


December 2009

The Pensions
Regulator 

Trustee Knowledge and Understanding

The Foundation indicative syllabus

www.thepensionsregulator.gov.uk

Foundation indicative syllabus

Notes on the syllabus elements

As a guide to awarding bodies, skills councils and qualification standards regulators, the indicative syllabus has been drawn up using the language of the Pension Act 2004 to indicate levels of learning and assessment. This language also allows for the application of multiple choice assessments methodologies. The language used in the syllabus elements is in accordance with the following table:

Level	Category	Description
1	Knowledge (K)	Demonstrates a basic knowledge (or awareness) of the indicative content through the ability to recall information.
2	Understanding (U)	Demonstrates a sound knowledge and understanding (or working knowledge) of the indicative content through the ability to interpret, translate and extrapolate information, instructions and problems.

The requirements of the Act are such that the degree of knowledge and understanding demanded is spread unevenly across the units. Learning and assessment should be weighted across the syllabus in accordance with the following formula:

Law relating to trusts	20%	Unit 1 only
Law relating to pensions	20%	Unit 2 only
Funding and investment principles	30%	Units 3-9
Conversance	30%	Units 10-13

Foundation indicative syllabus

Unit 1: The law relating to trusts

This includes an understanding of the special nature of a pension trust and the duties, obligations and powers of trustees to operate pension schemes in accordance with the law and the trust documentation.

No	Scope stem items	Learning outcomes	Syllabus elements
1a	The definition and nature of a pension trust	Understand the definition and nature of a pension trust	<p>Understand the definition and nature of a pension trust, including:</p> <ul style="list-style-type: none"> • the concept of trust and that the trust is for the benefit of beneficiaries; • the purpose of the trust to provide pensions and other benefits in respect of members; • that legal ownership of assets rests with the trustee (not the sponsoring employer or individual members); • the separation between the scheme and the sponsoring employer, and the separation of assets; • the different types of beneficiary: <ul style="list-style-type: none"> - members (active, deferred, pensioner) - dependants and others - sponsoring employer (sometimes) • the purpose of the trust documentation (eg deed and rules, any amendments to rules, Memorandum and Articles of Association (corporate trustees only)); • the obligation under trust law to take legal action where appropriate.
1b	Fiduciary duties	Understand the nature of fiduciary duties	<p>Understand the nature of fiduciary duties, including:</p> <ul style="list-style-type: none"> • the distinction between duties, powers and responsibilities; • the meaning of 'acting responsibly and prudently', including: <ul style="list-style-type: none"> - taking a considered view - justifying decisions and actions as required - taking all relevant factors into account - disregarding all irrelevant factors - reaching decisions that are reasonable • the obligation to safeguard the financial interests of all beneficiaries rather than a particular constituency, eg <ul style="list-style-type: none"> - in the choice of investment vehicles (DC) - in any decision involving the possibility of changing to a different pension arrangement, eg buying out or winding up the current scheme • the concept of duty of care and the standard to which it should be exercised; • the requirement to act impartially rather than identically between different classes of beneficiaries (including the sponsoring employer); • the duty not to profit from the trust; • the duty to see that sums owed are paid.

Continued over...

Unit 1: The law relating to trusts *continued*

1c	Professional advice and decision-making	Understand professional advice and decision-making	<p>Understand the need for professional advice (where appropriate) before reaching decisions, including:</p> <ul style="list-style-type: none"> • appropriate sources of advice and access to those sources; • the circumstances in which professional advice should be sought; • the circumstances and reasons for challenging professional advice; • the ultimate responsibility for making decisions.
1d	The role of advisers and suppliers to the scheme	Know the role of advisers and suppliers to the scheme	<p>Know the role, responsibilities and accountabilities of advisers and suppliers to the scheme, including the employment by the trustees of (as appropriate):</p> <ul style="list-style-type: none"> • actuaries • administrators • auditors • benefit consultants • custodians • financial advisers • fund managers • insurance brokers • investment consultants • investment managers • lawyers • providers <p>Recognise that trustees remain accountable for all functions which they may delegate to others, except in the case of investment performance for fund managers.</p>
1e	The particular role and use of advisers in special situations (DB only)	Know the particular role and use of advisers in special situations	<p>Know that the changing circumstances of the sponsoring employer and the scheme involve different considerations upon which the trustees will need advice, eg actual or proposed corporate restructuring which threatens technical provisions or where the scheme or employer covenant is under threat. Requirements include:</p> <ul style="list-style-type: none"> • the need to act and react promptly to changing circumstances and advice received; • the need to keep advisers fully up to date; • the possible need for different types of advice (eg investigative accountants for financial investigations of the company); • the need to reassess advisers in the light of possible conflicts of interest.
1f	Investment of scheme assets	Know about investing scheme assets	<p>Understand the trustees' responsibility for investing scheme assets, including:</p> <ul style="list-style-type: none"> • the overarching importance of acting in the 'best financial interests of beneficiaries'; • the provisions of the trust documentation; • the importance of the employer covenant (DB); • the definition of 'acting prudently'.

Continued over...

Unit 1: The law relating to trusts *continued*

1g	The operation of the scheme in accordance with the trust documentation	Know about operating the scheme in accordance with the trust documentation	<p>Know the trustees' responsibility for operating the scheme in accordance with the trust documentation, including the absolute requirement:</p> <ul style="list-style-type: none"> • not to act other than strictly in accordance with the scheme rules; • only to amend the rules as permitted by the trust documentation and legislation; • to incorporate and act upon any amendments; • to follow any procedures set out in the Memorandum and Articles of Association or equivalent documents (corporate trustees).
1h	Trustees' powers	Understand the trustees' powers	<p>Understand the significance of the scheme's own trust documentation in relation to trustee powers including the power to:</p> <ul style="list-style-type: none"> • amend the rules; • delegate functions while retaining responsibility; • authorise signatories for payments; • augment benefits (DB only); • set contributions (DB only); • exercise certain discretions (eg distribution of death benefits); • invest scheme assets; • wind up the scheme. <p>Understand the limitations and conditions imposed by the trust deed and rules and relevant legislation.</p> <p>Understand the effect of legislation in:</p> <ul style="list-style-type: none"> • adding powers to those found in the trust documentation; • altering or limiting powers found in the trust documentation; • requiring amendments to the trust documentation.
1i	The balance of powers between the sponsoring employer and the trustees	Understand the balance of powers between the sponsoring employer and the trustees	<p>Understand:</p> <ul style="list-style-type: none"> • the significance of the relative powers of sponsoring employer and trustees, particularly in making amendments to the scheme rules, setting contributions and agreeing recovery plans; • the importance of using such powers with restraint and the risks of the misuse of powers; • the implications of legislation which overrides the scheme rules in relation to powers, eg the requirement to consult the sponsoring employer, the role of the regulator in the event of a dispute, and the significance of the strength of the sponsoring employer covenant when negotiating.

