



Synopsis of responses to the Pensions Authority Consultation on Trustee Qualifications

Introduction

The Pensions Authority (“the Authority”) published a consultation paper on proposed trustee qualifications on 1 September 2015. The proposals relate to minimum standards of knowledge, training and experience that would be prescribed for trustees which would be considerably more demanding than the current training requirement. The improvements to trustee standards of education form part of the Authority’s overall proposals for Defined Contribution (DC) reform as indicated in its wider consultation on this matter in late 2013. The paper set out specific questions concerning qualifications for trustees to which the Authority sought responses by 1 October 2015.

The Authority received a total of 30 written submissions in response to the consultation, five of which came from individuals and 25 from organisations/professional advisers. The consultation paper posed six main questions and an invitation to offer other relevant comments. The responses summarised below reflect the main points made and a range of suggestions offered.

This document is a synopsis of the responses received by the Authority and does not cover every point made. No definitive conclusions have been made at this point and the next stage of the process will involve a detailed consideration of all of the points made which will inform the Authority’s views on how to proceed.

There were many useful suggestions from a number of educational providers on how courses for pension trustees and ongoing CPD requirements could be developed and certain principles that should be taken into account in the process. The Authority will meet with these providers in due course to discuss the principles and practicalities involved in progressing these suggestions to actual delivery of appropriate qualifications for trustees, should this become a reality.

Synopsis of responses

Q1. Should the trustee qualification requirement be mandatory and if so when should such a requirement be introduced?

There was almost a 50/50 split view as to whether the requirement for a formal trustee qualification should be a mandatory one with various caveats expressed and some alternative suggestions made from both the “yes” and the “no” sides.

Those who favoured the mandatory approach unreservedly believe that pension scheme trustees who manage such a large amount of pension assets should be obliged to hold a suitable qualification which would contribute to better outcomes for members. It was considered that anything other than a mandatory qualification regime is unlikely to improve the quality of trusteeship. The alternative would be a voluntary arrangement and this is what is, in effect, already in place and it was expressed that this has not resulted in a satisfactory situation in relation to the skill sets of trustees.

It was also suggested that a mandatory requirement would remove certain existing trustees such as small employers, and possibly encourage consolidation of schemes, both of which were considered desirable.

Views were expressed that the technical nature of the trustee role is becoming more complex over time. The current level of detail and information in the average trustee training was considered just to present an introduction to the basic duties and responsibilities of trustees and in order to fulfil the role fully an individual/organisation needs to bring much more professional knowledge and practical experience to the table. It was suggested therefore that the introduction of a formal mandatory qualification would serve to focus the mind (as to what exactly would be required of them in the trustee role) of potential/existing trustees where trusteeship is only one aspect of their daily role/job.

Another view supported mandatory qualifications specifically for Defined Benefit (DB) pension schemes and for DC schemes with a total fund value of over €5 million. Exemptions from the mandatory qualification were suggested for trustees of single member schemes (active and frozen) on the basis that in practice these schemes are effectively contract based (insured) or operated by professional/Revenue appointed pensioner trustees. In addition, it was suggested that trustees of group schemes appointed to act in conjunction with professional/pensioner trustees should be exempt as this protects members’ rights to elect member trustees.

Another view expressed was that a qualification should only be obligatory for professional trustees.

A number of respondents offered the suggestion that any mandatory qualification requirements should apply to the trustee group as a whole rather than to each individual trustee. This is what is proposed in the current version of the revised IORPS Directive. Draft Article 23(1)(2) refers to “*their knowledge and experience being collectively adequate*”. It was also pointed out that a board of trustees could

typically consist of directors, member trustees, a professional trustee etc. The need for the same mandatory qualification to apply to all members of the trustee board was questioned; different individuals within the board have different roles and some would not be “full-time” trustees. This is considered to be an advantage as the various members bring different skills and views and therefore it was suggested that the approach taken is to insist that at least one member of the trustee board is fully qualified, rather than all members.

