

When things go wrong, it can be tempting to hit the panic button and lose control, or to cast the first stone in the blame game. But when the muck hits the fan, trustees need to keep their heads screwed on and ensure that their scheme members' information and retirement savings remain safe from whatever threats they face.

What constitutes a crisis?

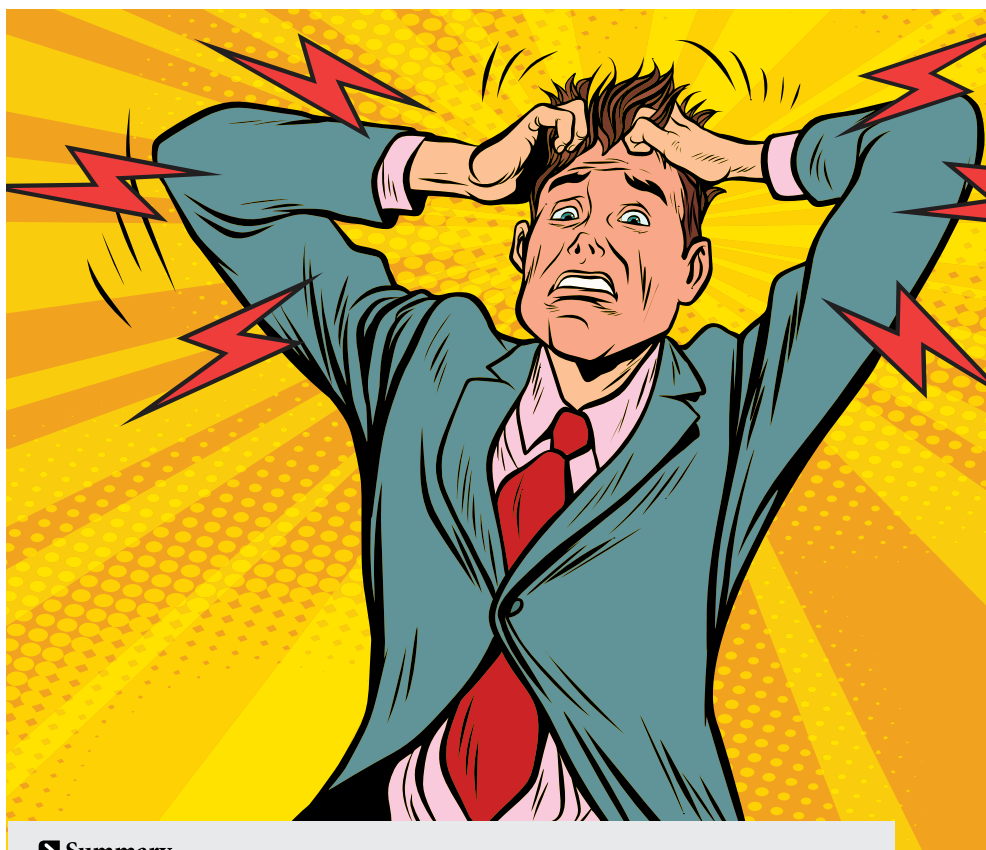
Pension scheme problems can pounce on trustees from a surprising number of different areas. Pension Protection Fund (PPF) trustee panel manager, Helen Beckinsale, says: "The most common issues pension schemes can face stem from where the trustee board composition, relevant structures and processes are no longer fit for purpose."

One notable example of a scheme's infrastructure lagging behind the times occurred when Civil Service pension scheme administrator MyCSP was hit by a flurry of complaints and negative news stories regarding delays to payments in 2015. A scheme spokesperson said at the time that the problems had been caused by "many years of underinvestment" in technology and "a lack of joined-up systems".

But the bad press MyCSP was subjected to pales in comparison to that which surrounds the likes of BHS. The collapse of the high street retailer and a pension deficit of more than £570 million left scheme members fearing the loss of their retirement benefits.

Looking into the crisis, The Pensions Regulator concluded that management decisions of the company, the appointment of inexperienced board members and the way money was extracted and distributed had been materially detrimental to BHS' two pension schemes.

