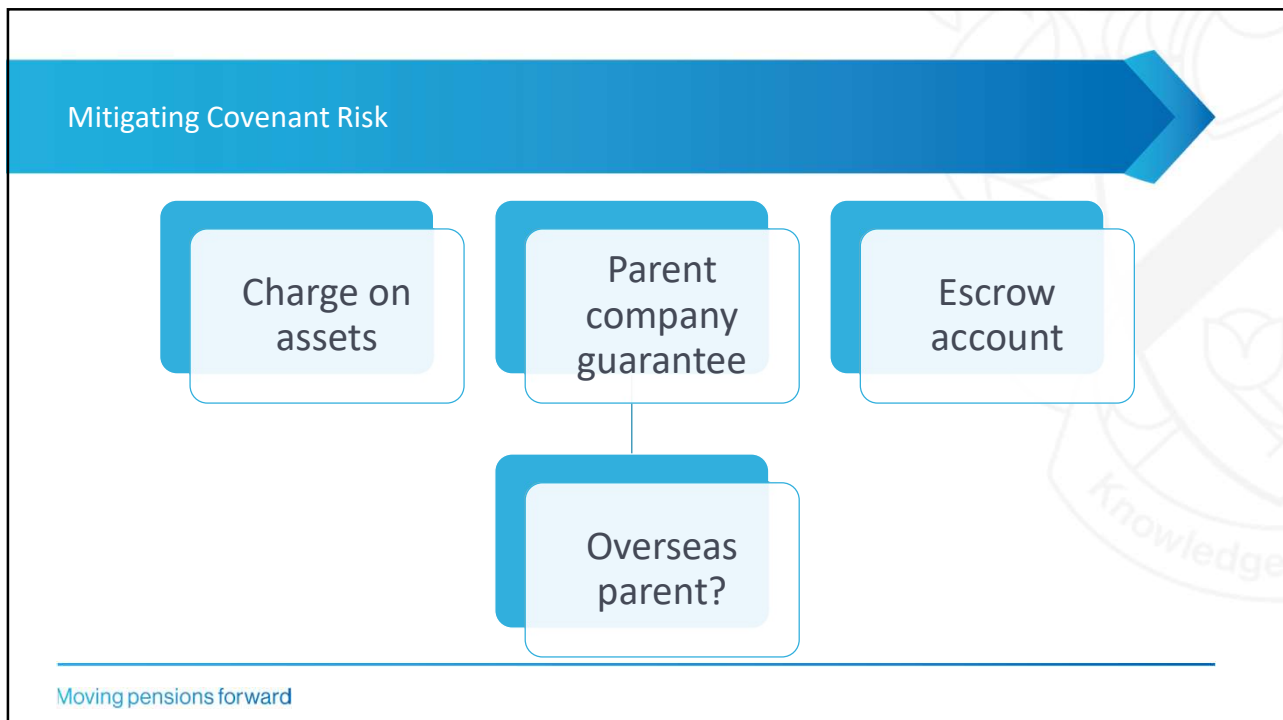
Responsibility for investment decisions	Investment objectives	Asset allocation strategy	Investment mandates
Risk management and measurement	Fee structures	SRI (and ESG)	Corporate Governance
	Expected returns	Compliance • Section 36 of PA95 covers statutory duty to choose scheme investments	

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