Association of Professional Pension Trustees

2023 APPT ACCREDITATION REVIEW

Introduction

This paper outlines the APPT Council's review of APPT accreditation conducted in the first half of 2023. The accreditation regime was launched in 2020 following the defining of Standards for Professional Trustees of Occupational Pensions in 2019. This paper includes a number of refinements that the APPT Council proposes to introduce or pursue in relation to the APPT accreditation process.

Council originally proposed to consult on its findings, but in view of the DWP/HMT call for evidence on Pension Trustee Skills, Capabilities and Culture we concluded it is more valuable to publish the report at this point. It provides background information that is expected to be useful to those considering the call for evidence.

APPT will engage with DWP, HMT and TPR through the call for evidence process and follow-up, welcoming input from members in the process. Once those bodies have considered the position and made their intentions clear, the Council will consider the whether further changes to the accreditation process are merited.

Summary of Council's intentions following review of APPT Accreditation

The APPT Council has concluded that, within the current regulatory environment, the accreditation scheme has worked well. In most respects, the Council believes it is pitched at an appropriate level and would remain fit for purpose were a decision taken at some time in the future to make the accreditation of professional trustees' mandatory.

Council intends to follow up its review noting:

1. APPT welcomes the planned major overhaul of the Trustee Toolkit by TPR and views this as the desirable source of required trustee knowledge and understanding.

2. APPT should make further representations to PMI to review and update the syllabus and question banks of Certificate in Pension Trusteeship examinations Parts I and II, taking into account regulatory developments.

3. Further consideration should be given in the medium term to the merits of examination requirements to become an accredited professional trustee remaining at Level 3 or requiring a higher-level examination, at least for those without other relevant professional qualifications or extensive, relevant and demonstrable experience.

4. The voluntary process to conduct an annual reflective development discussion with another accredited professional trustee to become mandatory for 2024 membership renewals. This can be covered by a discussion on training and development included within a firm's annual appraisal or performance review. APPT to provide support within Sole Trader and Small Firms group for others.

5. Retain the CPD requirement of 25 hours but limit the amount of unstructured CPD (such as private reading and research) to a maximum of 5 hours within the total and require members to document the learning outcome of all unstructured CPD.

Executive Summary – Professional Standards and Accreditation

1. Prior to the launch of the accreditation of professional pension trustees process in March 2020, the APPT had been involved in the development of the Standards for Professional Trustees of Occupational Pensions, which were launched in March 2019.

2. Those Standards had been the result of the work of the Professional Trustee Standards Working Group (PTSWG), established in 2017 by the professional trustee bodies across the pensions industry following the publication of the Pensions Regulator's (TPR) 21st century trusteeship and governance discussion paper. Those represented on the Professional Trustee Standards Working Group (PTSWG) included professional trustees from both large and small firms and representatives from TPR, Pensions & Lifetime Savings Association (PLSA), The Association of Corporate Trustees (TACT) and Pensions Management Institute (PMI).

3. TPR's challenge to the Professional Trustee community was to establish a set of standards for professional trustees and to put forward a system by which professional trustees could be accredited to demonstrate their ongoing adoption of and continuing assessment against these standards.

4. Under the current regulatory environment there is no legal requirement for professional trustees to be either accredited or be authorised by TPR or any other body. Compliance with Professional Standards and Accreditation is mandatory for APPT members, but professional trustees are not required to be members of APPT nor to be accredited.

5. Following the launch of Professional Standards in 2019 the PTSWG was disbanded and the responsibility for maintaining them passed to APPT. APPT developed its final accreditation process, which was launched in 2020, and appointed Underline Communications Limited to run its scheme.

6. The APPT accreditation process currently requires that applicants meet a range of requirements (outlined in this report). Applicants are subject to a review of their application form and other supporting papers by three reviewers, based at the accreditation processor, prior to an accreditation decision being made. During the review of each application many applicants have been required to provide additional information; to complete additional toolkit modules or, for example, have been requested to provide additional or alternative referees.

7. Since the launch of the accreditation process in March 2020, 451 individuals (at the time of writing) have applied to become APPT accredited professional trustees, with the current number practising standing at 385 (the lower number being due to a number of individuals having either retired or left the profession).

8. Since the launch of the APPT accreditation process no APPT professional trustees have been referred to the Association's Disciplinary & Appeals scheme, nor have there been any complaints concerning the work of APPT accredited trustees referred to the APPT Council warranting the withdrawal of accreditation from a Member.

