



**Pensions Management Institute**  
**Level 5**  
**Diploma in Pension Trusteeship**

**Qualification Guidance**

# PMI Level 5 Diploma in Pension Trusteeship ©2021

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## **Diploma in Pensions Trusteeship**

### **Aim**

This qualification will test the practical application of technical knowledge as well as the skills associated with effective pension trusteeship. Candidates would therefore need to demonstrate effective analytical skills, the ability to prioritise, leadership and judgement in the context of pension trusteeship.

It is likely that the relevant technical knowledge will have been gained through previous study and/or experience.

The Diploma in Pension Trusteeship will test the approach to problem, judgement, balancing of competing interests, analysis, problem solving and prioritisation assessed by a two hour examination.

The examination is in the form of five questions of which candidates choose three to answer.

The questions are relevant to the following specialisms:

- Large Defined Benefit Arrangement (including industry-wide schemes)
- Small Defined Benefit Arrangement
- Large Defined Contribution Arrangement (including master trusts)
- Small Defined Contribution Arrangement
- Independent Governance Committee

This Diploma will be of interest to a variety of PMI members and others acting as trustees of DB and DC workplace pension schemes including:

- Members of Governance Committees
- Trustees and Scheme Secretaries
- Those who have completed the Pensions Regulator's Trustee Toolkit
- Those interested in trusteeship
- Current Professional Trustees

Learners will be able to analyse a wide range of trusteeship scenarios and develop suitable strategies for effective trusteeship, and the application of them, based on a thorough understanding and analysis of the relevant factors. These learning outcomes are:

- 1.** Be able to explain the operations, duties and powers necessary for effective trusteeship
- 2.** Be able to explain the principles and practice of investment management for pension schemes
- 3.** Can describe the different types of scheme and member benefits
- 4.** Understand all scheme documentation relevant to the operation of efficient trusteeship

This document is intended to give guidance to the performance criteria necessary to complete all of the learning outcomes.

As an integral golden thread of this qualification, we offer direction and content in how organisations can reshape how they think about and report on their corporate strategy. For that purpose, a focus of this qualification is purposed on the setting of clear targets, accountability and trust, and in the belief that the integrity of reporting and sustainable investment by trustee boards is upheld

This document is intended to give guidance to the performance criteria necessary to complete all of the learning outcomes as described above.

# Reading List

## **Books:**

There is no specific set text for this qualification. However, the following books may give greater understanding:

Self R: **Pension Fund Trustee Handbook** 9th Edition, Tottel Publishing UK, 2005.

The Pensions Management Institute: **Pensions Terminology** – 8th edition 2011 (see also - the Pensions Research Accountants Group (PRAG). [www.prag.org.uk](http://www.prag.org.uk))

The Pensions Regulator: Guidance/ Codes of Practice from the Pensions Regulator  
([www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk))

## **Journals and Magazines:**

Financial Adviser. London: FT Business. Weekly.

Available online at [www.ftadviser.com](http://www.ftadviser.com).

Money Management. London: FT Business. Monthly.

Available online [www.ftadviser.com/brand/money-management](http://www.ftadviser.com/brand/money-management)

Money Marketing. London: Centaur Communications. Weekly.

Available online at [www.moneymarketing.co.uk](http://www.moneymarketing.co.uk)

Pensions Age. London: Perspective. Monthly.

Available at [www.pensionsage.com](http://www.pensionsage.com)

Pensions insight. Newsquest Specialist Media. Monthly.

Available at [www.pensionsinsight.co.uk](http://www.pensionsinsight.co.uk).

Professional pensions. London: Incisive Media. Weekly.

Available at [www.professionalpensions.com](http://www.professionalpensions.com).

## Further/Reference Reading

- Reports and Bulletins from the Pensions Ombudsman ([www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)) and the Pensions Advisory Service ([www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk))
- Updates, reviews, commentaries on pensions from professional advisers
- Financial Reports of Pension Schemes. A Statement of Recommended Practice – 2015 SORP revised July 2018 (SORP) (or comprehensive summary) (PRAG)  
(<https://www.prag.org.uk/home/current-publications/>)
- “Made Simple” series – PLSA (<https://www.plsa.co.uk/Resources-Made-Simple-guides>)
- UK Actuarial Profession - Annual Review Institute and Faculty of Actuaries  
([www.actuaries.org.uk](http://www.actuaries.org.uk))
- HMRC Pensions Tax Manual <https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual>)
- The Pension Trustee's Investment Guide - Robin Ellison and Adam Jolly. Thorogood Publishing 2008.

