

Pension Wind Ups & The Growing Importance of Independence

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Tuesday, 29 May 2012

The importance of the independence of a pension trustee comes to the fore in the instance of pension wind ups (<http://www.dalriadatrustees.co.uk/services/winding-up/>). The winding-up of a pension scheme may occur for a number of main reasons. A company may decide that it cannot continue to meet the costs of contribution to the scheme, it can't continue to do so through insolvency, or the merger of two companies requires the wind-up of a defunct scheme. Representing the best interests of the company scheme members through this process is the responsibility of the trustee. This requires detailed assessment and a thorough understanding of the scheme's assets and liabilities in order to supervise their distribution.

The autonomy and expertise of a trustee is paramount in a pension scheme wind up. In some cases, the trustee will be required to take a pension scheme wind up through the Financial Assistance Scheme, a government scheme to support individuals whose pensions have been affected by the liquidation of their employer. Following the outcome of this process, decisions made by the scheme may be appealed. Appeals are adjudged by The Pension Ombudsman (<http://www.pensionsclarity.co.uk/glossary/pension-ombudsman-definition/>).

Recent years have seen the role of the pension scheme trustee becoming more demanding, requiring a greater depth of expertise and experience. For pension-holding employees this is progress: a deeper level of knowledge and competence enables the pension trustee to fulfil their primary virtue – independence.

In a trust-based pension scheme, the assets of the pension scheme are held separately to those of the employer. The role of the pension scheme trustee is to act independently of the employer, taking responsibility for the scheme's assets and ensuring it is run effectively and in the best interests of its members, the employees. Through choices made in the appointment of pension trustees, the employer takes an important step in assuring employees within the scheme that their scheme is being well run.

The necessary degree of independence requires time invested and commitment to the role. The trustee must be fully conversant with the latest pension-related issues and developments. Indeed, the trustee has a vested interest in doing so, as they are required to be held personally liable should anything go wrong to the pension scheme. To reinforce the need for a high level of expertise, since 2010 the Pensions Board has insisted on mandatory trustee training to be completed every two years.

Appointment of trustees is therefore an important decision for the board of any company, and a defined process must be followed, detailed in the rules and deed of a pension schemes trust. The employer holds responsibility for the appointment of pension trustees – a responsibility that must be executed in the best interests of the pension scheme members, and in accordance with the rules of The Pensions Regulator.