

THE  
INSTITUTE OF  
CHARTERED  
ACCOUNTANTS  
OF SCOTLAND



**Pensions  
Trustees:  
Assessing  
and  
Managing  
Risks**

**A  
Practical  
Guide from  
The Institute  
of Chartered  
Accountants  
of Scotland**



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**Pension Trustees:  
Assessing and Managing Risks**

**Practical guidance on identifying risks and controls in your pension scheme  
with a view to reducing potential problems and ensuring better management**

A Practical Guide  
from  
The Institute of Chartered Accountants of Scotland

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

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The Institute of Chartered Accountants of Scotland  
21 Haymarket Yards, Edinburgh EH12 5BH  
Tel: 0131 347 0240  
Fax: 0131 347 0110  
E-mail: [accountingandauditing@icas.org.uk](mailto:accountingandauditing@icas.org.uk)

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Charlotte Barbour (Secretary)  
*The Institute of Chartered Accountants of Scotland*

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*Any enquiries should be addressed in the first instance to  
Charlotte Barbour, Assistant Director, Accounting and Auditing,  
The Institute of Chartered Accountants of Scotland  
21 Haymarket Yards  
Edinburgh EH12 5BH  
e-mail: [cbarbour@icas.org.uk](mailto:cbarbour@icas.org.uk)*



# Pension Trustees: Assessing and Managing Risks

	Page
<b>Contents</b>	
Foreword	6
Introduction	7
<b>Chapter 1 – Defined benefit and defined contribution schemes</b>	
Governance risk	8
The use of advisers and consultants	10
Operational risks – is the scheme appropriately managed?	13
Operational risks – risk of fraud	17
Operational risks – compliance and regulatory risk	18
Financial risks – investment	20
<b>Chapter 2 – Defined benefit schemes</b>	
Financial risks – funding	22
Financial risks – investment	25
Corporate risks – relationship with and strength of employer	26
<b>Chapter 3 – Defined contribution schemes</b>	
Financial risks – investment	28
Member risks – lack of understanding	29
Corporate risks – relationship with employer	31
<b>Appendix</b>	
Acronyms	32
Further information	32

# **Pension Trustees: Assessing and Managing Risks**

## **FOREWORD**

**by Norman Murray  
President of The Institute of Chartered Accountants of Scotland**

Pension schemes in the UK have been with us for many years but recent changes in accounting standards have resulted in significant changes to valuation methods. At the same time best practice in governance has led to changes in the composition of trustee boards. Senior company personnel have been replaced with new and potentially less experienced trustees taking over the responsibility for funds of all sizes. Pension trustees are expected to perform a critical role in the stewardship and management of pension funds and this booklet is designed as a management tool to assist trustees to fulfil their role. It seeks to identify areas in which material risks could occur and challenges trustees to consider a series of questions with a view to developing control systems which effectively manage these risks.

In highlighting factors which might be relevant, this publication should act as a catalyst for more rigorous discussion and debate by the trustees. It reinforces the need for an audit trail for pension trustees, which documents the major decisions taken. The booklet is relevant to any pension scheme but is particularly appropriate for smaller schemes.

I am pleased to support this publication by The Institute of Chartered Accountants of Scotland which reinforces the reputation of ICAS as a provider of useful guidance to both its members and the public.

*Norman Murray  
11 April 2007*

## Introduction

There is considerable talk of risk management and controls, and a number of organisations have already issued guidance and checklists for undertakings such as pension fund sponsors, charities, businesses and schools. This ICAS tool is different because it is designed to go back to basics, to be practical, and to help pension trustees to recognise and discharge their responsibilities.

This guidance addresses the key risk areas identified in The Pensions Regulator's Code of Practice on Internal Controls, and introduces a series of questions to stimulate trustees to think about the obvious, and the less obvious, issues or risks that may exist in their pension scheme. It is designed to assist trustees to consider how their pension schemes are managed and whether the management processes could be improved.

### When would trustees use this document?

A risk assessment should be conducted:

- By potential trustees prior to their initial appointment and/or during induction learning; and
- By the chairman of the trustees as part of the regular ongoing monitoring of controls which should form a critical part of the trustee body's rolling annual agenda; or
- By all trustees contemplating significant changes to the structure of the sponsoring employer(s), trustee body, service providers, or the pension scheme itself; and
- If a serious system failure occurs.

Risk areas and control systems should be reviewed if a trigger event occurs unexpectedly during the year. More normally, this should form part of the annual rolling review cycle. In the following pages we pose a number of questions that all trustees should be able to answer in connection with their pension schemes. If they cannot immediately point to the control(s) that gives them comfort they should consider either introducing a new procedure or updating and improving the existing procedure, or they should be satisfied that the risk is not really relevant to their pension scheme. Trustees are required by law to establish and operate appropriate internal control systems. Ignorance or inexperience is no excuse and all pension trustees now need to have appropriate Trustee Knowledge and Understanding as set out in the Code of Practice issued by The Pensions Regulator. This guidance provides assistance to trustees to enable them to fulfil their fiduciary duties. Not only should trustees evaluate existing risks and, if found missing, implement controls, but they should also ensure that the existing controls are appropriate to meet the circumstances of their specific scheme.

An external third party may conduct a review of controls but this does not remove responsibility from the trustees. In order that trustees know and understand that there are adequate controls operating within the scheme they must be able to evaluate any internal or external report, giving consideration to its recommendations, the scope and adequacy of the review, and any requirements for subsequent actions. Trustees must demonstrate that they have reviewed reports and acted appropriately. We believe this guidance should assist them in doing so.

This booklet is set out in three chapters, the first of which is relevant to all pension schemes. After this there is a chapter specifically designed for defined benefit schemes, followed, last but not least, by a chapter for defined contribution schemes.

When using this guidance, trustees should document a summary of their work on identifying risks and evaluating the controls that are in place to manage and mitigate risks. In order to assist this process a risk assessment box is included at the end of each section of questions and this may then be used as a risk register. The trustees should also summarise subsequent work that is required, who is responsible for it and the timetable by which it should be completed.

# Chapter 1

## Defined benefit and defined contribution schemes

### Governance risk

*In any examination of potential weak spots it is easy to overlook the issue of how the trustees govern the scheme: overall scheme governance and the proven existence of a working governance policy is very important. Equally, how the trustees administer the scheme, applying administration that is suitable for the scheme, and the perception that members and third parties have of the scheme, are all significant. Procedures should be in place to ensure that the affairs of the pension trust are run in a manner that does not allow, for example, tasks to remain outstanding, some trustees to remain uninformed, or key decisions to fall to a single trustee or agent. In assessing these matters the following questions should be considered:*

#### Appointment of trustees

1. How are the trustees appointed, reappointed and, if necessary, removed?
2. Have all of the existing trustees been validly appointed in accordance with the trust deed and rules, relevant legislation and any established procedure?
3. Is the procedure consistent with the legislation for member nominated trustees?
4. Can an ineffective or absent trustee be removed?
5. Is there a succession plan to refresh the trustee board?
6. Is there/should there be at least one professional trustee who is independent of both the sponsoring employer(s) and members?
7. Is there an appropriate induction programme – do new trustees know what is expected of them and are they supported in what for some may be quite a steep learning curve?
8. Are there adequate indemnities, including consideration of insurance, for each trustee?