9. All APPT accredited trustees have been required to complete an annual renewal form that requires them to make positive declarations that they have continued to observe the Standards for Professional Trustees. Members must also provide positive declarations that they have no prior or current legal or regulatory proceedings against them (with the Member giving a written assurance that they will notify APPT immediately if this situation changes).

10. All APPT accredited trustees have had to evidence completion of a minimum of 25-hours annual relevant CPD ahead of or at their annual renewal (all have done so, including required details of structured CPD). From 2022, APPT additionally recommended that those accredited conduct a *Reflective Development Discussion* with another accredited professional trustee each year, at this time such a discussion is not mandatory.

11. Since the launch of the APPT accreditation process in 2020:

- the published Guidelines for applicants seeking APPT accreditation have been updated annually (the latest in March 2023),
- all APPT accredited trustees have been required from 1 July 2021 additionally to evidence completion of the TPR 'Pension Scams' module introduced post the introduction of accreditation,
- from 1 January 2021, APPT accredited members have been required to observe a new Code of Practice if they undertake sole trusteeship appointments (the PCST Code) which was developed in association with TPR (this Code is being reviewed in the second half of 2023), Analysis of the 2023 annual renewal returns found 78% of APPT accredited members expected to work on PCST appointments in the year ahead.
- the APPT CPD requirements have been reviewed with updated guidance (and the recommendation of an annual reflective development discussion) from 1 January 2022,
- during 2022, the Standards for Professional Trustees of Occupational Pensions were reviewed by APPT, in consultation with various stakeholders. While they were found to remain appropriate for the current regulatory environment some areas were identified for provision of further guidance.
- From January 2021, the APPT CPD scheme was updated with APPT accredited members urged to voluntarily undertake a 'Reflective Development Discussion' each year with a colleague. Analysis of the 2023 annual renewal returns found 52% of APPT accredited members had undertaken such a discussion in the last 12 months, some as part of their firms' internal processes.

12. The Pensions Management Institute is a much broader-based pensions organization than the APPT, which is focussed entirely on Professional Trustees. PMI is involved in the following ways:

- It operates a parallel Accreditation system, currently used by apparently approximately 94 individuals.
- Its accredited members are required to observe the same single set of Standards for Professional Trustees of Occupational Pensions.
- It runs examinations including those used to support the APPT's Accreditation process.

The beginnings of Accreditation

The Professional Trustee Standards Working Group (PTSWG) was established in 2017 by the professional trustee bodies across the pensions industry following The Pensions Regulator's (TPR) 21st century trusteeship and governance discussion paper. In August 2017 the TPR also produced the *Professional trustee description policy* that defines who should and should not be regarded as a professional trustee.

The PTSWG's remit was to establish a set of standards for professional trustees (which were launched in March 2019). TPR challenged the professional trustee community to put forward a system by which professional trustees could be accredited to demonstrate their ongoing adoption of and continuing assessment against the standards – a responsibility that was passed to APPT (and the PTSWG wound-up).

In March 2020, following careful consultation and design stages to reflect the requirements of the Standards for Professional Trustees of Occupational Pensions, APPT wrote to all members (then around 200) advising them that the **APPT Accreditation Scheme Application Form** and **Guidance Paper** had been finalised, with copies circulated to Members.

That communication advised Members that the accreditation year would run from 1st July 2020 to coincide with APPT's membership year.

The steps Members needed to take to accredit were advised as follows:

Year One - those seeking accreditation needed to:

a. complete and submit a ten-page Accreditation application form,
b. complete the latest version of the Trustee Toolkit available on the Regulator's Website and provide the certificate of completion,
c. Complete and forward a copy of the PMI's Level 3 Certificate in Pension Trusteeship (CPT) Unit 1 (formerly APT) and CPT Level 3 Unit 2 (the new Soft Skills Exam). If applicants had previously completed the APT, that would remain valid for accreditation as long as they had maintained appropriate CPD continuously since passing the exam,
d. Complete a basic DBS check. Members were required to provide a copy of this conducted within the last 6 months,
e. Comply with Fit and Proper requirements detailed in the application form (with further information in the Guidance paper),
f. Obtain two references from within the pensions industry – a template was made available,
g. Pay a one-off accreditation fee of £475 on completion of the accreditation process, which would include APPT membership for the year from 1 July 2020 to 30 June 2021.