Continued over...

Unit 1: The law relating to trusts *continued*

1j	Conflicts of interest	Understand conflicts of interest	<p>Understand the concept, nature and management of conflicts of interest, including:</p> <ul style="list-style-type: none"> • situations which may give rise to conflicts, eg: <ul style="list-style-type: none"> - MNTs' personal constituencies - Trade Union interests - ENTs with sponsoring employer interests - trustees' personal interests - professional advisers acting for both sponsoring employer and scheme (esp DB) - investment advisers running a fund management service - trustees required to use their discretion in relation to members whom they know well (eg distribution of death benefits) • methods for managing conflicts (where appropriate), eg: <ul style="list-style-type: none"> - board policy for managing conflicts of interest - declaration in minutes - abstention from decision-making - taking independent advice • the particular potential for conflicts of interest in the event of corporate restructuring (DB only); • the importance of a written policy for identifying and managing conflicts of interest; • the implications of the balance of powers between the trustees and the sponsoring employer (DB only).
1k	Taking office	Know about taking office	<p>When taking office know about:</p> <ul style="list-style-type: none"> • the need for access to trust documentation; • the need for confidentiality; • the significance of conflicts of interest; • the requirement for signature mandates; • the implications of joint and several liability.
1l	Fitness and propriety to act as a trustee	Know the criteria for fitness and propriety to act as a trustee	<p>Know the criteria for fitness and propriety which apply to trustees, including:</p> <ul style="list-style-type: none"> • appreciation of the full range of trustee duties; • need for appropriate knowledge and understanding; • need for preparation for and regular attendance at meetings; • statutory and other disqualifications, including: <ul style="list-style-type: none"> - undischarged bankruptcy - conviction for fraud - mental ill health - absence abroad for more than 12 months - failure to attend meetings or to prepare adequately for them
1m	Ceasing to hold office	Know about ceasing to hold office	<p>Know on ceasing to hold office:</p> <ul style="list-style-type: none"> • the requirement to be taken off mandates; • that personal liability for past decisions remains.

Continued over...

Unit 1: The law relating to trusts *continued*

1n	Protections and immunities offered to trustees	Understand the protections and immunities offered to trustees	<p>Understand the protections and immunities offered to trustees, including:</p> <ul style="list-style-type: none"> • the importance of acting properly at all times; • the nature of the statutory protections under the Trustee Act; • the additional protections which may exist in the trust deed, in respect of: <ul style="list-style-type: none"> - exonerations - exemptions - indemnities • the loss of protections in cases of wilful default or fraud; • the limits of fines by the regulator; • the additional protection that may be obtained through insurance and the implications of trustee indemnity insurance.
1o	Trustees' responsibility for sound governance and administration	Understand the trustees' responsibility for sound governance and administration	<p>Understand the trustees' responsibility for sound governance and administration, including:</p> <ul style="list-style-type: none"> • secretariat functions, eg planning, minutes of meetings, correspondence, complaints; • administration functions, eg record-keeping, payment of benefits, receipt of contributions, checks for fraud; • risk management, eg internal controls, contingency planning; • decision-making and delegation. <p>Systems and controls to be proportionate and include:</p> <ul style="list-style-type: none"> • accurate record-keeping; • adequate assessment of scheme administration risks; • reconciliations of payroll, contributions and investments; • capture and maintenance of correct and up-to-date member data; • active co-operation with sponsoring employer over payroll data (esp DC) • accurate calculation and payment of benefits; • accurate recording of cash movements; • robust systems for contributions and unit allocations (DC only).

Unit 2: The law relating to pensions

This includes occupational pensions legislation (in outline) and the key provisions of related legislation that affects pension schemes and impacts on the role and activities of pension scheme trustees.

No	Scope stem items	Learning outcomes	Syllabus elements
2a	Occupational pensions legislation	Know the key provisions of occupational pensions legislation	<p>Know the key provisions of occupational pensions legislation and regulations, including:</p> <ul style="list-style-type: none"> • funding and contributions: <ul style="list-style-type: none"> - statements of funding principles (SFP) (DB) - actuarial valuations - schedule of contributions/payment schedules - recovery plans • Pension Protection Fund (PPF) guidance for ongoing schemes (DB only); • investment (including the requirement for a statement of investment principles (SIP) (as appropriate)); • disclosure to members; • transfers (including the different considerations for DB and DC); • regulatory matters, eg: <ul style="list-style-type: none"> - functions and powers of the regulator in relation to trustees - reporting to the regulator - notifying the regulator of notifiable events - whistle-blowing - codes of practice and guidance • awareness of proposals for future major legislative change already approved by the Government.
2b	The tax privileges and requirements for occupational pension schemes	Know the tax privileges and requirements for occupational pension schemes	<p>Know, in principle, the provisions of the Finance Act 2004 and other tax requirements to the extent to which they affect schemes and benefits, including:</p> <ul style="list-style-type: none"> • the conditions for being a Registered Pension Scheme; • the tax privileges enjoyed by Registered Pension Schemes; • the loss of tax privileges if the scheme fails to comply with the requirements; • the regime for allowing personal pensions and occupational pensions to run concurrently; • the cap on contributions (DC only) and benefits which attract tax privileges; • the requirement to deduct and pay tax from funds and benefits in payment.

Continued over...