#### Trustee knowledge

1. Does each trustee have a copy of the trust deed and the scheme rules, and is each trustee familiar with the contents?
2. Does each trustee have access to all relevant documents in relation to the pension scheme; for example, explanatory booklets, announcements to members, financial statements, actuarial reports, statements of funding, investment principles, regulator returns and reports, legal advice received?
3. Do the trustees understand the entitlements of members?
4. How is trustee knowledge and understanding assessed, is it adequate, and is it kept up to date?
5. Do the trustees have a suitable spread of knowledge and sufficient depth of experience?
6. Are there training and development plans in place to update trustee knowledge of regulation and best practice and/or to fulfil identified gaps in trustee knowledge?
7. Are the trustees aware of the Codes of Practice and Guidance issued by The Pensions Regulator (TPR), are they conversant with their terms, and do they have access to new Codes and/or updates as they are released? Have they considered completing TPR's e-learning toolkit for trustees?

#### Meetings of trustees

1. Is the annual number of trustee meetings appropriate?
2. How many trustees are required for a valid (quorate) trustee meeting?
3. Is the agenda set by one individual or can other trustees add relevant business?
4. Is the management of meetings satisfactory with agenda papers sent out on a timely basis, sufficient time given to discuss all business, and minutes circulated promptly afterwards?

5. How are risks assessed, monitored and reviewed within the rolling agenda?
6. Do the minutes provide an adequate record of each meeting?
7. Are tasks allocated among trustees, and how are these and any action points followed up?
8. Are there suitable communication channels between the trustees themselves and with pension scheme service providers?
9. Are subcommittees formed to deal with identified issues and, if so, are the remits of the subcommittees adequately described and controlled?

### Decision making

1. What is the process for decision making and are all decisions documented?
2. Are decisions always taken by a majority or can a single trustee decide in isolation?
3. Is there a procedure for dealing with decision making between trustee meetings?
4. Are delegated duties permitted within the governing documents of the pension scheme and, if so, is the delegation of duties adequately documented and communicated?

### Running the scheme

1. Is there a business plan and a budget for running the scheme? Are these regularly monitored and, when necessary, updated?
2. Do the trustees compare actual results with a pre-agreed budget? Is the budget consistent with any provision for costs within the funding or within the contribution rates?
3. When significant changes occur in connection with the scheme and/or any of the parties involved in the running of the scheme, are these adequately managed? For example, will changing the administrator, actuary or other key advisers, or the chairman of the trustees make the scheme more vulnerable?
4. How are conflicts of interest identified, and what is done about managing them?
5. Is there a policy regarding communication with members?
6. Are communications with members meaningful?
7. Who provides information to prospective new members? Is the communication clear, comprehensive and timely?
8. How is compliance with regulatory timescales monitored? Are trustees aware of relevant regulatory timescales?
9. Is there a procedure for reporting regulatory breaches to TPR?
10. Does the sponsoring employer provide members with information regarding the pension scheme and, if so, do the trustees review and agree its content before it is released?
11. What is the communication channel with the sponsoring employer?
12. Is there a disaster recovery plan, which is regularly tested, and all queries addressed?

<b>Summary of key risks</b>	<b>Assessment of risk</b>		
<b>In summary</b>	high	medium	low

## **The use of advisers and consultants**

*Pension trustees are responsible for all aspects of the scheme, regardless of whether elements are contracted out or consultants engaged on specific issues. If work is contracted out the trustees must still review the work to ensure it is adequate and meets their requirements. When a consultant gives advice the trustees should be competent to evaluate it and decide whether to act upon it. In choosing and monitoring the performance of consultants and advisers, such as a pension administrator, actuary, investment adviser, auditor or legal adviser, the following questions should be considered:*

### **Outsourcing**

1. Have the reasons for putting the particular activity out to tender been clearly debated to ensure all trustees understand why the activity is being outsourced?
2. Has a cost-benefit analysis been done to justify the outsourcing?
3. Have the trustees documented what is required of the service provider with a list of necessary skills and services?
4. Do the trustees have sufficient power of delegation to put into effect the outsourcing contemplated?

### **The tendering process**

1. Has market analysis been performed to ensure that appropriate firms and/or individuals participate in the tender process?
2. Does the initial evaluation include: reputations of firms; any past experience of firms; financial, staffing, and IT resources; client profile; and references from other clients?
3. Will the services be provided from a single organisation or will there be more than one organisation and/or subcontractors involved?
4. If there is more than one organisation and/or subcontractors, are there clear demarcation lines and if one of the organisations and/or subcontractors fails to deliver, how does this impact on the other organisation(s)? What can fall through possible 'cracks' in between?
5. What are the provisions for redress/compensation on failure by the provider?
6. Do any potential conflicts exist, such as existing relationships or engagements with the sponsoring employer, which could exclude a particular firm from the tender process?
7. Has a timetable been prepared for the tendering process and is it realistic?
8. Have all costs associated with the tendering and handover process been estimated?
9. If the employer meets the costs associated with the pension scheme, is the employer aware of the potential cost issues?
10. What is the process for removing an existing service provider and what are the potential costs involved?

### **The appointment of advisers and consultants**

1. Will the appointment give value for money and what criteria have been used to assess this?
2. Have all potential costs been identified and is it clear what services are provided within each element of the service agreement? Are there any open-ended issues?
3. Have the personalities and experience of the key staff been evaluated?
4. Has the adviser suitable indemnity insurance in place (and up to what level does the adviser self-insure before indemnity insurance kicks in)?
5. Does the firm have the size, resources and coverage required to provide the service, and what back up resources will be provided?
6. If one firm is providing a number of services is there a need for 'Chinese walls' and, if so, is there evidence that these work effectively?

### **The handover process**

1. Has a project plan and timetable been prepared for the handover process, with all key tasks identified?

2. Is it clear which tasks will be provided by the old and new service providers during the handover process and have both the old and new service providers agreed to these?
3. Is there a need to retain the old service provider on a retainer basis until the new provider has been fully installed?
4. Where the change in adviser includes the transfer of data, has the current quality and completeness of the data been assessed and appropriate consideration given to any potential problems arising from incomplete/poor quality data?

