



Association of Member
Nominated Trustees

> AMNT proposals on the future of pensions trusteeship



› Contents

INTRODUCTION	3
EXECUTIVE SUMMARY	4
THE FUTURE OF TRUSTEESHIP: AMNT'S VIEW	6
1. TIME OFF FOR TRUSTEE DUTIES	6
2. TRAINING AND ACCREDITATION	7
3. TRUSTEE TOOLKIT	8
4. ACCREDITED TRUSTEES	9
5. BOARD DEMONSTRATION OF SUFFICIENT KNOWLEDGE AND UNDERSTANDING	10
6. TPR'S PREVIOUS PROPOSAL ON PROFESSIONAL TRUSTEES	11
7. FORMAL ROLE	12
8. PAYMENT FOR LAY TRUSTEES	13
9. REASON FOR CRITICISMS	14
10. ADDITIONAL COMMENTS	15
CONCLUSION	16
RECOMMENDATIONS IN FULL	18

> Introduction



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There have been many discussions in the regulatory sphere and in the pensions press about the trusteeship of pension schemes. The view has been expressed that some lay trustees are performing at a level below what is required, but seldom has the question been posed about why this may be.

AMNT disagrees with the generalised dismissal of lay trustees and their value. Member nominated trustees remain as important now as they were in 1995 when the government brought in legislation requiring them to constitute a third of trustee boards of company pension schemes, in the wake of the Maxwell scandal. This is a time of change in pensions, with the rise of DB consolidators, master trusts, the collective defined contribution model and growing interest in the potential of CDC decumulation vehicles. It is imperative that the interests of ordinary pension savers are prioritised over the commercial interests of the financial services industry.

All trustees are required to act in the best interests of the beneficiaries of the scheme. But the additional pressure for member nominated trustees is that it is their own pensions and those of their colleagues that will be affected by the decisions they take. Professional advisers and professional trustees are not so affected. So scheme members may feel greater confidence that decisions are being made in the best interests of the members when trustee boards include member nominated trustees. As one of our trustee members observes: "It provides members with an effective voice from a representative that fully understands their position."

Undoubtedly just as there are huge variations in scheme size, some trustee boards operate at different levels. AMNT believes that if some boards are not operating as well as they could, the solution is to find out what barriers exist that prevent lay trustees from operating at the optimum level and take action to overcome these barriers and raise the standard of lay trusteeship.

To this end, over the last few months AMNT has held a consultation and discussions with its membership in order to ascertain what problems there are that are preventing trustees from reaching their full potential both in training and qualifications and in carrying out their duties. The association has concluded that in order to ensure that all trustees are able to perform at the highest level it requires intervention not merely in relation to trustees directly but also to ensure that employers enable trustees to be properly trained and have the time to carry out their duties effectively.

This report sets out the key issues and makes recommendations that it will be proposing to government and regulator.

Executive Summary

The key issues identified

The scheme sponsor's attitude

Companies' attitudes to their own pension scheme are the major factor influencing trustee performance. Where companies understand the importance of the scheme and its governance trustees tend to be able to perform well. But where companies do not recognise this it often works against trustees' ability to operate effectively. For example, several employers have refused to pay for training and PMI accreditation, or allow sufficient time to perform their duties.

Time off for trustee duties

Too many lay trustees are not given enough time away from their day jobs to fulfil their trustee duties, including training and preparation for trustee board and subcommittee meetings – including the time to read the papers. Most need to fulfil at least some of these requirements in their own time. However they are not helped by the current TPR requirement which does not specify even a minimum number of days away from work that could be taken to undertake trustee duties, training and preparation.

Training and accreditation

AMNT believes that the more training trustees receive the better they will perform but while some pension schemes and scheme sponsors make substantial, quality provision, others do not. We propose that pension schemes and sponsors should be required to encourage training and accreditation, and pay the costs of becoming accredited including exam fees, along with fees for training.

Trustee Toolkit

The Trustee Toolkit forms the basis of training for new trustees and it is a requirement that they complete it within six months. However there is little enforcement of this. We propose that TPR should require pension schemes to attach the trustees' Toolkit completion certificates with their annual return.

