Affinity Water

Information for prospective Member Nominated Directors of the Trustee of the Affinity Water Pension Plan

What is a Member Nominated Director?

A Member Nominated Director ("MND") is a Trustee director who has been nominated by other members of the Affinity Water Pension Plan (the "Plan") and selected by the Trustee. The Trustee Board comprises two MNDs and four Employer Nominated Directors.

What does a Trustee director do?

As a trustee director you are responsible, along with your fellow directors, for the proper running of the Plan – from the collection of contributions to the investment of assets and payment of benefits. The members look to you to make sure that the Plan is well run and that their benefits are secure. You must represent all members equally, and impartially consider the role of the Employer. All decisions are taken as a Trustee Board and you will not be required to take decisions on your own.

This is a great responsibility, but help and advice are available from a range of sources, including your fellow trustee directors, professional advisers and the Pensions Regulator. If you are considering becoming a trustee director, it would be helpful if you understand some basic details about pensions, trustees and the legal framework surrounding occupational pensions. Rest assured that, if you are selected, assistance and training will be given to ensure you are equipped with the necessary knowledge to take on the role.

Working with the Employer

Affinity Water Limited is the sponsoring Employer of the Plan, responsible for funding the scheme. Affinity Water Limited will negotiate with the Trustee on matters such as funding and investment. Trustee directors and the Employer each have a vital role to play in the proper running of the Plan. It's important that they maintain a good working relationship. Regular consultation is key; in some cases the law requires the Trustee to consult the Employer about decisions.

Trustee director learning

The Pensions Act 2004 requires Trustee directors to have knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding of occupational schemes and the investment of scheme assets. Trustee directors are also required to have a working knowledge of their own scheme's policy documents e.g. the Trust Deed and Rules, the Statement of Investment Principles and the Statement of Funding Principles so that they can use them effectively when carrying out their duties.

It is very important that you understand and develop your knowledge of your role as a trustee director as this will help you to perform the role effectively. Training will be given at Board meetings and ad hoc as required, and self-study will be required to complete the Trustee Toolkit in the first six months of appointment as a trustee director. A willingness and commitment to training to achieve an acceptable level of knowledge and understanding is therefore required.

Fiduciary duties of a trustee

Many of your duties as a trustee director arise from trust law. These are 'fiduciary' duties, which means that when you carry them out you must always act independently and in the best interests of Plan beneficiaries.

Keeping the Pensions Regulator informed

The Pensions Regulator needs clear and open communication with trustees to perform its role effectively. The Trustee must therefore provide the Pensions Regulator with information at particular times and in particular circumstances.

Your liability

The Plan rules protect individual Trustee directors from liability if things go wrong, apart from breach of trust through wilful wrongdoing.

Your advisers

Running a pension scheme is a complicated business. Trustee directors can and will rely on others to carry out tasks for them and will often need to take a range of specialist advice. As a trustee director you have a duty to ask your advisers to explain if you do not understand something, and you should always feel that you can question or challenge them if you do not agree with what they are saying.

Contributions and funding

One of your most important responsibilities is to make sure that the right money is paid into the Plan, and invested in the right members' accounts, at the right time. You also have to make sure that contribution rates are sufficient to help fund the Plan to provide the expected benefits.

Investments

Members' and employers' contributions are invested in a range of assets with the aim of increasing the value of the contributions. The Trustee determines the investments that are available to Defined Contribution members, who can choose from three pre-set 'lifestyle' options or to self-select. The Trustee also manages a separate set of investments so it can pay benefits to Defined Benefit members when they fall due. There are practical and legal considerations affecting the investment of Defined Contribution and Defined Benefit assets.

Administrative procedures

Good administration is vital to the proper running of a pension scheme. The Trustee is ultimately responsible for the Plan's administration and you should actively monitor the quality and effectiveness of the Plan's procedures. Trustee directors must establish, operate and maintain adequate internal control mechanisms to monitor that the Plan is being effectively administered and managed in the interests of the members and beneficiaries under the scheme rules.

