



What Makes an Effective Trustee Board

James Kavanagh

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1. Introduction

To Be or Not To be...a Trustee

What does it mean?

2.1 What is Trust?

- **Etymology:** c.1200, from Old Norse *treysta* “to trust, rely on, make strong and safe” and “reliance on the veracity, integrity, or other virtues of someone”
- **Def:** Firm belief in the reliability, truth, or ability of someone

2.2 What is a Trustee?

- **Etymology:** 1640s, “person who is responsible for the property of another”
- **Def:** An individual person or member of a board given control or powers of administration of property in trust with a legal obligation to administer it solely for the purposes specified

2.3 Trusteeship

- ❑ A trustee (in the legal sense) can refer to any person who holds property, authority, or a position of **trust** or **responsibility** for the **benefit of another**
- ❑ Unlike Company Directors, pension fund trustees have a different role, that is a **prudential obligation** to manage pension assets and ensure payment of benefits

2.4 What does **prudential** mean?

- **Etymology:** mid 15 Century, from Medieval Latin *prudentialis*, from Latin *prudencia* “a foreseeing, foresight”
- **Def 1:** involving or showing care and forethought
- **Def 2:** looking after someone else’s money as if it were your own

2.5 Sixteen **qualities** a trustee should have

1. Ability to navigate complex issues
2. Compliant with the law & tax
3. Ethical
4. Honest
5. Humble
6. Integrity
7. Law
8. Listen
9. Pensions Knowledge
10. Pro-active persona
11. Respectful
12. Team Player & Professional
13. Time Commitment
14. Trustworthy
15. Vision
16. Willing to advocate

“The responsibility for so many rests with so few” James Kavanagh

2.6 Types of Trustees

- Individual
- Professional
- Employer v Employee/Member*
- Director

* Active v Deferred v Pensioner representation

3. The Trustee Board

- Employee / Member Representatives*
- Employer Representatives
- Independent
- The Chair

* Active v Deferred v Pensioner Representation

3.1 Twelve Success Factors for the Board

1. Accountability
2. Knowledge/Train
3. Competence
4. Mandating
5. Delegation
6. Objectivity
7. Conflict of Interest
8. Respect
9. Experience
10. Prudential
11. Fitness & Probity
12. Transparency

“What distinguishes exemplary trustees is that they are robust, effective, social systems”
Niamh Brennan (UCD School of Business, 2006)

4. The Chair

- The **Chair** needs to lead by example, set the tone and ensure all Board Members are informed on a pro-active, timely basis, as well as being available for any queries
- Terms of Reference and Standing Orders agreed
- Board papers issued within 10 business days (pre and post)
- Share the work via High Level Monitoring Groups (HLMGs) e.g. audit, investment and operations

5. Pension Scheme Governance

- ❑ **Trustees** of Occupational Pension Schemes have **common law** fiduciary obligations with reference to the **Trust Deeds** that **govern** their schemes. This means:
 - 1) **protecting** the **rights** of **beneficial members**,
 - 2) knowing one's **responsibilities** as a trustee, and,
 - 3) ensuring pro-active monitoring of all **agents** (that is, all stakeholders and service providers) with **pro-active** and **transparent reporting** and **disclosure**.
- ❑ **Trustees** have substantial **responsibilities** and if trustees fail to meet the challenges posed, they may be exposed to **litigation** (e.g. Element Six, Omega Pharma, Waterford Wedgewood)
- ❑ **HLMGs** should have **Key Performance Indicators (KPIs)** and **Key Risk Indicators (KRIs)**

5.1 Understand Pension Scheme Governance

- ❑ **Pension scheme governance** refers to the system of decision making and oversight used by trustees to invest pension assets and generally achieve desired retirement outcomes for scheme members.
- ❑ **Good pension scheme governance** is a robust, process-oriented decision making framework which in times of crisis protects the welfare of stakeholders and withstands extreme stress tests. Good pension scheme governance does not just refer to trustees being compliant with the pension's regulator and pension's legislation - it means problem-solving, having effective internal and external controls, excelling to high standard formal mechanisms by which trustees make decisions, are held accountable to its beneficiaries and act in accordance with the highest public and private standards.



**“Good pension scheme governance
should be
Practical, Professional and Prudential”**

5.2 Board Responsibility

- Do not let **“the lines get blurred”** as to who is doing what
- Be aware what is going on in **other jurisdictions**
- Be impartial => **objective**
- **Challenge** your Advisors
- Keep up to date with **all** legislation
- Represent the **beneficial** member **independent** of **self-interest***
- **Respect** the sponsor (and the covenant)
- Undertake **appropriate** training regularly

“Trustees should be pro-active...”