Those who indicated in the negative about mandatory trustee qualifications shared concerns about the impact of such provisions and questioned the rationale for their possible introduction. Reference was made to the Authority’s estimate that there are 200,000 people acting as trustees which understandably concludes that they cannot all be acting effectively. This is based on the 62,087 private sector occupational schemes registered with the Authority. However 50,401 of these are DC schemes with 1 member and, presumably, in the majority of these cases the employer is acting as trustee. In most of these cases the member and employer will effectively be the same person. There are a further 10,281 DC schemes with less than 50 members averaging 6 members per scheme. It was argued that the majority of these schemes would be PRSAs if the contribution limits and tax treatment of PRSAs didn’t put those individuals at an advantage and that dealing with those issues would be much more effective than requiring mandatory training for trustees of these schemes which will only add cost without any obvious real additional benefit.

Another suggestion in this vein was that the current number of trustees be radically reduced by offering single member schemes the option to move to contract based administrative status with the retention of exempt approval status as required for tax efficient employer pension funding. It was submitted that such an initiative would drastically reduce the number of technically active trustees in the country and would clear the landscape for meaningful discussion on relevant trustee qualification levels for remaining trustees.

Other concerns about introducing mandatory trustee qualifications was the possible negative impact this would have on non-professional trustees who might be seriously discouraged from becoming or remaining as a trustee. There was a common view that lay trustees bring considerable value to trustee boards, as well as being a vital link between members and the scheme itself. Scheme members know and trust the employee representative trustee on a trustee board and tend to use such individuals as a conduit for pension queries and concerns. It was expressed that lay trustees are also useful in conveying institutional history/culture and often result in employees becoming more engaged with their pension benefits. The view, therefore, was that requiring trustees to have a certain level of education/undertake a specific qualification will: (i) significantly reduce the pool of employees who are eligible to act

as trustees in many schemes; (ii) potentially deter employees from acting as trustees; and (iii) would most likely result in current lay trustees resigning their roles.

It was also mentioned that obliging trustees to undertake specific qualifications is overly onerous, costly and time-consuming. Instead of requiring trustees to have specific qualifications, it was suggested that the current trustee training regime could be reviewed. It was thought that scheme-specific training would be more valuable and useful to trustees than imposing mandatory qualifications. For example, the Authority could consider introducing standardised training requirements for new trustees, with further requirements to complete scheme-specific training within a certain time frame. It was submitted that the Authority could have a role in supervising/auditing trustee training on an on-going basis.

With regard to the lead-in time for the introduction of a mandatory qualification, those who supported such a proposal recommended periods of between two and four years. Differentiations were made between new and existing trustees with the suggestion that from 1 January 2017 all new trustees of a DC scheme would be required to hold a recognised qualification, or to immediately register for, and complete within two years of initial appointment as a trustee, a recognised qualification.

For existing trustees of a DC scheme on 1 January 2017 it was suggested that they may continue to act as trustees of that DC scheme provided that, on 1 January 2017, they are registered for and working towards obtaining a recognised qualification, and that they must obtain a recognised qualification by 1 January 2019.

A pragmatic approach was also recommended whereby the requirements be introduced first for trustees of the schemes with 50 or more members with a subsequent filtering down to smaller schemes over a period of years.

Q2. Should “grandfathering” be considered for those trustees who have specified experience? If so, how do you think this should be managed, for example, what existing experience/expertise should get recognition? Should there be some form of testing for those with specified experience, such as an online test with ongoing CPD requirements?

The responses to this question echoed those relating to the views already given as to whether there should be a mandatory professional qualification for trustees. Some respondents who did not favour such a mandatory approach, nonetheless felt that if a trustee qualification were introduced, it would be very important that some if not all existing pension scheme trustees would be “grandfathered”, as meeting this requirement would cause considerable difficulties for members if the trustees of their scheme were all forced to resign. Members could be left in a position where there

are no trustees in place to administer benefits for a period, or at worst there could be difficulty in getting new trustees to accept an appointment on certain schemes. This would be a concern whether existing trustees feel that they have to resign immediately or at some fixed point in the future. To avoid this, if this requirement is introduced, it was suggested that the “grandfathering” of the existing trustees of a scheme should be on a permanent basis.

