

Professional trustee survey

Report of findings on the 2017 research survey

July 2017

The Pensions
Regulator

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1 Executive summary

This survey is part of The Pensions Regulator's (TPR's) 21st Century Trustee initiative, which aims to drive up standards of trusteeship. The report focuses on professional trustees, who we expect to meet a higher standard of care than their lay counterparts.

We spoke to a wide range of organisations offering professional trustee services, and found a diverse range of structure, size and ways of working. Professional trustees have an influence on many thousands of schemes, and it is therefore vital that all trustees acting in that capacity can demonstrate the higher standards that we expect.

Since conducting this survey, we have partnered with representatives of the professional trustee industry and asked them to produce a set of quality standards and accreditation. This should help employers and non-professional trustees identify and engage with high quality professionals, and therefore deliver good outcomes for the members of their schemes.

Professional trustee services structures

The most common type of structure was as a single operator (where the trustee operates as a sole trader or individual) (44%), followed by professional trustees who were employed (18%) and those providing corporate trustee services (13%)¹.

Organisation characteristics

Most organisations had a single professional trustee. If we exclude organisations that offered services to only small self-administered schemes (SSAS) or micro schemes (and therefore have less influence on mainstream scheme assets) the median number of professional trustees per organisation was two.

The median number of board positions held per professional trustee was seven and was the same among organisations serving only SSASs or micro schemes.

Most professional trustee appointments were long term, with most trustee organisations having at least one trustee who had been on a board for more than ten years.

1
See section 3.1 for full definitions of the different structure types.

Schemes that engage professional trustees

The main types of schemes that engaged professional trustees were defined benefit (DB) schemes with between 12-999 members and defined contribution (DC) SSAs or micro schemes (45% for each of these). Around a third (37%) dealt with larger (1000+) DB or hybrid schemes. Over a third (37%) of organisations worked only with SSAs and micro schemes.

Additional services

Over half (53%) of the organisations surveyed provided additional services. Of those offering additional services, administration was the main service (71%), followed by secretarial (32%), investment (25%) and actuarial services (21%).

Time spent on each professional trustee position

The range of hours spent on a trustee position varied significantly: four organisations reported their trustee(s) dedicated less than three hours a month, while three reported they spent between 70 and 140 hours per month. For schemes other than SSAs and micro schemes this figure was higher, with a median of 15 hours.

Skills checks and training

Professional trustees' skills, knowledge and experience were almost universally assessed by the organisations we surveyed - ie by at least 93%. Over two thirds (71%) reported that they carried out credit checks, while three fifths (58%) carried out criminal checks. Directorships and employment history checks were less prevalent: by 50% and 43% respectively.

Just over half of organisations (54%) set minimum hours of trustee training, which averaged 25 hours per year.

Survey sample size

Given the relatively small sample size of 62 organisations, the survey findings should be viewed with a degree of caution. This is because a small number of respondents gave very significantly larger values than the majority of respondents, resulting in the mean value to be significantly higher than the median value for some survey questions. We cannot validate these answers and do not know whether they were erroneous, so the median values are likely to be more reliable than mean values².

2

The statistical median is defined as the value lying at the midpoint of the distribution of values provided. The statistical mean the average of the values.

2 Introduction

Background

This research was undertaken as part of TPR's 21st Century trustee initiative, which aims to drive up standards of trusteeship by:

- ▶ making our expectations of trustees clearer
- ▶ taking enforcement action where we see evidence of poor governance behaviours
- ▶ encouraging trustees that are unwilling or unable to deliver good governance to consolidate their scheme in to better run, better value schemes

Part of this initiative aims to drive higher standards across the professional trustee community that we regulate, and whom we expect to meet a higher standard of care than non professional trustees.

As part of this work, we conducted a survey among organisations offering professional trustee services in order to better understand this community, in particular their structure, size and ways of working.

There are approximately 350 organisations operating across trust based DB, DC and SSAS schemes. According to the data we hold, 50% of DB, 78% of DC and 64% of SSASs have a professional trustee. This shows that professional trustees already have a significant presence in the industry and are very well placed to positively influence member outcomes.

Methodology

The survey was conducted using an online survey, administered by our Insight Team. Fieldwork took place from 7 to 22 March 2017, with a reminder email sent on 15 March.

Respondents were organisations we had identified through scheme returns. 562 organisations were invited to take part, and 62 who have professional trustees attached to them responded.

