CENTRAL BANK OF TRINIDAD & TOBAGO

Guideline on Pension Plan Governance

The purpose of this Guideline is to provide a framework for the prudent governance of pension plans. The Guideline is to be used as a tool by which trustees, management committees and plan sponsors can assess their own operations and determine whether changes are required.

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1. INTRODUCTION

1.1 The Central Bank of Trinidad and Tobago ("the Central Bank") regulates all pension plans in Trinidad and Tobago established in accordance with the Insurance Act, Chap 84:01 ("the Insurance Act").[1] No pension fund plan may be operated unless it is registered with the Central Bank and established under trust in accordance with the Insurance Act[2]. Pension Plans registered with the Central Bank may also be approved under the Income Tax Act.

1.2 The governance of a pension plan refers to the manner in which it is managed, in accordance with its Trust Deed and Rules and relevant laws, in order to fulfill its objective of providing benefits to its membership. The governance of a pension plan should be guided by best corporate practices so as to ensure that the plan is professionally managed by competent personnel who are aware of their roles, responsibilities and accountabilities, and who conduct their activities in an accurate, consistent, equitable and transparent manner.

[1] The Central Bank supervises and regulates pension plans established under trust in accordance with section 175 of the Insurance Act, Chap 84:01. Section 175(1) states that

"Subject to the provisions of this Part, where a plan establishes a fund under trusts which are subject to the laws of Trinidad and Tobago, in connection with an undertaking or a combination of undertakings carried on wholly or partly in Trinidad and Tobago, and the main purpose of that fund is—

(a) the provision of superannuation allowances on retirement to persons employed in the undertaking or in the combination of undertakings in connection with which the fund is established;

(b) the provision of pensions to the spouses of persons who are or have been so employed and of periodical allowances to or in respect of the children of such persons; or

(c) the assurance of capital sums on the death of persons who were so employed,

such a plan shall be qualified for registration under this Part if the Rules of the plan comply with the requirements set out in Part I of the Fourth Schedule."

Section 175(1) of the Insurance Act, Chap 84:01 corresponds to section 217(1) of the new Insurance Act which was assented to on June 4, 2018 ("the new Insurance Act"). The Fourth Schedule of the Insurance Act, Chap 84:01 corresponds to Schedule 4 of the 2018 Insurance Act.

[2] See section 174 of the Insurance Act, Chap 84:01. The corresponding section of the new Insurance Act is section 216. Part IX, sections 216 to 229, of the new Insurance Act will replace Part VI, sections 174 to 187, of the Insurance Act, Chap 84:01 when the new Insurance Act is proclaimed.

1.3 The entities responsible for ensuring that a pension plan is properly governed are the trustees, management committee and the plan sponsor[3]. Persons who function in these capacities should understand their mandates and be aware of the manner in which they are required to operate to ensure that these are fulfilled. As such, this Guideline is primarily for their use. However, the Guideline should be shared with all pension plan members so that, as key stakeholders[4], they too are informed of the manner in which their pension plan should be operated.

2. PURPOSE, APPLICATION AND SCOPE

2.1 The purpose of this Guideline is to provide a framework for the prudent governance of pension plans. The Guideline is to be used as a tool by which trustees, management committees and plan sponsors can assess their own operations and determine whether changes are required.

2.2 The Guideline takes into consideration current legislation[5] and international best practice[6] for the purpose of presenting a holistic perspective on governance issues concerning pension plans. It can be considered as an outline for a minimum standard

[3] The terms "trustee", "management committee" and "plan sponsor" are defined in APPENDIX 1 to these Guidelines.

[4] Further information on the key stakeholders of pension plans can be found in APPENDIX 1.

[5] The regulation of pension plans is contained in the Insurance Act Chapter 84:01, and the new Insurance Act assented to on June 4, 2018, administered by the Central Bank. Plans that wish to take advantage of tax incentives are also required to abide by the Income Tax Act Chapter 75:01 and any other guidance issued by the Board of Inland Revenue, such as the Income Tax Approved Pension Fund Plan and Deferred Annuity Regulations 1969 (Draft). The Trustee Ordinance Chapter 8 No.3 is also relevant.

