

Trusteeship Model of the Future

(Some) Practical Tools for DC Scheme
Trusteeship

Trustee Model of the Future

Landscape:

- Fewer schemes?
- Contract based for one member arrangements?
- Master Trusts for small to medium (2 – 100 members)?
- Larger schemes (and DB schemes) separate trusts?

Trustees:

- Professional only?
- Continuation of lay trustees?
- Mixture of both?

Pensions Authority Proposals

- Minimum 2 trustees (directors if sole corporate)
- One with appropriate qualification, minimum NFQ level 7
- One with experience, minimum 2 years
- Master trusts, all directors to meet criteria (minimum 1 + 1)

- Existing training requirements within 6 months for all
- Annual CPD instead of 2 year repeat training

- Existing disqualifications to apply
- Plus “necessary decision-making capacity”
- Fitness and probity regime

- Exclude employer in corporate capacity
- Or service providers

[http://www.pensionsauthority.ie/en/Policy/Consultation Papers/Open Consultation Papers/Reform Consultation Paper issued by the Pensions Authority .pdf](http://www.pensionsauthority.ie/en/Policy/Consultation%20Papers/Open%20Consultation%20Papers/Reform%20Consultation%20Paper%20issued%20by%20the%20Pensions%20Authority.pdf)

The Expert Model

- Remoteness
- Accountability
- Independence
- Insensitivity
- Abstract decisions
- Gobblydegook

I'll see your Pre retirement MVA and raise you a contingent benefits PAO



The Mixed Model

It should be noted that the Authority is not seeking to “professionalise” trusteeship and fully acknowledges that non-professional or lay trustees can bring a significant amount to their role as a trustee and to the administration of the scheme generally.

July 2016

- Experts plus lay trustees
- Understanding of specific scheme needs
- Accessible to members

- Domination by expert
- Defer to experts
- Lay trustees off the hook - passengers



“Here’s where you give me non-comprehending nods of approval.”

Tools – For What?

- Learning
 - About pensions
 - About trusteeship
- Governance
 - Compliance – staying out of trouble
 - Doing the best possible job



Learning About Pensions

- Pensions Authority Guides, including
 - How do schemes work
 - Benefits and options
 - Investment
 - Charges
 - Equality
 - Marriage breakdown

http://www.pensionsauthority.ie/en/Publications/Information_Booklets/

- Understanding Pensions – The Friendly Guide, Paul Kenny, 2008
- New Ireland Pensions Technical Manual
- Pensions: Revenue Law and Practice, Aidan McLaughlin et al

Learning About Trusteeship

- So You're A Pension Scheme Trustee, Pensions Authority
http://www.pensionsauthority.ie/en/Publications/Information_Booklets/So_you_re_a_pension_scheme_trustee.pdf
- Pensions Authority e-learning course for trustees
<http://trusteetraining.pensionsauthority.ie/Home/>
9 Modules
- Trustee Toolkit, UK Pensions Regulator
<https://trusteetoolkit.thepensionsregulator.gov.uk/>
7 DC Modules, 4 additional for DB
- Irish Pensions Law and Practice, Finucane & Buggy
Chapters 3 and 4

Governance - Compliance

- Pensions Authority Codes of Governance for DC Schemes
http://www.pensionsauthority.ie/en/Publications/Codes_of_governance_for_DC_schemes/
- Trustee & Employer Checklists: On-the-spot fines
http://www.pensionsauthority.ie/en/Publications/Information_Booklets/Trustee_and_employer_checklists_-_On-the-spot_fines.pdf
- Pensions Act
http://www.pensionsauthority.ie/en/Publications/The_Pensions_Act_1990/Better_Regulation_-_Pensions_Act_1990_No_25_31st_May_2016.pdf
- Regulations – Numerous Statutory Instruments
- Revenue Pensions Manual
<http://www.revenue.ie/en/about/foi/s16/pensions/>



Governance – Doing the Best Job

- Pension Fund Governance, OECD 2008

<http://www.oecd.org/finance/private-pensions/41013956.pdf>

- Trustee Handbook, Pensions Authority

http://www.pensionsauthority.ie/en/Trustees/Trustee_Handbook_Information/Trustee_Handbook_5th_Edition_.pdf

