



Overview

This unit is about understanding the role and duties of trustees when winding-up an occupational pension scheme. Trustees will be required to have a detailed knowledge of this unit in the event of a scheme going into wind-up.

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Performance criteria

You must be able to:

- P1 Recognise the need to review the scheme's amendment power prior to triggering wind-up.
- P2 Prepare a wind-up project plan at the earliest opportunity and implement and monitor progress against the project plan.
- P3 Consider the need to appoint a suitably experienced project manager or independent trustee to oversee the winding-up process.
- P4 Recognise the statutory requirements to provide information to members and beneficiaries (including the need to notify them within one month of commencement of winding-up) and consider the need for regular ongoing communications with them.
- P5 Recognise how and when to report to the Pensions Regulator when wind-up commences and when it is completed.
- P6 Consider the appropriate level of data cleansing and benefit audit required and the extent to which member tracing is needed.
- P7 Put in place the process for surrendering the scheme's contracting-out certificate and for reconciling the scheme's contracting-out liabilities with the National Insurance Services to Pensions Industry (if relevant).
- P8 Calculate the value of any debt due from the employer(s) under section 75 of the Pensions Act 1995 (DB only) and the need to trigger payment of the debt. Take steps to secure payment of the debt from the employer(s).
- P9 Identify how assets are allocated between different types of members in hybrid schemes.
- P10 Consider the impact of the commencement of the winding-up of the scheme on the scheme's funding position, the terms of the scheme's recovery plan and the scheme's investment strategy.
- P11 In the case of insolvent wind-ups, recognise how the Pension Protection Fund (PPF) assessment process operates, when this must be undertaken and the conditions under which the scheme's liabilities will be taken over by the PPF (including ensuring benefits have been equalised appropriately).

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- P12 Recognise how the statutory priority order (set out in section 73 of the Pensions Act 1995) impacts the benefits payable to the members of the scheme and adjust benefit payments accordingly.

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Knowledge and understanding

You need to know and understand:

These NOS for Pension Scheme Trusteeship have been developed by the industry and incorporate the regulatory requirements contained in TPR's Trustee Knowledge and Understanding (TKU) scope guidance as the underpinning specification of technical knowledge. The scope guidance is available at: <http://www.thepensionsregulator.gov.uk/docs/tku-scope-for-db-with-dc-2009.pdf>

The original NOS for Pension Scheme Trusteeship were published by the Financial Services Skills Council in 2007. This revised version, which is based upon the 2009 version of TPR's TKU Scope, was produced under the auspices of the Financial Skills Partnership and finalised in December 2011.

In a dynamic and regulated environment, those matters of detail which have particular prominence tend to change over time. At the point at which these NOS were revised, December 2011, the following matters were highlighted as being of particular significance for trustees:

- 1 Asset protection, in particular relating to:
 - a. stock lending
 - b. escrow accounts
 - c. counterparty risk
 - d. repo transactions
- 2 Compensation available where assets are lost other than through investment risk, especially:
 - a. scenarios in which a scheme may not be eligible for compensation
 - b. actions which can be taken to mitigate such risks
- 3 Issues to consider when assessing investment performance, including:
 - a. risk-return
 - b. diversification
 - c. correlation
 - d. time spans over which to measure performance
- 4 Indicators used to review the performance of service providers:

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- a. service standards
- b. service level agreements
- 5 Construction of default options for Defined Contribution schemes
- 6 Auto enrolment compliance

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Additional Information

Behaviours

- 1 Acquire and maintain an appropriate level of knowledge and understanding about pension matters generally and their scheme in particular
- 2 Act lawfully in accordance with trust law, all other relevant legal requirements and in accordance with the scheme's trust deed and rules
- 3 Act prudently, conscientiously and honestly, in the spirit of stewardship inherent in a trustee's role and responsibilities
- 4 Use their knowledge, skills and discretionary powers to secure the best outcomes for existing and potential scheme beneficiaries and strike a fair balance between the interests of the different classes of member
- 5 Act fairly and consistently in the best interests of existing and potential scheme beneficiaries
- 6 Recognise and deal appropriately with conflicts of interest
- 7 Prepare fully for meetings
- 8 Participate at meetings and play a full part in discussions
- 9 Take advice on technical matters and challenge and clarify any professional advice received where necessary
- 10 Invest funds appropriately
- 11 Maintain confidentiality with all parties at all times
- 12 Support fellow trustees
- 13 Seek to maintain an effective working relationship with the sponsoring employer(s), challenging if appropriate and taking the employers' interests and concerns into account where relevant
- 14 Complete agreed actions on time

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Developed by Financial Skills Partnership

Version number 1

Date approved December 2011

Indicative review date December 2014

Validity Current

Status Original

Originating organisation Financial Skills Partnership

Original URN PST18

Relevant occupations Pensions and insurance clerks

Suite Pension Scheme Trusteeship

Key words Winding-up a pension scheme