# Diploma in Pension Trusteeship

## Unit Aims

This qualification will test the practical application of technical knowledge as well as the skills associated with effective pension trusteeship. Candidates would therefore need to demonstrate effective analytical skills, the ability to prioritise, leadership and judgement in the context of pension trusteeship.

It is likely that the relevant technical knowledge will have been gained through previous study and/or experience.

Candidates will be able to analyse a wide range of trusteeship scenarios and develop suitable strategies for effective trusteeship, and the application of them, based on a thorough understanding and analysis of the relevant factors.

<b>Unit Level</b>	<b>5</b>	<b>Unit Reference</b>	
<b>TQT</b>	<b>164</b>	<b>Unit Grading Structure</b>	Pass/Fail
<b>Assessment Guidance</b>	1.5 hour Multiple Choice Examination		
<b>Learning Outcomes – The Learner will:</b>		<b>Assessment Criteria – The Learner can:</b>	
<b>1. Be able to explain the operations, duties and powers necessary for effective trusteeship</b>	1.1	Define the management and leadership skills necessary to manage a trustee board effectively.	
	1.2	Demonstrate how to deal with conflicts.	
	1.3	Define effective judgement in key decisions.	
	1.4	Demonstrate the management of the relationship between scheme and employer.	
	1.5	Outline the balance of powers when exercising judgement in difficult situations.	
	1.6	Explain the application of trustees' discretion in the award of discretionary ill-health or death benefits.	
	1.7	Display appropriate judgement in observing fiduciary duties.	
	1.8	Manage relationships with advisers effectively.	
	1.9	The Duties, Powers and Discretions of trustees under a Trust Deed, Scheme Rules and Amendments.	
	1.10	Describe effective governance.	
	1.11	Understand governance in accordance with scheme rules and other documents.	
	1.12	Describe pension scams and the responsibility of trustees.	
	1.13	Explain the ability to invest scheme assets effectively.	
	1.14	Describe assessment of the Employer Covenant.	
	1.15	Demonstrate effective governance of a pension scheme.	

<b>2. Be able to explain the principles and practice of investment management for pension schemes</b>	2.1	Understand the issues associated with funding a DB pension scheme.
	2.2	Understand a schemes Statutory Funding Objective (SFO).
	2.3	Explain the Statement of Funding Principles and the scheme's circumstances (SFP).
	2.4	Understand the SFP and the schemes circumstances.
	2.5	Describe and explain the Responsibilities for Decisions preparing a Statement of Investment Principles (SIP).
	2.6	Outline the contents of a Statement of Investment Principles (SIP).
	2.7	Identify the investment objectives of a Fund.
	2.8	Define the Asset Allocation Strategy of a Fund.
	2.9	Interpret given investment advice.
	2.10	Understand the requirement to monitor and update a SIP as appropriate.
	2.11	Explain the process for the selection of Fund Managers.
	2.12	Understand and evaluate all investment mandates.
	2.13	Describe the types of investments undertaken as a result of investment mandates.
	2.14	Understand the nature of fee structures and charges.
	2.15	Socially Responsible Investment and Corporate Governance.
	2.16	Describe measurements of performance using indices, benchmarks and targets.
	2.17	Define mechanisms for monitoring investment arrangements and Fund Managers.
	2.18	Explain the importance of sound custody arrangements.
	2.19	Explain the responsible ownership of assets.
	2.20	Describe issues associated with transfers in and out of the pension fund.
<b>3. Can describe the different types of scheme and member benefits</b>	3.1	Explain the different classes of member and the benefits to which they are entitled.
	3.2	Understand DC decumulation options.
	3.3	Explain the factors which would influence an employer's decision as to which options to provide.
	3.4	Define benefits paid on death or ill-health.

<b>4. Understand all scheme documentation relevant to the operation of efficient trusteeship</b>	4.1	Explain the principal contents of a Scheme Booklet, Announcements and other member communications.
	4.2	Explain the principal contents of an actuarial valuation report and any annual updates.
	4.3	Define the value of the minutes of previous meetings.
	4.4	Outline the contents of Stewardship Reports.
	4.5	Explain how to monitor payments and contributions to a pension scheme.
	4.6	Understand the contents of internal control reports.
	4.7	Understand the principal contents of an Annual Report and Accounts.
	4.8	Understand the principal terms of any significant contract in respect of scheme assets.
	4.9	Understand the principal contents of any trustee approved procedures.
	4.10	Understand the contents of a Statement of Compliance with the Myners' principles.
	4.11	Understand the principal contents of the Memorandum and Articles of Association of a corporate trustee.
	4.12	The principal elements and features of a scheme Business Plan.
	4.13	Describe the important components of the Job Descriptions for the Chair and for other trustees.