### **Ongoing monitoring of advisers and consultants**

1. What checks are in place to ensure that the service providers are acting in accordance with the rules of the pension scheme and/or overriding legislation? For example, if an organisation is appointed to administer the pension scheme what checks are in place to ensure that it collects the right data and calculates benefits properly in accordance with the terms of the rules/legislation?
2. Is there an agreement in place to document what is required of each adviser? Are all agreements regularly reviewed to ensure that they are complied with?
3. Is the delegation of any authorities, such as the payment of pensions to retired members, properly authorised?
4. Where authorities have been delegated, have the procedures of the service provider been audited and have there been compliance checks, for example, set out in AAF 1/06, SAS 70, which the trustees have reviewed and assessed?
5. What service level/redress/compensation agreements are in place on failure to meet service standards and/or other failures?
6. What are the 'whistle-blowing' procedures which enable trustees, advisers and/or members to report items of concern?
7. Do all advisers provide regular activity reports to trustees and, if so, have the trustees reviewed and analysed their work? Where necessary, are there follow up procedures in place?
8. Do existing advisers give value for money? How is this measured?
9. Are existing advisers simply providing a minimum service or could they be of more assistance?
10. Are the fees charged checked to make sure they agree with the contractual terms?
11. Are agreements with different advisers checked to ensure efficiency, and prevent either gaps in work done or duplication?
12. Does each adviser have clear instructions concerning interaction with other advisers?
13. Are the appropriate authorities in place to allow disclosure of relevant information between different advisers?
14. Have all scheme advisers and consultants been appointed following a proper tendering (market testing) process?
15. How often are the appointments of scheme advisers and consultants reviewed?
16. Are there adequate communication channels between the trustees and each adviser, with all communications documented?

### **The role of the auditor and the approval of the statutory accounts**

1. Are the trustees satisfied that the audit partner and staff have the appropriate level of seniority, and relevant pension experience and expertise? In particular, this may need consideration when there is audit partner rotation.
2. Does the auditor also undertake any work for the sponsoring employer and, if so, could this give rise to conflicts of interest?
3. Is the relationship between the auditor and those running the pension scheme such that the auditor is independent? For example, might the relationship be compromised due to familiarity, or excessive awards of non-audit work?
4. Are the trustees satisfied that they understand their responsibility for producing accounts and ensuring the appropriateness of the accounting policies applied? Are the trustees aware

of the timescales for approving and signing the accounts and ensuring they have the appropriate knowledge and understanding of the accounts to be able to discharge their responsibilities?

5. Are the trustees appropriately involved in agreeing the timetable for the preparation, audit and sign off of the accounts, which all relevant parties have agreed to?
6. Are matters that come to the attention of the auditor during the course of the audit brought to the attention of the trustees on a timely basis, and are these openly discussed with the auditors? If so, are these matters followed up? Has a meeting been scheduled at which the trustees will approve the accounts and do the trustees ensure that they provide input into the accounts on a timely basis?
7. Has there been any disagreement between the trustees and the auditor and, if so, how is this resolved?
8. Does the audit offer value for money? How is this monitored? Are the audit fees reviewed for reasonableness?
9. Are the accounts prepared using the Statement of Recommended Practice 'Financial Reports of Pension Schemes'? Does the auditor refer to Practice Note 15 'The Audit of Occupational Pension Schemes in the UK (Revised)'?
10. Do the trustees consider that the annual audit was effective?
11. Are all relevant matters concerning the pension scheme brought to the attention of the auditors?

Summary of key risks	Assessment of risk
In summary	high medium low

## **Operational risks – is the scheme appropriately managed?**

*The objective of the pension scheme is to pay pensions and benefits – to ensure that the correct amounts are paid on time to the correct recipients and the management of the scheme should ensure that this is accomplished efficiently and effectively. The trustees are responsible for ensuring that the operational processes actually work. In assessing the operational risks of the management of the scheme the following questions should be considered:*

### **Administrative procedures – pension scheme personnel**

1. Is there a procedures manual with all key processes and procedures documented?
2. Would a newly appointed pensions administrator understand the systems in place?
3. What happens if key personnel were to fall ill or leave?
4. Is there a succession plan for key personnel?
5. Is there excessive reliance on work being done by the sponsoring employer, for example payroll?
6. Are there service standards in place (turnaround times, etc.) and how is performance against the service standards monitored?

### **Administrative procedures – cash management**

1. Are contributions monitored to ensure that they are received within statutory deadlines and in accordance with the schedule of contributions/payments? Is there a test to ensure that the correct amounts are being received?
2. What procedures are in place to ensure that monies receivable from other parties are received at the correct level and at the correct time? For example, payments from insurers, age-related rebates, individual transfer values, bulk transfer values.
3. What are the procedures for ensuring that Additional Voluntary Contributions (AVCs) are collected and invested in a timely manner?
4. What is the procedure for identifying the short-term cash needs of the scheme? Is there planned disinvestment to meet cash needs and how do the trustees ensure that monies are disinvested in an efficient manner?
5. If monies are to be disinvested, who provides the authority to do so?
6. What are the procedures for ensuring that monies not required for short-term cash needs are invested in the correct investment fund in a timely manner?
7. How frequently are cash books reconciled and verified, and what is the procedure for ensuring appropriate supervision of cash handling, minimal use of cheques etc?
8. What checks and reconciliations are performed to ensure that records are complete and accurate?
9. How regular are the tests of existence for pensioners? If there has been overpayment, how is this recovered?
10. Who is responsible for submitting the annual return to HMRC and who checks that the correct amount of tax is remitted or reclaimed?
11. Is appropriate interest earned on cash deposits?
12. If there are insurance arrangements in place, have all claims been collected?
13. If the employer reimburses the pension scheme for payments made, for example PPF levy payments, how are these reclaimed?

### **Administrative procedures - provision of annuities**

1. Where the trustees have the option to purchase annuities or to pay pensions directly to the members, what criteria are used to determine when to purchase annuities and when to pay pensions directly to the members? How frequently are the criteria reviewed and are the criteria still relevant?
2. If annuities are purchased, how are annuity providers selected?
3. How do the trustees ensure they are getting the best annuity rate available on the market? Is there a measure of the insurer's financial strength?

4. Are the terms of the annuity checked to ensure it is consistent with the pension scheme's rules and/or the member's choice?
5. Are the annuities held in the name of the trustees?
6. What happens if an insurer fails to make annuity payments when they fall due?
7. Are annuities paid directly to the member by the insurer or via the trustees' payroll system? Who is responsible for payments due to HMRC and other government agencies? Are these payments verified and paid within appropriate timescales?
8. Is there a contractual agreement between the insurer and the trustees? Is there a service standard agreement?
9. What records are held in respect of annuities purchased? Do the trustees have comprehensive records of all annuities purchased in their name? Who holds the policy documents?
10. What is the procedure for identifying and dealing with impaired lives? Are impaired life annuities purchased where appropriate? Are temporary annuities set up in cases of serious ill health?
11. How are monies transferred to the insurer? What discharges are given/received?
12. How are monies realized to purchase annuities and/or pay tax-free cash?

