

## PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 02/05

### Trustees Knowledge and Understanding Code of Practice

The new Pensions Act contains a number of clauses requiring Trustees to be conversant with their own Plan documentation and have knowledge and understanding of Trust and Pension law. While the Trustees are not expected to be experts they are expected to be able to take informed decisions and challenge the advice they are being given.

The aim of the new code of practice is to:

- Increase Trustees confidence in their ability to carry out the duty.
- Understand the powers they have.
- Have knowledge of how their own Plan operates and its documentation.
- As part of the SFO understand how strong is the Employer's covenant.
- Recognise when they need to take advice
- Be aware of conflict issues

The Trustees should be setting up an individual and group training plan which monitors and highlights individual and collective training needs. The Risk based levy of the Pension Protection Fund becomes effective from April 2006 and the level of knowledge and understanding each Trustee board can demonstrate is likely to have an impact on the amount of levy a Plan pays.

This requirement becomes particularly important when you consider that there are proposals to increase the level of Member Nominated Trustees to 50% instead of the current 1/3<sup>rd</sup>.

New Trustees are going to be difficult to find. The Code of Practice means they are going to have to devote a substantial amount of time to learning and being able to tangibly demonstrate this, while at the same time the Plan is likely to be penalized via the PPF for the time they take to get to the required standard.

The working life of the professional Trustee is likely to become much busier!

PPM have developed a template for measuring Trustee knowledge and understanding and can help Trustees identify areas of training needs and help address this in a cost effective way.

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