[6] This Guideline builds on the frameworks for pension plan governance outlined by the following international bodies and foreign supervisory entities: the Organisation for Economic Cooperation and Development, the International Organisation of Pension Supervisors, the Canadian Association of Pension Supervisory Authorities, the Canadian Office of the Superintendent of Financial Institutions, the Australian Prudential Regulation Authority and the UK Pensions Regulator.

of operations and trustees, management committees and plan sponsors should continuously look for opportunities to improve their governance and enhance the safety and soundness of their pension plans' operations.

2.3 The Guideline will be used by the Central Bank in its evaluation of a pension plan's governance structure and its effectiveness.

3. GOVERNANCE FRAMEWORK: THE TRUST DEED AND RULES

3.1 All registered pension plans in Trinidad and Tobago are required to be established under irrevocable trust.[7] The Trust Deed and Rules are the main legal documents of the pension plan and they facilitate the creation of this irrevocable trust. As such, the Trust Deed and Rules must include certain provisions which guide the governance and administration of the trust. Trustees, management committees and plan sponsors all have prescribed responsibilities within the Trust Deed and Rules which must be understood and adhered to. Any change or amendment to the Trust Deed and Rules must be done in accordance with its provisions and must be registered by the Central Bank in order to be valid[8].

3.2 The required content of the Trust Deed and Rules is outlined in the Fourth Schedule of the Insurance Act. These requirements are listed below:

[7] An irrevocable trust is one where the settlor (in this case the plan sponsor) cannot revoke the provisions of the Trust Deed and Rules and thereby re-take possession of the property previously held under trust for the beneficiaries.

[8] See section 177(1) of the Insurance Act, Chap 84:01 and section 219 of the new Insurance Act.

(i) a statement as to the objective for which the pension plan is established;

(iii) the vesting in the trustees of all property belonging to the pension plan;

(iv) a requirement for all capital moneys belonging to the pension plan to be held in the name of the trustees[9];

(v) specification of the authority responsible for the investment of the pension plan's moneys;

(vi) the criteria for selection and terms of appointment and removal of trustees;

(vii) the conditions under which a person may become a member or cease to be a member;

(viii) the conditions under which members' benefits become vested and the protection of those vested rights;

(ix) employee contribution rates;

(x) the plan sponsor's or sponsors' contribution rates;

(xii) the types of benefits payable under the pension plan (e.g. withdrawal from service with either a refund of contributions with interest or a deferred pension, death in service, early retirement, ill health retirement, normal retirement, late retirement, death after retirement, pension to spouse/dependents, etc.) and the methods used to calculate these benefits;

(xiii) the preparation of annual audited financial statements and triennial actuarial valuation reports and the submission of these documents to the Central Bank;

(xiv) provision for the supply (on demand) to any member or former member of the plan having rights to a benefit copies of the pension plan's Trust Deed and Rules and any

[9] Assets may be held in the name of the Trustees in custodial accounts provided that the assets are held in the beneficial name of the trustees and do not constitute assets of any entity other than the pension plan.

amendments thereof as well as the pension plan's audited financial statements and actuarial valuation reports; and

(xv) the circumstances under which the pension plan may be wound-up.

3.3 Trustees and Plan Sponsors should consider the following for inclusion in the Trust Deed and Rules, if such provisions don't already exist:

(i) a requirement to provide annual benefit statements to active members[10] and exit statements when members leave the plan sponsor's employment;

(ii) mechanisms for receiving and responding to members' queries and the settlement of disputes lodged by members;

(iii) a statement as to the indemnities provided to the trustees and the management committee for any action done in good faith in the execution of their duties;

(iv) the circumstance under which the pension plan can be partially wound-up in respect of the membership of an associated subsidiary or plan sponsor, and the method to be used to determine and secure the benefits of the members on wind-up;

(v) the procedure(s) to be followed when appointing and removing persons to the management committee and board of trustees and the circumstances under which such persons can be removed;

(vi) stipulations on whether the pension plan or the plan sponsor will bear the costs associated with the pension plan including winding-up costs;

[10] The terms "active member" is defined in APPENDIX 1.