## **1. Operations, Duties and Powers**

### **1.1 The management and leadership skills necessary to manage a trustee board effectively**

- Dealing with different personalities and skill sets
- Identifying potential problems
- Trustee training
- Regular attendance of board members at meetings
- Role of sub-committees
- Remedial action when required

### **1.2 Dealing with conflicts**

- Managing conflicts between the board and scheme sponsor
- Conflicts of interest on the board
- Maintenance of a risk register
- Dealing with poor performance by individual board members

### **1.3 Effective judgement in key decisions**

- Balancing competing interests
- Maintaining impartiality
- Identifying all appropriate options
- Effective communication between interested parties

### **1.4 Dealing with requests for non-standard benefits Management of the relationship between scheme and employer**

Duty under PA2004 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

Dealing with challenges to the relationship, such as:

- Poor employer covenant
- Conflicts of interest
- Differences of opinion between employer and board

### **1.5 Balance of Powers**

Effecting handling of difficult situations, such as:

- Sale of Principal employer
- Serious funding deficit
- Effective evaluation skills
- Exercising judgement
- Seeking further information
- Developing a course of action



## **1.6 The application of Trustees' discretion in the award of discretionary ill-health or death benefits**

- Identifying potential beneficiaries
- Prioritisation
- Seeking further information

## **1.7 Appropriate judgement in observing fiduciary duties**

- Impartiality
- Consideration of all relevant factors
- Collection of information

## **1.8 Manage relationships with advisers effectively**

- Agreeing fees and budgets
- Agreeing Service Level Agreements
- Questioning advice
- Terminating relationships
- Selection of new advisers

## **1.9 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
- Effective exercising of discretion

## **1.10 Effective governance**

- PI cover and employer indemnities
- Effective relationship with scheme secretary
- Effective control of scheme administrators
- Responsibilities under the Data Protection Act 1998
- Management of IT systems (including disaster recovery)
- Assessing the employer covenant
- Working to achieve Sustainable Growth

## **1.11 Governance in accordance with scheme rules and other documents**

- Powers of delegation
- Updating of scheme rules
- Ensuring administration practice is consistent with scheme rules
- Dealing effectively with rule breaches

### **1.12 Pension Scams**

- Identify different types of scam and explain why it happens
- Explain what the Trustees' responsibilities are
- Sanction charges
- Recovery of assets

### **1.13 The ability to invest scheme assets effectively**

- 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 Assessment of the Employer 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
- Use of assessment consultants
- Conducting a covenant review
- Assessing changes in an employer's circumstances

## 1.15 Effective governance of a DC pension scheme

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
- 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
- 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
- Automatic Enrolment issues
- Staging Date
- Assessment Dates
- Postponement
- Requirements for qualifying / AE schemes
- Certification
- Opt-outs
- Cyclical re-enrolment
- 2014 decumulation options
- FAD
- UFPLS
- Pension Wise
- Factors to consider when deciding which options to provide
- Effective Governance
- Chair's Statement
- Scheme reviews
- Trustee training

## **2. Investment Management for Pension Schemes**

### **2.1 Issues associated with funding DB pension schemes**

- TPR Code
- Sustainable Growth
- Relationship between employer and trustees
- Types of valuation (funding / discontinuance / PPF)
- Corporate accounting (IAS19)
- Statement of Funding Principles
- Statement of Investment Principles
- Technical Provisions
- Recovery Plans
- Role of the PPF
- Insolvency Events
- Assessment Periods
- Payable Rates
- Section 179 Valuations
- Calculating the Levy
- Full / partial buy-out / buy-in
- ETV / PIE exercises
- Longevity swaps

### **2.2 A Scheme's Statutory Funding Objective (SFO)**

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

### **2.3 The Responsibilities for Preparing a Statement of Funding Principles (SFP)**

- The respective roles of trustees, employer and scheme actuary in preparing the SFP
- 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
- 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

### **2.4 The SFP and the scheme's circumstances**

- Scheme in deficit
- Relevance of the employer covenant
- Exercising judgement
- Challenging advisers