Accredited trustees

The Pensions Regulator has previously consulted on a proposal for every pension scheme to employ a professional trustee. This met with substantial opposition. AMNT proposes that every pension scheme should be required to have at least one accredited trustee, either lay or professional. The Pensions Management Institute's trustee accreditation examinations for lay and professional trustees are currently the same. AMNT acknowledges the increase in knowledge, understanding and performance that often comes as a result of the necessary study for these exams, along with the requirement for evidence of ongoing CPD for all accredited trustees, lay or professional. AMNT members report that some boards already require all trustees to attain accreditation.

Board demonstration of sufficient knowledge and understanding

Pension trustees reported that some boards have substantial training programmes for their board members who do not have PMI accreditation but operate at least at that level. Trustees felt that a board should be permitted to demonstrate that it already has sufficient knowledge and understanding without any PMI accredited trustees, such as having a comprehensive ongoing training programme.

Payment for lay trustees

AMNT asked whether trustees believed that MNTs should be paid for their services, or upon completion of the Toolkit or the accreditation. The response was the same as all previous discussions on this matter - again there was a range of views and no consensus. Many trustees particularly of large schemes receive some payment, though in some schemes it is upon completion of substantial training such as passing an exam; but more trustees are paid only expenses.

Recommendations in brief

1. Lay trustees should be given a statutory right to a specific minimum number or formula of days away from their day job, and if necessary reduction of their workload, to enable them to carry out their trustee duties, training and preparation effectively.
2. Every pension scheme should be required to send TPR the Toolkit completion certificate for every trustee.
3. TPR should update the Toolkit with urgency as it remains a key element of trustee knowledge and understanding but it is becoming very out of date. For example, someone completing the Toolkit might wrongly assume that the regulator does not consider ESG or climate change as important.
4. Pension schemes and scheme sponsors should be compelled to support and encourage trustee training and pay for recognised examinations, and fees for training.
5. Every pension scheme to have at least one accredited trustee on the board, either lay or professional. Pension schemes and scheme sponsors should encourage all trustees to attain accreditation.
6. A board should be permitted to demonstrate that it already has sufficient knowledge and understanding without any PMI accredited trustees, for example if the pension scheme already has a comprehensive ongoing training programme. However our members wish to see clear guidance on what sufficient board-level knowledge and understanding actually is, in order to avoid some trustees slipping through the net.
7. There is no settled view on remuneration for lay trustees though there is some support for linking it to attaining the desired knowledge and understanding, such as accreditation.

› The future of trusteeship: AMNT's view

I. TIME OFF FOR TRUSTEE DUTIES.

AMNT asked whether members agreed that lay trustees need the protection of at least a specified minimum number or formula of days per year to carry out their duties. Their duties must include for example the time needed to read all their papers before a meeting.

There was overwhelming support for AMNT's view.

AMNT has argued for years that the current rules governing time off are inadequate. Not all trustees have the seniority or the kind of job where they can rearrange their work schedule themselves as required to cover their trustee training and duties, and claim any expenditure on expenses. This was demonstrated by a recent industrial tribunal decision to reject an employee's claim against an employer for failure to reduce her workload to accommodate her trustee duties. The reasons included that the claimant had no statutory or contractual right to it.

Some trustees said they personally did not have a problem with this but still supported the proposal:

- "I am very fortunate in that I have a very accommodating employer, who does allow me time off to attend trustee meetings and selected events in pursuit of my trustee duties. I have though to balance this with my workload, and manage my diary accordingly though which does bring challenges. Planning ahead, and keeping an open conversation with them helps this, though I am aware that my day job would be prioritised over trustee duties if a decision was needed. Do I feel that I have sufficient time away from your day job to fulfil your trustee duties? On the whole yes, but this relates to trustee meetings and seminars I attend. Do you have sufficient time to prepare for meetings, ie to read the papers? - yes, but I always have to do this in my own time. More time off to complete this would help of course and likely improve my contributions in meetings. It should also be noted that while trustees are required to attend and support regular board meetings, some are also part of subcommittees and these should be factored into the equation too."
- "My line manager, director and wider team have been very supportive of my becoming a pensions trustee, and I've had no problems with the diarised time for meetings, however realistically I do the preparation and reading of papers over evenings and weekends, as I do with other voluntary commitments. A statutory duty would force the issue, but in my experience a legal footing hasn't been necessary."
- "I support the proposals to formalise time off or reduction in workload to ensure trustee duties can be effectively carried out. I think there is too much uncertainty over 'reasonable time'."
- "Whilst an employed trustee it was always a constant battle with line management, HR etc. and invariably meant me doing much of the work in my own time. Consider that you would be lucky if you received the trustee board papers prior to a week before the meeting then a day should be allocated in that week for preparation – but as I stated a constant battle with no acceptance of planning this as a requirement (which should be simple with prior knowledge of board meetings)."
- "Do you feel you are able to have sufficient time away from your day job to fulfil your trustee duties? Absolutely not, there is no set aside of hours to fulfil the role, mostly all in my own time."
- "Do you have sufficient time to prepare for meetings, ie to read the papers? No."

2. TRAINING AND ACCREDITATION

AMNT proposed that pension schemes and sponsors should be required to encourage training and accreditation, and pay the costs of becoming accredited including exam fees, along with fees for training. AMNT asked whether members had any problem getting their pension scheme or scheme sponsor to pay for PMI examinations or training courses.

There was very strong support for this proposal. The general view was summarised by one who said:

- “Financial support and time off for undertaking professional trustee training should be a given.”

Some respondents stated that they had no problems with this. One said: “As a new trustee I would be very annoyed if I had been expected to pay for my own training and exams, fortunately my scheme has paid for any fees and two PLSA courses”.

However, five respondents told us that their employer had refused to pay for the trustees to sit the PMI exams. Some employers had also refused to pay for some training and some travel expenses. Two respondents who no longer work for their scheme sponsors had both had the employer refuse to pay for accredited training or exams.

- “There seems to be a sticking point around the PMI exam. I asked if I could sign up for the course and exam, bearing in mind it is cheaper than some of the paid courses. They have refused to pay for me to take the course, the rationale being “the company’s policy ... states that they will only pay for qualifications if it is business critical and aligned to [our] strategic priorities.” So, despite being cheaper than some of the courses I have attended it’s a flat “no”. I cannot see how that position will change without some degree of compulsion which is a great shame as I am highly supportive of increased MNT education.”
- “I’d welcome a duty on the employer providing the “pension” to support trustees’ accreditation (available to employer-nominated and member-nominated trustees).”
- “In my case, I was not able to secure payment for my recent PMI accreditation exams from my scheme, so I paid them myself. Schemes should support trustee development and training, as all trustees have a duty to maintain a level of knowledge and understanding in order to execute their duties. Support from their individual boards is vital here, and indeed beneficial to the board as it ensures that the trustees on it maintain knowledge and skills to drive up the effectiveness of the board. I do think that while the PMI accreditation route is to be applauded, that financial support to trustees should be offered to any formal educational or training initiative that adds to and compliments their development. The PLSA training plan, and attendance at paid conferences are two examples here. The bottom line is that member trustees are not paid for the role like their professional counterparts, nor can they take advantage of the tax efficient status that some professionals can either. It’s financially difficult for member trustees.”

One respondent hoped that formal accreditation of all trustees would not happen, but if it did they stated:

- “It should also be accompanied by a legally backed requirement for the pension scheme itself to be required to reimburse training and exam costs.”

3. TRUSTEE TOOLKIT

We propose that TPR should require pension schemes to attach the trustees' Toolkit certificates with their annual return. Do you agree with this?

This was unanimously supported.