Support from the Pensions Regulator

The Pensions Regulator publishes guidance on its website. This outlines some of the wide-ranging responsibilities placed on Trustees and trustee directors and some of the powers they usually have. The aim is to provide an overview of the role for newly-appointed trustee directors, including MNDs, and to others who are thinking of becoming trustee directors or who are simply interested in finding out more about what being a trustee director involves.

Information on the website www.thepensionsregulator.gov.uk/trustees includes:

- **Guidance for trustees**
  An overview of the function, duties and responsibilities of trustees. This guidance will be particularly useful for newly-appointed trustee directors and people who are considering becoming one.

- **The 'scope' documents for trustee knowledge, understanding and conversance**
  These provide details of the items which the Pensions Regulator considers you should know and understand as a trustee director, and describe the scheme policy documents with which you should be familiar.

- **Codes of practice**
  The Pensions Regulator has issued a number of codes of practice, providing practical guidance on complying with pension legislation and setting out the standards of conduct they expect.

- **The Trustee Toolkit**
  The Trustee Toolkit is a training programme which has been developed to help trustee directors meet the requirements for trustee knowledge and understanding. It takes the form of a number of free online training modules at www.trusteetoolkit.com.

Specific requirements of a trustee director

As an MND you will need to commit your own time, as well as any time agreed with your manager, to become conversant with the Plan's key documents. Most importantly you will need to show a willingness and commitment to training to achieve the required level of knowledge and understanding.

As an MND you will have the support of your fellow trustee directors and receive professional advice on which to base the important decisions that you will make for the benefit of members. You should be able to apply an enquiring and independent, common sense approach to the advice received and decisions you make.

Trustee directors should exhibit:

- enthusiasm and commitment
- previous related experience ideally, but not essential
- ability to work with other people
- independence
- commitment to equality, diversity and inclusivity
- strong communication skills (listening and verbal).

The role requires participation in four half-day Trustee board meetings annually. The meetings are normally held at Hatfield. Agenda packs will be provided for the board meetings and should be read thoroughly in advance. Between meetings you may be expected to review various documents and reply with your decision or opinion, e.g. to exercise discretion over payment of death benefits to beneficiaries.

You will be asked to join at least one Board committee, contributing to the delivery of the Trustee business plan. As a member of such a committee, you will be expected to prepare papers and to regularly attend and contribute at quarterly meetings, which typically last 3 hours.

How long will I be an MND for?

The standard term is 5 years and you may stand again after completing a term. You may resign at any point and there are situations, e.g. leaving employment at Affinity Water, which will result in the immediate termination of your office as MND.

What benefits are there to being an MND?

This is a good personal development opportunity. A significant amount of training and knowledge is available to MNDs, in legal, investment and other matters, which can benefit you in your business and personal life. Acting as a Trustee director is typically a very different experience for individuals, and many directors get satisfaction from the variety and interest that it brings.

The MND role is unpaid for Affinity Water Limited employees. Pensioner members who serve as MNDs will be compensated. All necessary expenses incurred will be reimbursed.

Am I eligible to be an MND?

All active and pensioner members of the Plan are eligible to stand for selection as an MND. Active members do not need permission from their Employer to apply for the role, but you should mention to your manager that you are applying and explain the time commitment the role entails.

You should note that the following are legally disqualified from acting as a trustee director:

- persons under the age of 18
- persons disqualified from acting as a company director under the Company Directors Disqualification Act 1986 or under section 429(2)(b) of the Insolvency Act 1986
- persons with a conviction for an offence involving dishonesty or deception (unless the conviction is legally regarded as spent)
- undischarged bankrupts or persons who have an undischarged sequestration order on their estate
- persons who have made a composition or arrangement with their creditors and have not been discharged in respect of it
- persons who have been suspended or disqualified from acting as a Trustee by court order or by order of the Pensions Regulator or the Occupational Pensions Regulatory Authority under sections 3, 4 and 29(3) & (4) of the Pensions Act 1995.

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