Year 2 onwards:

Members were also advised that they would need to:

a. Meet continuing professional development requirements of completing and evidencing 25 hours relevant CPD per annum.
b. Make an annual attestation that they continue to comply with the Standards for Professional Pension Trustees.
c. Pay an annual renewal fee, initially planned to be £300 (now £310pa).

Why APPT as an accreditor?

Prior to and then at the launch of the accreditation process in March 2020, APPT outlined to Members that, as the representative body for Professional Trustees, it was best placed to manage the Standards and the accreditation process.

The benefits to Members and those considering accreditation of using the APPT accreditation system were outlined as:

- It would be the accreditation process of the recognised representative body for professional trustees, which would avoid confusion for Members, Members' clients and scheme members.
- The profession's standards are set by professional trustees and APPT would work to uphold these standards and encourage best practice across the industry.
- As the recognised representative body for the professional trustee industry, APPT would have the credibility to oversee enforcement of accreditation and associated disciplinary matters. The APPT established a Grievance and Disciplinary Scheme for this purpose.
- APPT is the interface between the Pensions Regulator and the professional trustee industry, working to ensure Members' voices are heard.
- Accreditation by APPT would automatically include membership of APPT without additional cost.
- All APPT seminars and workshops would be free to Members, these being geared specifically to trustees' points of view and are accredited for CPD purposes.
- APPT is a not-for-profit organisation with only one objective – to represent the views and interests of Members, representing their interests, promoting and monitoring adherence to the Professional Trustee Standards through the accreditation process and providing support alongside accredited CPD.
- APPT policy is set by the Members, represented by a Council elected by Members.
- Council members are unpaid by APPT and work for the benefit of the profession and industry on a voluntary basis.
- APPT would publish Members' details as an Accredited Professional Pension Trustee in an online register unless individual Members objected.

It should be noted that to the regret of the APPT Council in 2020 the PMI decided to set up a separate accreditation process for professional trustees with a broadly similar set of requirements to those decided upon by the APPT. That separate accreditation process (at the time of writing) has reportedly accredited some 94 professional trustees. The two schemes have run in parallel, and a few accredited professional trustees have moved between the two schemes, without any noticeable difficulties.

The APPT Accredited community

Since its pre-accreditation position at the beginning of 2020, when membership stood at a little over 200, the APPT accredited membership has grown to 385 (at the time of writing). Whilst 451 individuals have accredited over the period (including over 200 trustees not previously in membership of APPT), some 56 have retired or left the profession. Council decided in 2023 to bring to a close a transitional arrangement for a small number of practising members who did not wish to become accredited and their membership of the APPT lapsed.

Approximately 17% of those accredited are individuals operating as sole trader businesses or individuals occupying one or more trustee positions (for instance on Master Trusts) or chairing roles.

At the other end of the spectrum, 74% of the total number of accredited APPT Members work for the 'Largest 8' professional trustee firms – the largest firm engaging over 60 accredited Members. Just under 10% of the APPT accredited community is drawn from professional trustee firms that engage between 2 – 9 professional trustees (9 firms).

See **Appendix** for more data on the APPT Accredited community.

What remains elusive is the actual number of professional trustees who remain unaccredited by APPT or PMI.

Some help is provided by two surveys. Whilst now close to 500 professional trustees are accredited via the two accreditation processes, the LCP 2022 survey, drawing figures from the 13 largest professional trustee firms, *Sole Mates or Soul Mates* estimated that 43% of 'schemes' (some 2,174 in total) presently engage a professional trustee with one in three being sole trustee appointments). Similarly, the Isio *2022 Professional Independent Trustee Survey* suggested that the then largest 12 professional trustee firms (all now staffed by accredited professional trustees) are appointed to 2,000 schemes with assets of £1.15tn.

Whilst it seems likely there are some schemes operating with professional trustees that are not accredited, notably smaller DB and DC arrangements, in the DB community it would appear from the above that a larger proportion, around 57% of schemes, apparently engage no professional trustee at all.

Market acceptance of accreditation

APPT has not at this stage sought to measure the sponsor and pension industry's assessment of the benefits of accreditation, although work on this had been planned for 2023.