(vii) the method by which the Trust Deed and Rules may be amended and for extending the pension plan's benefits to associated or subsidiary employers; and

(viii) the treatment of surplus and deficits on an on-going basis and on wind-up, whether full or partial.

3.4 Costs which are usually not specified in a pension plan's Trust Deed and Rules but which can be considered for inclusion are:

(i) the Supervisory fees to be paid in accordance with the Central Bank's (Payment of Supervisory Fees and Charges) Regulations 2011[11];

(ii) the preparation of annual reports to members and benefit statements;

(iii) fulfilling requests by the Central Bank for information from the actuary and auditor which are not included in the actuarial valuation report or audited financial statements;

(iv) the preparation of operational policies and procedures documents for the trustees, management committee and the plan sponsor;

(v) the provision of training and training material to trustees, management committees and staff responsible for the pension plan's operation.

[11] Revised Regulations will be made under the new Insurance Act.

4. GOVERNANCE FRAMEWORK: THE RESPONSIBLE ENTITIES

4.1 The Trustees

4.1.1 In order to be approved by the Board of Inland Revenue and registered with the Central Bank, a pension plan must have appointed trustees, either corporate or individual, in whom the plan's assets are vested. Section 30 of the Income Tax Act states that pension plans must have one of the following trusteeship arrangements:

(i) A corporate trustee and a management committee, or

(ii) A board of individual trustees.

4.1.2 Where there are individual trustees, the Income Tax Act states that there must be no less than three trustees one of whom must be appointed by the pension plan's members. Where there is a corporate trustee, there must be a management committee comprising of no less than three persons, one of whom must be appointed by the pension plan's members.

4.1.3 Trustees and management committees should explore the possibility of including a pensioner representative in their body so that the pensioners' position and interests may be heard[12].

4.1.4 Trustees must know their duty as a fiduciary to pension plan members and their beneficiaries. They are required to use proper care and skill and act impartially at all times in the fulfillment of these duties. They are ultimately responsible for ensuring adherence to the terms of the Trust Deed and Rules, the

[12] Jamaica, Canada and the United Kingdom all have provisions for or recommend a pensioners' representative as either a trustees or a member of the management committee.

protection of the interests of plan members, and ensuring the payment of the benefits as they become due. Trustees should also be familiar with the powers and duties of trustees according to applicable laws and/or obtain expert guidance on these matters with respect to their responsibilities.

4.1.5 Trustees are required to make accurate and complete disclosures to those placing trust in them in respect of matters and documents they are required to disclose. Trustees are forbidden from obtaining an unreasonable advantage at a member's expense. Trustees are also required to discharge their duties under the pension plan's Trust Deed and Rules with diligence and avoid actions or decisions where charges of conflict of interest or bias may arise.

4.1.6 The trustees must retain oversight of the pension plan's service providers[13] and scrutinize the information and advice that they provide. They must ensure that, through monitoring and evaluating the performance of the service providers, the pension plan receives adequate value for money. Service agreements or contracts with the providers would assist in ensuring that the trustees' requirements and expectations are understood and met. Appropriate oversight mechanisms for service providers should also be established by the management committee when a pension plan has a corporate trustee.

4.1.7 The trustees should prepare comprehensive policies and procedure documents detailing how they would accomplish their duties. The policies and procedures can include the

[13] The service providers are the professional persons who assist the trustees, management committees and plan sponsors in fulfilling their responsibilities and include insurance companies, administrators, actuaries, auditors, investment advisors and managers, attorneys and doctors.

functions performed by other stakeholders in the pension plan such as the management committee or plan sponsor as these work together to achieve the pension plan's overall objective.

Key areas for which policies and procedures should be developed include:

(i) Compliance: trustees must ensure that they are always compliant with all relevant legislation and the plan's registered Trust Deed and Rules and any amendments made thereto. Corporate trustees should ensure that annual reviews of their operations are done by their senior management, internal audit and compliance departments to ensure that they are meeting the institution's governance and risk management standards. Individual trustees should arrange for the plan sponsor's management, internal auditor, compliance officer or external auditors to conduct a similar review.