Unit 2: The law relating to pensions *continued*

2c	Pensions related legislation	Know about pensions related legislation	<p>Know the impact of other legislation on pension schemes and the provision of pensions benefits, including:</p> <ul style="list-style-type: none"> • anti-discrimination legislation; • arrangements for giving advice on pensions; • civil partnerships legislation; • compensation arrangements; • data protection legislation; • employment legislation; • the Proceeds of Crime Act (2002) and other money laundering provisions; • parental leave; • the broad principles behind pensions sharing on divorce.
2d	The particular powers of the regulator in relation to sponsoring employers as well as trustees (DB only)	Know about the particular powers of the regulator in relation to sponsoring employers as well as trustees	<p>Know about the particular powers of the regulator in relation to sponsoring employers as well as trustees, including:</p> <ul style="list-style-type: none"> • financial support directions; • contribution notices; • clearance for corporate restructuring proposals and compromise agreements.
2e	Disputes resolution	Know the key aspects of disputes resolution	<p>Know the key aspects of disputes resolution, including:</p> <ul style="list-style-type: none"> • the nature of the Internal Disputes Resolution Procedure and time limits; • the importance of a written procedure; • the role of the Pensions Advisory Service; • the role of the Pensions Ombudsman; • the role of the Financial Ombudsman Service, recognising its limits in relation to occupational pensions.
2f	Member nominated trustees/directors	Know the key aspects of the member nominated trustee/director requirements	<p>Know the key aspects of the member nominated trustee (MNT)/director (MND) requirements including, as appropriate:</p> <ul style="list-style-type: none"> • nomination processes; • selection processes; • the proportion of board members who are MNTs/MNDs; • timescales; • full participation by MNTs and MNDs; • approval by sponsoring employer where appropriate; • removal of MNTs or MNDs; • the implications of being an MND and a member of a corporate entity for the purpose of running an occupational pension scheme.

Continued over...

Unit 2: The law relating to pensions *continued*

2g	The law relating to internal controls and sound administration	Know about the law relating to internal controls and sound administration	<p>Know the legal requirements for adequate internal controls to ensure that the scheme is administered and managed in accordance with:</p> <ul style="list-style-type: none"> • the scheme rules; • the requirements of the law; • the Data Protection Act; • the responsibility under common law to hold accurate and up-to-date member information. <p>Know the legal and regulatory requirements in relation to the sound administration of schemes, including accurate records of:</p> <ul style="list-style-type: none"> • contributions; • member data; • payments of pensions and benefits; • other payments made by or on behalf of the trustees.
2h	The interface between occupational schemes and state pension provision	Know about the interface between occupational schemes and state pension provision	<p>Know the key aspects of state pension provision, including:</p> <ul style="list-style-type: none"> • basic state pension; • pension credit; • additional state pension (state earnings related pension scheme (SERPS), state second pension (S2P)); • contracting out; • the relationship between means-tested benefits and pension scheme benefits.
2i	The obligation on employers to offer a qualifying scheme for all employees from 2012	Know about the obligation on employers to offer a qualifying scheme for all employees from 2012	<p>Know about the obligation on employers to offer a qualifying scheme for all employees from 2012.</p> <p>Know about the proposed conditions for meeting the requirements for a qualifying scheme covering such matters as:</p> <ul style="list-style-type: none"> • automatic enrolment of members; • minimum contribution rates; • eligibility for membership; • the definition of pensionable pay; • the powers of trustees to modify their scheme rules by resolution to meet the requirements for a qualifying scheme.

Unit 3: The basic principles relating to the investment of assets

This includes the major asset classes and their risk profiles as well as information about other assets classes and the principles of risk and reward.

No	Scope stem items	Learning outcomes	Syllabus elements
3a	Capital markets	Know about capital markets	Know in principle about: <ul style="list-style-type: none"> the existence of economic cycles; the possible effects of economic cycles on investment performance.
3b	The major asset classes and their characteristics	Understand the major asset classes and their characteristics	Understand the major asset classes and their characteristics, including: <ul style="list-style-type: none"> equities bonds property cash
3c	The implications of overseas investment	Know the implications of overseas investment	Know the implications of overseas investment, including: <ul style="list-style-type: none"> foreign exchange risk; political risk; mitigating risks, eg by the use of currency hedging.
3d	The existence of other asset classes and investment techniques	Know about the existence of other asset classes and investment techniques	Know the existence of other asset classes and investment techniques, including: <ul style="list-style-type: none"> packaged investment products; alternative investments (such as hedge funds, private equity, active currency); derivatives; liability driven investment; annuities used as an asset class; default funds and lifestyling arrangements (DC); with-profits arrangements (where appropriate); market neutral arrangements for DC members.
3e	The balance between risk and reward	Understand the balance between risk and reward	Understand the following: <ul style="list-style-type: none"> nature of risk; the risk/reward profile of each major asset class. <p>Know:</p> <ul style="list-style-type: none"> the basic principles of matching assets to liabilities (DB); the basic principles of matching assets to pension expectations (DC); the basic principles of managing risk by diversification of asset classes.

Unit 4: Funding – defined benefit (DB) occupational arrangements only

This includes the principles relating to the funding of DB occupational arrangements and the way in which the funding level is dependent upon the value of both the scheme's liabilities and its assets.

No	Scope stem items	Learning outcomes	Syllabus elements
4a	How the funding for DB occupational pension schemes works	Understand how the funding for DB occupational pension schemes works	Understand the principles underlying the funding of DB occupational pension schemes, including: <ul style="list-style-type: none"> • the basic principles behind the calculations; • the relationship between the value of the assets and the value of the liabilities; • options in relation to funding benefits.
4b	How liabilities are valued for different purposes	Understand how liabilities are valued for different purposes	Understand how liabilities are valued for different purposes, including the effect on those valuations of: <ul style="list-style-type: none"> • assumptions; • the time horizons between now and when benefits have to be paid; • future cash flows (contributions as inflows, benefit payments as outflows); • actuarial methods for accounting for future salary increases in relation to past service and future service liabilities; • the current and future size, age and gender profile of the membership; • the current and future salary profile of the membership; • the returns from each type of investment; • the volatility of the value of liabilities: <ul style="list-style-type: none"> - mortality rates - inflation - bond yields.
4c	How the market value of assets is assessed	Know how the market value of assets is assessed	Know how the market value of the major asset classes is assessed and the reasons for carrying out such valuations.
4d	Funding measures	Understand funding measures	Understand the different types of funding measure, including: <ul style="list-style-type: none"> • liabilities in the event of discontinuing the scheme or buying out the benefits (solvency or buy-out); • ongoing liabilities (including pensions already in payment); • liabilities expressed for corporate accounting purposes for inclusion in financial statements (FRS17 and IAS19); • liabilities in relation to both accrued (ie past) service and future service; • technical provisions; • the setting of contributions (eg recovery plans in the event of deficit).