It is clear though that more schemes are seeking professional trustees – Isio estimates a growth rate in appointments of around 10% in its most recent report. It is also noticeable that when seeking a professional trustee, many schemes are being seen to ask that applicants are accredited. Separately, an increasing number of Master Trust trustees – often individuals with a wide range of business backgrounds, but not necessarily a great deal of direct pensions experience – are seeking to be APPT accredited following their appointment as Master Trust trustees.

The DWP and TPR seem also to recognise the value of professional trustees being appointed to schemes and are supportive of those trustees being accredited, but – to date – no more than that. Neither has committed to the case for mandatory accreditation of professional trustees.

> *"We also expect professional trustees to gain accreditation to show that they meet the standards."*
> (Extract from TPR's *Professional Pension Trustee Standards* website)

APPT Accreditation: The Processor's experiences

Following their appointment, the accreditation processing team at Underline Communications instituted a review process which was applied to every applicant for accreditation. This involved a three-times check of accreditation applications, including supporting paperwork, to ensure that there were no gaps in the agreed procedure and process.

Whilst some applicants delivered all of the requirements in 'one stop' so their accreditation could be progressed quite quickly, others have built their way to being accredited by submitting an initial application form and then, over time, completing their pack of supporting paperwork on a staged basis, with items added to their individual files as they were achieved. Later supporting paperwork has often involved the completion of certain Toolkit modules or, more often, pauses whilst awaiting examination opportunities to sit the CPT Units 1 & 2 and, following successful completion, receipt of the certification.

Some applicants have also been requested to supply additional referees where a referee initially proposed was judged by the processors as being a former business colleague.

A small number of applicants either missed completing some of the 'fit and proper' questions or made errors. All were required to correct or re-submit applications.

It also became clear at an early stage of the accreditation process that a few applicants with senior business experience did not necessarily have referees to offer who were pension industry professionals, so the breadth of referees recognised as acceptable was broadened to include a wider range of senior business executives and professionals.

All APPT accredited Members have been required to complete an annual renewal form including declarations as described elsewhere in this paper. All accredited Members have also been required to complete and evidence relevant CPD records each year to meet at least the minimum standards (with many far exceeding the minimum requirements). However, each renewal year, several Members have been required to provide additional information in order to validate their records and to secure their ongoing accreditation.

It has only been necessary to make relatively minor updates to the Guidance paper for those seeking to accredit. The changes have involved an update to the CPD appendix; an update to the template form for referees; the additional requirement for TPR's 'pension scams' module to be completed; and the additional requirement to make a declaration as to observance of the PCST Code by those Members appointed as sole trustees.

But is accreditation "too low a bar"?

The principal criticism heard from beyond the Profession and indeed from some within it is that the accreditation requirements present 'too low a bar' for the important role of being a professional pension trustee. That argument was aired in evidence made during the LDI Inquiry led by the House of Commons Work & Pensions Select Committee in 2023.

So, relative to other professions, is the bar set by accreditation low? To answer that question, we examine below those areas that form the core elements of the accreditation process:

Examination standards

One area often mentioned as highlighting the 'low bar' is the examination standards required of an accredited professional trustee. The PMI's Level 3 (broadly A-level equivalent) Certificate of Pension Trusteeship Unit 1 has been around for many years with minimal updates and is seen as a good general paper testing understanding of pensions including legislative and regulatory requirements and their application for trustees.

Accreditation needs prompted the introduction of PMI's Certificate of Pension Trusteeship Unit 2 (soft skills) paper, introduced widely in 2020, which all APPT accredited professional trustees now have to complete successfully.

It is important to consider whether the coverage of the syllabus is set at too low a bar or the examinations are too easy to pass. APPT's view, based on anecdotal information is that the question banks would benefit from much more frequent change and update:

- First, to keep pace with rapidly changing regulatory requirements and practice
- And second, to prevent their getting into circulation amongst, for example, those that prepare individuals for examination.

PMI has more recently developed a Diploma in Pension Trusteeship, a Level 5 (broadly foundation degree level) examination, which is designed to be more challenging than the CPT Units 1 & 2. It is designed to test judgement when dealing with complex pension issues and to go beyond awareness of technical knowledge. APPT has not determined whether a higher level of qualification would be beneficial, nor if it were whether the Diploma would be suitable. We note that PMI has also not chosen to include it in its accreditation framework to date and we understand take-up of the new Diploma has been limited.