(ii) Investments: a Statement of Investment Policy (SIP) should be developed, in consultation with the plan's sponsor, actuary, investment manager and management committee (if applicable) and reviewed at least triennially[14] to ensure that it remains relevant to the pension plan's funding requirements and liability profile.

[14] The timeframe for review should be written into the SIP to ensure that it is adhered to. The recommendation for at least triennial reviews is in keeping with the statutory timeframe for actuarial reviews.

(iii) <u>Communication</u>: members should be periodically informed of their entitlements through benefit statements, informed of any changes to the pension plan's Trust Deed and Rules and updated on the plan's financial and funding status[15].

(iv) <u>Administration</u>: the trustees should have a consistent approach to handling members' queries and complaints. Trustees should consider keeping a register to determine whether the queries and complaints received are similar in nature and relate to operational issues which need to be addressed.

There should be clear comprehensive procedures for maintaining membership data and the processing and paying of benefits. Trustees should have procedures on maintain and providing data to the actuaries for the actuarial valuation reports and to the auditors for the annual audited financial statements. These procedures should include deadline dates by which the data are to be supplied to the actuaries and auditors so that the final reports can be submitted to the Central Bank within the timeframes specified in the Insurance Act.

(v) <u>Business continuity</u>: Trustees should ensure that all pension plan documents, including the Trust Deed and Rules and any amendments thereto, the membership files, benefit calculation and payment data, monthly pension payroll reports, certificates of existence, the actuarial valuation reports and audited financial statements are securely

[15] Funding status refers to the ratio of the pension plan's assets to its liabilities as calculated by an actuary as at a particular date. In Trinidad and Tobago, triennial actuarial valuation reports are prepared for most pension plans. Please note that section 185(2) of the Insurance Act requires an actuarial investigation into the financial condition of the plan to be made and the findings to be reported every three years or such shorter intervals as the Central Bank may specify. The corresponding section of the new Insurance Act is 227(2).

stored and back-up copies are available in the event that original documents are lost or destroyed. Documents can also be scanned and stored electronically in an offsite location. Retention and archiving policies should be developed for these important documents.

4.1.8 Trustees should identify and assess the risks facing the pension plan on an ongoing basis. They should determine whether these are current or emerging risks, and the likely impact on the pension plan if the risks are not effectively managed. They should also assess the controls in place for managing and monitoring risks to determine the effectiveness of these controls and enhance them as required.

Examples of risks which trustees should assess and implement controls for managing and monitoring include:

(i) governance risk which refers to the improper or injudicious functioning of the persons responsible for the pension plan's management, the lack of appropriate governance tools such as comprehensive, documented operational procedures or, the lack of adherence to these tools;

(ii) funding risk that emerge due to inadequate contributions and/or investment earnings and may result in the pension plan being underfunded;

(iii) administrative and operational risk due to poor membership data management, improper retention and or destruction of documents, improper recording and collection of contributions and investment income and the incorrect calculation and payment of benefits; and

(iv) compliance risk resulting from the non-submission of documents and reports to the regulator as required by legislation which can result in breaches of the Insurance Act.

4.1.9 Other trustee responsibilities should include:

(i) Selecting the actuary, investment manager[16], asset custodian and auditor in consultation with the management committee and/or the plan sponsor.

(ii) Monitoring the investment manager's performance against any benchmarks or asset limits set in the SIP. The investment manager should submit quarterly reports providing this information and well as details of the investment activities undertaken, the plan's overall asset mix and the rate of return on investments.

(iii) Ensuring the Trust Deed and Rules are in compliance with legislation.

(iv) Submitting amendments to the Trust Deed and Rules to the Central Bank for approval and registration and to the Board of Inland Revenue for its approval, where applicable.

(v) Monitoring the remittance of the members' and plan sponsor's contributions to ensure that they are received and are accurate.

[16] See APPENDIX 1 for the requirements of an investment manager.

(vi) Ensuring that the actuary and auditor have access to necessary information and are made aware of developments that might materially affect the actuarial valuation and audited financial statements.

(vii) Ensuring that the actuary complies with the relevant standards for completing actuarial valuation reports e.g. the Caribbean Actuarial Association's Standard of Practice APS 1: Pension Schemes - Actuarial Valuation Reports which can be found on the Association's website[17].