3 Research findings

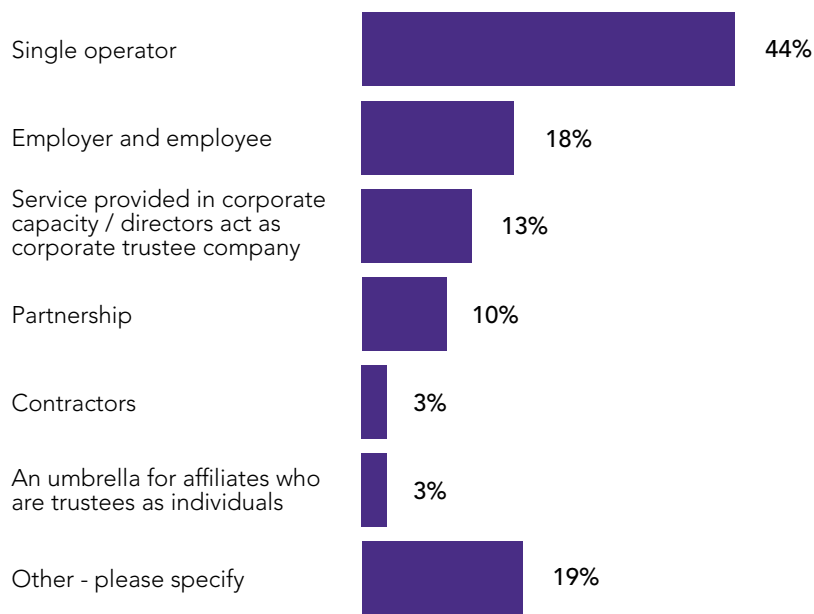
3.1 Relationship between organisations and individual professional trustees

Respondents were asked what best described the relationship between their organisation and the individual professional trustees who operate under it. The different relationship types and a description of them are provided below.

- ▶ Single operator: trustee operates as a sole trader or individual
- ▶ Employer and employee: trustees are salaried employees of the professional trustee organisation
- ▶ Service provided in a corporate capacity/directors act as corporate trustee company: the trustee company is incorporated and trustees are directors of the corporation
- ▶ Partnership: trustees use a partnership structure
- ▶ Contractors: trustees are contractors of the professional trustee organisation
- ▶ An umbrella for affiliates who are trustees as individuals: trustees adhere to the umbrella organisations standards while operating as an individual in their trustee capacity

As shown in figure 3.1.1, the most common type of relationship between organisations and individual professional trustees was as a single operator (44%). Around a fifth (18%) of relationships was as employer and employee, whilst 13% reported that their professional trustee services were provided in a corporate capacity. Ten per cent operated as a partnership, and 3% reported that the individual professional trustees operated as a contractors. A further 3% said they operated as an umbrella for affiliates who are trustees as individuals. Nineteen per cent of respondents gave other answers, which included operating as an independent trustee, limited company, directors and as a professional trustee on SSAS cases.

3.1.1 Types of relationship between organisations and individual professional trustees



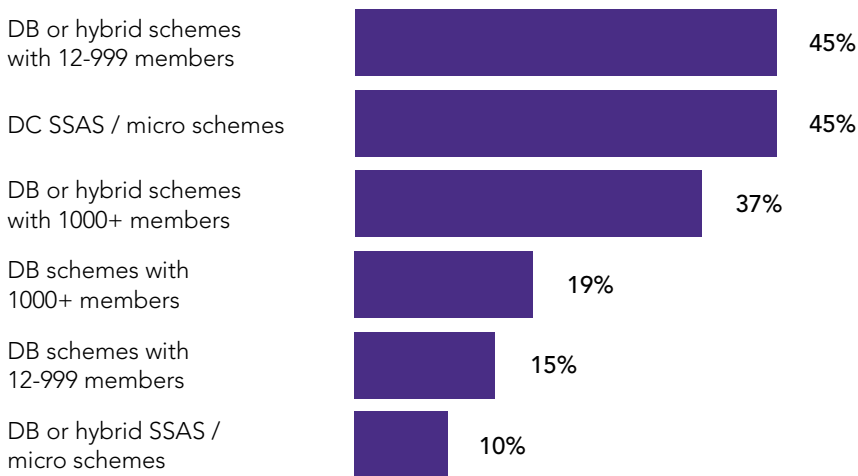
Base: 62

3.2 Schemes that engage professional trustees

The main types of schemes that engaged professional trustees were DB schemes with between 12-999 members, and DC SSASs or micro schemes (45% for each of these). Around a third (37%) dealt with larger (1000+) DB or hybrid schemes. This is shown in figure 3.2.1.