*Anne Maher, Former Chief Executive, Pensions Board
28th April 2003, World Pensions Conference*

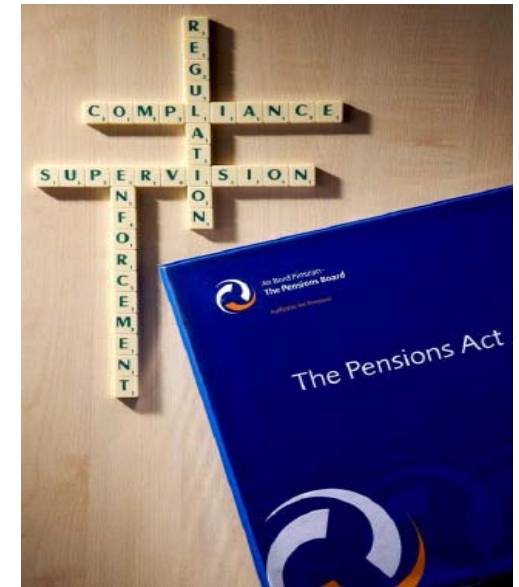
*NB: CBI Consumer Protection Code 2012

5.3 It's the trustee who sets the mandates ...

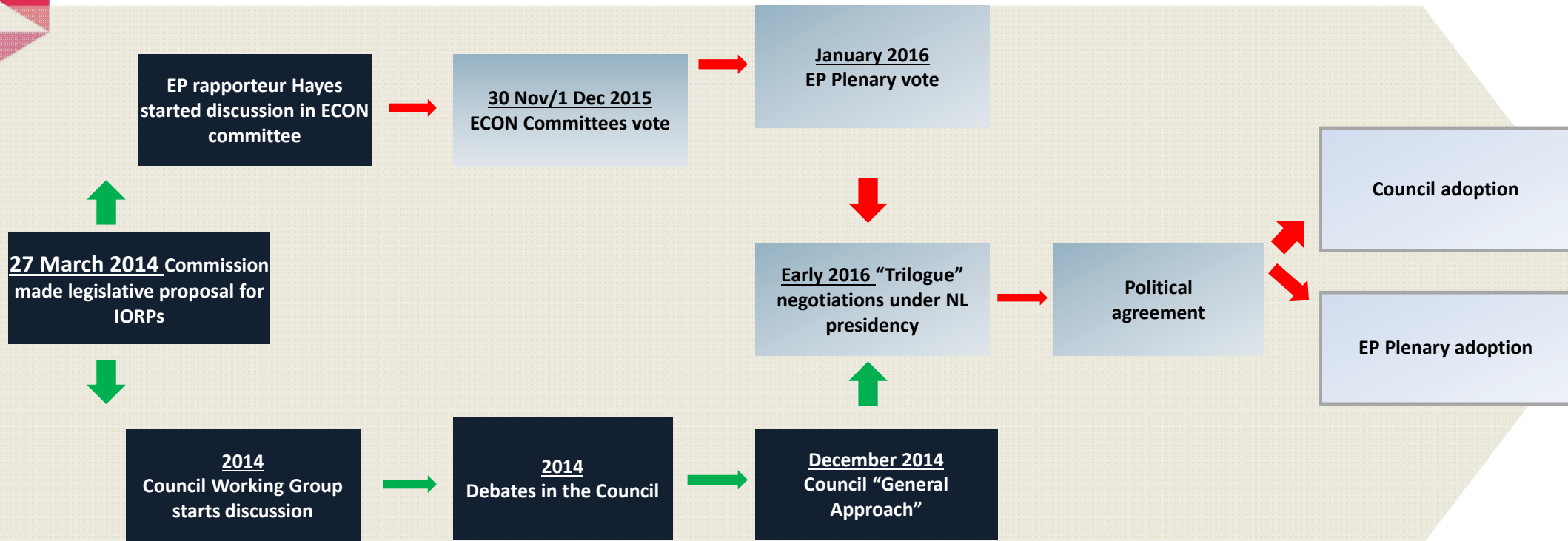


5.4 Know the regulatory players

- Pensions Authority
- Pensions Ombudsman
- European Insurance and Occupational Pensions Authority (EIOPA)
- Government Departments e.g. Dept. of Social Welfare
- Revenue Commissioners
- Auditors



5.5 Know The Bigger Pictures e.g. IORP II Directive



6. Work to Best Practice

- Thought Leadership** e.g, Irish Association of Pension Funds (IAPF), Irish Institute of Pensions Management (IIPM), Pensions Europe (PE), Society of Actuaries (SAI) and Organisation for Economic Co-Operation and Development (OECD)
- Board Diversity**
- Succession Planning**
- Meet the sponsor annually to review sponsor plan and trustee work**
- Self Certify and record your professional standards**
- Write your own Code of Governance**
- Trustee Board Evaluation**

“Do not just tick boxes...work to **excel** the regulatory standards” James Kavanagh

7. Concluding Remarks

“Celebrate your trusteeship ... it is a privilege!”

**“An Effective Trustee Board
is the sum of all of these parts
...organised, structured and methodical”**

“Being a trustee of a pension scheme is a significant responsibility...trustees are often faced with challenging decisions as they attempt to balance the interests of sponsoring employers and beneficiaries while running their scheme in an ever-changing legislative environment. These trustees are responsible for ensuring that their scheme is adequately funded and for investing vast sums of money. Therefore, it is vital that they are cognisant of regulatory requirements and investment markets while understanding how to balance risk with expected returns. Trustees need to mandate their advisors with clear unambiguous objectives and ensure they operate unhindered by any conflict of interest”
James Kavanagh, Managing Director, Trustee Decisions

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