

Keep it professional

Tim Middleton discusses the newly-launched standards for professional trustees

Until very recently, professional trusteeship has been unusual in that there have been no formal barriers to entry and no regulatory standards imposed on those practising in this sector. This has of course been serious grounds for concern. The GP Noble scandal demonstrated that those users of professional trustee services had no guarantees about the capability of those they appointed or the quality of work that they would provide. In response, the Association of Professional Pension Trustees (APPT) was established in 2012, though membership of this body still remains voluntary. With an increasing number of schemes appointing professional trustees to their boards, it is now more important than ever that there is market confidence in the credibility of those operating in the professional trustee sector.

Responding to this, in 2017, The Pensions Regulator (TPR) formed a working group which was tasked with devising a formal regulatory structure to cover the UK's professional trustee sector. Chaired by Andrew Bradshaw of Ross Trustees, the Professional Trustee Standards Working Group (PTSWG) included representatives from APPT, the Pensions Management Institute (PMI), the Association of Corporate Trustees, the Pensions and Lifetime Savings Association (PLSA) and TPR itself.

Agreeing standards – and associated accreditation requirements – proved to be a considerable challenge. Whilst TPR's description of what constitutes a professional trustee was clear enough, it was important to determine the type of pensions arrangement to be covered. Early on, the PTSWG decided that Small



Self-Administered Schemes should not be part of its remit. Another concern was ensuring that the standards should be applicable to both firms and sole traders and that they should be realistically achievable for both.

Following a consultation at the end of 2017, the PTSWG's remit was expanded to ensure that its views appropriately reflected the views of all the different commercial models operating in the UK.

The standards themselves are set out in three key area schedules. The first covers general trusteeship, but following comments received during the consultation exercise, addresses those characteristics that distinguish the professional trustee from a layman. Central to this is the concept of 'fitness and propriety' and is consistent with standards required of master trust trustees. Other standards in this section address topics such as dealing with conflicts of interest and the circumstances behind a professional trustee's appointment to the board.

The second schedule covers those professional trustees who chair their board, and the third is specific to sole

trusteeships. A particular concern of the working group was that sole trusteeship should only be undertaken by firms where more than one individual would provide governance for a scheme. This would provide diversity of opinion in a way that would not be possible from a single individual.

The most difficult facet of the group's work was to agree suitable accreditation requirements that would appropriately assess understanding of and compliance with the standards. The requirement for completion of the trustee toolkit and the award in pension trusteeship demonstrates rudimentary technical knowledge, but the new soft skills assessment is designed to show that an applicant can display the behavioural

competencies that characterise an effective professional trustee. After the experience of the GP Noble case, the inclusion of a 'fit and proper' test is crucially important.

On an ongoing basis, accredited trustees will need to submit an annual attestation that they remain fit and proper and complete at least 25 hours Continuing Professional Development.

With professional trustees playing an increasingly influential role in pension scheme governance, the establishment of formal standards has been long overdue. In a recent poll, 80 per cent of PMI members believed that the introduction of the standards will improve the quality of scheme governance significantly. It is important that there should be both challenging barriers to entry and ongoing behavioural requirements. Whilst the working group is confident that it has set the bar at the right level, the evidence of success will be improved retirement outcomes for members.

Written by PTSWG member
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