Views to the contrary consider that all trustees should possess the same core qualifications and that it would be inappropriate for there to be an amnesty for existing trustees. Therefore an appropriate lead-in time would be required in order to enable existing trustees to obtain the necessary qualifications. The lead-in time would need to take account of, amongst other things, the timeframe involved in obtaining the necessary qualifications.

There was some scepticism about the practical use of “grandfathering” which was considered to be difficult to administer in practice and that it would be difficult to ensure that the required standards are met. Instead, it was suggested, that individuals/corporates who wish to act as “professional” trustees should be required to complete the professional trustee qualification before acting unless acting during the lead-in time. In that vein, it was submitted that existing trustees be given a generous period to phase in the qualification.

Other respondents saw no need or little justification for “grandfathering” for professional trustees and thought it would also be difficult to justify to members were any problems to arise in the running of a scheme.

Those who supported the concept of “grandfathering” had a variety of suggestions on how it should be offered and managed, including:

- Grandfather professional trustees and individual employees of professional trustee firms who have been engaged as trustees/representatives of their firms for at least five years. Consideration could be given to recognition of professional qualifications such as legal, actuarial and accounting, subject to CPD requirements. Initial grandfathering for five years from deadline.
- Grandfathering would seem appropriate for those who have completed formal trustee training as they have now attended training and have practical experience. A cut-off date might be 31 January 2016 to align with the legislation. CPD could be required after 1 February 2016 thereafter.
- An online test could form part of the registration/application for CPD for grandfathered individuals.

- A minimum of 5 years experience to date should be required to be grandfathered, i.e. current practitioner which should all be certified/proven by independent written evidence. The period should last indefinitely once initial requirement has been met. No form of testing is necessary but ongoing CPD would be sufficient once initial requirement is met.
- Parameters could be set, the attainment of which would qualify a person to be recognised as a “qualified trustee”. The parameters should take account of recognition for prior earlier learning (RPEL) and experience. Experience should not be solely confined to prior work in the pensions world, e.g. trust practitioners should be recognised as bringing a contribution and, even if not fully grandfathered, their expertise in trusteeship could warrant exemptions from some requirements which other aspirants would have to undergo.
- There could be criteria set out for grandfathering. However, these parameters would need to be very tight and measurable to guard against potential abuses. Trustees who are “grandfathered” should complete an online test and be subject to CPD (suggest 15 hours per annum) on an ongoing basis.
- Sunset grandfathering should also be considered. This would allow people who are committed to the role to continue as a trustee for a while but they would be focused on the need to attain a qualification within a given timeframe. Those not committed to the role would have to resign.
- An alternative to grandfathering altogether would be to build a simple module around law and governance which everyone who wants to act as trustee should be required to take. The module could be recognised by the Quality Qualifications Ireland (QQI) as a Trustee Certificate in Pension Law & Governance at level 8 and perhaps taught online to make it accessible to trustees nationwide.
- Any person who has been in a senior position for a period of over 5 years and where the job specifically deals with pension schemes should be considered eligible for grandfathering and that grandfathering should last at least 3 years. In order to become exempt from grandfathering, an “exam” as such should take place. This exam should be in the form of a thesis rather than a written exam.
- Pensioner Trustees should automatically qualify for grandfathering as they are all acting as such and have been approved by the Revenue Commissioners which recognises their experience and suitability for the role of Pensioner Trustee. Grandfathering for individuals already approved as Pensioner Trustees should last for ten years. Where CPD requirements are

met under QFA/FLIA/AIIPM requirements, there should be no further online test.