Of the remaining types of schemes, a fifth (19%) worked with DC schemes with over a 1000 members, while 15% dealt with DC schemes with between 12-999 members, and a tenth worked with DB or hybrid SSASs or micro schemes.

3.2.1 Schemes that organisations work with



Base: 62

Over a third (37%) of organisations worked only with SSASs and micro schemes. The remainder of the report provides findings relating to the total sample interviewed and those organisations that do not limit their services to only SSASs or micro schemes. The subgroup of organisations that only served SSASs or micro schemes is not shown due to the very small sample size.

3.3 Individual professional trustees

Respondents were asked how many professional trustees they employed. Table 3.3.1, shows the majority of organisations had one (median figure) professional trustee. The mean figure was higher: four.

3.3.1 Median and mean number of professional trustees attached to organisations

Number of professional trustees	Total	Organisations not limiting services to only SSASs/ Micros
Base: All respondents	55	36
Median	1	2
Mean	4	5

Among organisations that do not limit their services to only SSASs or micro schemes, the median number of professional trustees employed by each was two.

3.4 Pension trustee board positions held by professional trustees per organisation

The median number of pension trustee board positions held by professional trustees was seven. It was the same figure among organisations that do not limit their services to only SSASs or micro schemes.

3.4.1 Median and mean number of pension trustee board positions held by professional trustees per organisation

Number of pension trustee board positions	Total	Organisations not limiting services to only SSASs/ Micros
Base: All respondents	53	37
Median	7	7
Mean	70	59

3.5 Chair of pension trustee boards position among professional trustees

Each organisation had on average one professional trustee that held the position of chair of pension trustee board for one or more trustee boards.

3.5.1 Median and mean number of chair of pension trustee board position

Number of chair of pension trustee board positions	Total	Organisations not limiting services to only SSAs/ Micros
Base: All respondents	55	35
Median	1	1
Mean	4	6

3.6 Long term professional trustee appointments

Most professional trustee appointments were long term. The mean value of 87% indicates that there were a small number of appointments that were not long term.

3.6.1 Median and mean percentage of professional trustee appointments that are long term

Percentage of professional trustee appointments that are long term	Total	Organisations not limiting services to only SSAs/ Micros
Base: All respondents	59	37
Median	100%	100%
Mean	87%	90%

3.7 Professional trustees in organisations that have been on at least one trustee board for more than ten years

Each organisation had on average one professional trustee that held the position of chair of pension trustee board for one or more trustee boards.

3.7.1 Median and mean number of professional trustees in organisations that have been on at least one trustee board for more than 10 years

Number of professional trustees in organisations that have been on at least one trustee board for more than 10 years	Total	Organisations not limiting services to only SSASs/Micros
Base: All respondents	53	35
Median	1	1
Mean	13	19

3.8 Provision of additional services by professional trustee organisations

Around half (47%) of organisations provided additional services to schemes. However, among the different subgroups the figure differs greatly, with a quarter (26%) of organisations serving all scheme types providing additional services, and four in five (82%) organisations serving only SSASs or micro schemes providing additional services to their clients.

3.8.1 Percentage of organisations that provide additional services to schemes

Organisations that provide additional services	Total	Organisation Type	
		Not limiting services to only SSASs/Micros	Serving only SSASs/Micros
Base: All respondents	60	38	22
Provide additional services	47%	26%	82%

Organisations that offered additional services were asked what those additional services were. The most commonly offered additional service offered was administrative (71%), followed by scheme secretary (32%), and investment services (25%). A fifth (21%) reported that they provided actuarial services, 14% provided governance services, and 4% offered legal services.

The services offered differed depending on the types of schemes the organisations were serving. Organisations that served all scheme types predominantly offered scheme secretary services (70%), governance (30%) and administrative services (20%). All organisations that served only SSASs or micro schemes offered administrative services. A third (33%) offered investment services, and just over a quarter (28%) provided actuarial services.