APPT Council notes that many of those working as professional trustees have already passed examinations testing their abilities to a higher level, for instance those with actuarial, investment, pensions management, legal or accounting qualifications (estimated to be over half of the accredited community). We are also conscious that the role of the trustee is not the same as that of an adviser; indeed, trustees are required to take advice from a number of experts. The importance of practical experience over exam-based testing should not be under-estimated and is crucial for undertaking professional trusteeship effectively.

Recommendations:

- **APPT to make further representations to PMI to review and update the syllabus and question banks of Certificate in Pension Trusteeship examinations Parts I and II.**

- **Consider further the merits of examination requirements to become an accredited professional trustee remaining at Level 3 or requiring a higher-level examination, at least for those without other relevant professional qualifications or extensive relevant and demonstrable experience.**

TPR Toolkit

Separately, APPT accredited professional trustees must successfully complete 12 modules set by **TPR's Development Toolkit** (5 core modules plus 4 aimed at DB trustees and 2 aimed at DC trustees plus the more recent 'pension scams' module). Accredited trustees are permitted to complete fewer modules if they elect to only take on either DB or DC appointments.

Here again, the argument is put forward that the standard required to successfully complete the modules is not as high as a professional trustee needs to effectively fulfil his or her role because the tests are also being set at a level to suit lay trustees and more junior pension occupations. However, APPT's view is that, subject to updating and probably the addition of new modules, the toolkit provides excellent background knowledge and a valuable foundation.

Recommendation:

- **APPT to support the planned major overhaul of the Trustee Toolkit by TPR or whatever replaces it as the recognised source of minimum required trustee knowledge and understanding.**

Continuous Professional Development (CPD) and the Reflective Development Discussion

On CPD, the requirements set by the APPT accreditation scheme is an annual completion and evidencing of a minimum of 25-hours relevant CPD, of which 15-hours is recommended as 'structured'. Since the onset of the pandemic the ready availability of web-based CPD opportunities has enhanced the widespread availability of structured CPD learning opportunities, with the APPT itself providing around 10 hours each year. The ready availability of structured CPD raises the possibility that the APPT could insist upon all accredited members completing at least, say, 20 hours structured CPD each year and introducing more stringent reporting of any unstructured CPD so that a learning outcome is recorded).

To date the emphasis has been on CPD hours undertaken, and as such it could be argued there is not sufficient evidence required or collected that the CPD selected has contributed to enhancing the skills (or filled the skill gaps) of the individual Member. It is to be hoped wider use of reflective development discussion will help to address this situation.

A voluntary process to conduct an annual reflective development discussion with another accredited professional trustee was introduced in 2021. This can be covered by a discussion on training and development included within a firm's annual appraisal or performance review. APPT is able to provide support within Sole Trader and Small Firms group for those members that are not in firms. Analysis of the 2023 annual renewal returns showed good acceptance of the voluntary process - 52% of APPT accredited members had undertaken such a discussion in the previous 12 months. Council considers this process to be a worthwhile strengthening of the CPD process and intends that it becomes mandatory from 2024 membership renewal.

Recommendation:

- **The APPT accreditation scheme to supplement minimum CPD hours with a required annual *Reflective Development Discussion* with another accredited professional trustee should become mandatory from 2024.**

- **Retain the CPD requirement of 25 hours but limit the amount of unstructured CPD (such as private reading and research) to a maximum of 5 hours within the total and require members to document the learning outcome of all structured and unstructured CPD**.

Practical Experience

Accreditation requires that each applicant evidences practical experience either as a trustee for at least 3 years or showing at least 5 years' experience undertaking mainstream pensions work including, for example, investment, legal, covenant or regulatory roles or have held senior executive positions in business that can be seen to be relevant to those undertaking a professional pension trusteeship appointment.

This stated experience must be supported by two referees nominated by the applicant who have known the applicant and have experienced their work for at least two years and who are not current or former work colleagues.

Council has accepted that, with such a self-selection process, the referees selected will be supportive of the applicant, but it is not clear how an alternative accreditation process to identify a wider test of an applicant's work experience and capabilities could be achieved to make the assessment 'fairer' or less subjective. However, given the relatively small world of pensions, the view is that having two people put their names to a candidate is worthwhile and the step continues to provide a useful role in the accreditation process. No changes are recommended.