- “Submitting the Toolkit certificate to TPR for ALL trustees should be a requirement and any updates passed or additional modules. (This may catch out a few employer nominated!).”
- “Agree. This is a requirement of my appointment and I am expected to take the PMI exam in Trusteeship in my first year and this is already set for the end of November.”
- “Do you agree with this? Yes I do, in my own scheme we send one in each year to the scheme secretary AND we are required to review the Toolkit and complete any new or revised modules, and we hand this over at our yearly trustee appraisal meeting (1 to 1) with the Chair. I concur, again in our scheme the MNTs proposed that all board trustee members should review and revisit the Toolkit annually and pass completed pdf to the secretary/Chair - In our scheme the Toolkit is the minimum skill requirement for all Trustees and MUST be completed within the first six months of tenure.”
- “I agree completely. The lay trustees on my scheme have been diligent in completing and updating their Toolkit, but we have had a number of company appointed trustees over the years who did not have prior experience, yet who did not complete the toolkit or even enrol for basic training.”



4. ACCREDITED TRUSTEES

Every pension scheme should be required to have at least one accredited trustee, either lay or professional. Lay accreditation involves sitting the same PMI accreditation exams that are taken by the professional trustees. AMNT recognises the increase in knowledge, understanding and performance that can come as a result of the necessary study for these exams. If a pension scheme does not have a professional trustee on the board it is reasonable to expect a board to be able to demonstrate its proficiency. Do agree with this?

There was substantial support for this:

- “I do think our scheme has been better since we had an accredited trustee, I think others would benefit as well.”
- “Yes, Yes, Yes, and whether that be a lay, professional or independent trustee is irrelevant. If this isn’t possible, then yes, a board should need to demonstrate its proficiency and the level to which its trustees are trained. It’s not acceptable to say that “all our trustees have completed the toolkit” if the last to do this was five years ago.”
- “I also support the qualification proposals, and also the reasoning behind why trustee boards need MNTs to work with the ENTs. This provides members with an effective voice from a representative that fully understands their position.”

The two who disagreed made interesting points:

- “Disagree. Trustee board should have responsibility to monitor/ support new trustees. I do not want tick in box mentality and an official qualification sent to Regulator saying that person is a fully qualified trustee.”
- “Disagree. Is probably part of the agenda to dissuade lay trustees as without statutory support in terms of time off and payment to achieve this people will be put off.”

These points would appear to have been made by trustees at opposite ends of the support spectrum: the first from a pension scheme with excellent support in place, the second from one with a sponsor that refuses to pay for training and qualifications. This underlines AMNT’s overriding argument that improving the quality of trusteeship needs schemes and sponsors to be required to provide this support including paying for it.

However, some trustees felt that we should go further than requiring just one accredited trustee on a board:

- “Lay Trustees PMI: agree but mandated. PMI accreditation should be a mandated minimum qualification for a trustee who has been a member of a trustee board for two years. On our scheme PMI training and exam paid by company/ scheme plus time off and or TOIL paid. All [name of pension scheme] trustees are PMI accredited.”
- “Agree but I would go further and say all trustees should have to take the PMI qualification as this is an extremely important role and it will ensure high quality applicants and better run schemes that should appease any concerns of ministers.”
- “I do. I would not however agree that having a professional trustee on the board should make a difference. I think that all trustees should have to demonstrate proficiency, and that there should be statutory backing for a regime that provides time and funding for lay trustees to achieve that within an appropriate length of time from appointment.”

5. BOARD DEMONSTRATION OF SUFFICIENT KNOWLEDGE AND UNDERSTANDING

Do you believe that a board should be permitted to demonstrate that it already has sufficient knowledge and understanding without any PMI accredited trustees (e.g your pension scheme already has a comprehensive ongoing training programme)

Again there was overwhelming support for this, with the two people opposing it doing so on the grounds that they should all achieve accreditation, one saying that if they already have sufficient knowledge then accreditation should be easy.

The support from some came with provisos:

- “Yes but competency must be clearly demonstrated.”
- “Accreditation should be an aspiration for any trustee who seeks to fulfil their duties effectively and boards should encourage this. In the case where they do not have an accredited trustee, they should be expected to demonstrate overall board proficiency by another means.”
- “Yes, including the requirement for each trustee to keep an annual log of the hours taken in respect to CPD.”
- “I think this should be a possibility, although I do not know how our scheme would have managed over the last few years without a professional, accredited trustee.”
- “Yes, practically this seems sensible and ongoing learning is likely to be more valuable than a one-off training programme for events that occur infrequently.”
- “Yes but there should be some guidance about what ‘sufficient knowledge’ looks like. My preference is that at least one MNT and one ENT should be required to undertake the PMI accreditation and exams.”
- “I believe that a board should be permitted to demonstrate that it already has sufficient knowledge and understanding without any PMI accredited trustees. PMI accredited Trustees would be preferred.”
- “My worry would be that this might give a “pass” to company-appointed trustees who do not in my experience always take the time to learn and understand their role”.