3.8.2 Median and mean number of pension trustee board positions held by professional trustees per organisation

Types of additional services	Total	Organisation Type	
		Not limiting services to only SSASs/Micros	Serving only SSASs/Micros
Base: All respondents	28	10	18
Administrative	71%	20%	100%
Scheme secretary	32%	70%	11%
Investment	25%	10%	33%
Actuarial	21%	10%	28%
Governance	14%	30%	6%
Legal	4%	10%	0%
Other	14%	10%	17%

3.9 Number of hours per month a professional trustee allocates to each trustee position

Organisations were asked what the average number of hours per month that a professional trustee attached to their organisation allocates to each trustee position they hold. On average, professional trustees allocated 12 hours per month to each trustee position they held. This figure was higher (15) among professional trustees that were attached to organisations that did not limit their services to only SSASs and micro scheme types.

The range of hours spent on a trustee position varied significantly: four organisations reported their trustee(s) dedicated less than three hours a month, while three reported they spent between 70 and 140 hours per month.

3.9.1 Median and mean number of hours per month a professional trustee allocates to each trustee position

Number of hours	Total	Organisations not limiting services to only SSASs/Micros
Base: All respondents	33	24
Median	12	15
Mean	21	25

3.10 Assessments carried out by organisations on professional trustees

Organisations were asked if they carried out assessments on knowledge, experience and skills for each individual professional trustee. Nearly all (95%) reported that they assessed on knowledge and experience, and 93% assessed skills. This figure was higher (97%) amongst organisations that did not limit their services to only SSASs or micro scheme types.

3.10.1 Assessments carried out by organisations on professional trustees

Assess individual professional trustees on the following attributes	Total	Organisations not limiting services to only SSASs/Micros
Base: All respondents	43	32
Knowledge	95%	97%
Experience	95%	97%
Skills	93%	94%

Over two thirds (70%) reported that their organisation assessed skills for those recommended to be appointed as chair, as shown by figure 3.10.2 below.

3.10.2 Assess skills for those recommended to be appointed as a chair

Assess skills	Total
Base: All respondents	43
Assess skills	70%

3.11 Checks carried out by organisations on professional trustees

As well as assessments on knowledge, experience and skills, respondents were asked if they carried out checks on credit, criminal records, directorships and employment for each individual professional trustee.

Among the total sample, over two thirds (71%) reported that they carried out credit checks while three fifths (58%) carried out criminal checks. Directorships and employment history checks were less prevalent: by 50% and 43% respectively. Just over one in five (23%) said they performed other checks which included checking professional qualifications.

3.11.1 Checks carried out by organisations on professional trustees

Check individual professional trustees on the following	Total	Organisations not limiting services to only SSASs/Micros
Base: All respondents	44	32
Credit	71%	69%
Criminal record	58%	66%
Directorship	50%	50%
Employment history	43%	44%
Other	23%	27%

3.12 Minimum credentials for professional trustees

Table 3.12.1 shows two thirds (67%) of organisations set minimum credentials for professional trustees. The minimum credentials required of professional trustees were categorised according to qualifications/training, experience, industry body affiliation, and knowledge and skills.

3.12.1 Set minimum credential for professional trustees

Percentage that set minimum credentials	Total
Base: All respondents	46
Set minimum credentials for professional trustees	67%

Some of the minimum credentials mentioned by organisations were:

- ▶ Qualifications/training, eg CPD requirements or evidence of CPD hours, relevant professional qualification
- ▶ Experience, eg relevant previous experience in pensions, experience on SSAS schemes
- ▶ Industry body affiliation, eg membership of the Association of Professional Pension Trustees (APPT), membership of ICAS (Institute of Chartered Accountants of Scotland)
- ▶ Knowledge and skills, eg ability to discuss benefits with members in detail, knowledge of HMRC requirements, thorough knowledge of trust rules and their workings

3.13 Professional trustees that are members of a professional body

All professional trustees attached to each organisation were also members of a professional body.

3.13.1 Median and mean number of professional trustees attached to organisations that are also members of a professional body

Professional trustees attached to entities that are also members of a professional body	Total	Organisations not limiting services to only SSAs/Micros
Base: All respondents	43	31
Median	100%	100%
Mean	81%	85%

3.14 Minimum hours of trustee training

Over half (54%) of organisations set minimum hours of trustee training, shown in table 3.14.1. Table 3.14.2 shows the average minimum number of hours training set was twenty five hours per annum.

3.14.1 Median and mean number of minimum hours of trustee training

Set minimum hours of trustee training	Total
Base: All respondents	43
Set minimum hours	54%

3.14.2 Median and mean number of minimum hours of trustee training

Minimum hours of trustee training	Total	Organisations not limiting services to only SSAs/Micros
Base: All respondents	22	21
Median	25	25
Mean	36	37

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