Continued over...

Unit 4: Funding – defined benefit (DB) occupational arrangements only *continued*

4e	Potential risks to the ability of the scheme to pay benefits	Know about the potential risks to the ability of the scheme to pay benefits	<p>Know that there are implications for the ability of the scheme to pay benefits in the event of increasing deficit or the financial instability of the sponsoring employer or corporate restructuring, including:</p> <ul style="list-style-type: none"> • change of sponsoring employer; • merger or takeover; • management buy-out; • restructuring of sponsoring employer; • transferring liabilities to a new employer; • unusually high salary increases; • change in status within the group; • increased indebtedness; • poor performance or profit warnings; • request to reduce contributions/reluctance to increase contributions to meet an increased level of scheme deficit; • possible wind-up; • abandonment; • any sponsoring employer proposal for the buy-out of scheme liabilities; • volatility of assets relative to liabilities.
4f	The importance of complete, accurate and up-to-date data and calculations	Understand about the importance of complete, accurate and up-to-date data and calculations	<p>Understand the need for complete and accurate data and the difficulties in achieving this without robust systems and processes. Trustees should understand the importance of (for example):</p> <ul style="list-style-type: none"> • up-to-date records for every scheme member (including pensioner members); • reconciled membership lists eliminating duplications; • calculation routines complying with scheme rules and overriding legislation; • independent verification; • the impact of trustee decisions on the efficient administration of the scheme; • the effect of historical issues (eg data gaps, benefit entitlements).
4g	The impact of trustee powers	Know about the impact of trustee powers	<p>Understand the process by which the exercising of trustee discretions (eg augmentation of benefits) can have an impact on the funding of the scheme.</p>
4h	The nature and status of professional advice	Know the nature and status of professional advice	<p>Know the nature and status of professional advice, including:</p> <ul style="list-style-type: none"> • the basis upon which advice is given; • the implications if your adviser is also advising the sponsoring employer; • the nature of agreements between the trustees and adviser, and what they cover.

Continued over...

Unit 4: Funding – defined benefit (DB) occupational arrangements only *continued*

4i	Transfers and bulk transfers in and out of schemes	Know about transfers and bulk transfers in and out of schemes	<p>Know the implications of transfers and bulk transfers in and out of schemes including the funding risks:</p> <ul style="list-style-type: none"> • to members transferring out; • to members remaining in the scheme; • to members who may be offered inducements to transfer out by the sponsoring employer. <p>Know:</p> <ul style="list-style-type: none"> • what trustees should take into account when making those decisions; • how buy-ins work and the costs and benefits involved; • buy-outs and the implications of buying out members' benefits. <p>Understand:</p> <ul style="list-style-type: none"> • the responsibility of trustees to determine the assumptions used in calculation of CETVs; • the effect of any inducements offered by the employer; • the responsibility of trustees to achieve the best outcome possible for members.
----	--	---	---

Unit 5: Contributions: defined benefit (DB) occupational arrangements only

This includes the principles relating to the setting of contributions.

No	Scope stem items	Learning outcomes	Syllabus elements
5a	The nature of the employer/trustee relationship and the effect of the scheme's funding level on the sponsoring employer	Understand the nature of the employer/trustee relationship and the effect of the scheme's funding level on the sponsoring employer	<p>Understand the nature of the employer/trustee relationship and the effect of the scheme's funding level on the sponsoring employer, in particular in the light of changes made in the Pensions Act 2004, including requirements for the trustees, irrespective of the scheme rules, to:</p> <ul style="list-style-type: none"> consult the sponsoring employer; take responsibility for major decisions on contributions after taking professional advice. <p>Trustees should further understand the effect on the sponsoring employer of the disclosure of any deficit in the sponsoring employer's annual accounts.</p>
5b	The way in which the sponsoring employer covenant reflects its ability to fund the scheme	Know about the way in which the sponsoring employer covenant reflects its ability to fund the scheme	<p>Know the importance of being aware of the sponsoring employer's business and its risk exposure including:</p> <ul style="list-style-type: none"> profitability; factors likely to affect its future profitability; other financial commitments (eg debt); corporate structure. <p>Know the usefulness of various sources of information which will allow trustees to monitor the employer covenant, including:</p> <ul style="list-style-type: none"> sponsoring employer's audited accounts and auditor's report; any profit warnings; comments in the financial and trade press; publicly available analysts' reports on sponsoring employer (where they exist); sponsoring employer's credit ratings; capital market information (eg credit spreads); trustee-appointed financial expert's report on sponsoring employer.
5c	The calculation of regular contributions to fund liabilities for future accruals	Understand the calculation of regular contributions to fund liabilities for future accruals	<p>Understand the mechanism for calculating regular sponsoring employer contributions to fund future accruals taking into account such matters as:</p> <ul style="list-style-type: none"> the proportion of active members; the age profile of active members; the maturity of the scheme.

Continued over...

