



A Trustee's guide to Pension Scheme Governance Checklist

September 2017

Introduction

At CBC we strongly believe that good governance is much more than a tick box exercise. So why, you may ask, create a checklist, isn't that just a list of issues Trustees need to tick off?

Well no. This checklist is designed to make Trustees think about their answers, to challenge their assumptions and to take time to consider what someone from the outside, whether a new trustee, the scheme sponsor, a member or the Pensions Regulator would make of the tools and processes which the Trustees have in place to run increasingly complex pension schemes.

As professional trustees these are the questions we run through as part of our due diligence before taking on an appointment. We hope that you find this helpful.

For more information about this or any aspect of pension trusteeship please:

Email: enquiries@cbcpensionservices.co.uk

Or

Telephone: 0845 4334 199

Key	
GP	Good practice, but not required
R	Not required, but we strongly recommend that you do this
M	Mandatory requirement

Issue	Key	Status
GENERAL GOVERNANCE		
Structure		
Is the size of the trustee board appropriate?	GP	
Has consideration been given to whether the board should include a professional, independent trustee?	GP	
Does the board have an appropriate mix of trustees (member-nominated trustees ("MNTs") and from a functional perspective)?	GP	
Does the board comply with the MNT legislation?	M	
Does the board review MNT arrangements every three years or after a major event (e.g. a merger)?	R	
Does the board have the appropriate sub-committees with written terms of reference?	GP	
Is the split of work between the board and sub-committees appropriate?	GP	
Is the membership of the sub-committees appropriate?	R	
Has consideration been given to succession planning for trustees?	GP	
Has consideration been given to succession planning for the chair?	R	
If the trustees are individuals, has consideration been given to having a corporate trustee?	GP	
Trustee protection		
Has consideration been given to whether the protections (if any) available under the trust deed and rules ("TD&R") (indemnifications, exonerations) are adequate?	R	
Has consideration be given to whether insurance can fill the gaps?	GP	
Articles of Association (corporate trustee only)		
Are the articles up to date (do they comply with Companies Act 2006)?	R	
Do the articles reflect the actual actions the trustees take?	M	
Do the articles deal with conflicts and indemnities properly?	R	

Do the trustees know who is responsible for the corporate filings?	M	
Are the corporate filings up to date at Companies House?	M	

Issue	Key	Status
Duties and responsibilities		
Are written terms of reference for the trustee board in place?	GP	
Are written terms of reference for the chair in place?	R	
Do the trustees have a self-assessment method?	R	
Policies and procedures		
Do the trustees have a conflicts of interest policy and register?	R	
Do the trustees and employer have a confidentiality agreement in place?	R	
Do the trustees have a whistle-blowing policy?	R	
Does the scheme have an internal controls risk register?	R	
Does the scheme have an appropriate internal dispute resolution procedure (IDRP)?	M	
Does the scheme have a business plan?	GP	
Do the trustees use agendas for their meetings?	GP	
Minutes: do the trustees have a policy on recording decisions?	R	
Trustee knowledge and understanding ("TKU")		
Is there a trustee training policy in place?	GP	
Do the trustees have training to ensure knowledge of: <ul style="list-style-type: none"> • the law relating to pensions and trusts; • the funding of occupational schemes; and • the investment of the assets of occupational schemes, and are they conversant with the TD&R, statement of investment principles ("SIP"), statement of funding principles ("SFP") and policy documents? (New trustees are required to undertake TKU training and to be conversant with the scheme documentation within six months of becoming a trustee.)	M	
Is there a new trustee induction checklist?	GP	
Is there a trustee training log?	GP	
Have the trustees completed the Pensions Regulator's trustee toolkit?	R	
If the trustees have sub-committees, does each member of each sub-committee believe that they have the knowledge and understanding appropriate to their role?	M	

Scheme Trust Deed and Rules (TD&R)		
Does the scheme have an up to date consolidated TD&R?	R	
Does the current TD&R reflect legislative developments?	R	
Have the tax simplification amendments been included in the TD&R?	R	
Has the scheme's investment power been reviewed to ensure that it is appropriate for the scheme?	R	

