

**9** Ensure that your proposed appointment of a professional trustee is consistent with your trust deed (and for trustee companies, the memorandum and articles of association of that company).

Check who appoints the trustees or directors – is it the sponsor company or trustees? If you seek a candidate to act as chair of trustees, check who appoints or elects the chair. If relevant check that professional trustee fees can validly be met from the scheme (either as a matter of course or on scheme wind-up following sponsor insolvency). Consider whether you want to entrench your professional trustee so that he or she cannot be removed unilaterally by the sponsor in case of dispute or conflict.

**10** You might also want to check that other provisions of your scheme are appropriate to a professional trustee. Specific issues are those covering trustee insurance, exoneration and indemnity clauses.

**Ask about the candidate's commercial terms.** You may be offered some combination of a fixed annual fee; a fixed fee per meeting; an hourly or daily rate for work done; or more bespoke arrangements. Ask them how they invoice and how much detail will be provided to back up the charges being made.

Professional Trustees are not advisers, but they should bring skills and experience that will enable efficient use of advisers. Consider both the level of fees proposed and the likely impact on the level of advisers' fees.

Prepared by the Association of Professional Pension Trustees, September 2012

If you would like to find out more about the APPT or to see a list of members:

Visit our website: [www.appt.co.uk](http://www.appt.co.uk)

Telephone us: 020 7392 7401

Or email us: [info@appt.co.uk](mailto:info@appt.co.uk)

Write to us: c/o Tim Middleton  
Secretary to the APPT  
PMI House  
4 -10 Artillery Lane  
London  
E1 7LS

[www.appt.co.uk](http://www.appt.co.uk)

t: 020 7392 7401

e: [info@appt.co.uk](mailto:info@appt.co.uk)

a | p | p | t

a | p | p | t

The Association of Professional  
Pension Trustees

## What to look for when appointing a Professional Pension Trustee

Appointing a professional trustee to your pension scheme should be an important step in achieving high standards of governance. This short guide is intended to assist trustees or sponsors in selecting a firm or an individual to this role. It is published by the Association of Professional Pension Trustees.

**1 Where do I look for reputable candidates?** The APPT publishes a list of members at [www.appt.co.uk](http://www.appt.co.uk). Alternatively ask your service providers to suggest reputable candidates. You could also talk to others within your own industry to ascertain their experience of having a professional trustee. Before you make an appointment, take up references and spend some time on this part of the process.

**2 Are you looking for a sole trustee to take over the management of your scheme? If so:**

- Due diligence is crucially important for such roles (for matters to consider see paragraph 7 below).
- It is very unlikely that you will wish to or be able to appoint an individual as a sole trustee. Indeed you will not wish to appoint a firm of professional trustees unless it has strong internal controls to replace the checks and balances imposed by a trustee board.

**3 Or are you looking for a trustee to work alongside other trustees or trustee directors of your scheme?** If so then consider what skill set you need to complement existing trustee skills and experience. For example are you looking for:

- Someone to chair the trustee board (many, but no means all professional trustee appointments are as chair) or to provide professional or industry experience as a participant in the trustee board?
- A particular specialist skill such as investment, legal, actuarial or pensions management expertise? In some cases you might want to consider making an appointment not as a trustee but as a member of a sub-committee such as an investment committee.
- A particular management skill such as negotiation skills or ability to help a trustee board to work well as a team?

**4 Do your scheme circumstances require specific experience?** Examples might be a scheme in wind-up or in an assessment period for the Pension Protection Fund. Not all professional trustees have experience in these specialist areas. Large schemes often require management skills which differ from smaller schemes. DC schemes can be very different to DB schemes. Some scheme sponsors are subject to constraints specific to their sector such as charities, public sector employers or regulated financial services organisations. Ask about your candidate's relevant experience in the context of your scheme.

**5 Do you appoint an individual or an organisation?** Professional trustees may work in an individual capacity (directly or via a service company), as one of the employees or directors of a firm of trustees; or as self-employed individuals operating under the umbrella of an organisation that provides common management and controls. Each approach can have its advantages. Ask about your candidate's organisational structure. Ask about cover for the individual in case of his or her illness or absence (do you require a deputy?). For firms of trustees ask about the controls within the organisation. Whatever you decide it will be a person who sits alongside the other trustees at their meetings.

**6 Ask about conflicts of interest.** These may arise because of other trusteeship appointments (say with a scheme run by a competitor of your sponsor) or because the candidate or his or her firm is part of a group that provides other pension services. Responsible professional trustees will never put themselves in a position where they or their firm are both a trustee of, and service provider to, the same scheme.

**7 Undertake appropriate due diligence on candidates you are considering.** Professional Trustees take on a high level of responsibility, often for schemes with very substantial liabilities and assets under management, and will expect you to ask them about:

- Relevant pensions experience and qualifications
- Experience specifically as a trustee (size of schemes; types of schemes; participation in sub-committees, dealings with the Pensions Regulator, particular trustee issues recently addressed) but focus on issues relevant to your scheme
- (for firms of Trustees) organisational structure
- The potential for, and management of, conflicts of interest
- Policy on confidentiality and security of your scheme (and potentially your sponsor's and your members') information

- The level and scope of indemnity insurance (most, but not all, professional trustees maintain their own cover in addition to any cover provided to your trustees generally)
- Membership of professional or industry organisations (see below)
- What preparatory reading and or due diligence has the candidate done about your scheme and what will he or she do as a condition of appointment?

The Pension Regulator maintains a Trustee Register of professional trustee firms and it asks similar questions of potential trustees. In addition to the above brief guidelines, the Pension Regulator's conditions for registering as a Trustee provides a possible starting point for your own due diligence.

The Pensions Regulator is keen to point out that "acceptance of a trustee on to the trustee register does not represent an endorsement or approval by the regulator of the services provided by that trustee". In any event, many trustees do not apply to be on the Pension Regulator's Trustee Register – for commercial reasons or because they specialise in another area of trusteeship - but they may nevertheless maintain high standards and have appropriate internal controls. So do not take participation in the Trustee Register as a substitute for doing your own due diligence

**8 Check up on the reputation of the firm or individual you are considering appointing.** One way of doing this is to consider only candidates who are members of a body, such as APPT, that imposes entry requirements and ongoing standards of conduct, requires that members maintain their technical knowledge (via a continuing professional development scheme) and can expel members for breach of standards.

Another way is to consider candidates who are members of a profession which is not specifically for pension trustees but has similar conduct requirements and a disciplinary scheme. Accountants, actuaries, lawyers (and other professions) may meet your requirements. Ask about how specific the conduct standards are to professional pension trusteeship.

Another way is to undertake your own due diligence or rely on the due diligence of a third party.