Unit 5: Contributions: defined benefit (DB) occupational arrangements only *continued*

5d	The setting of special contributions for past service as required	Understand the setting of special contributions for past service as required	<p>Understand the principles for setting special contributions for past service in the event of deficit, especially where there is disagreement between trustees and the sponsoring employer on the size of the special contribution required, including:</p> <ul style="list-style-type: none"> • the assessment of the range of options recommended by the actuary/actuaries; • the importance of the relevant powers of trustees and sponsoring employers; • the importance of affordability and the requirement to reach agreement; • processes for resolving the problem; • recovery plans; • notifying the regulator.
5e	Member contributions	Know about member contributions	<p>Know the implications of pension funding by members including (where appropriate):</p> <ul style="list-style-type: none"> • regular contributions; • additional voluntary contributions (AVCs) and added years arrangements; • free standing additional voluntary contributions (FSAVCs); • salary/bonus sacrifice; • concurrent personal pension/stakeholder arrangements; • timeliness of payments to the scheme; • the importance of complete, accurate and up-to-date member records; • the importance of robust systems and processes.
5f	The role of the sponsoring employer in the calculation and collection of member contributions	Know about the role of the sponsoring employer in the calculation and collection of member contributions	<p>Understand the reliance of the scheme on the sponsoring employer for:</p> <ul style="list-style-type: none"> • the correct calculation, deduction and timely payment of the correct contributions; • access to the relevant parts of the sponsoring employer (eg payroll, HR, IT and treasury); • meeting its legal responsibilities in respect of all these matters.

Unit 6: Strategic asset allocation: defined benefit (DB) occupational arrangements only

This includes the principles relating to the suitability of different asset classes to meet the liabilities of the scheme, taking account of the strength of the employer covenant and the trustees' risk profile for the scheme.

No	Scope stem items	Learning outcomes	Syllabus elements
6a	The process of strategic asset allocation	Understand the process of strategic asset allocation	<p>Understand the process of strategic asset allocation, including the importance of seeking an appropriate mix of asset classes, taking into account:</p> <ul style="list-style-type: none"> • diversification of asset classes; • correlation between asset classes; • matching liabilities with assets; • the trustees' investment objectives; • the risk appetite and/or risk budget of the sponsoring employer and of the trustees; • the balance of powers between the trustee board and the sponsoring employer; • the strength of the sponsoring employer covenant; • the implications for the company balance sheet.
6b	The characteristics of alternative asset classes and financial instruments	Understand the characteristics of alternative asset classes and financial instruments	<p>Understand the characteristics of alternative asset classes and financial instruments:</p> <ul style="list-style-type: none"> • alternative investments (such as hedge funds, private equity, active currency); • derivatives; • the correlation between investment returns of different asset classes.
6c	The use of specialised investment techniques	Understand the use of specialised investment techniques	<p>Understand the use of specialised investment techniques, in particular liability driven investment arrangements including:</p> <ul style="list-style-type: none"> • interest rate and inflation swaps; • longevity insurance/swaps; • tailored bond portfolios.
6d	Reviewing asset allocation decisions	Know about reviewing asset allocation decisions	<p>Know the ways in which asset allocation decisions may need to be amended where there is a change in maturity or status of the scheme, including:</p> <ul style="list-style-type: none"> • current contributions no longer sufficient for benefit payments; • closure to new members; • closure for future service. <p>Understand the importance of the decision-making, implementation and review processes.</p>

Unit 7: Running a defined contribution (DC) occupational arrangement (including AVCs)

This includes the principles relating to the operation of DC occupational arrangements and the risks borne by scheme members.

No	Scope stem items	Learning outcomes	Syllabus elements
7a	How DC occupational pension arrangements work	Know how DC occupational pension arrangements work	<p>Know how DC occupational pension arrangements work, including:</p> <ul style="list-style-type: none"> • accumulating a fund to secure benefits on retirement; • the various options for securing benefits at retirement (decumulation), eg: <ul style="list-style-type: none"> - open market annuity options - income drawdown - unsecured pension arrangements - alternatively secured pension arrangements • the payment of fees, charges and expenses; • the operation of a trustee bank account; • the interpretation of statutory and other defined contribution illustrations; • protected rights (where applicable).
7b	Administration procedures specific to DC occupational arrangements	Understand the administration procedures specific to DC occupational arrangements	<p>Understand the responsibilities of trustees in relation to effective administration, including:</p> <ul style="list-style-type: none"> • the significance of effective administration arrangements; • the importance of complete, accurate and up-to-date member records; • the importance of accurate and timely collection of contributions and allocation of assets; • the risks and implications for members of failures in administration arrangements; • the cost and other implications of having to unwind administrative errors (eg incorrect investments, charges, or allocation of assets) and reprocessing these correctly; • regular reconciliations; • the accurate and timely switching of assets when required (eg lifestyling); • the importance of robust systems and processes.
7c	The role of the employer in the calculation and collection of member contributions	Understand the role of the employer in the calculation and collection of member contributions	<p>Understand the difference in the particular responsibilities of the sponsoring employer and the trustees in the calculation and collection of member contributions in DC arrangements, including:</p> <ul style="list-style-type: none"> • the sponsoring employer's responsibility to deduct the correct member contributions; • the sponsoring employer's responsibility to deal with joiners and leavers correctly; • the sponsoring employer's responsibility to make the correct sponsoring employer contribution; • the joint responsibility to set as simple a contribution structure as possible; • the trustees' responsibility for collecting the correct contributions for each member.

Continued over...

Unit 7: Running a defined contribution (DC) occupational arrangement (including AVCs) *continued*

7d	The implications of the transfer of risk to members of DC occupational arrangements	Understand the implications of the transfer of risk to members of DC occupational arrangements	<p>Understand the implications for members of the risks they carry, including:</p> <ul style="list-style-type: none"> • market risk; • mortality risk; • changes to the legislation or tax regime; • contributions not being paid across to the scheme accurately and on time; • excessive charges and up front charging structures; • ineffective communications between members and trustees; • lack of member understanding of pension funding in general; • insufficient contribution levels; • inappropriate investment choices by members; • inappropriate or uninformed decision-making at retirement.
7e	The implications of contracting out	Know the implications of contracting out	<p>Know the significance of the SERPS/S2P guarantee and the implications of a Guaranteed Minimum Pension (GMP), where applicable.</p> <p>Know about the legislation enabling GMPs to be converted into normal scheme benefits.</p>

Unit 8: Investment choices and the implications for members: defined contribution (DC) occupational arrangements (including AVCs)

This includes the principles relating to the choice of investments to be offered to members.