#### **Administrative procedures – insured death benefits**

1. Are there death-in-service benefits payable?
2. Are they fully insured?
3. How is the insurer chosen?
4. How frequently is the insurance reviewed? What procedures are in place to ensure that cover remains in place if insurers are being changed?
5. Are new insurance policies appropriately verified to ensure that they provide the correct level of benefits, as promised by the pension scheme?
6. If insurance cannot be obtained, or if insurance is restricted, because of an impaired life/underwriting terms, what benefits are provided?
7. What steps are taken to ensure that all underwriting requirements are adhered to? For example, what cover is provided if some members were not actively at work when the insurer went on risk or if members have neglected to complete a medical declaration or attend a medical examination?
8. Where premiums are paid on account pending data verification, what is the procedure for ensuring that premiums are regularly reconciled, checked, and overpayments reclaimed?

#### **Administrative procedures – general**

1. Who completes the annual return to TPR and what is the procedure for checking that the information is correct?
2. Is there a regular stewardship report on activities to members carried out by the trustee board?
3. What procedures are in place to deal with queries/problems/complaints in order to minimise distress to members?

#### **Services provided by employer**

1. What activities are undertaken by the employer on behalf of the pension scheme?
2. Is there a written service level agreement setting out roles and responsibilities?
3. Is there a procedures manual, is this updated regularly, and are the trustees content that the procedures manual adequately covers the processes carried out?
4. Is there a monitoring procedure to ensure that these are carried out effectively?
5. Are there training procedures in place so that on the change of a service provider or office holder there is a seamless transfer of duties?
6. When evaluating internal controls should assistance be sought from the employer's internal audit function or from external accountants?

## **Computerised procedures**

1. Are all calculations computerised?
2. Have the systems been tested to ensure the computer systems cope with all calculation variants?
3. Are all computer systems fully documented and updated?
4. What procedures apply if there is an upgrade or replacement of the computer system?
5. Who pays for system developments?
6. What if there is a failure and is this reported to the trustees?
7. Who owns the computer system? How is the system maintained? If a third party owns/maintains the system what is the contractual relationship with that third party? Are there any risks relating to that third party?
8. Are pensions in payment made via a computerised payroll system? If so, who owns/operates that system? How is the system maintained? Who is responsible for updating the system?
9. What backup system is in place if the payroll system fails?
10. Who accounts for tax or other deductions from pensions?
11. Who authorises changes to the pension payroll?
12. Who calculates annual increases to pensions in payment?
13. What procedures apply on a change in the payroll supplier?

## **Data bases**

1. How robust is the data base? Is the data base complete?
2. What is the procedure for updating, checking and removing computer records?
3. What is the procedure for unscrambling incorrect data changes?
4. Who has access to computer records and how is this controlled?
5. Is data from the employer complete, accurate, and received on a timely basis?
6. How is data transferred from the employer? Is the transfer procedure secure, robust and clearly documented?
7. Are some of the older records still on paper and, if so, should they be computerised?
8. Are the records, computer and/or paper, secure?
9. How will the pension scheme operate if the computer fails? How will the pension scheme operate if the paper records are lost?
10. If there is a transaction involving a significant transfer of members into or out of the pension scheme, what procedures are in place to efficiently export or import data?
11. Are the data handlers registered under the Data Protection Act? Are all data users appropriately authorised?
12. What procedures are in place to maintain confidentiality?
13. What software is in place to prevent viruses or other contamination of the data?
14. How often are contact details updated (particularly in respect of deferred pensioners)?

## **Calculations**

1. Are all calculations correct and how are these verified? Are the calculation procedures clearly documented?
2. Are there any manual calculation procedures? If so, what controls are in place to check and verify manual calculations?
3. How do the trustees satisfy themselves that the sponsoring employer is paying the correct contributions taking into account, for example, amounts deductible from pay, part time service, variable pay, and variable contributions with age or service? How are the contributions verified?
4. What controls and sign off procedures are there around any changes to the calculations; for example, pension increases or changes in benefit?
5. Where the calculations are on bases specified by the scheme actuary, for example, calculation of cash equivalent transfer values (CETVs), are the calculations provided directly by the scheme actuary or calculated under instruction? How is the process monitored?

**Communications**

1. Are communications with members timely, accurate and technically correct?
2. Are standard letters used?
3. Is there an identifiable point of contact for members if queries arise? Who drafts and authorises responses to members' queries?
4. Are communications with members understandable, in other words, well written?
5. Are different communications checked for consistency with one another?
6. Who drafts scheme booklets and announcements to members and what is the checking and review procedure? Who takes legal responsibility for these?
7. Who prepares the annual trustee report? What is the checking and review procedure and is it reviewed by the external auditor?
8. Is an annual short-form report or newsletter issued, or website used? If so, who prepares this, who has editorial control of content, and what is the checking and review procedure?
9. Is the level of service to members of a suitably high standard? For example, do prospective retirees receive timely notice of their retirement options which are clear and comprehensive?

**Payments**

1. Are the payments of benefits and pensions correct, timely and in accordance with the scheme rules and regulatory requirements?
2. Are payments due to HMRC and other government agencies calculated and verified and paid within appropriate timescales?
3. Are PPF levy payments verified and paid within appropriate timescales?
4. Are premiums to insurers verified and paid within appropriate timescales?
5. Where payments to pensioners are paid via a payroll system, who is responsible for making sure that the correct benefits are paid to the appropriate individuals?
6. What is the procedure for ensuring that there is sufficient cash in the trustee bank account to cover pensions in payment and other payments?
7. What are the procedures for drawing cheques, and for minimising cheque usage in favour of bank transfer payments?
8. Who authorises and signs cheques? Who authorises bank transfers?
9. Do the trustees have a separately identifiable bank account?
10. Who authorises payments to suppliers and how are the amounts verified?