- Grandfathering should be considered for professional trustees and those trustees who have experience which has been specified by the Pensions Authority. This would mirror the practice across the financial services arena.
- As the current trustee training programme requires re-training every two years, a trustee who has been certified as having completed approved trustee training within the last three year period should perhaps be permitted to be grandfathered.
- Grandfathering might require a different approach for the many effective and organised lay trustees who provide a good service to their schemes. This group are very often dependent upon what their consultant/registered administrator advise them to do in any given situation. Accordingly, this can result in a certain limitation of pensions knowledge.
- Grandfathering should be offered but only for a once-off limited period which is suggested to be an interim period of two years from date of publication of new regulations governing trustee qualifications (e.g. to 1 January 2018 from 1 January 2016).
- It was suggested that grandfathering requirements should only apply to those trustees granted approval by the Authority, with the assistance of a new independent voluntary and non-remunerated advisory group which has a finite term of office to support this work which is established by the Authority (i.e. independent of Authority officials but all decisions subject to the agreement of the Authority and made up of persons who have worked in the pensions industry for more than twenty years). Such grandfathering would require an appeals mechanism but the final sanction of approval would rest with the Authority.
- There was a strong view expressed that the matter of grandfathering is not a matter for the Authority to decide other than for a once-off limited period which is suggested to be an interim period of two years from date of publication of any new regulations governing trustee qualifications (e.g. to 1 January 2018 from 1 January 2016). Added to this, it should be required that trustees of a DB scheme should have to satisfy the Level 8 qualification/accreditation within two years of their declaration or appointment and that ALL trustees should have to have the Level 7 and/or Level 8 accreditation to serve as a trustee following an interim period of two years. It was considered that there should be no exceptions to these requirements.

In relation to testing those trustees with specified experience, online tests were not regarded as being effective. It was considered that online tests by their nature would give a view as to whether the candidate knows specific items such as statutory deadlines, communication requirements, etc. but it would be very difficult to glean whether the candidate has a working knowledge and requisite experience to deal with more judgement-related, complex trustee decision making issues which arise.

15 hours CPD was suggested to be significant if non-professional trustees are to continue to act as trustees. In light of that it was questioned whether CPD hours accredited by other regulatory bodies such as the LIA, IIPM, Law Society, Chartered Accountants Ireland or the Society of Actuaries would satisfy the Authority's requirements. It was also suggested that standard trustee meetings should also form part of any designated CPD requirement.

More structured training with perhaps a 5 hour CPD approach was suggested as a more feasible approach.

Q3. Following on from question 2, should there be exemptions/partial exemptions from some of the examinations for existing relevant pensions related qualifications i.e. accountancy/actuarial/legal?

In the main, there was consensus that there should be a range of existing qualifications and experience that would be deemed to be appropriate for a trustee. Along with professions mentioned in the consultation paper such as accountancy, actuarial and legal, it was suggested that business qualifications, human resources, compliance, pension and financial planning qualifications should also be included.

Specifically mentioned for partial exemptions were those holding relevant accountancy/actuarial/legal qualifications and full exemption for those holding AIIPM/FIIPM/QFA/FLIA/FCII qualifications. CPD requirements are already covered within these designations with minimum annual CPD of 15 hours for QFA, FLIA and AIIPM.

It was submitted that Pensioner Trustees merit full exemption.

It was suggested that a structure of exemptions would be most appropriate and that in order to qualify for exemptions individuals would be required to be:

1. Professionally qualified in a relevant field – e.g. Actuarial, Legal;
2. Registered with their appropriate governing body (e.g. Law Society, Society of Actuaries in Ireland) at the appropriate level/category;
3. Up-to-date with their applicable CPD;
4. Actively working on a day-to-day basis as a pension scheme trustee.

Another point made for consideration was that if a professional trustee company has professional qualified staff to deal with different aspects of trusteeship (e.g. legal, investment, data protection, etc.) then the professional trustee company would be the “qualified” trustee entity in the overall sense by providing staff/qualified personnel in each discipline required for effective and compliant trusteeship. It was submitted that the qualification standard might, therefore, be met by the professional trustee company by way of different individuals covering different disciplines/areas of qualification, which combined, meet all required trustee qualifications.