No	Scope stem items	Learning outcomes	Syllabus elements
8a	The implications for members of the investment strategy adopted by trustees	Understand the implications for members of the investment strategy adopted by trustees	<p>Understand the implications for members of the investment strategy adopted by trustees, including the following factors:</p> <ul style="list-style-type: none"> • whether or not trustees offer investment choices to members; • levels of contribution; • age of the members and their proximity to expected retirement; • access to advice and the nature of the advice available; • number and range of investment options; • appropriateness of investment offerings given the profile of the membership; • availability of tracker funds; • arrangements for switching between funds and associated charges; • the role of default or lifestyle options; • provision of education and information to members; • charges and the implications of charging structures for fund growth.
8b	The importance of member understanding of investment risk	Understand the importance of member understanding of investment risk	<p>Understand the extent to which members need to know about investment risk, including:</p> <ul style="list-style-type: none"> • asset classes <ul style="list-style-type: none"> - equities - bonds - cash - property - insurance policies (including 'with-profits' where applicable) • the nature of risk and the risk/reward profile of each asset class; • the concept of a member's own risk appetite; • charges and their impact on fund growth; • the implications of a failure to take these matters into account; • the implications of trustee rather than member decision-making on investments.

Unit 9: Fund management

This includes the principles of fund management and how the performance of fund managers can be measured.

No	Scope stem items	Learning outcomes	Syllabus elements
9a	The structure of investment portfolios	Understand the structure of investment portfolios	<p>Understand the structure of investment portfolios including:</p> <ul style="list-style-type: none"> actively managed versus passively managed (tracker) funds; pooled funds versus segregated portfolios of individual shareholdings; the combination of passive and active management (eg the use of core/satellite arrangements); the implications for cost, liquidity and governance of each major investment decision; the extent to which asset allocation is delegated to the fund manager (eg tactical asset allocation); the importance of rebalancing a portfolio, especially where there are two or more fund managers; investment style (eg value or growth).
9b	The selection of fund managers	Understand the selection of fund managers	<p>Understand how to conduct the selection of a fund manager, including:</p> <ul style="list-style-type: none"> the appointment and role of advisers; long listing, short listing and the 'beauty parade'; the importance of investment style (value, growth or an amalgam of these) as outlined in the SIP; agreement on benchmarks and targets; the costs of fund management and the costs of transition; investment management agreements; managing the transition in the event of a change in fund management; the importance of internal controls in the event of a transition.
9c	Investment mandates	Understand investment mandates	<p>Understand the mandates given to all advisers and managers and any other individuals to whom investment functions have been delegated, including:</p> <ul style="list-style-type: none"> the nature of the contract between the trustees and their advisers; the role of performance measurement and targets; fee structures and charges.
9d	Measurement of performance using indices, benchmarks and targets	Understand measurements of performance using indices, benchmarks and targets	<p>Understand the use of indices, benchmarks and targets to measure performance, including:</p> <ul style="list-style-type: none"> the implications of index selection to reflect alternative asset classes; the construction of a suitable benchmark to reflect the investment requirements of the trustees; the implications for fund managers of having to meet a benchmark; the significance of having realistic targets; limitations of indices and peer group comparisons.

Continued over...

Unit 9: Fund management *continued*

9e	The mechanisms for monitoring investment arrangements and fund managers	Understand the mechanisms for monitoring investment arrangements and fund managers	<p>Understand the mechanisms for monitoring investment arrangements and fund managers, including:</p> <ul style="list-style-type: none"> • reports from fund managers, including: • diagrams and graphs illustrating performance • the significance of timescales in reporting performance • the way charges are accounted for • the quarterly record of corporate governance decisions • changes within the fund manager organisation; • compliance with the statement of investment principles (SIP); • the completeness and accuracy of records (DB and DC) and of calculations (DC only); • the calculation and impact of charges and fees; • management of any transition of assets between investment managers or asset classes; • robust processes and systems; • calculation and apportionment of investment returns.
9f	The importance of sound custody arrangements	Know the importance of sound custody arrangements	<p>Know the usual custody arrangements and the importance of independent guardianship of scheme assets, including:</p> <ul style="list-style-type: none"> • issues to consider when selecting a custodian: • scheme specific requirements • the importance of a clear and structured selection process • transparency of fees and the place of benchmarking • legal advice on key provisions in custody agreements • agreed service standards and reporting requirements • incorporation of any operational issues, eg practice in recovering tax • level and frequency of relationship reporting • issues arising on transfer to new custodian, eg secure transition of assets; • the need for adequate monitoring and correct record-keeping.
9g	The importance of responsible ownership of assets	Understand the importance of responsible ownership of assets	<p>Understand the importance of responsible ownership of assets, including:</p> <ul style="list-style-type: none"> • the extent to which social, environmental and ethical considerations are taken into account when making investment decisions; • the corporate governance of the companies in which the trustees invest; • the extent to which (if at all) they will exercise their voting rights.
9h	The Myners principles for the governance of the investment decision-making process	Understand the Myners principles for the governance of the investment decision-making process	Understand the Myners principles for the governance of the investment decision-making process.

Unit 10: A working knowledge of the scheme's own trust documentation

This includes any subsequent amending documents.

