

Trustee knowledge and understanding

Guidance

The law requires that trustees have knowledge and understanding of (among other things) the law relating to pensions and trusts, as well as the principles relating to the funding of pension schemes and the investment of scheme assets

Issued: April 2005

Introduction

The Pensions Act 2004 (sections 247-249) requires trustees to have knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding of occupational schemes and the investment of scheme assets. Trustees are also required 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.)

Scope of knowledge and understanding

The scope guidance (broadly speaking a list of items that the pensions industry considers that trustees need to know and understand and a list of the documents containing policy with which trustees may need to be familiar) has been available since 2005. It was appropriate to review it after three years although, in practice, we have found that it has stood the test of time. It is, however, fundamental to the trustee knowledge and understanding (TKU) requirements and it is appropriate that it should be refreshed to

reflect changes in regulation, legislation, the market place and the focus of the regulator.

It is important to emphasise that the original scope guidance covered what it was that trustees needed to know and understand and that those requirements have not changed so neither the code nor the scope guidance have changed substantially.

Note that there are now three documents entitled 'Guidance on the scope of the TKU requirements (scope guidance)', which sit alongside the code:

1. a full version for defined benefit (DB) schemes, all of which we believe will have a defined contribution (DC) arrangement associated with them
2. a separate and shorter document for trustees of defined contribution schemes, where there is no defined benefit element
3. the new and much reduced scope document for the benefit of trustees of small (12-99 members) fully insured DC schemes.

Each document is designed to be appropriate to a different group of trustees defined by scheme size and type. The code sets out how to use the scope guidance appropriately.

In reviewing the scope guidance we have been careful not to raise the bar for trustees. Areas where there is increased emphasis include:

- the importance of good administration
- a reference to the forthcoming Personal Accounts regime
- developments in investments over recent years
- the importance of the employer covenant and trustees' understanding of their powers
- buy-out issues (including abandonment and inducements)
- a new emphasis on the importance of recognising the possibility of wind-up where appropriate and being aware of sensible preparatory steps.

As with the previous scope, we are very grateful for the formidable contribution from the pensions industry in drawing up the new scopes. We believe that they accommodate, as far as possible, all the contributions of those who participated in workshops or responded to our online consultation. We believe that they provide

a checklist for identifying gaps in knowledge and understanding, and planning further learning.

The following **scope guidance** documents came into effect at the same time as the code of practice.

[Revised scope guidance: DB schemes with associated DC arrangements \(PDF, 393kb, 18 pages\)](#)

[\(-/media/thepensionsregulator/files/import/pdf/tku-scope-for-db-with-dc-2009.ashx\)]((/-/media/thepensionsregulator/files/import/pdf/tku-scope-for-db-with-dc-2009.ashx))

[Revised scope guidance: DC schemes \(PDF, 318kb, 14 pages\)](#)

[\(-/media/thepensionsregulator/files/import/pdf/tku-scope-for-dc-only-2009.ashx\)]((/-/media/thepensionsregulator/files/import/pdf/tku-scope-for-dc-only-2009.ashx))

[Revised scope guidance: Small \(12-99 members\) fully insured DC schemes \(PDF, 249kb, 11 pages\)](#)

[\(-/media/thepensionsregulator/files/import/pdf/tku-small-insured-dc-2009.ashx\)]((/-/media/thepensionsregulator/files/import/pdf/tku-small-insured-dc-2009.ashx))

The Trustee toolkit

It is important for trustees to recognise that the requirement for knowledge and understanding, as described in the code of practice, applies equally to all trustees. The code was revised and reissued in November 2009. It contains help and practical guidance about how trustees might set about fulfilling the requirement. It also recognises the value of the [Trustee toolkit](#)

[\(https://trusteetoolkit.thepensionsregulator.gov.uk/\)](https://trusteetoolkit.thepensionsregulator.gov.uk/)

, our free e-learning programme, in helping trustees identify and remedy any gaps in their knowledge and understanding. As an additional tool, the regulator has produced a learning needs analysis tool for the toolkit to show where learning material covering each scope item can be found in the toolkit.

Although designed primarily with trustees in mind, the toolkit is available to anyone who wishes to use it. The core learning programme consists of 11 modules, covering scope guidance. Largely based on case studies, it is highly interactive, with the learning delivered using a variety of techniques and self-assessment. It allows for a different path for each trustee according to the type of scheme and their own experience.

The first few modules cover the basics, preparing the ground for a more in-depth exploration of such matters as scheme funding.

The programme should be sufficient for most trustees to meet the knowledge and understanding requirements and, as is made explicit in the code, the regulator expects trustees to use the Trustee toolkit

to do this, unless they can find an alternative learning programme. Those from large or complex schemes, however, may feel they need to supplement the toolkit with further learning of their own. Additionally, for trustees who find themselves in specific circumstances, such as facing wind-up or considering bulk annuity purchase, the [Trustee toolkit](https://trusteetoolkit.thepensionsregulator.gov.uk/) (<https://trusteetoolkit.thepensionsregulator.gov.uk/>) contains additional 'just-in-time' learning.

As additional help, the regulator has created a range of [downloadable resources](/en/trustees/understanding-your-role/ongoing-learning-and-development) (</en/trustees/understanding-your-role/ongoing-learning-and-development>) based on this trustee knowledge and understanding regulatory guidance. The resources are designed to help trustees assess what learning they need and then create a personal development plan (PDP). For each area, the regulator suggests where you can find appropriate learning in the Trustee toolkit.

The resources are aimed at trainers or trustees who have completed the toolkit, to enable them to look back at particular areas and refresh their knowledge and understanding. New trustees will benefit the most – and get the knowledge and understanding they need – by working through the toolkit as it is presented, rather than dipping in and out looking for particular scope items.

The Trustee toolkit enables trustees to print or save a development record which proves their achievements and acts as a proof of their progress through the toolkit. In February 2014 this replaced the 'Certificate of successful completion' described in the Trustee knowledge and understanding code of practice.

Developing a qualification

Working with the industry, we have developed an indicative syllabus for a qualification in trustee knowledge and understanding based on the scope documents. The syllabus should give trustees a good idea of the depth of the knowledge required. 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.

[TKU indicative syllabus 2009 \(PDF, 474kb, 30 pages\)](#)

[\(/-/media/thepensionsregulator/files/import/pdf/tku-indicative-syllabus-2009.ashx\)](#)

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