(viii) Submitting the actuarial valuation report to the Central Bank no later than nine months after the valuation date. Copies of the report should also be submitted to the management committee and the plan sponsor.

(ix) Submitting audited annual financial statements to the Central Bank within six months of the pension plan's financial year end. The management committee and plan sponsor should also receive copies of the report.

(x) Submitting semi-annual returns to the Central Bank within forty-five days of the period end, i.e., June 30 and December 31.

(xi) Ensuring the orderly wind-up of the pension plan, in accordance with the requirement of the Trust Deed and Rules, and ongoing communication with the members to inform them of the wind-up's progress.

(xii) Informing the Central Bank within fourteen days of the

[17] The website address is www.caa.co.bb

completion of the wind-up that the pension plan has been wound-up and submitting all required information to the Central Bank to cancel the plan's registration[18].

4.2 The Management Committee

4.2.1 Where a pension plan has made provision for a management committee pursuant to the Income Tax Act Chap. 75:01, each management committee must be comprised of:

(i) at least three members;
(ii) at least one representative of active members elected by them. If there are no active members the management committee should have a minimum of one pensioner representative and two plan sponsor representatives;
(iii) a Chairman and Secretary, not necessarily selected from amongst themselves.

Alternates may also be appointed or elected, as appropriate, to act for each management committee member.

4.2.2 The Trust Deed and Rules must specify the composition and terms of appointment of the management committee and the avenues for the removal, resignation or retirement of any one of the members.

4.2.3 The management committee, just as the trustees, should know and understand the requirements of the pension plan's Trust Deed and Rules and are to strictly adhere to them. They should

[18] See section 179 of the Insurance Act. Section 221(3) of the new Insurance Act, states the following:
"The Central Bank, trustees and the management committee shall be informed of a person's intention to wind-up a plan, in writing, within twenty business days of the board resolution and such notification to the Central Bank, trustees and the management committee shall be done simultaneously and accompanied by a copy of the relevant board resolution."

also have knowledge of the applicable laws governing pension plans.

4.2.4 The management committee should be responsible for:

a) Ensuring that the trustees and the plan sponsor adhere to the pension plan's Trust Deed and Rules.

b) Ensuring that the members' best interests are served by all decisions and actions taken by the trustees and plan sponsor and ensuing that all members are fairly and equitably treated.

c) Overseeing, in conjunction with the trustee, the investment of the pension plan's assets. This will include:
   (i) ensuring that the assets are invested in accordance with the requirements and restrictions of the SIP and investment limits prescribed in law;
   (ii) reviewing reports on the performance of the investments provided by the trustee or investment manager, at least quarterly;
   (iii) meeting with the trustees and/or investment managers at least annually to review the investment performance and to evaluate the effectiveness and relevance of the SIP.

d) Where the management committee does not possess the requisite skills to perform the duties required in c) above, they may retain the services of an investment advisor or other skilled professional to assist in carrying out this mandate.

e) Establishing and documenting policies and procedures for the effective operations and administration of the pension plan which should include but may not be limited to:

(i) the frequency of their meetings and the business to be conducted at these meetings. Minutes should be taken at each meeting with the confirmed minutes being signed by the committee's secretary and the chairman;

(ii) the frequency of their meeting with the members and the information to be provided at those meetings;

(iii) how their queries, opinions and decisions are to be communicated to the trustees, plan sponsor and members and the mechanisms for receiving feedback;

(iv) the manner in which they would request and receive information from the plan sponsor and trustees including membership data and copies of actuarial valuation reports, audited financial statements, benefit payments and investment management reports;

(v) the handling of members' queries and complaints;

(vi) record keeping and business continuity.

