

## A month in pensions



# The rise of professionalism in pension scheme trusteeship

By Sarah Henderson, Senior Associate, Sackers

**Are we on the brink of having not only an accreditation process in place for professional trustees, but also a requirement for all trustee boards to include a professional trustee in their number?**

The journey towards increased professionalism in pension scheme trusteeship was accelerated in July 2016 by the publication of The Pensions Regulator's (TPR) discussion paper on 21st century trusteeship and governance. As TPR explained, "effective trusteeship and governance are key underpinning factors in achieving good member outcomes", making it "essential that those who are responsible for running pension schemes and are entrusted with members' savings are the right people with the appropriate knowledge and skills, and have the right scheme management processes in place".

Then, during 2017 there were three important developments:

- 1. The Professional Trustee Standards Working Group (PTSWG)** was established by trustee bodies across the pensions industry including the Association of Professional Pension Trustees, the Pensions and Lifetime Savings Association, the Pension Management Institute, and various high-profile professional trustee companies. In December 2017, it consulted on, and received support for, standards for professional trustees.
- 2.** TPR published a policy setting out its **professional trustee description** in August 2017. The policy clarified who TPR considers to be a 'professional' trustee and set out clearly that higher standards would be expected of such trustees (which was underpinned by a monetary penalties policy imposing higher regulatory fines on professional trustees when things go wrong).
- 3.** In September 2017, TPR launched its **21st century**

**trusteeship** campaign. The central objective was "to raise the standards of governance across all pension schemes".

Throughout 2018, TPR (by now a 'clearer, quicker and tougher' regulator) made clear that it was supportive of the PTSWG's continued work on its standards, and it was keen on professionals being appointed to trustee boards to improve governance levels.

So, in terms of professionalism in pension scheme trusteeship, what might we see in 2019? At the time of writing, there are two things to expect:

- 1.** The finalised "Professional Trustee Standards" (the PTSWG's response to its 2017 consultation), and formal accreditation requirements for professional trustees are due to be published on 26th February 2019.
- 2.** TPR has said it will look to consult on how it can use the accreditation framework developed by the PTSWG, including whether it would be appropriate for all trustee boards to have a professional

trustee in their number, in 'Spring' 2019.

No doubt there will be a range of views expressed in response to these developments. One thing that seems certain, however, is that there is a clear direction of travel towards increasing professionalism on trustee boards. And that is even before you take into account the new DC master trust authorisation regime, or the rise of DB superfunds.

It will be interesting to see how TPR and other industry bodies test whether an increase in the number of professional trustees on boards generally has the desired impact on standards of governance and member outcomes.

There are also other questions that come to mind. What would the accreditation and/or professional trustee requirements do for diversity on trustee boards? What would they do for the perceived value of member nominated or lay trustees?

**We will watch with interest.**