The Trustee toolkit downloadable

Running a scheme

Tutorial one: Scheme governance

By the end of this tutorial you will better understand:

▶ trustee responsibility for sound governance and administration

This tutorial is part of **Scenario one**.

Glossary

A detailed glossary of technical terms can be downloaded from the Resources tab when you log in at www.trusteetoolkit.com

The Pensions Regulator

Governance

If you've ever held a position related to the governance of a non-profit organisation then you may already be familiar with the way in which a pension scheme trustee board works. You will understand that there is a difference between governance and management.

- Trustees are accountable for ensuring the scheme is well managed and the pension outcomes of its members are protected.

- Trustees may delegate the day-to-day management of the scheme to a third party. This may be a product provider, administrator or even an adviser.

- Because trustees retain accountability for the management of the scheme, they will need to put in place strong governance and monitoring to provide them with comfort that the scheme is being managed in a satisfactory way.

Good governance matters because trust-based pension scheme members entrust their savings into the hands of others. The decisions and actions of trustees, and those to whom they delegate responsibilities, are key to the outcome that members receive from their scheme.

The governance framework

In ensuring good governance, trustees will need to consider whether:

- the trustee board has the right skills

- they have the right advisers and support services to help them run their pension schemes

- key roles are defined and documented

- the right processes are in place to operate the scheme and to manage scheme risks

Governance documentation

The elements of good governance will vary from scheme to scheme but if a scheme has a good governance framework, it is likely that the following will be clearly documented or defined.

The trustee board composition

Including:

- the knowledge and understanding of the members of the governing body, how this is maintained individually and as a group

- the process for appointing member-nominated trustees/directors

- how the board ensures that it can make good decisions regarding the more specialist issues such as investment, audit and administration

- succession planning

Learn more in the Tutorial: 'Becoming a trustee' in the Module: 'The trustee's role'.

The trustee board procedures

Trustees should consider how well the trustee board works, both in the way that meetings are run and the procedures that are in place for assessing how they deal with any issues that arise in the way that the trustee board conducts its business. The scheme secretary plays a key role in good scheme governance on behalf of the trustees. Procedures may include:

▶ how trustees carry out their work

▶ frequency of meetings

▶ recording of decisions

Terms of reference for any sub-committees

These will include the composition, responsibilities and powers of the committees as well as the frequency of meetings and how often they report to trustees.

Other key roles and responsibilities on the scheme

For example investment adviser, auditor, administrator, legal adviser etc.

Letters of appointment and service level agreements

This should clearly define the responsibilities of the service providers. If trustees are using in-house service providers, it is important that the trustees produce and agree documents which are comparable to those that they would use for external providers.

The scheme business cycle

Clarity regarding the cycle and when and how appointments of providers are reviewed.

Risk management and internal controls

Conflict of interest management