On a practical level there was a suggestion that exemptions should be available on the normal criteria applied by universities. Those criteria are that:

- The level of the qualification on the basis of which exemption is sought should be at or above the level of the trustee qualification; and
- There should be very significant overlap of content between the qualification on the basis of which exemption is sought and the examination from which exemption is being sought.

Those who dissented with the idea of exemptions/partial exemptions took the view that trusteeship should be valued as a standalone responsibility and that extensive knowledge and experience gained of pension schemes over a number of years cannot be gained academically. It was also submitted that there is no reason to give favourable consideration to actuaries, accountants and lawyers over well informed workers, that educated adults can be effective trustees and that it is the quality of advice available to trustees that needs to be examined.

Q4. Is there anything missing from the list of topics for the proposed curriculum leading to a qualification for DC trustees?

There were many positive and constructive suggestions made in response to this question. There was a view that the curriculum is heavily focused on the legal aspects of trusteeship and that while educating trustees on their duties and obligations is important, they would also need to be educated on understanding when specific professional advice may be required. It was suggested that the real focus should be on the general administration of the scheme including issues such as:

- Improving member communications;
- Processing of contributions and benefit payments;
- Dealing with members;
- Dealing with employers;

- Dealing with advisers.

The inclusion of the following sources of law/regulatory bodies was also suggested in the proposed list of topics for the curriculum:

Sources of Law

Maternity Protection Acts and other statutory leave legislation;
 Employment Equality Acts;
 Data Protection Acts;
 Basic principles of insurance law;
 Succession Act ;
 Capital Acquisitions Tax;
 Employer's Insolvency Acts;
 Transfer of Undertakings Regulations.

Regulatory Bodies

Data Protection Commissioner

Other Issues

As DC schemes rely on members making choices some topics relating to how people make choices and behavioural economics were suggested to be useful. Other areas that were suggested for inclusion in the curriculum are:

- Financial economics;
- Financial planning and promotion of financial literacy;
- International pension policy and practice;
- Case studies/scenarios on difficult situations that arise in schemes – assessing value for money, forming an investment strategy, exercising discretionary powers over death benefits;
- Engagement with members;
- Legal cases that may impact on trustee governance of schemes or changes in taxation that impact on pensions administration, design, structuring etc;
- Ethics;
- Rules of order for trustee boards;
- Key Risk Indicators (KRIs), Key Performance Indicators (KPIs) and all that relates to how trustees should conduct themselves in terms of how a trustee board operates;
- Cyber Security and Disaster Risk Recovery;
- Schemes switching from DB to DC;
- Company law and role of directors where the trustee is a limited company;

- Information management;
- Information technology applications;
- State pensions;
- Trust RACs;
- Transfer value payments from occupational pension schemes;
- Buy Out Bonds;
- AVCs;
- DC Retirement Benefit options, including ARFs and annuity options;
- Retail intermediaries and MIFID investment firms;
- Data protection obligations;
- Money Laundering and Terrorist Financing obligations.

It was further suggested that an individual coming fresh to the role would require, in addition to the paper qualification, a number of months' experience under an appropriate mentor, in order to achieve full certification. As to whom would be an appropriate mentor is also an area for consideration – it was suggested that it could possibly be a party who has been deemed to have met the ultimate trustee qualification standard and does not have a conflict of interest in mentoring the candidate.

Whilst there was a considerable amount of additional topics suggested for a trustee curriculum, it was also pointed out that consideration should be given to the variety of trustees currently acting for pension schemes ranging from large self-administered to small insured and their differing needs for involvement and expertise. As such the level of qualification or experience will differ, and it was submitted that it may not be necessary for all trustees to meet all aspects of the proposed topics.

Also, it was considered vitally important that any training focuses on the practical reality of acting as a trustee and providing trustees with the toolkit for carrying out their role as opposed to focusing on the more technical or legalistic elements of the role. It is these technical aspects in relation to which trustees should seek professional advice and providing them with detailed training in this regard was suggested as being of little value.