Summary of key risks	Assessment of risk
<b>In summary</b>	high medium low

**Operational risks – risk of fraud**

*It is possible that those charged with the stewardship of assets and with the responsibility to distribute funds, either for pensions or expenses, may be tempted to act inappropriately. There is always potential for fraud, which will increase if the controls are inadequate so it is essential that trustees have systems and controls in place to minimise this risk. In assessing the operational risks of the potential for fraud within the scheme the following questions should be considered:*

**Matters to consider to minimise risk of fraud**

1. How do trustees satisfy themselves that the right amounts are paid to the right people at the right time? For example, could amounts be paid to fictitious pensioners or others?
2. Have the controls over payments to widows/widowers/civil partners and children been assessed?
3. Who authorises expenditure? Are there signing limits?
4. Is there a proper segregation of duties between those calculating amounts and those making payments?
5. Could expenses be inflated or paid into fictitious accounts?
6. Are all payments due from employees and the employer made to the pension scheme? In particular, if there is an offsetting arrangement, for example, where the employer pays pensions to pensioners on behalf of the trustees and then reduces its contribution by an equivalent amount, who checks that the correct net amount is paid to the pension scheme?
7. Are all assets of the scheme appropriately used for the benefit of the pension scheme and not misused by trustees, pension scheme employees, or the employer? For example if the pension scheme holds a commercial property as an investment, is this property being used inappropriately by the employer or trustees?
8. Is the ownership and custody of assets segregated from the employer and established in the name of the trustees as a body (not an individual trustee)?
9. Is there evidence of title to assets? Who holds these?
10. How are unusual or large transactions reported?
11. Are all bank accounts set up in the name of the trustees?
12. Where assets are directly invested, for example in property, what is the procedure for collecting and verifying income, authorising payments and paying the net amount to the trustees in a timely manner?

Summary of key risks	Assessment of risk
<b>In summary</b>	high medium low

## Operational risks – compliance and regulatory risk

*In order to comply with various statutory requirements, timetables and checklists will be required to ensure that all regulatory deadlines are met and fully complied with. In assessing the operational risks of regulatory non-compliance the following questions should be considered:*

### Compliance

1. Have all advisers and service providers been appropriately appointed?
2. Do the trustees ensure that they take advice only from appointed advisers?
3. Do all parties recognise an obligation to identify potential conflicts of interest? Is there a procedure to manage actual conflicts of interest?
4. Is there in place an appropriately certified schedule of contributions (defined benefit pension schemes) or payment schedule (defined contribution pension schemes) and are contributions being monitored against this schedule?
5. Is there a timetable and project plan in place for producing the annual report and audited financial statements within the regulatory timescale of seven months?
6. For defined benefit pension schemes, is there a timetable and project plan in place for producing the annual actuarial report and the triennial (or more frequent) actuarial valuation within the regulatory timescale?
7. Is there a timetable and project plan in place for producing the summary funding statements (defined benefit pension schemes) or statutory money purchase illustrations (defined contribution pension schemes)?
8. Do the timetables and project plans detail what is to be done so that any replacement person could undertake the tasks?
9. Do all the trustees have sufficient opportunity to review and interrogate the financial statements in draft form before they are signed?
10. Where trustees are required to consider exercising their discretion is there a procedure for bringing the issue to the trustees' attention?
11. Do the trustees have a procedure for collecting and reviewing all relevant information before considering whether or not to exercise a discretion?
12. Do all the pension trustees receive a copy of all material documents on a timely basis, and are these reviewed to make sure that they are satisfactory?
13. How do the trustees ensure they are aware of all changes in legislation and regulation and obtain comfort that processes have been updated to ensure compliance?

### Legal issues

1. Are the trustees conversant with relevant trust law, pension law, and the terms of their trust deed?
2. Do the trustees receive adequate information about relevant changes in pension law and other legal issues that might impact on the pension scheme? How is this done?
3. Have all deeds been appropriately drafted and executed with certification where required?
4. Are the deeds up to date, with amending and supplementary deeds executed to reflect changes in the pension scheme and/or legislation?
5. Are there any problems with interpretation of the deeds, ambiguities in the deeds, and/or inconsistencies with other documents that have not been resolved?
6. Are trustees comfortable that there are no potential legal problems in the scheme, for example, age or sex discrimination issues?
7. Is the pension scheme compliant with all other relevant law, for example, employment law and the Data Protection Act?
8. Are there any actual or potential disputes or complaints regarding the operation of the pension scheme and if so what is the status of these?
9. Is there an internal disputes resolution procedure in place and is it followed?

10. Are there any known or potential breaches of the terms of the pension scheme and/or regulation? If so, have these been investigated, resolved, and have they been reported, if appropriate?
11. Does the pension scheme comply with the Member Nominated Trustee requirements?
12. Do the trustees have procedures in place to ensure members are notified of key scheme changes in accordance with the disclosure of information laws?

<b>Summary of key risks</b>	<b>Assessment of risk</b>
<b>In summary</b>	high medium low

## **Financial risks – investment**

*This is a key area of risk. Some characteristics of risk are relevant only to defined benefit pension schemes and some only to defined contribution schemes and these are dealt with in later chapters. In assessing the risks that affect both defined benefit and defined contribution schemes the following questions should be considered:*

### **Use of an investment consultant**

1. Is there an investment consultant in place?
2. Is the investment consultant authorised under the FSA requirements?
3. Is there a service agreement which makes clear the role and remuneration of the investment consultant?
4. Is the investment consultant independent of the other advisers, in particular, the scheme actuary?
5. How do the trustees measure and evaluate the performance of the investment consultant?

### **Interaction with the fund manager**

1. Is there a contract/investment management agreement with the fund manager(s) and do the trustees understand the role of the fund manager under each contract?
2. Does this marry with the SIP and/or investment strategy? Are the investment objectives of each fund manager consistent with the overall investment objective and is the investment objective of each fund manager clear and measurable?
3. Does the investment manager appointment satisfy the requirements of the Pensions Act 1995?
4. Are the fund manager's procedures understood, are they audited on a regular basis and have the trustees seen copies of the audit report?
5. What are the fund manager's charges and are there entry and exit costs?
6. If there is more than one fund manager, are the reasons for having more than one fund manager clear and valid?
7. Are there dangers of fund managers pulling in different directions? For example, does one manager have a particular stock as a buy and another as a sell, or do managers who are chosen for diversification hold similar assets?
8. Does the combination of fund managers achieve the investment objectives or are there issues of diversification or scale that should be addressed?
9. Are the trustees potentially exposed under any indemnities that may have been given under the contract with the fund manager?

### **Independent custodians**

1. Are there independent asset custodians?
2. How do they interact with the fund managers?
3. Is there a service agreement directly with the custodians and is the custodians' role understood?
4. Are the custodians' procedures and practices documented and independently reported on and are the trustees copied with these reports?
5. What charges do the custodians impose?

### **Monitoring investments**

1. Does the investment consultant provide a monitoring service and are the criteria used for measuring and monitoring clearly defined and understood?
2. How regularly does the investment consultant report, and are the reports concise yet comprehensive enough for the trustees to understand the development of the assets and the reasons for this?