4.3 The Plan Sponsor

4.3.1 The plan sponsor should be responsible for:

a) Appointing a corporate trustee or ensuring that a properly constituted board of individual trustees is in place.

b) Ensuring that a properly constituted and functional management committee is in place, where required.

c) Informing the members of the pension plan's benefit provisions.

d) Informing the members of any changes to the pension plan's Trust Deed and Rules.

e) Remitting the members' and plan sponsor's contributions to the trustees, insurance company, administrator or investment manager as required by the Trust Deed and Rules or as agreed with the trustees.

f) Providing the trustees and/or management committee with all plan member data that is required to carry out their functions.

g) Establishing and monitoring the implementation of policies and procedures to facilitate compliance with the stipulated timeframes for submission of membership data. The plan sponsor may delegate the responsibility of maintaining data to a third party. However, ultimate responsibility rests with the plan sponsor.

h) Ensuring the activities undertaken for the pension plan are subject to annual risk management review by the Plan Sponsor's senior management, internal audit and compliance departments[19]. The results of these reviews, and actions taken as a result, should be documented,

[19] The Central Bank recognises that smaller Plan Sponsors may not have internal auditors or compliance departments. However, it is expected that these Sponsors' management teams will ensure that they, or their external advisors, are suitable qualified to assess their pension plan's operational risks.

reported to the organisation's Board of Directors and be made available to the Central Bank for examination upon request[20].

i) Providing benefit statements at least triennially to active members of defined benefit pension plans and annually for active members of defined contribution pension plans.

j) Providing a statement to each member leaving the plan sponsor's employment prior to retirement indicating:
   (i) the amount of the member's contributions and the accrued interest;
   (ii) the value of the deferred pension benefit (if any);
   (iii) the transfer out value to another approved pension plan or annuity product (if applicable).

k) Providing the management committee and board of individual trustees with adequate resources to allow them to fulfil their mandate and allowing them to access training opportunities.

l) Preparing an annual report to plan members with input from the trustees and management committee which should include:
   (i) a summary of the latest financial statements and actuarial valuation report;
   (ii) details of any changes or additions to the Trust Deed and Rules since the last report was issued;
   (iii) any changes in the composition of the

[20] Section 182 (1) of the Insurance Act Chap. 84:01 states that "The Central Bank may require any person who is an employer, an insurer, a trustee or an officer of a plan for the registration of which application has been made under this Part, or of any registered plan to furnish either by statutory declaration or otherwise, any information or explanation which may be necessary for the proper exercise and performance of the powers and duties of the Bank under this Part."
The corresponding section in the new Insurance Act is Section 224.

management committee, individual trustees or of the corporate trustee;

(iv) any other pertinent event with respect to the pension plan's operations.

5. FIT AND PROPER CRITERIA FOR TRUSTEES AND MANAGEMENT COMMITTEES

5.1 Corporate trustees, individual trustees and members of management committees (and their alternates) should meet minimum fit and proper standards in order to ensure a high level of integrity, competence, experience and professionalism in the governance of pension plans.

5.2 APPENDIX II provides suggested fit and proper requirements which corporate trustees, individual trustees and management committee members should meet.

5.3 The current corporate trustees are subsidiaries of institutions licensed by the Central Bank under the Financial Institution Act (FIA) and are therefore subject to on-going fit and proper assessments by the Central Bank.

5.4 The Central Bank, in order to assess the fitness and propriety of the individual trustees and management committee members, may require annual submission of attestations relative to this in the form of a personal questionnaire and declaration submission. Therefore, individual trustees and management committees should familiarize themselves with the criteria.

6. KNOWLEDGE REQUIREMENTS OF TRUSTEES AND MANAGEMENT COMMITTEES

6.1 Corporate trustees, individual trustees and members of management committees should collectively have the necessary skills and knowledge to oversee the operations of a pension plan, and to monitor any external parties to whom such functions have been delegated. They should also seek to enhance their competence and knowledge via appropriate training.

6.2 Trustees and members of management committees should possess knowledge of specific subject matters related to pension plans. APPENDIX III details the knowledge that trustees and management committees as collective bodies should possess.

6.3 Trustees and management committees should ensure that each individual with responsibility for the pension plan’s day to day administration is conversant with all pertinent documents relating to the pension plan, including any procedures developed to guide their activities. Administrators[21] should be encouraged to work in accordance with comprehensive written and approved procedures. This would assist in ensuring the continuity and consistency of operations when administrative personnel are changed. Additionally, administrators should have a general understanding of the law relating to pensions and trusts and the associated liabilities if their duties are not correctly performed. As such, they should have access to training from pension professionals.