6. TPR'S PREVIOUS PROPOSAL ON PROFESSIONAL TRUSTEES

What is your view of the Pensions Regulator's previous proposal to require every trustee board to employ a professional trustee?

There was overwhelming opposition to this.

- "It seems like a burdensome and impractical expense for smaller schemes, and a departure from members being able to play a role in governance. I'd also expect it to have the secondary impact of dramatically reducing diversity on scheme boards. I would prefer to see a requirement for equivalent knowledge or expertise than a specific person."
- "I disagree. This regulator wants rid of MNTs, what better way than to introduce professional trustees? Undermines the very reason why the requirement to have MNTs on every board was enshrined in law. Apart from anything else, the last thing a scheme needs is another set of high fees to pay. TPR hopes that professional trustees will act in the best interest of members and NOT their commercial firm - I think that's pie in the sky. Commercial interests I suggest could trump best interests! MNTs are ideally placed to ensure members' interests always come first".
- "I'm not sure the TPR are right that a professional trustee needs to be employed on every board. There are many lay members who have years of experience, training but no professional qualifications."
- "Pensions Regulator's previous proposal to require every trustee board to employ a professional trustee? Not impressed by statement! A good trustee is competent, qualified and experienced and these are competences that all trustees including MNTs should have. [Name of pension scheme] have two professionals employed by the company. One experienced, one relatively new but a specialist on one subject."
- "This is very simply professional trustee companies trying to make more money and some employers seeking greater control over the schemes."
- "I think it is a "lazy" proposal to hide the effect of TPR's apparent unwillingness or inability to enforce trustee standards. If there were a mechanism to ensure that all trustees were properly trained, this proposal would be unnecessary. As well as a requirement that all trustees gain PMI accreditation within a fixed time of appointment, I think a requirement for all boards to have at least one PMI accredited trustee would make this unnecessary."

The one person who agreed said it was a good idea but only if the Pensions Regulator is willing to pay for it.

- "A good idea, but only if the Pensions Regulator is willing to pay for it. Some employers want to reduce costs and if their current trustee board works, then why should they pay? There will be good and bad professional trustees! Should all organisations, including those outside of the pensions world, be required to appoint a professional trustee? I doubt whether any Government would require this?"

Another trustee observed:

- "A professional trustee does not necessarily mean a 'competent Trustee' merely one who is employed to deliver a certain expertise. Consideration is needed to redefine what a professional trustee actually represents in terms of delivery and responsibility. Are they any different to any paid advisor? "

7. FORMAL ROLE

Our proposals include calls for trustees to have a statutory right to at least a minimum amount of time off for our duties and training, and that our workloads should be reduced if necessary. Do you believe we should go further and make it a more formal role so that it is not just an add-on to the day job?

There was little support for this: one agreed but the rest were ambivalent or opposed and the comments were based on real world, practical considerations.

- “I think this is a good idea, it might encourage more members to come forward.”
- “That would be good, so long as it did not encourage employers to discourage members from becoming MNTs. And, as noted above, not all MNTs are employed by the sponsor, and we need to consider how it works for them.”
- “I don’t see being a trustee as a bolt-on to my day job. A number of skills I have developed while undertaking my trustee role can also be used in my day job, so I see the roles as complimentary. My ability to deliver my day job is actually enhanced by my being a trustee, and employers should be encouraged to see this and put in place the support needed to execute the trustee role. Making it a formal role creates the spectre of remuneration structures being altered possibly to the disadvantage of the employee whereby a lower hourly rate could be offered for trustee duties over the duties of a trustee’s day job as the employer sees the trustee role as less beneficial to its business aims.”
- “No. I think we are treading on dangerous ground and that employers could take alternate, unwelcome actions to combat making this a more formal role.”
- “I fully support statutory right to a specific minimum number of days away from your day job and a reduction of workload to carry out trustee duties, training and particularly preparation. Some employers may make this happen. I think others do not think about the time it takes to prepare, particularly for the chair. The time is huge and consuming.”
- “Trustee Formal Role: No! Making this role formal may/will impact on individual future aspirations and the company.”

