

Governance Practice Checklist

Occupational DC Schemes



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How does your pension scheme stack up?

Whatever the objectives of operating a pension scheme, maximising the return on the pensions spend or investment (principally through enhanced employee appreciation) and minimising the risks associated with running the scheme must be two key considerations. Pension scheme governance effectively addresses both of these areas.

To assist you in implementing and maintaining an appropriate level of governance for your pension arrangement, Watson Wyatt has produced this checklist of governance practices. This checklist should give you a broad understanding of the relative importance of various governance practices, as we have categorised each according to whether we believe the practice to be essential, strongly advisable or good practice.

We suggest you go through this checklist and note the areas where you do already carry out the governance practice as well as those areas where you would like to start doing so in future – adding comments where appropriate. You may then wish to complete the proposed action plan at the end of this document.

Essential: basic, entry-level governance and risk management. Whilst this falls some way short of the level that we would normally recommend, it does provide some comfort to employers and members that the scheme is being monitored.

Strongly advisable: a sound level of governance and risk management. This, we believe, will provide adequate risk management and management control but does not use some of the more detailed methods available to manage a high quality scheme.

Good practice: a good level of governance and risk management. We believe this level of governance is what high quality schemes should be adopting.

Your derived approach can, of course, be interchangeable – following, for instance, sound practice in one area and good practice in another for your own specific reasons.

We hope you find this checklist useful in understanding what governance practices you should adopt.

Checklist completed by:	
Position:	
Name of organisation:	
Date:	

Please note that this checklist is intended as a high level aid to understanding broad governance principles and does not attempt to provide a comprehensive, detailed checklist of your governance responsibilities.

	Essential	Strongly advisable	Good practice	<input checked="" type="checkbox"/>	Check and notes
1. Governance structure					
■ Put appropriate DC governance structure in place (for example, trustee board, sub committees and so on)	●			<input type="checkbox"/>	
■ Ensure balanced interests and representation from all relevant areas (for example, investment, administration and communication) in governance body			●	<input type="checkbox"/>	
■ Have clear terms of reference for each body and defined split of responsibilities (especially with employer)		●		<input type="checkbox"/>	
■ Establish suitable training and development arrangements			●	<input type="checkbox"/>	
2. Risk management					
■ Clearly identify list of potential risks	●			<input type="checkbox"/>	
■ Score and weight each risk by likelihood and impact		●		<input type="checkbox"/>	
■ Identify actions to minimise key risks	●			<input type="checkbox"/>	
■ Identify actions to keep key risks monitored and under review		●		<input type="checkbox"/>	
3. Governance plan					
■ Agree scope of services and service performance levels with scheme provider		●		<input type="checkbox"/>	
■ Agree set of key performance indicators (KPIs)			●	<input type="checkbox"/>	
■ Produce governance plan	●			<input type="checkbox"/>	
■ Include section on investment in governance plan		●		<input type="checkbox"/>	
■ Include section on administration in governance plan		●		<input type="checkbox"/>	
■ Include section on member communication in governance plan		●		<input type="checkbox"/>	
■ Produce statement of investment principles	●	● <small>If fully insured scheme</small>		<input type="checkbox"/>	
4. Year planner					
■ Agree set of review activities	●			<input type="checkbox"/>	
■ Draw up year planner with schedule of key review activities over the forthcoming scheme year		●		<input type="checkbox"/>	
■ Allocate specific times to focus on specific areas of interest			●	<input type="checkbox"/>	
■ Factor in other key scheme events and needs (for example, training)			●	<input type="checkbox"/>	

	Essential	Strongly advisable	Good practice	<input checked="" type="checkbox"/>	Check and notes
5. Regular measurement and review					
■ Review scheme performance against KPIs on regular basis			●	<input type="checkbox"/>	
■ Carry out regular review of investment past performance (particularly of core funds)	●			<input type="checkbox"/>	
■ Review future investment manager potential (particularly of core funds) on regular basis		●		<input type="checkbox"/>	
■ Perform basic analysis of member demographics and behaviour		●		<input type="checkbox"/>	
■ Review financial aspects of scheme			●	<input type="checkbox"/>	
■ Review appropriateness of service providers on regular basis		●		<input type="checkbox"/>	
■ Receive regular summary of current and/or topical issues	●			<input type="checkbox"/>	
■ Review administrative performance against service levels on regular basis		●		<input type="checkbox"/>	
■ Carry out annual review of investment strategy and range of available fund options		●		<input type="checkbox"/>	
6. Ad hoc measurement and review					
■ Benchmark service providers and service features		●		<input type="checkbox"/>	
■ Review member communication strategy from time to time		●		<input type="checkbox"/>	
■ Carry out periodic review of administration arrangements		●		<input type="checkbox"/>	
■ Review risk benefit arrangements *		●		<input type="checkbox"/>	
■ Perform in-depth analysis of membership profiling (for example, demographics, behaviour, trends, and so on) from time to time			●	<input type="checkbox"/>	
■ Review of training needs			●	<input type="checkbox"/>	
■ Carry out review of benefit adequacy *			●	<input type="checkbox"/>	
■ Undertake benchmarking exercise for scheme (for example, against peer group) *			●	<input type="checkbox"/>	
■ Carry out survey of membership and/or member focus groups			●	<input type="checkbox"/>	
■ Review scheme costs periodically			●	<input type="checkbox"/>	

* It may be more appropriate for the sponsoring employer to undertake these review items.

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