



# Professionalism and Governance

## Governance Assignment 1 Notes

*(Part 1– Pensions Risk Management)*

*Recommended Time: 2 hours)*

### 1. Case Study:

**You have just been appointed as the Finance Director of a medium sized company. You know that the company has a mature defined benefit scheme. Although you have not yet seen full details, you get the impression that the scheme has not been run very effectively in the past.**

**You are due to meet the chairman of trustees. You would like to come away with an overall understanding of how the trustee board operates, and what structures it has in place to ensure that it carries out its work effectively.**

**As an aide memoire for you to take to the meeting, make bullet point notes outlining the questions that you should ask the chairman, the reasons why these questions are important, and any changes that you might suggest making.**

**At this stage you are not concerned with how well the scheme is funded or how its assets are invested, only with how trustee business is carried out and what structures are used.**

Your answer should be in bullet point format, rather than a full written report. It should include reference to the following:

- i) The size of the trustee board and its composition. How many trustees are there, and how many of these are member-nominated trustees? Is there an independent expert trustee?
- ii) The number of meetings that the trustees have each year.
- iii) Whether the trustees operate sub-committees. If not, the answer might suggest setting some up, for example to deal with governance, investment, and benefits decisions.
- iv) Who carries out the secretariat role? Is it done properly, for example with action points moved forward between meetings, agendas properly planned, and meeting packs sent out on time?
- v) When the trustees last considered whether the size of the trustee board was suitable, the composition of the board, and whether to use sub-committees. When they last thought about this, what steps did they take to make sure that these were suitable for the size and circumstances of the scheme?



- vi) Is there a risk register? If not, the trustees should start using one. But also ask how frequently the trustees review the register – the aim being to get the right balance between reviewing it often enough, without spending too much time on it in trustee meetings.
- vii) Whether the trustees have any difficulty getting new trustees on board, either company-appointed or member-nominated trustees. How are member-nominated trustees selected (e.g. an election, an interview process etc.)? What structures are in place to help member-nominated trustees come up to speed? The trustees should put a system in place for this, if they have not got one already.

On each of these points, the aide memoire should include brief comments about why the point is important, and what advantages it could bring for the scheme if improvements were made to the structures (e.g. appointment of an independent expert trustee, focus on making sure the secretariat is doing its job well, settling the risk register that is effective and not over-complicated, etc.).

Marks are awarded for drawing a clear link between the various questions to be asked in the meeting, and the reasons why improvements could be helpful – thereby showing an understanding of the underlying issues.

(The relevant sections of the Study Manual are Part 1, Chapters 2.2 and 2.4.)

**60 marks**