8. PAYMENT FOR LAY TRUSTEES

AMNT asked whether trustees believed that MNTs should be paid for their services, or upon completion of the Toolkit or the accreditation.

The response was the same as all previous discussions on this matter - again there was a range of views and no consensus:

- “Difficult one, increasingly many scheme MNTs are no longer paid employees but are in receipt of their pension. But if you are employed then yes.”
- “Not pay but a ‘retainer’”
- “Yes, see earlier regarding competency”
- “Yes. Trustees should be offered some form of remuneration for the time and dedication they execute in pursuit of their duties.”
- “No. Being paid makes them professional and subject to much severe penalties if things go wrong.”
- “If they are employed by the sponsor they will already be paid for their time. Our rules do not allow deferred members to be trustees.”
- “Only if they are not fully paid when on trustee duties”.
- “No, I don’t see a need for this since I’m operating largely on company time. I don’t expect to be paid for completing the Toolkit or accreditation, but I do expect my company to cover my time spent pursuing these qualifications.”
- “I’ve written in the pension press exactly along those lines, however I also believe that such payments should be withheld or only paid when the minimum skills are achieved and annually refreshed. Higher payments if you also complete and maintain PMI accreditation.”
- “MNT paid: Not sure and Yes MNT’s should be paid for all pension related expenses. MNT’s maybe should be paid when PMI accredited.”
- “I think that MNTs should be paid for their services, and their services to include regular training and completion of the toolkit and accreditation. I do not think there should be any extra payment for completing the toolkit or accreditation, they should be requirements to be met within a certain period of appointment (months for Toolkit, years for PMI).”

9. REASON FOR CRITICISMS

What do you think is the reason why there is criticism of the quality of lay trustees?

- “There are two obvious reasons for the criticism: 1. There are undoubtedly some lay trustees who are not diligent. Boards, and in particular chairs, should be required to take action which, combined with mandatory training, would see trustees compelled to resign if they were unable or unwilling to complete the Toolkit, study and gain PMI and continue training regularly. 2. There is a perception, which I share, that some in the industry would like to see the trustee role made entirely professional; it is often lay trustees who ask difficult questions to challenge professional received wisdom, which is very valuable but may be a thorn in the side of the professional advisers.”
- “It’s well known this Regulator does not like MNTs, and would be quite happy to roll back the clock on MNTs. MNTs are a very easy target for professionals. In my experience MNTs tend to lead the charge on changes and challenges and put professionals on the spot. They would like rid of us as a group hence the constant anti-MNT sniping in pension press and city influencers.”
- “There is an assumption that MNTs are not educated or intelligent to grasp the pension issues - that must be pointed out as incorrect!”
- “Lay trustees are seen as members, full stop. That they have day jobs prevents them from focussing on their duties. That they are not knowledgeable. Three reasons, but from my perspective, lay trustees execute the role because they want to, because they are members and feel the pain of that. Being a trustee means they can make a difference. Lay trustees provide a unique perspective on lifetime savings that a professional simply cannot appreciate.”
- “Lay trustees are an easy target to blame. Some lay trustees of some pension schemes are less responsible than others and may not always live up to the responsible position they hold, possibly in smaller schemes?”
- “An easy target when many employers are being unhelpful in getting trustees trained”.



10. ADDITIONAL COMMENTS

AMNT asked whether trustees had any other proposals or comments that they would like AMNT committee to take into account.