### **2.5 The Responsibilities for Decisions preparing a Statement of Investment Principles (SIP)**

- The respective roles of the trustees, scheme actuary, investment consultant, fund manager and sponsoring employer when preparing the SIP

## **2.6 The Contents of a SIP**

The legal, regulatory and other requirements for the information that must be included in the SIP:

- investment objectives
- managing investment risk
- the implications of charges
- the place of active and passive management
- the nature and purpose of mandates
- the limitations on investment imposed by the SIP (if applicable)
- the implications of transaction costs (including soft commissions) and their disclosure
- the trustees' attitude to corporate governance and socially responsible investment issues and how these are managed

## **2.7 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):
- the reason for the range (to suit the majority of members)
- the number and various objectives of the funds in the range

## **2.8 The Asset Allocation Strategy of a Fund**

The fund's planned asset allocation strategy and its appropriateness to its liabilities and other risks, including:

- target investment returns on each asset class
- how the strategy has been arrived at
- volatility considerations
- risk tolerance
- risk mitigation

## **2.9 Investment advice**

- interpreting advice from an investment consultant
- relating recommendations to current funding position
- appreciation of the relationship between strategy and the strength of the employer covenant

## **2.10 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:

- any change in investment arrangements for the scheme
- marked change in investment environment
- change in the status of the scheme, eg closure to new members
- any change in the sponsoring employer covenant

## **2.11 The Selection of Fund Managers**

- The appointment and role of advisers
- Long listing, short listing and the 'beauty parade'
- 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

## **2.12 Investment Mandates**

Understand and evaluate 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

## **2.13 The Nature of Fee Structures and charges**

- Understand the nature of the fee structures in place for all advisers and managers and why this set of structures has been selected
- Understand the nature of the charging structures which apply to each fund option, including tracker funds

## **2.14 The type of Investments undertaken**

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

## **2.15 Socially Responsible Investment and Corporate Governance**

- The stance taken towards socially responsible investment and corporate governance

## **2.16 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
- Evaluating investment advice

## **2.17 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 or asset classes
- robust processes and systems
- calculation and apportionment of investment returns

## **2.18 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 custody agreements
- agreed service standards and reporting requirements
- incorporation of any operational issues, eg practice in recovering tax
- level and frequency of relationship reporting
- issues arising on transfer to new custodian, eg secure transition of assets;
- the need for adequate monitoring and correct record-keeping.
- Consider appropriate response to poor custodianship

## **2.19 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

## **2.20 Issues associated with transfers**

- 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 of fund)
- impact on shape of the liabilities, and hence the impact on investment strategy
- Obtain advice from the actuary
- Identifying potential scams
- Reporting requirements
- Liaising with members
- Sanction charges
- Recovery of assets

## **3. Types of Scheme and Member Benefits**

### **3.1 The different classes of member and the benefits to which they are entitled:**

- Pensions
- Lump sums
- Refund of contributions
- Transfers
- Death in Service
- Divorce

### **3.2 DC decumulation options**

- Annuitisation
- FAD
- UFPLS
- Pension Wise service

### **3.3 Factors**

- The factors which would influence an employer's decision as to which options to provide

### **3.4 Benefits paid on death or ill-health**

- Death in Service Benefits
- Ill-health early retirement benefits
- Use of insurance

## **4. Documentation used for efficient Trusteeship operations**

### **1.1 The Principal Contents of a Scheme Booklet, Announcements and other Member Communications**

- Basic member details
- Details of trustees
- Disclosure requirements
- Dealing with flaws in scheme documents

### **4.2 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:

- The recommendations in the valuation and the reasons for accepting them

### **4.3 The Value of the Minutes of Previous Meetings**

- The role and value of the minutes of meetings for the governance of the scheme including
- decisions that impact on individual members benefits payable
- policy discussions and decisions recorded in them

### **4.4 The Contents of Stewardship Reports**

- The importance of receiving an appropriate report from all outsourced providers

The need to:

- analyse and question the contents
- identify the key issues
- anticipate the implications for the immediate or longer term
- cover any compliance issues and breaches.

