



ASSOCIATION OF PROFESSIONAL PENSION TRUSTEES

PRESS RELEASE

APPT says may be too early to call for professional trustee on every board but stronger support for accreditation is a realistic ‘next step’ in protecting scheme members.

25 April 2023: The Association of Professional Pension Trustees (APPT) has submitted [evidence](#) today to the Work & Pensions Select Committee Inquiry into DB schemes. The response focused on how to improve the quality of trustee boards whilst also underscoring that the current regulatory framework is primarily aimed at mitigating the range of risks within the DB pensions system, rather than enabling open DB schemes to ‘thrive’.

The APPT evidence follows hard on the heels of the TPR’s recent Corporate Plan which notes (to quote) that: *“We will also commence work to consider whether there should be a professional trustee on each trustee board, whether professional trustees should be accredited or whether we consider that there should be an authorisation process established for professional trustees.”*

Commenting on their evidence, APPT Chair, Harus Rai said:

“Whilst the value of having a professional trustee on a scheme’s board has become well appreciated and there has been a significant increase in the number of schemes considering and appointing professional trustees (see Note below¹), such an option would need careful consideration before being mandated.”

The APPT evidence outlines several reasons:

- legislating for a professional trustee to be appointed to all trustee boards would no doubt require that all professional trustees are accredited to a standard that requires both contemporary technical knowledge (updated by continuous professional development requirements) and current pensions experience. Presently, close to 500 trustees have achieved this accreditation benchmark. However, accreditation is voluntary, so it is currently possible for an individual to put themselves forward as a professional trustee to a scheme without being accredited.
- Presently, there are not enough accredited professional trustees to provide services to over 5,000 DB schemes. So, one question might be how to phase-in such a change perhaps allowing for current and potential natural attrition and/or consolidation of schemes.
- consideration should also be given to whether such a requirement should also include occupational trust-based DC schemes. There are still many thousands (albeit reducing in number quite rapidly) of such arrangements which would add to the requirement for professional trustee resources, and where governance issues may be particularly challenging and impact directly on outcomes for scheme members.

¹ The Isio 2022 *Professional Independent Trustee Survey* reported that the largest 12 professional trustee firms have been appointed by 2,000 schemes with assets exceeding £1.5bn. The number of scheme appointments is increasing by around 200 per annum, with over 800 sole trusteeships. They estimate that within 3-5 years, 90% of schemes will have professional trustees and half of these will be sole trusteeships.

The APPT evidence also outlines a number of initiatives to improve the working of trustee boards, including updating the TPR Toolkit, more support for trustee chairs and more TPR guidance on when and how sole trusteeship might benefit some schemes.

Harus Rai added:

“In the near term, we welcome the continued support of the Pensions Regulator in communicating that accredited professional trustees add to the governance, value and independence of trustee boards and a stronger message would help in gradually moving to a position where there is a professional trustee on most boards.

“We feel that the next natural step is for accreditation to be mandatory for anyone acting in a professional trustee capacity which is something we have been seeking for a number of years. We would also welcome consultations on how accreditation schemes might be strengthened but there needs to be care in moving at a pace that realistically can be supported by the market.”

Addressing the Select Committee’s question *Is the right regulatory framework in place to enable open DB schemes to thrive?* the APPT commented:

‘The UK pensions market since Maxwell is heavily regulated sectors, making it difficult for open DB schemes to continue as both the cost and risk faced by the Sponsor is significant particularly when set against other forms of pension provision. As a result, in the last decade alone the number of active members of private sector DB schemes has reduced by over 60% to fewer than 0.8 million actives (latest TPR 2022 figures) in total.

‘The DB funding and governance regulatory regime is now primarily focused on mitigating the range of financial, governance and operational risks within the DB pensions system, rather than its growth or encouraging it to thrive. This is understandable, given the risks involved in the delivery of members’ pension promises. However, our view is that there are opportunities for reform of the regime to encourage growth within the DB system, while also mitigating these considerable risks.

‘In order to further any objective of enabling open DB schemes to thrive any funding code (including specifically the proposed new one) needs to support long- term investment for open schemes. There is no inherent risk which cannot be managed appropriately, but requiring open schemes to de-risk on the same basis as closed schemes may not always be in the best interests of members, could limit the options of the Sponsor with regard to pension provisions and create a “one-size fits all environment”.

-ENDS-

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Notes to editors:

The **Association for Professional Pension Trustees (APPT)** is the industry body for professional trustees of occupational pension schemes, working to encourage best practice within the sector and promote the interests of its members. Our members work as professional trustees at over 2,000 schemes of all types, including a large number of trustee boards for defined benefit and defined contribution schemes including DC master trusts. Our members each typically work on multiple appointments and in total are responsible for managing schemes with assets of over £1,000 bn.

The APPT and the PMI are the recognised accreditation bodies for professional trustees, responsible for promoting and maintaining high standards amongst practitioners. Every year, members have to renew their accreditation, confirming they are working to the standards required and evidencing they have pursued their professional development over the preceding 12-months.

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