Several took the opportunity to emphasise the need for high standards of trusteeship:

- “I do think scheme chairs should have a qualification in pensions. Just because they had/have a role in finance is not enough, pensions are far more than that.”
- “I think if any trustee misses two meetings in a year (unless through sickness) they should have to resign. I think with the shift from working from home we can now better accommodate overseas trustees and make better efforts on the diversity and equality fronts”.
- (...) “The Trustee Toolkit was designed as a broad introduction to pension trusteeship and alone is not sufficient (certainly for larger schemes) to be seen as any type of qualification. The obvious gaps now are around moving forward toward buy-in/buy-out as the Toolkit was written at a time where the focus was around deficits and deficit recovery strategies.”
- “I support the proposals to formalise time off or reduction in workload to ensure trustee duties can be effectively carried out. I think there is too much uncertainty over “reasonable time”. I also support the qualification proposals, and also the reasoning behind why trustee boards need MNTs to work with the ENTs. This provides members with an effective voice from a representative that fully understands their position.”
- “I think it is vitally important that lay trustees remain a pillar of the pension trust. They are present to ensure that stakeholders are involved and that is vital for both sponsors and members. I think the “professional trustee” is a distraction. Every trustee should be given the time and the pay to do the job, and should be required (and given time and finance) to demonstrate professional standards.”

The responses in the consultation showed that some schemes have an annual appraisal for trustees with the chair of the trustee board. One respondent suggested that there was no reason why all pension schemes should not do so. It is argued that doing so would provide an opportunity to check that all trustees were up to date with training and TKU and if not would enable remedial action to be taken.

Trustees with an employer that is not the scheme sponsor

One final point made throughout the consultation, and which has rarely if ever been mentioned, concerns the additional problems faced by trustees employed at a company that is not the scheme sponsor – a small but unrecognised group.

The trustee’s employer does not see why they should make any allowance for the trustee’s responsibilities since they are for another company’s scheme, and the scheme sponsor is reluctant to pay for the trustee’s services even if it is to recompense the other employer. This has left these trustees stuck in the middle, having to constantly make the case to both sides about time and payment. (The employer might insist that the employee does this in their own unpaid time for example.)

In one case a company closed down, the liabilities were transferred to the parent company and the lay trustees lost their jobs. They now have problems getting time off from employers who are not the sponsor and with how much they can invoice the sponsor in order to compensate the current employer.

> Conclusion

Our survey and discussions with members have highlighted the real world issues that are preventing some trustees from operating at the level that they would prefer. We acknowledge that member nominated trustees who join AMNT are likely to be the most dedicated; however we also know that they are from the widest range of schemes.

They include some of the UK's very largest schemes with tens of billions of assets, right down to some of the smallest schemes whose assets are in tens of millions, and the whole range in between. Our survey respondents included those from schemes with high quality dedicated training programmes to those where they have to argue for time off for their trustee duties, read their board papers in their own time, and whose requests to sit the PMI accreditation exams have been refused.

Our members' responses indicate a professional commitment to fulfilling trustee duties to the best of their ability and a very clear demand for support to overcome the issues that prevent some from doing so. There is overwhelming support for greater time off for trustee duties; training and examinations to be paid by the scheme or sponsor; and for at least one member of a trustee board to be PMI accredited.

Some go further, proposing that the chair of the board should be accredited; that all trustees should be encouraged to sit the exams and even that every trustee should be accredited. We understand that some boards already require all their trustees to be PMI accredited. Some of those who do not require this nevertheless have a comprehensive training plan in place, which may be PLSA training.

We also noted that while there is a strong demand for support for trustees who are being prevented from operating at the highest level, it is matched by an intolerance of trustees who are unwilling to take their responsibilities seriously.

We conclude that companies' attitudes to their own pension scheme are the major factor influencing trustee performance. Where companies understand the importance of the scheme and its governance trustees tend to be able to perform well. But where companies do not recognise this it can prevent some trustees from operating effectively.



For example, several employers refused to pay for training and PMI accreditation. Other employers may, at top level, understand the requirements of trustees but this has not percolated down to trustees' line managers. For example, one trustee responded:

- “I think this is a good paper and uncovers many of the issues, particularly the issue of trustees who are not senior enough to be able to manage their own time. We have had instances recently where our other MNT has had to absent themselves from the meeting to attend another meeting or interview, or has had to bow out because an all-day planning meeting has been inserted in their calendar at short notice. When I was at work this did not apply to me as I was senior enough to have control of my calendar. This has not only affected MNTs, the lay company appointed trustee (a staff member) has also had to leave meetings early because of other work commitments (even though they are a senior manager).”