No	Scope stem items	Learning outcomes	Syllabus elements
10a	The duties, powers and discretions of trustees	Know the duties, powers and discretions of trustees	<p>Know the duties, powers and discretions of trustees under their own trust deed, scheme rules and amendments including, as appropriate:</p> <ul style="list-style-type: none"> • setting contributions; • amending the trust deed and scheme rules; • augmentation of benefits; • power of delegation; • power to terminate the scheme; • power to wind up the scheme; • transfers; • investment; • changes in power in response to specific events.
10b	The balance of powers between the sponsoring employer and trustees	Know the balance of powers between the sponsoring employer and trustees	<p>Know the balance of powers between sponsoring employer and trustee including:</p> <p>For DB only:</p> <ul style="list-style-type: none"> • the significance of the relative powers of sponsoring employer and trustees, particularly in making amendments to the scheme rules, setting contributions and agreeing recovery plans; • the importance of using such powers with restraint and the risks of the misuse of powers; • when to use which powers, especially when the scheme or sponsoring employer is under threat; • the implications of legislation which overrides the scheme rules in relation to powers, eg the requirement to consult the sponsoring employer; • the strength of the sponsoring employer covenant when negotiating. <p>For DC only:</p> <ul style="list-style-type: none"> • the size of contributions; • investment decisions; • the calculation of contributions.
10c	Categories of membership in the scheme	Know the categories of membership in the scheme	<p>Know the categories of membership in the scheme including, for each category:</p> <ul style="list-style-type: none"> • eligibility for membership; • benefit structures (DB); • any guarantees (eg bulk transfers in, pre-1997 and post-1997); • specific arrangements for pension increases; • contribution rates (DC); • retirement ages.

Continued over...

Unit 10: A working knowledge of the scheme's own trust documentation *continued*

10d	Benefits offered (DB only)	Know the benefits offered	<p>Know the benefits offered, how they are calculated, the circumstances in which they are payable (both current and historic) and how the payments are made, including:</p> <ul style="list-style-type: none"> • pensions; • lump sums (eg on retirement or winding up); • early retirement; • ill health early retirement; • refunds of contributions; • transfers; • eligibility for death in service lump sum; • arrangements for spouses, dependants and civil partners; • divorce/dissolution of civil partnerships. <p>Recognise that the details may vary from one category of member to another and from one tranche of past service to another.</p>
10e	Decumulation of pension funds (DC only)	Know how pension funds can be converted into pension benefits (decumulation)	<p>Know the default arrangements for converting accumulated funds into pension benefits (decumulation) and how alternative arrangements are offered, including:</p> <ul style="list-style-type: none"> • open market annuity options; • income drawdown; • unsecured pension arrangements; • alternatively secured pension arrangements.

Unit 11: A working knowledge of the scheme's Statement of Investment Principles (SIP)

No	Scope stem items	Learning outcomes	Syllabus elements
11a	Roles and responsibilities for preparing the SIP	Understand the roles and responsibilities for preparing the SIP	Understand the respective roles and responsibilities of trustees, scheme actuary, investment consultant, fund manager and sponsoring employer when preparing the SIP.
11b	The scheme's investment objectives and asset allocation strategy	Understand the scheme's investment objectives and asset allocation strategy	<p>Understand the scheme's investment objectives and the views of the sponsoring employer.</p> <p>Understand the scheme's planned asset allocation strategy and its appropriateness to its liabilities and to the trustees' appetite for risk, including:</p> <ul style="list-style-type: none"> • target investment returns on each asset class; • how the strategy has been arrived at; • volatility considerations; • risk mitigation.
11c	The contents of the SIP	Understand the contents of the SIP	<p>Understand the legal, regulatory and other requirements for the information that must be included in the SIP, eg:</p> <ul style="list-style-type: none"> • investment objectives; • managing investment risk; • the implications of charges; • the place of active and passive management; • the nature and purpose of mandates; • the limitations on investment imposed by the SIP (if applicable); • the implications of transaction costs (including soft commissions) and their disclosure; • the trustees' attitude to corporate governance and socially responsible investment issues and how these are managed.
11d	Monitoring and updating the SIP as appropriate	Understand the need for monitoring and updating the SIP as appropriate	<p>Understand the need for regular and frequent review and those matters which might prompt interim revisions of the SIP, including:</p> <ul style="list-style-type: none"> • any change in investment arrangements for the scheme; • marked change in investment environment; • change in the status of the scheme, eg closure to new members; • any change in the sponsoring employer covenant.

Unit 12: A working knowledge of the scheme's Statement of Funding Principles (SFP) (DB schemes only)

No	Scope stem items	Learning outcomes	Syllabus elements
12a	Roles and responsibilities for preparing the SFP	Understand the roles and responsibilities for preparing the SFP	Understand the respective roles and responsibilities of trustees, sponsoring employer and scheme actuary when preparing the SFP.
12b	The scheme's statutory funding objective	Understand the scheme's statutory funding objective	Understand the scheme's statutory funding objective and the policy for meeting that objective, including: <ul style="list-style-type: none"> the actuarial method and assumptions used to calculate the scheme's technical provisions; the risks associated with the statutory funding objective; how any failure to meet the statutory funding objective is to be addressed.
12c	Contents of the SFP	Understand the contents of the SFP	Understand the nature of the information that must be included in the SFP and the matters which must be agreed with the sponsoring employer, including: <ul style="list-style-type: none"> funding objectives in addition to the statutory funding objective; technical provisions including methodology and assumptions; discount interest rates; pension increases; pay increases; mortality; new entrants; leaving service; retirement; age difference of dependants; percentage with dependants' benefits at death; expenses; policy on discretionary increases and funding strategy; recovery period for schemes in deficit; policy on cash equivalent transfer values; payments to the sponsoring employer if any; frequency of valuations.
12d	Monitoring the SFP	Understand the need for monitoring the SFP	Understand the need for regular monitoring and the implications of any change of status in the scheme which might prompt a revision of the SFP, including: <ul style="list-style-type: none"> a closure to new members or to future service; corporate restructuring; a change to the sponsoring employer covenant; any proposal to wind up the scheme.