3. How do the trustees monitor performance if there is no investment consultant and/or the investment consultant does not provide a monitoring service? Are independent statistics used?
4. Does the scheme have clearly defined objectives and performance criteria and then hold to them?
5. Is each investment permitted under the scheme rules and within agreed ethical guidelines, if any?
6. What is the trustees' attitude towards investment risk?
7. Do the trustees receive regular investment performance reports and how are these evaluated?
8. What is the strategy if either the assets or a fund manager underperform?
9. Are there clear criteria that would trigger the review and/or replacement of one or more fund managers (other than as part of a general investment strategy review)?
10. How would the trustees manage a change of investment manager?
11. Who carries out the monitoring of investment switches and transfers, and ensures that monies are paid to the correct fund manager and in the correct proportions?
12. If monies are paid to the wrong fund manager how is this resolved?
13. How regularly are the investments reconciled with the target asset allocation? In a defined contribution scheme how regularly are investments reconciled with members' allocations?
14. If rebalancing is done, how is this achieved and over what timescale?
15. Are all investment costs monitored and minimised, for example, uncapped performance fees, trading costs, tax costs, etc?
16. If the trustees hold investments in other areas, for example insurance policies or direct property, does the rationale for these investments remain and how is the performance of these investments measured and monitored?
17. How is the performance of the AVC provider measured?

Summary of key risks	Assessment of risk
<b>In summary</b>	high medium low

## Chapter 2

### Defined benefit schemes

#### Financial risks – funding

*Trustees of defined benefit pension schemes must secure the adequacy of funds for the pension scheme and ensure the ability of the pension scheme to be able to pay out pensions when they fall due. Trustees should bear in mind that the average lifespan of a pension scheme may be for a period of eighty years or more. In assessing issues of funding the following questions should be considered:*

#### The scheme's funding level

1. What is the scheme's funding level and is this clearly documented?
2. When was the scheme's funding level last calculated? Are there any issues since then that might have had an impact on the funding level, and is there a need to have the scheme's funding level reassessed?
3. What is the process for agreeing the scheme's funding with the employer?
4. Is there a need to agree with the employer, or is consultation the sole requirement?
5. Which party holds the power to set contributions under the trust deed and rules, and what is the impact of the Pensions Act 2004 on this balance of power?
6. If there are disagreements between the employer and the trustees over the level of funding required or on the pace of deficit funding, how are these resolved?
7. Has a project plan been put in place to ensure that the scheme funding valuation, including agreement of the technical provisions, the statement of funding principles, the recovery plan if required, and schedule of contributions, is completed within the regulatory timescale?
8. Is there an annual actuarial report approximately updating the last scheme funding valuation? To what degree of accuracy are the calculations carried out?
9. Are there trigger points that would prompt an interim actuarial valuation or dialogue with the employer about increasing the funding of the scheme if necessary?
10. Do all the trustees understand the different approaches to measuring liabilities? For example, IAS 19/FRS 17, buyout, PPF, CETV and the ongoing funding valuation, and what are the levels of funding on each basis?
11. What is the target funding level and how does this impact on the other liability measures?
12. If the pension scheme is not sufficiently well funded to cover CETVs in full, are CETVs being reduced to protect the remaining members?
13. What is the policy on discretionary benefits and/or augmentation of benefits and is there allowance for such benefits in the funding of the scheme?
14. What are the procedures for granting discretionary benefits/augmentations?
15. What is the relationship between the statement of funding principles and the statement of investment principles and/or investment strategy?
16. Have the trustees received advice on any risks associated with the investment strategy that could impact on the funding level? For example, is there a mismatch between the way scheme assets are invested and the profile of scheme liabilities?
17. What factors could trigger a winding up of the pension scheme? Are there any issues that increase the possibility of a winding up either in the short term or in the longer term?
18. If the scheme is not viable over the longer term, have the wind-up costs and annuity costs been factored into the scheme funding process?

## Calculating the funding requirements

1. Are the trustees sure that the scheme actuary's calculation of the liabilities is accurate? For example, have the trustees analysed the membership data provided to the actuary? Has the asset information provided to the actuary been audited or subjected to any other checks? Have all of the relevant documents been provided to the scheme actuary?
2. Where the scheme actuary obtains data and documents directly from the pension scheme administrators or other service providers without direct reference to the trustees, how do the trustees ensure that the data and documents are complete and accurate and are being interpreted correctly?
3. Are there any qualifications in the actuary's report that should be investigated?
4. What review process applies to the actuary's work?
5. Have the trustees been provided with an analysis of the experience of the pension scheme since the previous actuarial valuation? If so, what are the key experience items, and do these provide any information that should modify the choice of actuarial assumptions for the future?
6. Are the trustees comfortable with the advice given on the actuarial assumptions that have been used to calculate projected future liabilities? Have the trustees had advice on the range of actuarial assumptions that could be chosen? Is there a rationale for the choice of actuarial assumptions and are these consistent with one other?
7. Has the scheme actuary confirmed in writing that the advice provided is in compliance with the relevant aspects of actuarial guidance note 'GN49 : Occupational Pension Schemes - Scheme funding matters on which advice of actuary must be obtained'?
8. How do the trustees approve the key actuarial assumptions?
9. Are all the actuarial assumptions appropriate to the specific scheme or are variations needed? For example, are the mortality rates based on standard tables or do they need to be adjusted to take account of company, industry or geographical influences? How have the withdrawal, ill-health and early retirement decrements been derived?
10. What allowance, if any, has been made for future salary growth and how does this relate to the employer's policy?
11. If there is provision for expenses and/or insurance premiums in the scheme funding or in the contribution rate, how do these compare with the actual expenses and/or insurance premiums incurred, and are there any factors that could influence the future trend of these items?
12. What provision has been made for PPF levy payments?

## Special situation risks

1. If the pension scheme has generous ill-health retirement benefits, what is the exposure of the scheme to unfunded ill-health claims?
2. What is the qualification for ill-health claims and who makes the final decision regarding ill health awards?
3. Is a significant proportion of the liabilities identified with a small number of members? For example, is there a significant liability in respect of a single senior director with long service and high salary? Could this lead to distortion of the funding position?
4. Are there any particular risks in connection with certain members such as early retirement terms, ill-health terms, improving longevity, or higher than average salary increases that could distort the funding of the pension scheme?
5. Are there any unusual features of the pension scheme's rules that could lead to members obtaining additional benefits in specific circumstances such as enhanced benefits on redundancy that could trigger unfunded liabilities?
6. Is the scheme exposed to the employer increasing salaries and /or offering early retirement to employees on generous terms?

7. Is there insurance in place to cover death in service benefits or does the pension scheme self insure some or all of these risks?
8. Are the benefits provided by the insurance policy identical to those promised by the scheme rules? If not, are there events that could give rise to an uninsured risk?
9. Are there any members who are not covered by the insurance arrangements for all or part of the risk? For example, members who were not actively at work when the insurer went on risk, or members who have neglected to complete a medical declaration or attend a medical examination.
10. Is there a contingency fund for special situations?