- DC Governance, UK Pensions Regulator

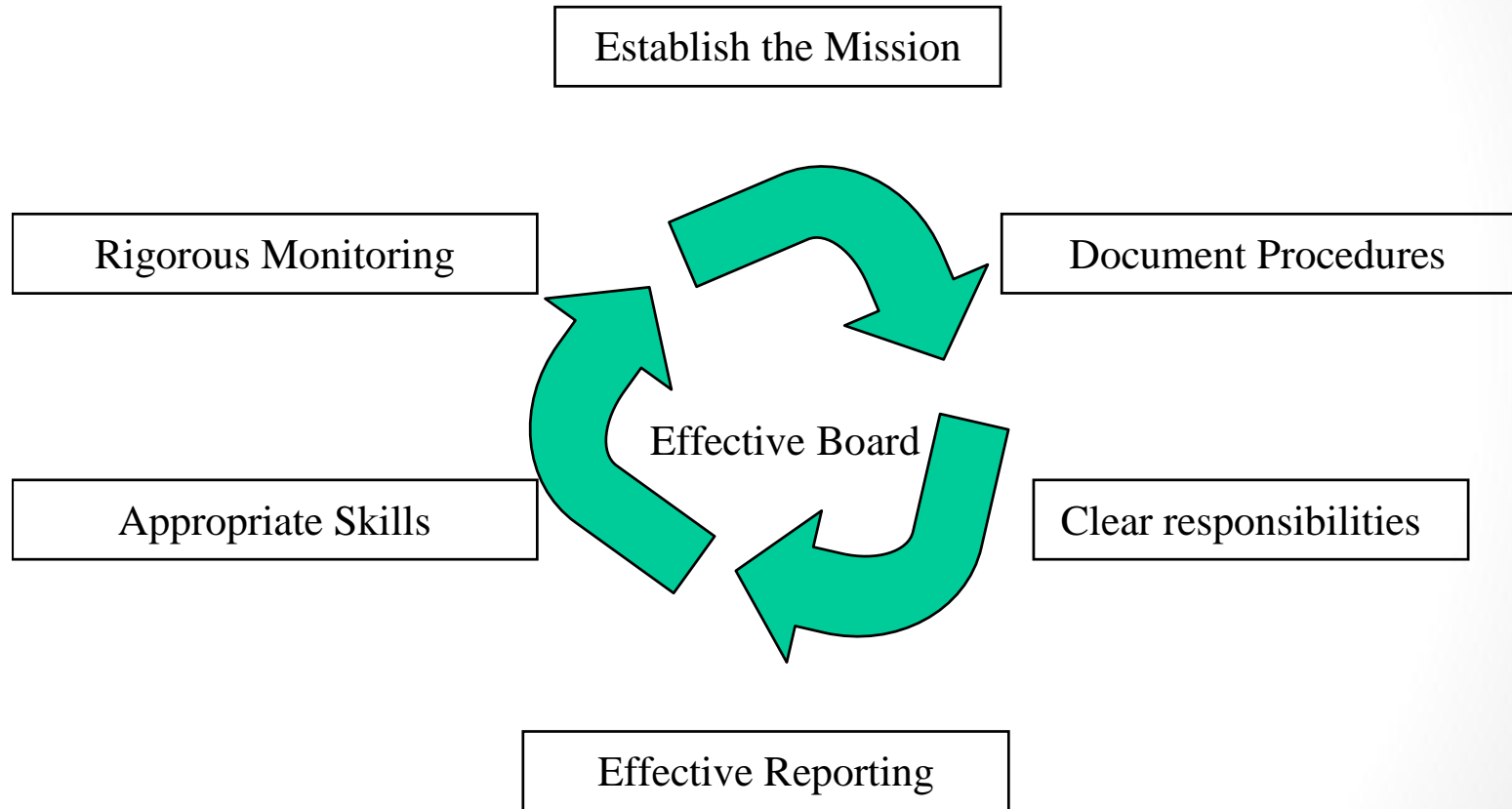
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-occupational-dc-trust-based-schemes.aspx>

- Trustee Training / Qualification

Governance As A Discipline

- No longer ad hoc
- Systematic
- Documented
- Binding
- Commitment from everyone
- Not just what happens at trustee meetings

Developing a Governance Plan



Implementing A Governance Plan

1. Planning and Discovery
2. Review and Benchmark
3. Identify and Evaluate Risks
4. Identify Gaps
5. Governance Plan
6. Governance Year Planner
7. Review

Issues In Governance

1. Risks
2. Conflicts of Interest
3. Decision Taking

Risk Management

- Identify
- Evaluate - Likelihood + Impact
- Mitigants
- Monitor

Sample Risk Matrix, Society of Actuaries

<https://web.actuaries.ie/sites/default/files/story/2015/04/1504%20Sample%20Risk%20Register%20%20&%20Risk%20overview%20statement.pdf>

Guidelines, UK Regulator

<http://www.thepensionsregulator.gov.uk/codes/code-related-internal-controls.aspx>

Guide to Risk Management, ICA Scotland

https://www.icas.com/_data/assets/pdf_file/0018/2673/Pensions-Trustees-Assessing-and-Managing-Risks-ICAS.pdf

Conflicts of Interest

- Situation, not necessarily a conflict
- Trustee as employer, manager, employee, pensioner, union rep, adviser, investment manager
- Register of potential conflicts
- Declaration
- Consider if too conflicted
- Recognise/acknowledge
- Discuss
- Withdraw?
- Abstain?
- Resign?
- Court direction?

Decision Taking

- Trust Deed and Rules
 - Seek consensus
1. Have we made all reasonable enquiries?
 2. Are we taking account of all relevant factors?
 3. Have we discarded any irrelevant factors?
 4. Are we satisfied with the weighting/influence of the relevant factors?
 5. Have we taken appropriate advice/do we need advice?
 6. Are there any conflicts of interest that are influencing the decision?
 7. Are we acting honestly and in good faith?
 8. Is this in the best interests of the beneficiaries?
 9. Is the decision one which we are empowered to make?

<http://www.matheson.com/news-and-insights/article/landmark-high-court-decision-provides-clarity-on-the-duties-of-pension-sche>

Summary

- It's complicated
- Not going to get any simpler
- Don't have to be an expert
- Maybe better not to be an expert
- Plenty of help out there
- Wood from the trees
- Develop own toolkit