It was suggested that some training and qualifications for the “experts” who got so much wrong in the crisis might be usefully considered. It was noted that the crisis also showed that much orthodox pension theory was naive and needs re-evaluation.

Rather than focusing on trustees, it was suggested that the Authority should admit the extent of the systematic failure in private pension provision and it needs to realise that if any form of funded pension provision is to have credibility amongst workers and employers it is not good enough to pretend that nothing of real consequence has happened. Furthermore, it was said that any debate on pensions

that puts the professionals centre stage and seeks to marginalise the input and influence of the owners of the assets is unlikely to succeed.

Q5. What is your view on the NFQ status for the proposed trustee qualification – level 7 or level 8? Level 7 equates to an ordinary bachelor level degree and level 8 is a higher diploma or honours bachelor degree. What do you consider to be the more appropriate and practical level in terms of professional status and capability of delivery and take-up?

There was a mixed response from those who support the idea of a trustee qualification. Many felt that the NFQ status should be level 7 as this would be a more appropriate and practical target and should be capable of a wide delivery resulting in a higher number of individuals willing to obtain the qualification. For professional trustees, it was thought that level 7 should be the minimum requirement and that for ordinary scheme members it would give them a better chance of being a trustee and have enough knowledge to cope with the job entrusted.

Some respondents thought that both levels 7 and 8 should be offered, with level 7 as the minimum qualification and level 8 being attractive to professional and experienced lay trustees. In this respect it was suggested that level 7 would be appropriate for DC trustees but level 8 would be more DB/actuarial driven.

There were some views that a level 7 qualification could be appropriate for trustees of smaller schemes but that training should be to level 8 as the demands on trustees are better matched at that level.

It was noted that the Central Bank requires financial advisers to hold a recognised qualification at level 7 or higher on the NFQ. On this basis, it was argued that it would be difficult to expect part-time pension trustees to achieve higher level qualifications than full-time financial advisers. It was also pointed out that on practical terms that level 7 courses can be delivered through distance learning (using textbooks, online resources and other study supports) whereas a level 8 course will usually involve face-to-face tuition. Given the number of trustees and their dispersion throughout the country, it was submitted that distance learning tuition would make qualifications accessible to all trustees.

There were views that the qualification is being pitched too high particularly for many non-professional trustees. An alternative approach was suggested whereby one member, as opposed to all members of the trustee board achieves a qualification.

Concerns were also expressed about the practicality of the delivery of a level 7 or 8 qualification with such a narrow focus. The view was that while initially there may be large numbers of trustees requiring such a qualification when this requirement is introduced, once that initial demand is met there may only be small numbers looking

for such a qualification each year. It was questioned as to whether there would be sufficient numbers undertaking the training each year in order for the provision of such a course to be economical per student.

It was expressed that a long term effect of introducing such a requirement would be a reduction in the number of people who could act as pension scheme trustees and that this may in part be balanced by a reduced demand for pension scheme trustees, for example where a professional trustee may act for a number of schemes or where a number of schemes may group together. However, it was suggested that this risks creating a “closed shop”. It was expressed that the costs of trusteeship could increase significantly as trustees look to be compensated for the time, effort and expense of qualifying. The importance of balancing the considerations of such increased cost and whether this will always be to the benefit of members was emphasised and that this risk is increased if the required qualifications are set at a level which is inappropriate for the role.

Q6. Should the trustee qualifications requirement apply to trustees of both DB and DC schemes, with differing requirements as appropriate?

There was a universal view that any trustee qualification should apply to all scheme trustees and that it will, of course, need to reflect that DB and DC trustees will require some different knowledge and understanding to reflect the different nature of their schemes.

In respect of DC schemes, it was suggested that the training might focus on investment strategies, communication with members and reliance upon external advisors and training for DB trustees might focus on funding valuations and solvency management.

It was also submitted that trustees of DB schemes should know the issues related to DB and DC schemes. Also, trustees of DC schemes should know DC issues and be aware of the principles of DB schemes. It was thought that many of the issues will be similar and can apply to both and most, if not all, DB schemes have AVC policies included on a DC basis.