Other checks and declarations

The APPT accreditation process also requires that all applicants provide a copy of a basic DBS check (or supply access to such a check) with the APPT guidelines clearly indicating that certain criminal convictions will exclude an applicant from either being a professional trustee or an accredited APPT professional trustee, or both.

The DBS check is followed up by an annual requirement at renewal to provide positive declarations that accredited Members have no prior or current legal or regulatory proceedings against them (with the Member giving a written assurance that they will notify APPT immediately if this changes).

There are further written 'Fit and Proper' declarations that all applicants and APPT accredited trustees must make (with declarations having to be repeated annually). These include observation of the Standards for Professional Trustees and, where they act as sole trustees, the APPT's PCST Code of Practice.

Conclusion: Regime is pitched at appropriate level

Council has concluded that, within the current regulatory environment, the accreditation scheme has worked well since its inception three years ago. We believe it is pitched at an appropriate level and would remain broadly fit for purpose were a decision taken at some time in the future to make accreditation of professional trustees' mandatory.

There is some risk that without a regulatory requirement to be accredited, significant additional accreditation requirements could undermine the rationale for individuals to voluntarily accredit or to maintain their accreditation.

Important Note:

- **It is a measure of the success of self-regulation that there have been no disciplinary cases raised against accredited Members since the launch of the regime in 2020.**

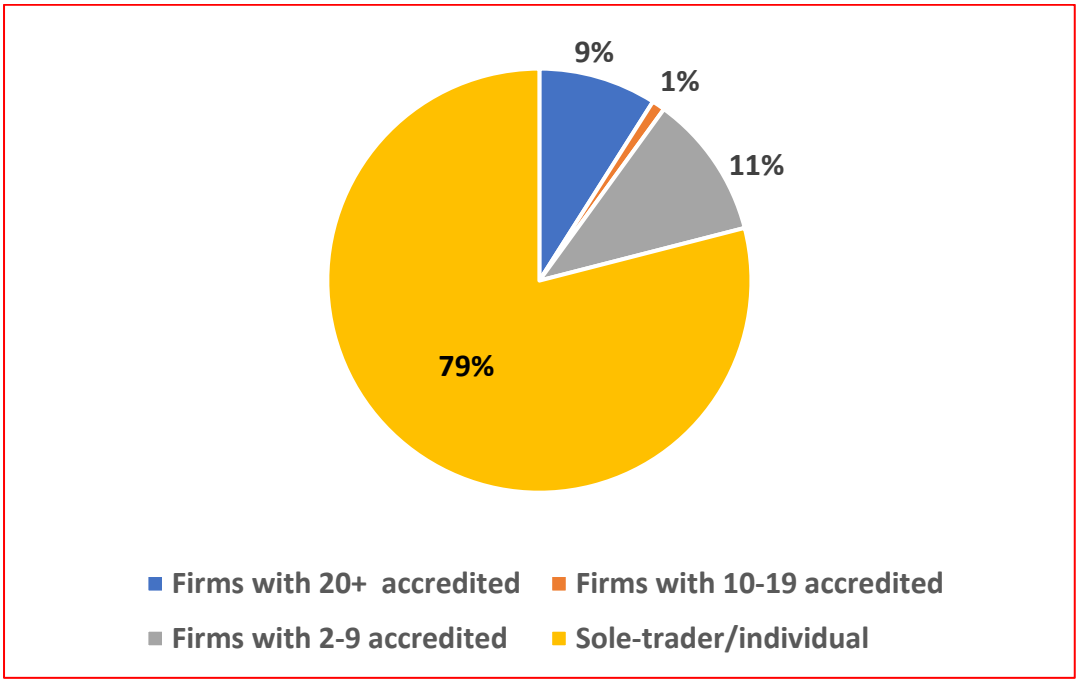
As we indicated at the beginning of this paper, APPT will engage with DWP, HMT and TPR through the call for evidence process and follow-up, welcoming input from members in the process. Once those bodies have considered the position and made their intentions clear Council will consider whether further changes to the accreditation process are merited.

