

The Trustee toolkit downloadable

Introducing pension schemes

Tutorial four: Important documents

By the end of this tutorial you will better understand:

- ▶ relevant documents for your scheme

This tutorial is part of Scenario two.

Glossary

A detailed glossary of technical terms can be downloaded from the Resources tab when you log in at www.trusteetoolkit.com

Introduction

Trustees are required to be conversant with (ie have a working knowledge of) relevant scheme documents to be able to use them effectively when carrying out their duties. Relevant documents include:

- ▶ the scheme trust deed and rules
- ▶ the scheme's statement of investment principles
- ▶ statement of funding principles (defined benefit (DB) only)
- ▶ any other documents which relate to the administration of the scheme

The trust deed and rules

The document that trustees refer to most is the trust deed and rules. The trust deed and rules (including amendments) are usually put together as one document, generally referred to as the trust document.

What is the trust deed?

The trust deed sets up the trust under which the scheme operates, and sets out the duties of the trustees and their powers.

What are the 'rules'?

The rules set out in more detail how the scheme operates. In particular:

- ▶ who is eligible to join
- ▶ the contributions they pay
- ▶ the benefits offered

What about incorporated trustee boards?

Some trustee boards are incorporated. This means that each trustee is a director of the company that provides trustee services. In this situation, as well as a trust deed and rules there will be Articles of Association for the trustee company that set out how the trustee company will function. The directors of the trustee company still run the scheme in the same way as individual trustees.

Other documents

The trust deed and rules is the key document you will refer to as a trustee, but of course there are others that may exist in your scheme. All original documents must be kept securely and a record must be maintained, showing where they are stored. Trustees can consider whether copies of some of these documents can be stored electronically, for ease of access and reference.

Go to the Resources tab on the website to download the 'Scheme documents' extra resource, which explains the most common documents.

Good practice ideas

There are a lot of documents that trustees need to refer to when running the scheme. Finding everything you need can be time consuming and some trustees have found that the following additional documents can be useful in avoiding this problem.

Balance of powers summary

Some trustees maintain a short document that they call the 'balance of powers summary'. This provides trustees with ready access to information such as:

- ▶ who operates each power
- ▶ when powers are shared between sponsor and trustees (or others)
- ▶ where the power can be found in the trust deed and rules

Delegation checklist

Trustees are generally responsible for all the activities of their scheme but they normally delegate most of the day-to-day running of the scheme to other people. This can include the secretary to the board and a third party administrator. Often this information is buried in the minutes of trustee meetings and difficult to find so trustees often find it useful to keep a separate delegation checklist. This lists:

- ▶ all the delegated functions
- ▶ the bodies to whom they are delegated
- ▶ the terms on which the delegation has been made

Folder for new trustees

To help new trustees come up to speed quickly, many schemes provide a 'folder for new trustees'. This helps them to get to grips with their role. Normally, the scheme secretary will provide new trustees with a paper version. However, as the information is liable to change and existing trustees may also want to access the information from time to time, it may be appropriate to maintain an electronic version of the folder. Included in the folder:

- ▶ List of location of all important scheme documents and how to access them.
- ▶ Summary of the scheme's history and structure.
- ▶ Trust deed and rules and any amending deeds (or a 'consolidated trust deed and rules').
- ▶ Memorandum and articles of association (for corporate trustees only).
- ▶ Balance of powers summary.
- ▶ Details of any sub-committees (including membership and terms of reference).

- ▶ Delegation checklist.
- ▶ List of letters of appointment, contracts, service level agreements, investment mandates and signing arrangements.
- ▶ Trustee insurance policies.
- ▶ Latest scheme annual report and accounts.
- ▶ Statement of investment principles (SIP).
- ▶ Members' scheme booklet.
- ▶ Recent annual communications to members (eg newsletter and/or members' report, samples of the most recent benefit statement and SMPI statement).
- ▶ Internal disputes resolution procedure (IDRP).
- ▶ Current Trustee's business planner.
- ▶ Conflicts of interest policy.
- ▶ Risk register.
- ▶ Documented internal controls.
- ▶ Minutes of the past year's trustee board meetings.
- ▶ List of codes of practice and guidance from The Pensions Regulator.

DB only documents

- ▶ Recovery plan (DB only).
- ▶ Schedule of contributions (DB only).
- ▶ Latest actuarial valuation report (DB only).
- ▶ Statement of funding principles (DB only).
- ▶ Last covenant review (DB only).
- ▶ Latest annual funding summary statement (DB only).

DC only document

- ▶ Payment schedule (DC only).