It is clear to AMNT that regulatory intervention aimed purely at trustees that does not recognise or address the substantial influence of the scheme sponsor will be less likely to achieve its aims in practice. If the DWP/TPR were to address this it would require no action on the part of sponsors that already ensure appropriate time off for trustee duties including training and preparation, have comprehensive trustee training in place and are prepared to pay for training and examinations. It would only impact where it needs to impact – on sponsors that are failing to enable trustees to operate at a sufficiently high level.

The survey results and our subsequent discussions confirm that AMNT's proposals are in alignment with our members' views. They will mostly affect only the employers and schemes that need to raise their game and will assist all trustees to perform at their optimum level. We believe our proposals are a pragmatic, proportionate and cost-effective way to raise standards of trusteeship.

› Recommendations in full

1. Our proposal to give lay trustees a statutory right to a specific minimum number or formula of days away from their day job, and if necessary reduction of their workload, to enable them to carry out their trustee duties, training and preparation effectively, is absolutely essential and it is regrettable that AMNT's calls for this over the last 10 years have not been heeded.
2. Our proposal for every pension scheme to send TPR the Toolkit certificate for every trustee would be a cost-effective way to compel every trustee who has not attained at least this basic level of competence to do so within a very fast time frame. This would be a negligible cost to pension schemes. But its impact would fall squarely on trustees who have so far failed to do this so it would have an immediate positive impact on scheme governance where this is an issue. If this is considered too laborious for TPR then at minimum pension schemes should be required to certify that all trustees have completed the Toolkit, and should have copies of the certificates from the trustees.
3. We would also urge TPR to update the Toolkit with urgency as it remains a key element of trustee knowledge and understanding but it is becoming very out of date. For example, someone completing the Toolkit might wrongly assume that the regulator does not consider ESG or climate change as important.
4. It is regrettable that it is necessary to compel pension schemes and scheme sponsors to support and encourage trustee training and pay for Pensions Management Institute examinations, and fees for training. But our members have provided evidence that some employers are refusing to pay for this and if government and regulator wish to encourage high standards of governance it is completely unacceptable to leave trustees having to pay for it out of their own pockets. Again, this requirement would only impact where it is needed - on employers who currently refuse to support training and examinations. Every pension scheme and employer that has a supportive attitude to this will have no additional burden.



5. We are pleased to find overwhelming support for requiring every pension scheme to have at least one accredited trustee on the board, either lay or professional. Following consultation with our members we add that schemes and sponsors should also encourage all trustees to attain accreditation. We note that with some of our members' pension schemes accreditation is mandatory for all trustees.
6. Our members also believe that a board should be permitted to demonstrate that it already has sufficient knowledge and understanding without any PMI accredited trustees, for example if the pension scheme already has a comprehensive ongoing training programme. However our members wish to see clear guidance on what sufficient board-level knowledge and understanding actually is, in order to avoid some trustees slipping through the net. AMNT agrees with this. We are aware of many schemes, especially the larger ones, that have high expectations of their trustees and back up their expectations with exemplary trustee training and support.
7. There is still no settled view on remuneration for lay trustees though there is some support for linking it to attaining the desired knowledge and understanding, such as accreditation.



Some elements of these proposals may require more resources on the part of TPR. However, AMNT does not believe that the need to dedicate some TPR resources to raising the quality of trusteeship is any reason to reject these proposals and certainly no reason to leave lay trustees to wither on the vine and move to professional trusteeship.

We believe that pension scheme boards with high quality lay trustees governing a pension scheme are in the best interests of pension scheme beneficiaries. And it should be recognised that two of the most far-reaching developments in pensions in the last 10 years – the campaign for the right of pension schemes to direct their voting policy and hold fund managers accountable, and collective defined contribution pensions – have been pushed by member nominated trustees, at the highest level.

