

# Trustee toolkit downloadable

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## Running a scheme

Extra resource: Advisers and service providers

The trustee toolkit includes a number of 'extra resources' providing you with practical tools to help you transfer the learning to your own scheme or to illustrate key learning points.

Here are some examples of the types of advisers and service providers you may engage with as a trustee. The list is not exhaustive.



This extra resource is linked to the [Introducing advisers and service providers](#) tutorial.

The Pensions  
Regulator

## **Annuity broker**

Annuity brokers do not provide financial advice. They are a type of insurance broker and they therefore work in a similar way to motor insurance brokers who use their knowledge of the market to provide an individual with a competitive car insurance quote. The individual has to define the type of annuity that they require when they ask the broker for the quote.

## **Annuity purchase adviser**

Providing advice on the purchase of annuities is a regulated business that can only be undertaken by someone who is qualified in that role. Trustees of defined contribution (DC) schemes may appoint an annuity purchase adviser (or recommend that a member do so). The same issues arise for trustees of defined contribution (DB) schemes where either the schemes have additional voluntary contributions (AVCs) which are used to secure annuities, or where the trustees are looking to 'buy in' benefits for retired members.

An annuity purchase adviser is a specialist independent financial adviser (IFA) who will advise about the best annuity provider for their particular circumstances.

## **Benefits consultant (or pensions advisor)**

Benefits consultants give advice on remuneration and pension benefits. They may be retained by the employer or the trustees or both. They may (but won't always) be scheme actuaries.

## **Communications adviser**

Some schemes, particularly larger schemes, may use a specialist adviser to design and produce their communication material, such as scheme booklets, announcements, and benefit statements. Other schemes may rely on their other advisers (for example benefit consultants) to design and produce communication materials on their behalf.

## **Covenant adviser (DB only)**

Trustees of DB schemes always need to be aware of the strength of the sponsoring employer's covenant. They need to monitor any changes to the strength of the covenant, and take account of it when setting valuation assumptions. Trustees should take advice from a specialist covenant adviser when undertaking this task.

Covenant advisers assess a company's financial strength and its ability and willingness to meet its obligations to the pension scheme. They advise trustees of DB schemes in their discussions with the employer regarding the structure of the scheme's recovery plan and can give specialist advice to trustees if the covenant is weakening as a result of employer actions, eg in relation to the 'mitigation' the trustees may wish to seek from the employer to compensate for the weakening covenant.

## Custodian

A custodian is a financial institution set up as a corporate trustee which is independent of the investment management function. It stores and safeguards a scheme's assets, including the maintenance of accurate records of ownership. It may also collect income and provide other services where required, such as stock lending.

## Employer

The employer's role is often taken for granted, but the employer may well be the most important supplier of services to the scheme. In particular, the employer is responsible for calculating and collecting contributions from members and passing these to the trustees, together with the corresponding employer's contributions, in a timely manner. The employer may have a number of other responsibilities, and may provide other services to the scheme. These can include:

- providing trustees with information about joiners and leavers
- providing financial support for the running of the scheme.

## Independent financial adviser (IFA)

Sometimes IFAs advise the trustees of small schemes especially when a scheme is being set up.

They can also advise individual members about the options that are best for them, and about how to organise their investments. Usually a fee is paid for the advice.

IFAs are regulated by the Financial Conduct Authority (FCA) and require qualifications in order to provide certain types of advice.

## Insurance company

Insurance companies are able to provide a range of benefits for pension schemes. These include:

- life assurance benefits payable when an active member of the scheme dies whilst in the service of the employer. The benefit may take the form of a lump sum and/or a pension
- investment funds, for both DB and DC schemes to invest in
- 'bundled' pension scheme administration, where the insurance company is responsible for multiple aspects of scheme management, including day-to-day administration, actuarial and investment advice, scheme investment, and provision of communication material for the members.

## Investment consultant/ adviser

In a DB scheme it is sometimes the case that the scheme actuary will also provide trustees with investment advice. However, the trustees may feel that it is more appropriate to take advice from a specialist investment consultant; particularly in a larger scheme or one where the investment and administration are not undertaken by an insurance company.

In a DC scheme the trustees are responsible for setting the scheme's default strategy and, on the advice of suitably qualified advisers, must select investment options for their scheme.

Investment consultants advise on all aspects of investment strategy, including investment manager selection, asset allocation and performance measurement. In DC schemes, investment consultants typically advise on the design of the default strategy and its underlying funds, as well as the selection of alternative funds for members who choose their own investment strategy.

## Investment platform provider (DC only)

Investment platform providers are used by some DC schemes to manage, trade and record their investments. Most investment platforms are able to handle the funds of a number of different investment managers. The investment platform will hold records about the funds held by the scheme; it will not record the pots of individual members, which is the job of the scheme administrator.

## Legal adviser (scheme lawyer)

You are not legally required to appoint a scheme legal adviser, but it is good practice to do so. If you require any legal advice you cannot rely on advice from anyone who has not been properly appointed to represent the scheme.

A legal adviser to the scheme advises trustee boards on the appropriate or relevant provisions of:

- trust and pensions law, and
- their own scheme's trust deed and rules.

## Scheme administrator

Scheme administration has become increasingly complex over the years, and very few employers will have the in-house resources to enable them to undertake this role. As a result, most trustees will appoint a scheme administrator, typically an insurance company or a specialist third-party administrator.

Whether the scheme administration is undertaken in-house or externally, the same requirements apply for scheme trustees to manage and control the work of the administrator.

## Example activities carried out by the scheme administrator

Apart from creating and maintaining member records, the scheme's administrators are responsible for many other tasks. The extent of the administrator's role will vary from one scheme to another, depending on exactly which tasks the trustees have delegated to the administrator, but they are likely to include the following:

- Processing and investing contributions paid into the scheme
- Allocating units to individual members' records to correspond with the contributions passed to the investment managers
- Maintaining a reconciliation of the investments held by members with those held by the investment managers
- Calculating the benefits due for members who leave the scheme, retire, die, or transfer benefits to or from the scheme, dealing directly with the member
- Liaising with annuity providers if an annuity is to be purchased when a member retires
- Liaising with financial advisers if a member requests a transfer of their benefits
- Liaising with life assurance companies if the scheme provides lump sum benefits on death; paying appropriate premiums and claim benefits that become payable
- Disinvesting money for members whose benefits are payable, and settling those benefits
- Arranging for investments to be switched, and process investment redirection requests (DC schemes)
- Implementing the lifestyling strategies agreed by the trustees (DC schemes)
- Providing data to the scheme actuary for actuarial valuations and updates (DB schemes)
- Providing data for the production of members' annual benefit statements and, for DC schemes, Statutory Money Purchase Illustrations (SMPI); sometimes the administrator will actually produce these statements
- Maintaining cash books
- Monitoring scheme cash flow (DB schemes)
- Providing information to, and liaising with, the scheme's auditors
- Paying pensioners (generally only in DB schemes)

- Providing information to, and making payments to, HMRC
- Providing information to, and liaising with, the Department for Work and Pensions (contracted-out schemes) (DB schemes)
- Working with the Department for Work and Pensions and/or other specialist tracing agencies to trace missing beneficiaries
- Implementing pension sharing orders and earmarking orders in respect of members who are divorcing
- Producing administration reports for trustee meetings
- Attending trustee meetings.



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