Due to the different considerations applying to DB and DC schemes, it was considered arguable that perhaps DC scheme trustees should have a different minimum qualification level. One suggestion was that level 7 should apply to DC trustees and that level 8 is a must for DB trustees. In addition, it was suggested that any mandatory minimum qualifications should perhaps take account of the size of the scheme with one-member schemes being considered separately.

Another view was that instead of looking at different qualifying criteria, that perhaps the CPD requirement could be calibrated to reflect the differences between acting as

trustee to DB and DC schemes. For example, the annual 15 hours of CPD for those acting as trustee to a DB scheme could require 5 of those hours to be in respect of areas particular to DB schemes.

Q7. Do any other issues occur to you at this point?

Many concerns were expressed about any moves that would potentially professionalise trusteeship. It was pointed out that lay trustees bring considerable experience to their roles and pension scheme members tend to place a high degree of trust in such individuals. There were fears that any mandatory qualification requirements would:

- Reduce the pool of employees who are eligible to become pension scheme trustees;
- Potentially discourage any potential trustee candidates from agreeing to undertake what is already an onerous role, and may result in existing trustees resigning;
- Remove member elected trustees from boards as the qualifications being required will only permit fully qualified professionals to be trustees. This will result in the rank and file scheme members having no eyes and ears on the boards looking after their interests;
- Make member and company nominated trustees step down in their role as they would not have the time (nor might the Company sponsor pay) to commit to formal study as acting as a trustee is not their full time job.

Concerns about the need for a trustee qualification at all were reiterated and that any consideration of the need to add professional trustee qualifications must be made in the overall context of the existing environment and several layers of regulation already in place. If there are particular issues arising on particular schemes, it must be considered whether a universal requirement for a professional trustee qualification is the most efficient or effective way to deal with these. In this context, it was suggested that the introduction of a compulsory requirement for all pension trustees to be professionally qualified is not the best solution to ensure that schemes have effective and involved management and it runs the risk of reducing the benefits that come from having lay-people involved in trusteeship.

There were a number of views expressed about the need for qualification for “own scheme trustees”, i.e. an owner director of a company being trustee of an insured pension scheme for herself/himself only, or for a husband and wife/legal partner situation. This was on the basis that the administration is carried out by the insurance company and the investments are also monitored by the insurance company. However, it was thought that if such schemes have any employees

outside of this “connected” status, then an independent trustee should be mandatory for these schemes.

Questions were also raised concerning the Authority’s view where it *“does not believe that all of these trustees have enough knowledge and commitment to fulfil their duties in a way that optimises the outcome for the member”*. It was argued that there are many instances of small insured schemes that have a professional trustee in place where the trustee role might not go any further than a pure compliance role – this demonstrates that education/knowledge may not necessarily lead to the best outcomes for members. It was suggested that what will lead to improved outcomes are trustees that are committed to try and do their best for the members. This may be better achieved by supporting and encouraging trustees (especially lay trustees) rather than the discouragement provided by the requirement for a mandatory specific qualification.

The issue of costs associated with additional educational requirements for trustees was mentioned by numerous respondents and that it is important that the Authority fully considers the impact of the changes suggested and performs a Regulatory Impact Assessment and Cost/Benefit Analysis. On this point it was questioned whether money would be well spent in the absence of data showing that professional trustees secure better outcomes for members. The costs associated with qualifications will need to be paid by employers or members and it may be necessary to specify who will pay for this. It was suggested that there is also a possibility that the proposed requirements could lead to more employers putting individual contract-based pension arrangements in place rather than establishing a trust based scheme. This would result in there being no trustees acting in the interests of members and the costs members are exposed to are likely to be higher than in group trust-based schemes.

As administrators of public sector schemes face many of the same issues as faced by trustees of occupational pension schemes, it was suggested that it would be appropriate to consider putting similar professional requirements in place for them.