[21] “Administrators” refer to persons responsible for the accurate maintenance of the membership data, benefit calculations and payments, processing of the pensioners’ payroll and record keeping. Trustees, management committees and plan sponsors may require administrators to perform other functions with respect to the pension plan which are not specified here.

7. DELEGATION AND EXPERT ADVICE

7.1 Trustees and management committees may rely on the support of sub-committees and may delegate functions to staff of the plan sponsor or to external service providers. Where they lack sufficient expertise to make fully informed decisions, trustees and management committees should seek expert advice or appoint professionals to carry out the required functions. Delegation or outsourcing of functions and obtaining expert advice in itself should not in any way discharge the trustees and management committees of their responsibility under the general law and the Trust Deed and Rules.

7.2 Trustees and management committees should be able to understand the advice received from external parties. They should assess the advice received for quality and relevance and verify that service providers have adequate qualifications and relevant experience. They should oversee remuneration for any delegated responsibilities to ensure alignment with the objectives of the pension plan and cost effectiveness.

7.3 All service providers associated with the pension plan play important roles in ensuring that the trustees, management committees and plan sponsors fulfil their obligations. However, there are costs associated with these services which may be payable from the pension plan's funds. Therefore, the service deliverables, and the associated fees, should be encapsulated in service agreements or contracts which are to be monitored and adhered to.

APPENDIX I - KEY STAKEHOLDERS IN PENSION PLANS

Active Member - a member of a pension plan whose service with the employer is ongoing.

Actuary – means a fellow of a professional association of actuaries who possesses such qualifications as may from time to time be specified by the Central Bank. The trustees should appoint an actuary to undertake an investigation into the financial condition of the pension plan. Actuarial valuation reports must be done at least once every three years or with such greater frequency as required by the Central Bank. Actuarial valuation reports must be submitted to the Central Bank within nine months of the pension plan's valuation date.

Auditor – means a person or company whose responsibility is to audit the financial statements of a pension plan and who is in possession of a practicing certificate from the Institute of Chartered Accountants of Trinidad and Tobago (ICATT) or possesses such other qualifications as approved by the Central Bank. An external auditor is required to audit the balance sheet and statement of accounts of the pension plan. Annual audited financial statements for the pension plan must be filed with the Central Bank within six months of the pension plan's year-end.

Beneficiary – a person who on the death of a plan member, is entitled to payment of benefits under the pension plan.

Central Bank of Trinidad and Tobago - the mandate of the Central Bank with respect to the regulation of occupational pension plans covers:

- the safety and soundness of pension plans;
- protection of members and beneficiaries from undue loss;

- the stability of Trinidad and Tobago's financial sector in which the majority of the pension plans assets are invested.

Deferred Pensioner – a former Active Member entitled to benefits under the pension plan but who has not yet started to receive benefits.

Investment Manager – a local or foreign person qualified to offer investment advice or undertake investing activities. Local and foreign investment managers should be fit and proper. A local investment manager will be considered fit and proper if he or she is:

(i) an officer of an institution licensed under the Financial Institutions Act;

(ii) an officer of an insurance company registered under the Insurance Act;

(iii) a prudent person in accordance with the Central Bank's Prudent Person Approach to Investment and Lending Guideline[22].

A foreign investment manager must be licensed and regulated in his or her home jurisdiction.

Management Committee – a committee comprised of representatives from the plan sponsor and the membership with responsibility for overseeing the operations of the pension plan and informing, advising and/or instructing the corporate trustees on matters within the committee's purview. The Income Tax Act specifies that the management committee must be comprised of not less than three members, at least one of whom is a representative of the employees selected by the employees. Members of management committees should meet the Fit and Proper criteria outlined in APPENDIX II.

[22] The Guideline can be found at: www.central-bank.org.tt/sites/default/files/page-file-uploads/Prudent%20Person%20Approach%20to%20Investment%20and%20Lending.pdf

Pensioner - a former Active Member in receipt of a pension from a pension plan.