**The employer covenant**

1. Have the trustees identified which employers participate in the pension scheme, the relationships between the participating employers and other employers within the same group, and whether any of the participating employers financially rely on other non-participating employers in the group?
2. Are there any risks to the pension scheme because of multi-employer relationships?
3. How much reliance do trustees place on the employer's future financial position?
4. Are the trustees satisfied that they have made their own evaluation of the strength of the employer covenant?
5. Do the trustees have a clear funding plan agreed with the employer/sponsor that can be shared with TPR?
6. In what circumstances might the company fall into financial difficulties and what is the implication for the pension scheme (solvency level, PPF position)?
7. Does the employer have an FRS17/IAS19 deficit and how does this compare with the funding deficit?
8. What steps are being taken to eliminate the FRS17/IAS 19 deficit?
9. If there is a scheme funding deficit, how have the trustees determined what the employer can reasonably afford to pay in order to eliminate the deficit as quickly as possible?
10. What are the PPF levy payments, do the trustees know how these are calculated, and are there any factors relating to the employer that could influence these?

Summary of key risks	Assessment of risk
In summary	high medium low

## Financial risks – investment

*The trustees are responsible for ensuring that pensions can be paid when they fall due and so they must consider the deliverability of the investment strategy. They must also ensure that cash is available to meet future liabilities. In assessing the risks associated with the investment strategy the following questions should be considered:*

### The investment strategy

1. Is the Statement of Investment Principles (SIP) up to date and are the considerations relevant to the SIP still appropriate?
2. Was written investment advice received in preparing and/or altering the SIP and was it followed?
3. Are the SIP and investment strategy consistent with the Statement of Funding Principles?
4. Does the investment strategy take account of the timing of all specific liabilities faced by the pension scheme and what margin of safety is incorporated into the strategy?
5. Has a projection of the pension scheme’s expected cash inflow/outflow over the medium/long term been carried out?
6. Are there any particular features of the projection that need to be addressed, such as a material net outflow in some years?
7. Will a change in the membership profile, such as a change in the proportion of current pensioners or a material reduction in the proportion of active members, influence the expected cash outflow?
8. Has the sensitivity of the cash flow projections to changes in the membership profile been tested?
9. In a maturing scheme, will cash to pay pensions come from current contributions, investment income and/or by realising existing assets?
10. How important is matching cash flow, as opposed to matching assets and liabilities?
11. Is each investment permitted under the scheme rules and within any agreed ethical guidelines?
12. What is the trustees’ attitude towards investment risk?
13. Does the attitude to risk depend on the assessment of the employer covenant and/or on the funding level of the pension scheme?
14. If the pension scheme is closed to new members and/or future accrual, has there been an assessment of how long the scheme can continue before it starts to wind up? If wind-up is inevitable, how long can the scheme run before it needs to be wound up?
15. Should the trustees take account of, and plan for, a future scheme wind up and buy out of liabilities and, if so, should the investment strategy take this into account? Have the trustees considered paying an insurance company to take over the pension scheme liabilities either in part or in their entirety?
16. Do the trustees understand the characteristics of the assets in which they have invested? For example, if there are hedge funds and/or use of derivatives within the portfolio, what role do they play and what particular risks do they bring or mitigate?
17. If the pension scheme offers a facility for Additional Voluntary Contributions (AVCs), how do the trustees identify an appropriate AVC provider?

<b>Summary of key risks</b>	<b>Assessment of risk</b>
<b>In summary</b>	high medium low

## Corporate risks – relationship with and strength of employer

*A pension scheme is originally set up by a sponsoring employer and the rationale for the scheme is usually to provide benefits to the employer's current and past employees. The employer therefore has a very significant interest in the scheme and its support is crucial. However, conflicts of interest may arise, for example, the employer may seek to minimise costs whilst the pension trustees need to ensure there will be adequate funding at all times to deliver the promised benefits. Even if the scheme is closed, the support of an employer remains important. In assessing the corporate risks the following questions should be considered (if there is more than one employer with a direct involvement in the administration of the scheme, some of the following questions may need to be addressed in respect of each employer):*

### Relationship with employer

1. Have all of the participating employers been identified?
2. Does each employer have a direct involvement with the administration of the pension scheme; for example, does each employer pay its own contributions and/or run the payroll for its own employees?
3. If a participating employer ceases to participate or ceases to have any active members, is there a procedure to flag this so that steps are taken to collect any statutory debt and/or to partially wind-up the pension scheme where this applies?
4. Does the employer representative(s) have the authority to enter into discussions and reach agreements with the pension trustees?
5. Does the employer meet with the trustees on a regular basis, with the meetings fully minuted?
6. Are there adequate communication channels between the trustees and the employer, with all communications documented?
7. Are procedures in place to manage potential conflicts of interest where trustees are also employees and/or directors of the sponsoring employer?
8. What information should the trustees request from the employer and how often? For example, management accounts and audited financial statements, cash flow statements, budgets and forecasts, credit ratings, on a quarterly, annual or triennial basis?
9. Is information from the employer received on a timely basis?
10. What procedures are in place for the employer to inform trustees of a notifiable event? For example, if the employer changes corporate strategy, plans to sell a division, or if serious commercial issues arise that affect the pension scheme, how is this notified to the trustees and how quickly?
11. How do the trustees assess the impact on the pension scheme of a notifiable event?
12. Are there adequate procedures to ensure confidentiality of sensitive commercial information?
13. What level of covenant risk is acceptable to the trustees, and to the employer, and how is this risk assessed?
14. If there is more than one participating employer, does each employer have a segregated section of the scheme and, if so, do the administrative procedures appropriately recognise this so that all assets and liabilities are ring-fenced for each section?
15. Have the ring-fencing procedures been documented, tested and audited?
16. On a failure of the ring-fencing procedures, would it be straightforward to unwind the process?

**Financial strength of employer**

1. How strong is the pension fund’s sponsoring employer?
2. How strong is each of the participating employers and what is the financial relationship between them and other companies within the same group?
3. Are there cross-company guarantees available and/or other forms of security? For example, charges on assets, parental guarantees, letters of credit.
4. Has the value to the pension scheme of any of these other forms of security been assessed, whether they are in place or have been proposed?
5. How do the trustees assess the ongoing strength of the employer’s covenant?
6. Are the trustees regularly updated with reliable information on changes in the employer’s financial position?
7. How does any pension deficit compare with the employer’s net asset position; and in what circumstances should the scheme funding deficit be used in this context and in what circumstances the buy-out deficit?
8. What is the nature of the employer’s balance sheet; for example, if goodwill or stocks are material items, how would the value of these items change on the failure of the employer?
9. Is credit information about the employer available, for example, from Dun & Bradstreet and, if so, how is this evaluated?
10. Do the trustees have information about the employer’s other major creditors, secured and unsecured, and understand where the pension scheme deficit would appear in the priority order should the employer be wound-up?
11. Have the trustees considered commissioning an independent report on the employer’s financial strength? Where an independent report is available have the trustees acted on that report?