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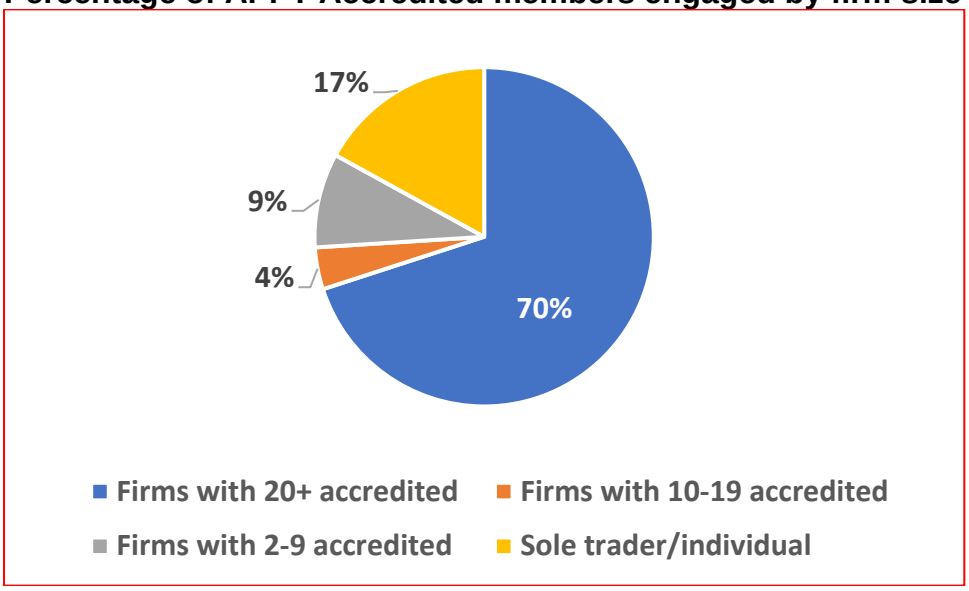
APPENDIX: Data on the APPT Accredited community

In pie-chart form the APPT accredited community is made up as follows:

Size of Firms with APPT Accredited Members



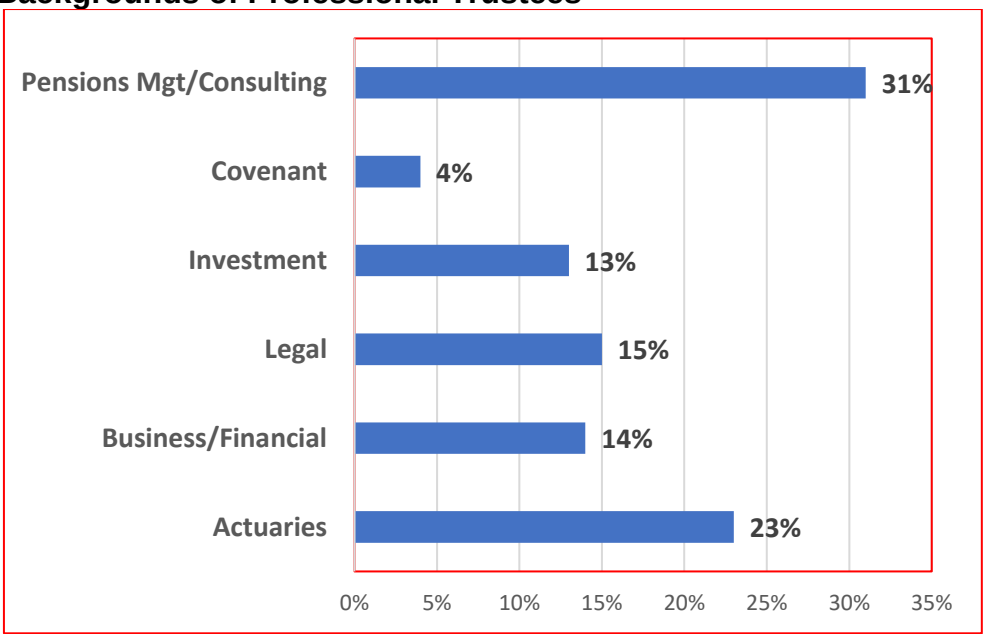
Percentage of APPT Accredited members engaged by firm size



In gender terms, **just short of 40% of the APPT accredited membership is female**.

Whilst no analysis has been undertaken of the backgrounds of the APPT accredited membership, it is unlikely to be very different from the findings of the Isio *2022 Professional Independent Trustee Survey* analysis of the professional trustees engaged by the then 12 largest firms, as follows:

Backgrounds of Professional Trustees



(Source: Isio 2022 Professional Independent Trustee Survey)