### **4.5 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



#### **4.6 The Contents of Internal Control Reports**

Understand nature of the document and the limitations of the information provided, as well as the importance of:

- checks on the adequacy and robustness of systems
- accuracy in the calculations included in member communications
- an action plan to rectify any issues identified
- the place of the action plan in the scheme's business plan
- the cost implications of exercises of this nature
- 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

#### **4.7 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:

- trustees' report
- financial statements
- reports from fund managers
- compliance statement
- actuarial certificates (DB only)
- auditors' report
- recognising the limitations of the audit

#### **4.8 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:

- contingent assets and guarantees
- in outline, the terms of any insurance policies and their consistency with the trust documentation
- evaluation of contingent assets

#### **4.9 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

#### **4.10 Myners Principles**

- Understand the contents of a Statement of Compliance with the Myners' Principles

#### **4.11 Memorandum of Articles and APT**

- 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

#### **4.12 Principal Elements and Features of a Scheme Business Plan**

The principal elements and features of the following:

- business plan, including a skills audit (where applicable)
- training plan
- expenses budget
- cash flow forecast
- risk assessment and follow up
- calendar of events

#### **4.13 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

## **Sample Assessment Materials**

### **Diploma in Professional trusteeship – Sample Questions and Answers**

For Section 1 you are required to answer questions which have seven possible answers, only five of these are correct. You have to provide a response with five correct answers in order to gain maximum marks for each question.

These questions are all formed on the content of the syllabus and the four learning outcomes.

#### **Example Questions**

1. Trustees' powers differ from scheme to scheme, but usually the trust deed includes the power to:
  - a) accept contributions into the scheme
  - b) decide the investment strategy
  - c) ignoring the assessment of the employers future profitability and cash flow
  - d) amend the rules of the scheme
  - e) withholding lump sum benefits
  - f) deal with a funding surplus (defined benefit only)
  - g) wind up a scheme

**(Correct answers – a, b, d, f and g)**

2. Which of the following are true when considering decumulation options true for individuals approaching retirement?
  - a) There is no material difference in the order in which savings are taken to reducing the amount of tax people pay in retirement
  - b) It is important for consumers to have financial retirement strategies that contain cost-effective solutions to manage
  - c) To improve their chances of making the right decision, and avoid costly mistakes, retirees should seek professional independent financial advice
  - d) Take money out of a tax-advantaged savings plan straight away
  - e) Buy an annuity without the restriction that was previously applied
  - f) Choose a flexi-access drawdown arrangement which will see some of the investment risk managed
  - g) Use an Uncrystallised Funds Pension Lump Sum option, which is a series of lump sums where 25 per cent of each withdrawal is tax-free

**(Correct answers – b, c, e, f and g)**

In Section 2 there is a Case Study followed by 10 True/False Questions.

Each question has 3 associated statements – (i), (ii) or (iii) and the answers are:

- a. Only (i) is true
- b. Only (ii) is true
- c. Only (iii) is true
- d. Both (i) and (ii) are true and not (iii)
- e. Both (i) and (iii) are true and not (ii)
- f. Both (ii) and (iii) are true and not (i)
- g. All are correct

You have to choose only one correct answer for each question.

### **Case Study**

Diversity on corporate boards is good for business, and stakeholders are increasingly seeking transparency and engagement with regard to the demographic composition of the board. In particular, investors such as BlackRock, and State Street Global Advisors actively encourage portfolio companies to improve board diversity and are using their proxy voting power to engage with companies on this topic.

You chair the trustee board of a large hybrid DB and DC scheme. Your administrator has spoken at a recent meeting about member demographics. You note that most trustees are in a similar age group and background but have much more experience of DB scheme management than DC.

1. When taking into consideration Board diversity within your scheme do you:
    - i. consider that the board is not out of the ordinary for the type of scheme so there is no urgency to make changes at this time
    - ii. recognise that the situation is not tenable in the longer term and propose putting in place an appropriate succession plan incorporating more diversity
    - iii. recognise that the board should undertake a proper review of its composition
- a) Only (i) is true
  - b) Only (ii) is true
  - c) Only (iii) is true
  - d) Both (i) and (ii) are true and not (iii)
  - e) Both (i) and (iii) are true and not (ii)
  - f) Both (ii) and (iii) are true and not (i)
  - g) All are correct
  - h) All are false

**(Correct answer – b)**

2. There are two differing and entrenched views on the trustee board on a particular issue which needs to be resolved. Do you:
- i. present an alternative position
  - ii. let the argument control the meeting
  - iii. suggest a training session on the issue
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- a) Only (i) is true
  - b) Only (ii) is true
  - c) Only (iii) is true
  - d) Both (i) and (ii) are true and not (iii)
  - e) Both (i) and (iii) are true and not (ii)
  - f) Both (ii) and (iii) are true and not (i)
  - g) All are correct
  - h) All are false

**(Correct answer – c)**