

Trustees' Training Needs



"taking steps to address any knowledge gaps"

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Governance Consultation

The UK Pensions Regulator recently released a consultation on the "Future of Trusteeship and Governance" and noted that there is a broad consensus across the pensions industry that good governance is essential for positive outcomes for pension savers. However, the Regulator's evidence suggests that some schemes -particularly small ones- fall short of the standards expected. While the consultation relates to UK schemes, the importance of trustees having a good understanding of their scheme and the key issues is equally important for schemes more generally.

The Regulator is proposing to address its concerns by focussing on three main areas:

1) Trustee knowledge and understanding (TKU)

The UK's existing TKU code of practice and scope guidance are to be revisited, with a view to making them simpler, cleaner and easier for trustees to translate the theory into practical good governance. In addition, trustees will increasingly be expected to demonstrate how they meet TKU requirements. One way to do this is through appropriate training.

2) Effective decision making

Measures being consulted on include looking at trustee board diversity and the possible appointment of an accredited professional trustee.

3) Driving DC Scheme consolidation

Schemes which are unable to meet standards will be encouraged to wind up or consolidate. The Regulator believes that, over time, members would be better served by fewer, larger and hence better governed, schemes.

Existing TKU requirements

Trustees are expected to have adequate knowledge and understanding of pensions and trusts; the principles of funding of occupational schemes and the investment of scheme assets. They must also have a working knowledge of their own scheme's documents. Newly appointed trustees have 6 months to get up to speed. Trustees of DC schemes in the UK also have a legal obligation to explain how this requirement has been met in the annual chair's statement to members.

Assessment

The Regulator encourages individual trustees to review their level of TKU annually and use this as the basis for planning their training needs over the year. This review could be part of a wider annual assessment of the effectiveness of the board as a whole. Increasingly we are seeing trustee boards of both local and international schemes taking steps to address any knowledge gaps. With new legislative requirements and other issues emerging over time, if this review process is not conducted annually trustees' knowledge can quickly become out of date.

Acquiring Knowledge

The Regulator's online Trustee toolkit has been developed for UK scheme trustees to build up their knowledge and understanding. However, while it is a useful overview of the UK requirements, the toolkit's UK focus is of less relevance for schemes outside the UK. It is also not tailored to a specific scheme's issues and training needs. BWC provides bespoke trustee training to supplement online training material, covering both current issues and scheme-specific training for trustees of UK, local and international schemes.

Evidencing

It is important that, as well as acquiring knowledge, trustee boards keep records of learning activities undertaken to demonstrate how the TKU requirements have been met.

Reporting Solution

BWCI provides a Trustee Knowledge and Understanding assessment and reporting service which greatly simplifies the assessment process for trustees. It can be tailored to the specifics of the scheme. Each trustee completes a confidential online survey where they rank their understanding in various areas. The survey responses are summarised in a short report, including the average, lowest and highest rankings for each knowledge area on an anonymous basis. The report highlights where training is required and prioritisation of training needs, as well as a formal record of the assessment process. This can then be used as the starting point for planning trustee training over the coming year. The success of any training programme can subsequently be measured by comparing the results of annual assessments.

Sample Extract from a Trustee Knowledge Assessment

Area of Knowledge	Knowledge Level (1 Low, 3 Adequate, 5 High)		
	Lowest	Highest	Average
Trustees' powers	3	4	3.7
The importance of responsible ownership of investments	2	3	2.5
Myners' principles for governance and decision-making	1	3	1.8