Issue	Key	Status
Booklets and announcements		
Have the scheme's booklets and announcements been checked for consistency with the TD&R?	M	
Do the scheme's booklets and announcements contain the appropriate disclaimers?	R	
Are procedures in place for ensuring that the right people (employer, HR, etc) have the correct information about the scheme?	R	
Advisers and related documentation		
Does the scheme have adviser selection and review/monitoring procedures?	GP	
Auditor (statutory requirement)		
Are terms of engagement which (a) comply with the requirements of s47 Pensions Act 1995 and (b) include conflicts wording in place?	M	
Actuary (statutory requirement)		
Are terms of engagement which (a) comply with the requirements of s47 Pensions Act 1995 and (b) include conflicts wording in place?	M	
Legal adviser		
Are terms of engagement which (a) comply with the requirements of s47 Pensions Act 1995 and (b) include conflicts wording in place?	M	
THE SPONSOR AND THE SPONSOR COVENANT		
Do the trustees understand the sponsor's group structure?	R	
Do the trustee understand the sponsor's current financial position (defined benefit ("DB") section)?	R	
Do the trustees have a procedure in place for monitoring the sponsor covenant and access to appropriate professional advice?	R	
Does the sponsor understand its notifiable events duties?	M	
Do the trustees have appropriate procedures in place to deal with corporate events?	R	
Do the trustees have a nominated sponsor contact?	R	
FUNDING AND INVESTMENT		

Documentation necessary to carry out funding and investment responsibilities		
Do the trustees obtain a scheme valuation at least every three years (DB section)?	M	
Does the scheme have a current recovery plan (DB section)?	M	
Does the scheme have a current schedule of contributions (DB section) and payment schedule (defined contribution (“DC”) section)?	M	
Do the trustees issue an annual summary funding statement (DB section)?	M	
Does the scheme have an SFP and is it reviewed from time to time (DB section)?	M	
Does the scheme have a system in place for monitoring the reconciliation of contributions and investments (DC section)?	R	
Does the Scheme have a SIP and is it reviewed every three years (post valuation?)	M	
Issue	Key	Status
Do the trustees understand their investment powers under the trust deed and rules the legal obligations/restrictions in respect of investment?	R	
Do the trustees seek appropriate legal and investment advice when making investment decisions?	M	
DB section-specific investment issues		
Do the trustees monitor and regularly review the scheme’s DB investments?	M	
Do the trustees monitor and regularly review the scheme’s default fund(s)?	M	
Do the trustees provide appropriate member information to on: <ul style="list-style-type: none"> • member investment options; and • member retirement choices? 	M	
Does the TD&R contain adequate protection for the trustees in relation to member investment & retirement choices?	R	
Appropriate investments		
Investment advisers and related documentation		
Investment adviser		
Are terms of engagement which (a) comply with the requirements of s47 Pensions Act 1995 and (b) include conflicts wording in place?	M	
Investment manager		
Is an investment management agreement which complies with the requirements of s47 Pensions Act 1995 in place?	M	

Is a policy on voting shares in place?	R	
Does the investment manager have signature lists and mandates?	R	
Is a procedure in place for notifying the investment manager of changes to the SIP?	R	
Custodian (if not appointed by investment manager)		
Is a custody agreement which complies with the requirements of s47 Pensions Act 1995 in place?	M	
Does the custodian have up to date signature lists?	R	
Issue	Key	Status
ADMINISTRATION		
Documentation necessary to carry out administration duties		
Is there an administration agreement with appropriate service levels?	R	
Supervising and monitoring the administrator		
Do the trustees regularly monitor the administrator's service levels?	R	
Knowledge of the administrator's procedures		
Do the trustees know what steps the administrator takes to ensure changes to the TD&R are made known to the administrator and incorporated into the administration system?	R	
Do the trustees know what steps the administrator takes to ensure that the administrator has correctly programmed the changes?	R	
What checking processes have the trustees taken to assure themselves that the changes made are accurate?	R	

