The '21st Century Trustee' Workshop

ACA Members' Conference

Friday 5th February 2016

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Agenda

- Factors affecting standards
- Breakout 1 - Your views on strengths and weaknesses of trustees
- Breakout 2 - The possible approaches to raising standards

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Factors affecting standards

- Scheme and trustee characteristics
- Challenge to advisers
- Trustee training
- Time spent / resource allocation

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Scheme and trustee characteristics impact on effectiveness of trustee boards

Size

Larger

- Formal strategies and clear roles
- More frequent interaction
- Greater skill and experience

- Informal approach
- Less likely to have skills & experience
- Less likely to undertake regular training
- Less likely to challenge advisors
- Employer-dominated boards more common

Smaller

Scheme type

DB or hybrid

- More time spent on trustee duties overall
- More likely to be engaged with roles & responsibilities

- More likely to not know duties & responsibilities
- Less likely to scrutinise investment strategy

DC only

Trustee type

Professional

- Greater skills & experience
- Formal structures & procedures
- More time devoted to duties
- More likely to challenge advisors

- Less likely to have full knowledge & skills
- Less likely to consistently attend meetings/carry out role

Lay

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Risk that boards do not scrutinise advice, potentially to the detriment of members' interests

Quality of relationship between trustees and their advisors is varied

- Trustees reported some instances of **clear disagreement** with advisors
- Resulting in benefits to the scheme and it's members

- While not necessarily disagreeing, trustees said that they often **scrutinised advice**
- Relationships described as discursive

- Some schemes reported common acceptance of advice without any detailed consideration

More scrutiny ⟷ Little / no scrutiny

Lack of perceived need or desire to challenge

- High levels of trust in advisors
- It is the 'right thing' to listen to them

Concerns about ignoring 'professional advice' and being held accountable for resulting poor outcomes

Lack of confidence to challenge

- Unsure about the details of issues such as investments or pensions law, so feel 'unable' to effectively challenge

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Increasing understanding of **both** the role of advisors vs. trustees and technical topics will increase likelihood that schemes will become better at scrutinising advice

Inadequate monitoring of training needs and lack of training poses a significant risk to good governance

Wide range of different approaches to monitoring skills & competencies:

Ad-hoc/ informal ⟷ **Systematic /formal**

- Noticing gaps in understanding at meetings
- Relying on trustees to ask for training
- Responding to suggestions from advisors / administrators

- Regular trustee self-assessment questionnaires
- Training topics identified through formal planning of future tasks and actions

Small and some medium and large schemes

Some schemes do both

Mostly large and medium schemes (some small)

Only 50% of lay trustees had undertaken formal training in the last year

- Lack of time
- Lack of perceived need
- Lack of consideration
- Lack of awareness

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Key drivers for achieving an effective trustee board

Degree of planning and consideration

Higher among…

- Schemes using **professional** trustees (who drive this behaviour)
- **Larger** schemes

- Small schemes
- Schemes with only lay trustees

Lower among…

Availability of suitable people

Higher among…

- **Larger** schemes (bigger pool)
- Schemes within financial and other professional services sectors
- Schemes that can afford to employ **professional** trustees

- Small schemes
- Schemes without sufficient resource to employ professionals
- DC (less engaged members)

Lower among…

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What makes an effective trustee board?

- ✓ Motivated individuals
- ✓ Balance of skills and (relevant) experience
- ✓ Balance of ‘interests’ (MNTs and EATs)
- ✓ Knowledge – acquired and refreshed through a formal training approach
- ✓ The right general skills – analytical, challenging, good communicators
- ✓ A chair who leads, guides, can challenge and negotiate
- ✓ The right mix of personalities to work well together

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Breakout Session 1 - Questions for discussion

1. What do trustees do well, and what do they do less well?
2. What are the relative strengths and weaknesses of different types of trustees?
3. How does trustee training and qualifications help to raise standards?
4. Where do trustees spend their time, and why?

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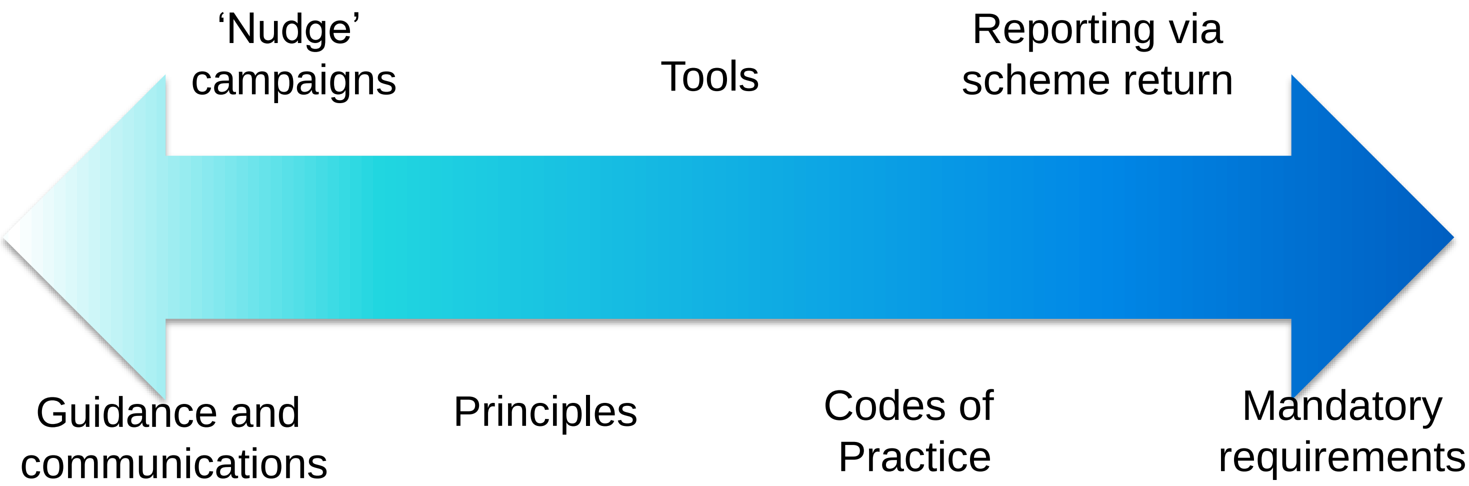
Approaches to raising standards of trusteeship

- What should a 21st Century Trustee look like?
- And what should be our regulatory approach?
- Range of options from light-touch to more onerous



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Breakout Session 2 - Questions for discussion

1. What are the strengths and weaknesses of the regulatory approaches?

2. How can poor performers be compelled to improve? How can the disengaged be reached?

3. Should there be different standards for different types of scheme?

4. Should the standards be higher for professional trustees and chairs of trustee boards?

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Next steps

- Publish further qualitative research
- Publish our ‘action plan’
- Continued focus of our next Corporate Plan
- Continued engagement with stakeholders, partners and industry

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