Unit 13: A working knowledge of the scheme's other relevant documents

These include:

No	Scope stem items	Learning outcomes	Syllabus elements
13a	Scheme booklet, announcements and other member communications	Know the principal contents of the scheme booklet, announcements and other member communications	Know the principal contents of the scheme booklet, announcements and other member communications, including the members' popular report and accounts.
13b	Principal contents of the most recent actuarial valuation and subsequent actuarial advice (DB only)	Know the principal contents of the actuarial valuation and advice	Know the principal contents of the most recent actuarial valuation and subsequent actuarial advice, including: <ul style="list-style-type: none"> the recommendations in the valuation and the reasons for accepting them; details of any recovery plan (if appropriate); the summary funding statement.
13c	Minutes of meetings	Know about the value of the minutes of meetings	Know the role and value of the minutes of meetings for the governance of the scheme, including: <ul style="list-style-type: none"> their importance; policy discussions and decisions recorded in them.
13d	Regular stewardship reports	Know about stewardship reports	Know the purpose and content of stewardship reports, including: <ul style="list-style-type: none"> the importance of receiving an appropriate report; the need to: <ul style="list-style-type: none"> analyse and question the contents identify the key issues anticipate the implications for the immediate or longer term cover any compliance issues and breaches.
13e	Schedule of contributions (DB) and any payment schedule (DC)	Know about the schedule of contributions (DB) and any payment schedule (DC)	Know about the schedule of contributions (DB) and any payment schedule (DC) and how to check them for accuracy.
13f	Internal audit reports or reports of alternative internal checks	Know about internal audit reports or reports of alternative internal checks, eg internal controls report	Understand nature of the document and the limitations of the information provided, as well as the importance of: <ul style="list-style-type: none"> checks on the adequacy and robustness of systems; accuracy in the calculations included in member communications; an action plan to rectify any issues identified; the place of the action plan in the scheme's business plan; the cost implications of exercises of this nature; risk management and the maintenance of a risk register.

Continued over...

Unit 13: A working knowledge of the scheme's other relevant documents *continued*

13g	Annual report and accounts for the scheme and for the sponsoring employer	Know the principal contents of the annual report and accounts for the scheme and for the sponsoring employer	<p>Know the principal contents of the annual report and accounts or audited statement of contributions for the scheme and for the sponsoring employer.</p> <p>For schemes, this will include:</p> <ul style="list-style-type: none"> • financial statements: <ul style="list-style-type: none"> - cash flows (income and payments) - balance sheet • reports from fund managers; • compliance statement; • actuarial statement and certificate; • trustees' attendance at meetings. <p>For the sponsoring employer it will include:</p> <ul style="list-style-type: none"> • any scheme deficit in the balance sheet (DB only); • financial statements and implications for the financial viability of the organisation.
13h	Any significant contract in respect of scheme assets	Know the principal terms of any significant contract in respect of scheme assets	<p>Know the principal terms of any significant contract in respect of scheme assets, including:</p> <ul style="list-style-type: none"> • contingent assets and guarantees; • in outline, the terms of any insurance policies and their consistency with the trust documentation.
13i	Any other significant agreement or contract	Know the principal terms of any other significant agreement or contract	<p>Know the principal terms of any significant agreement or contract with those given delegated authority, professional advisers or suppliers, including:</p> <ul style="list-style-type: none"> • delegated authorities; • letters of appointment with professional advisers or suppliers; • service level agreements; • any subcontracting of activities.
13j	Any trustee approved procedures	Know the principal contents of any trustee approved procedures	<p>Know the principal contents of any trustee approved procedures, including documentation related to:</p> <ul style="list-style-type: none"> • the internal disputes resolution procedure (IDRP); • arrangements for appointing all groups of trustees and the chair; • policy to manage conflicts of interest; • review of the risk register.
13k	Statement of compliance with the Myners principles (where appropriate)	Know the contents of the statement of compliance with the Myners principles (where appropriate)	Know the contents of the scheme's statement of compliance with the Myners principles where appropriate.
13l	Terms of reference of any sub-committee (where relevant)	Know the terms of reference of any sub-committee (where relevant)	Know the terms of reference of any sub-committee and the procedures for ratification.

Continued over...

Unit 13: A working knowledge of the scheme's other relevant documents *continued*

13m	Memorandum and Articles of Association of corporate trustee (where applicable)	Know the principal contents of the Memorandum and Articles of Association of the corporate trustee (where applicable)	<p>Know:</p> <ul style="list-style-type: none"> • the principal contents of the Memorandum and Articles of Association (or equivalent documents) of the corporate trustee; • how these reflect the trust documentation; • how these affect the activities of the trustees (eg requirements for a quorum).
13n	The scheme's business plan	Know the principal elements and features of the scheme's business plan	<p>Know the principal elements and features of the scheme's business plan allowing for:</p> <ul style="list-style-type: none"> • an actively managed timetable of upcoming events and meetings; • timetabled review of the expenses budget and cash flow forecast; • risk assessment and follow up; • scheduled and ad hoc projects (eg valuations, annual report and accounts, existence testing); • trustee learning activities; • sponsoring employer's meetings and decisions.
13o	Job descriptions for the chair and for the trustees	Know the important components of the job descriptions for the chair and for other trustees	<p>Know the important components of the job descriptions for the chair and for other trustees, including:</p> <p><i>For the chair:</i></p> <ul style="list-style-type: none"> • ensuring sufficient meetings to manage the business of the scheme; • approving the papers for the meeting in good time for distribution to the other trustees in good time; • taking steps to ensure meetings are properly recorded; • ensuring the trustees have appropriate advice and sufficient information to fulfil their role properly; • arranging for the induction of new trustees; • helping trustees evaluate their performance; • monitoring the work of sub-committees; • carrying out any tasks delegated by the board (eg negotiation with the sponsoring employer – DB schemes only); <p><i>For the other trustees:</i></p> <ul style="list-style-type: none"> • preparing and attending meetings; • keeping up to date with deed and rules; • ensuring they are satisfied with scheme's internal controls and administration; • completing all necessary learning; • participating fully in board discussions.

Continued over...

Unit 13: A working knowledge of the scheme's other relevant documents *continued*

13p	Trustee skills audit, training needs analysis and training log	Understand the importance of a trustee skills audit, training needs analysis and training log	<p>Understand the relationship between the learning carried out by a board of trustees and improvements in scheme governance. This would be evidenced by:</p> <ul style="list-style-type: none"> • changes over time in the skills audit; • changes over time in the training needs analysis; • training log; • certificates of any relevant learning completed; • any relevant voluntary qualifications obtained; • minutes of trustee meetings.
13q	The whereabouts of all original documents and the arrangements for their custody, safekeeping and access	Know the whereabouts of all original documents and the arrangements for their custody, safekeeping and access	Know where all scheme documents are kept and the arrangements for their custody, safekeeping and access.