

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE: 12/08

The Regulator's consultation on Trustee Knowledge and Understanding

The Pensions Regulator has issued a consultation document and revised scope for Code of Practice No. 7 – Trustee Knowledge and Understanding. The Regulator is committed to regularly updating the TKU requirements and this represents the first review of the scope since it was issued in 2005.

The main change proposed in the consultation is that the Scope has been clarified by providing separate Scope Documents for DB schemes, DC scheme and for small insured DC arrangements.

The Regulator hopes that the revised code will:

- Allow people to more easily align the scope with the Regulator's online training "The Trustee Toolkit" (www.trusteetoolkit.com) where relevant.
- Strengthen the importance of delivering effective learning for Trustees.
- Emphasise how the Regulator will use TKU to check that Trustees have the skills to carry out the role.
- Enable people to navigate the document better.

The main changes are designed to reflect:

- the importance of good administration;
- a reference to the forthcoming Personal Accounts regime
- developments in investments over recent years;
- the importance of the employer covenant and trustees' understanding of their powers;
- buyout issues (including abandonment and inducements);
- a new emphasis on the importance of recognising the possibility of wind-up where appropriate and being aware of sensible preparatory steps.

Much of the code remains unchanged but it is instructive to have a reason to re-read it and to remind ourselves of the need for Trustees to be fully informed and to keep their knowledge up-to-date.

In the introduction to the consultation document the Regulator summarises the increasing volume of evidence linking the training of Trustees with good governance and well run schemes. Indeed the reader can be left in no doubt that the Regulator considers good training and the evidence of good training as a fundamental requirement. You suspect that the Regulator would like more powers on enforcement in this respect.

Having said this there is also a summary of the evidence that the level of training and of knowledge has improved dramatically.

The review of the requirements is to be welcomed and we feel that the proposed changes are positive. The increased focus on new issues such as buy-out and investment show that the Regulator's guidance is able to move with the times and inclusion of some omissions from the earlier document such as administration and wind-up are very welcome.

Trustees should see this document as a good reason to review their training and ensure that their knowledge is complete and up-to-date and that they have a process for ensuring this into the future.

Consultation end on 31st December.

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This update includes general information and cannot be relied upon for individual schemes issues. You should contact your adviser or Paul Couchman at Premier Pensions Management Ltd, Capital Business Centre, Units 14 & 15, 22 Carlton Road, South Croydon, Surrey, CR2 0BS. DL: 020 8916 2129. Email:

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if you require definitive advice