<b>Summary of key risks</b>	<b>Assessment of risk</b>
<b>In summary</b>	high medium low

## Chapter 3

### Defined contribution schemes

#### Financial risks – investment

*The trustees are responsible for ensuring that pension contributions are invested to maximise return without exposure to unacceptable risk, and in line with any specified requirements of the scheme members. In assessing the risks associated with the investment strategy the following questions should be considered:*

#### The investment strategy

1. Is the Statement of Investment Principles (SIP) up to date and are the considerations relevant to the SIP still appropriate?
2. Was written investment advice received in preparing and/or altering the SIP and was it followed?
3. Are the SIP and investment strategy consistent?
4. Is each investment permitted under the scheme rules and within agreed ethical guidelines, if any?
5. What is the trustees' attitude towards investment risk?
6. Do the members understand investment risks and what is their attitude to them?
7. If there is a 'default' fund is it appreciated by members that this is not necessarily the most suitable fund for their individual needs?
8. Is the range of funds available sufficiently wide to cater for the requirements of all members?
9. Do the trustees understand the characteristics of the funds in which they have invested?

Summary of key risks	Assessment of risk
<b>In summary</b>	high medium low

## Member risks – lack of understanding

*In a defined contribution scheme the key risks rest with the individual members of the scheme and therefore it is vital that the members are informed so that they can make suitable investment decisions throughout their working lives. The ability to make informed decisions at the time of retirement is also necessary. In assessing the members risks the following questions should be considered:*

### Investment decisions

1. Are the members given timely information about their potential investment choices? Is the information relevant, clear and balanced?
2. Are communications with members clear and accessible?
3. Do members have the information to be able to understand investment risks, and to appreciate that it is the individual member's responsibility to select their own investment strategy?
4. Do members have the information in order to understand the impact of longevity on their savings and their pension provision?
5. Are members made aware that the default funds may not always be their best choice?
6. Are members made aware of the level of savings required in order to provide an acceptable income in retirement?
7. Where the employer has closed a DB scheme and now offers a DC scheme are the differences between the two types of pension provision highlighted to members?
8. How do the trustees encourage member engagement and is this satisfactory?
9. Is engagement with members consistent with communications from the employer?
10. What is the process for switching funds where a member wants to change?
11. Do members understand what actions they have to take and the timescale between instruction and implementation?
12. What is the process for disinvestment when a member retires, dies, or transfers? If there is likely to be a delay before benefits are settled, for example if there is a dispute about the beneficiaries of a death benefit, where are the monies held?

### Retirement decisions

1. Are communications with members concerning retirement decisions clear and timely?
2. Do members have the information to be able to understand that it is the individual member's responsibility to select their own post retirement option?
3. Is there a default option to deal with untraceable members or members who fail to select any option?
4. Do members have the information to understand the alternative retirement options that are open to them, including the availability of impaired life annuities?
5. Do members have the information to be able to understand the design of annuities and the different types available?
6. Do members have sufficient information to enable them to understand the effect of price inflation on the true value of their pensions?
7. Do members understand the benefits that are payable on death, and those that are not payable?
8. Are members made aware that they can exercise an open market option?
9. Do members appreciate that the decision to take a particular post retirement option cannot be reversed?

<b>Summary of key risks</b>	<b>Assessment of risk</b>
<b>In summary</b>	high   medium   low

**Corporate risks – relationship with employer**

*A pension scheme is originally set up by a sponsoring employer and the rationale for the scheme is usually to provide benefits to the employer’s current and former employees. The employer therefore has a significant interest in the scheme and their support is crucial. In assessing the corporate risks the following questions should be considered:*

**Relationship with employer**

1. Have all of the participating employers been identified?
2. Does each employer have a direct involvement with the administration of the pension scheme? For example, does each employer pay its own contributions and/or run the payroll for its own employees?
3. Does the employer representative(s) have the authority to enter into discussions and reach agreements with the pension trustees?
4. Does the employer meet with the trustees on a regular basis, with the meetings fully minuted?
5. Are there adequate communication channels between the trustees and the employer, with all communications documented?
6. What is the procedure if contributions are not paid on time, or if incorrect contributions are paid? Is there a formula for compensating members?

<b>Summary of key risks</b>	<b>Assessment of risk</b>
<b>In summary</b>	high medium low

## Appendix

### Acronyms

AAF 1/06	Audit and Assurance Faculty (ICAEW) guidance, number 1/06
AVC	Additional Voluntary Contribution
CETV	Cash Equivalent Transfer Values
DB	Defined Benefit
DC	Defined Contribution
FRS 17	Financial Reporting Standard number 17, Retirement Benefits
FSA	Financial Services Authority
HMRC	Her Majesty's Revenue and Customs
IAS 19	International Accounting Standard number 19, Employee Benefits
PN 15	Practice Note 15, The Audit of Occupational Schemes in the UK (Revised)
PPF	Pension Protection Fund
SAS 70	Statement on Auditing Standards, number 70, Service Organisations (issued by the American Institute of Certified Public Accountants)
SIP	Statement of Investment Principles
SORP	Statement of Recommended Practice 'Financial Reports of Pension Schemes'
TKU	Trustee Understanding and Knowledge
TPR	The Pensions Regulator
VAT	Value Added Tax

Section 179 liabilities	Actuarial liabilities calculated for the purpose of section 179 of the Pensions Act 2004
Section 143 liabilities	Actuarial liabilities calculated for the purpose of section 143 of the Pensions Act 2004

### Further information

DWP	Department of Work and Pensions <a href="http://www.dwp.gov.uk/">http://www.dwp.gov.uk/</a>
FRC	Financial Reporting Council <a href="http://www.frc.org.uk/">http://www.frc.org.uk/</a>
NAPF	National Association of Pensions Funds <a href="http://www.napf.co.uk/">http://www.napf.co.uk/</a>
PMI	Pensions Management Institute <a href="http://www.pensions-pmi.org.uk/">http://www.pensions-pmi.org.uk/</a>
PPF	Pension Protection Fund <a href="http://www.pensionprotectionfund.org.uk/">http://www.pensionprotectionfund.org.uk/</a>
PRAG	Pensions Research Accountants Group <a href="http://www.prag.org.uk/">http://www.prag.org.uk/</a>
TPR	The Pensions Regulator <a href="http://www.thepensionsregulator.gov.uk/">http://www.thepensionsregulator.gov.uk/</a>





CA HOUSE • 21 HAYMARKET YARDS • EDINBURGH • EH12 5BH  
TEL: 0131 347 0240 • FAX: 0131 347 0110  
E-MAIL: [accountingandauditing@icas.org.uk](mailto:accountingandauditing@icas.org.uk) • WEB: [www.icas.org.uk](http://www.icas.org.uk)