Plan Membership – includes Active Members, Deferred Pensioners, Pensioners and Beneficiaries.

Plan Sponsor – an employer who establishes a pension plan in accordance with the requirements of the Insurance Act or any replacement legislation, for the benefit of his or her employees.

Service Providers – paid professional persons who assist the trustees, management committees and plan sponsors in fulfilling their responsibilities. Service providers include, but may not be limited to, insurance companies, administrators, actuaries, auditors, investment advisors and managers, attorneys-at-law and doctors.

Trustee – an individual or company appointed to carry out the purposes of a trust in accordance with the provisions of the trust instrument and general principles of trust law. The Income Tax Act specifies that where the trustees of a pension plan are individuals, at least one trustee shall be a representative of the employees, selected by the employees[23]. Where the trustee is a trust corporation, there shall be an established management committee. Corporate trustees and individual trustees should meet the Fit and Proper criteria outlined in APPENDIX II.

[23] Section 30(2) of the Income Tax Act.

APPENDIX II – FIT AND PROPER CRITERIA

A. Fit and Proper Requirements for Corporate Trustees, Individual Trustees and Management Committees.

(1) Corporate trustees, individual trustees and members of management committees must be fit and proper persons capable of acting in their various capacities.

(2) In determining whether an individual and/or entity is fit and proper, consideration will be placed on probity, competence, experience and skill for fulfilling the responsibilities of that position, to the commitment of time that is necessary in fulfilling those responsibilities and to whether the interests of members and beneficiaries of the pension plan are, or are likely to be in any way threatened by the individual or entity's position.

(3) Without prejudice to the generality of the foregoing provisions, regard may be had to the previous conduct and activities in business or financial matters of the individual or entity in question and, in particular, to any evidence that the individual or entity has:-

(a) been convicted of an offence involving fraud or other dishonesty or violence;

(b) contravened any provision made by or under an enactment appearing to the Central Bank to be designed for protecting members of the public, against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of banking, insurance, investment or other financial services or the management of companies or against financial loss due to the conduct of discharged or un-discharged bankrupts;

(c) engaged in any business practices appearing to the Central Bank to be deceitful or oppressive or otherwise improper (whether unlawful or not) or which otherwise discredit their method of conducting business;

(d) an employment record which leads the Central Bank to believe that the person or entity carried out an act of impropriety in the handling of his plan sponsor's business;

(e) engaged in or been associated with any other business practices or otherwise conducted themselves in such a way as to cast doubt on their competence and soundness of judgment.

(4) Trustees and Management Committees are subject to assessment based on the criteria as outlined in the Fit and Proper Guideline which is available on the Central Bank’s website.

APPENDIX III - KNOWLEDGE REQUIREMENTS

Requirement for knowledge and understanding: Trustees and Management Committees

Trustees and management committees must collectively possess the requisite skills, competence and expertise to adequately carry out their responsibilities in accordance with all pension legislation and the pension plan's Trust Deed and Rules. Consequently, trustees and management committees as a collective are required to be knowledgeable in the following areas:-

a. the principles of trust law and fiduciary responsibilities;

b. the specific requirements of the pension plan's Trust Deed and Rules, the Insurance Act and the Income Tax Act (if registered under the Income Tax Act) including

   (i) the requirements for amending a pension plans Trust Deed and Rules and having the amendments approved by the Board of Inland Revenue and registered by the Central Bank;

   (ii) the requirement to submit annual audited financial statements and triennial actuarial valuation reports to the Central Bank;

   (iii) the requirement to notify the Central Bank of the winding-up of a pension plan;

c. the basis under which the pension entitlements are calculated, i.e., whether the pension plan has a defined benefit or defined contributions structure or a combination of both;

d. the structure of the pension plan's administrative arrangement, i.e., whether the plan is self-administered or insured, and the specific features of these arrangements;

e. allowable investments for a pension plan, the characteristics of the different investment instruments, the analysis of the investment manager's performance and investment reports;

f. the analysis of the pension plan's audited financial statements and actuarial valuation reports and the ability to determine whether the documents are meeting required standards or providing the information needed to make informed decisions on the pension plan's operations, finances and funding status.