



The Actuarial Profession  
making financial sense of the future

## Annual Pensions Convention 2005

The De Vere Grand Hotel, Brighton, 5-7 June

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## Trusteeship Under the Spotlight An Independent's View

Rodney Jagelman FIA  
Law Debenture Pension Trust Corporation plc

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## Trusteeship Under the Spotlight

- Knowledge and understanding
- Funding a DB Scheme
- Trustees and investment
- Encouraging MNT's
- Scheme modifications
- Keeping the whistle dry



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## Knowledge and Understanding

- Law relating to trusts and pension schemes
- Principles of funding and investment

and be conversant with the scheme documents

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## Regulator's View

- No mandatory examination
- Trustees decide for themselves about depth
- Separate and independent from advice
- May have to report compliance

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## Training

- Identify existing knowledge
- Assess gaps and needs
- Who, when and how of delivery
- Role of sub-committees
- Consider conflicts of interest

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## Trustee Development

- Consistent level of knowledge
- Log of “cpd”
- Annual top-up
- Special treatment for new members

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## Funding a DB Scheme

- Method
- Assumptions
- Recovery

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## Funding - Method

- Understanding the options
- Impact on future service cost
- Anticipating future trends

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## Funding - Assumptions

- Trustees to choose prudently
- Require actuary's advice and explanations
- General and scheme specific factors
- Impact on solvency

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## Funding – Recovery Plan

- To be agreed with the employer
- Term is not an actuarial concept
- Compliant schedule
- Plotting path to recovery
- Impact of adverse experience

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## Trustee Requirements

- Direct clear advice
- Reliable quality
- No conflict of interest
- 100% commitment to trustee position
- Realistic concept of prudence

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## Trustee and Investment

- Knowledge and understanding
- Well constructed SIP
- Thorough understanding of risk

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## Investment, Knowledge and Understanding

- Not required to be experts
- Understand investment strategy
- Able to review investment options
- Need clear jargon free explanations
- Role of investment committee

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## Statement of Investment Principles

- What are we trying to achieve?
- What is our strategy to achieve?
- How does it relate to the liabilities?
- What is our choice of investments?
- Measurements and management of risk
- How do we monitor progress?

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## Identification of Risk

- Role of asset liability studies
- Liability led investments
- Absolute return mandates
- Diversification strategies

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## Encouraging MNT's

- MNT's make a valuable contribution
- Must play a full part
- Sensitively focused training

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## Scheme Modifications

- Section 67 was unhelpful
- New procedure – not simple
- Code and Actuarial Guidance expected
- Will it be used?

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## Keeping the Whistle Dry

- Reporting a breach is a failure
- New standard of care
- Trustee focus on procedures
- Additional care with documentation

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## Trustee Self-Assessment

- Conduct of meeting
- Controls
- Accountability
- Relations with employer

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## Review of Adviser Relationships

- Are they working well?
- What can be improved?
- How can they better serve the trustees?

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## Trusteeship under the Spotlight

- Who wants to be a trustee now?

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