Beckinsale continues: "Where there are risks posed by the employer's financial situation, the trustee board will need to have the right knowledge and expertise so that robust and timely



Summary

- Pension schemes can run into a variety of dangers, from poor data and outdated technology to solvency issues and scams.
- Putting together a crisis response team should be the first step towards dealing with a threat.
- Good communication is essential, as it will reassure members that you can capably resolve any problems.
- Training sessions, crisis response plans and technological innovation can go a long way to preventing a crisis before it even happens.

Panic stations

▶ **What is the best course of action when you're up the creek without a paddle? Duncan Ferris scrutinises the ins and outs of crisis management in the pensions industry**

decisions can be made in the members' interests."

While the issues of solvency and outdated infrastructure might be the most significant and most common issues, there is still more to consider. Barnett Waddingham principal and

client account manager, Collette Graham, says crises can range from office closures to tech issues, such as significant data and cyber-security breaches.

Thieves have been known to target pension schemes, with cyber criminals posing as government officials having

swindled Puerto Rico's public pension scheme out of \$2.6 million earlier in February by sending an email with instructions to transfer funds to a foreign account.

These aren't the only sorts of scams that can harm schemes, as XPS Pensions head of regional administration, Mary McLeod, claims that "some of the most devastating scams can be those where advisers approach many members of a scheme to encourage them to transfer out of their scheme".

She explains: "These cause the most damage because often, before members realise that they have been scammed, they have recommended the adviser to their colleagues or their family. In these cases, the potential scam can affect the individual, their colleagues and their families."

"If the trustees haven't carried out sufficient due diligence and could have prevented the transfers, their employees could be susceptible to the scams and open to the members potentially successfully claiming any lost monies from the scheme."

Action stations

While there are a wide variety of problems that can set trustees' hands sweating above the panic button, there are rough blueprints that can be followed to calmly deal with a variety of problems without causing further damage.

Graham says the first step should be for trustees "to consider appointing an incident/crisis response team", that would focus on managing the incident and include legal advisers and members of a third party, "if the incident has arisen due to an act or omission by a third party".

She adds: "As the sponsor of the scheme, the company's role should be considered when forming the incident response team. In particular, the trustees should determine what support the company can provide, for example providing specialist support from the company information securities officer or assisting with any media enquiries."

Following this initial step, she recommends obtaining "as much information as possible about the event", identifying the operations or population affected and seeking external advice.

Graham acknowledges that any "action taken will depend on the nature of the incident", but stresses that keeping key parties and members informed is "an essential part of the process to manage and centralise response".

Quietroom lead writer, Simon Grover, also emphasises the need for dialogue with members, explaining that, even before a crisis, communication should be used to demonstrate that "you are there, that you care, and that you talk your members' language".

Grover adds: "When crisis hits, you need to be a rock for your members. Stand back from the details and paint a clear picture of what is going on. Think about what members need to hear from you, not just what you want to tell them.

"Agree on one story and one way of telling it, so members are reassured that you are on top of things. And communicate regularly throughout the turmoil, even if there's not much to say sometimes – just to show you are there."

Another problem Grover highlights when it comes to communication is the fact that scheme members may be getting information from sources other than trustees, which could include anything from "public social media platforms to the local pensioners club".

"So, go out and find where your members are, who they are listening to. If you can, join in those conversations yourself. At the very least, take your cue from them, and respond to the concerns that you hear being voiced. Make sure your communications are as easy to read and understand as everyone else's, or members won't bother with you."

Be prepared

Hopefully, most trustees will not have to experience a full-blown crisis, especially as there are several measures they can take to ensure they are ready to weather

a storm.

Graham explains: "Trustees can run scenario-testing training sessions either to test and enhance their incident response plans or to develop a process on how to manage an incident."

She also recommends setting out an "incident response plan" that includes delegation of roles and key contact information, drawing up "succession plans for key personnel" and ensuring that "advisers have business continuity plans in place".

Beckinsale says other areas for trustees and administrators to consider include ensuring they have all governing documents, payroll information, comprehensive lists of employers, up-to-date scheme documents and electronic backups.

She adds that trustees should also consider if they need to consult with the PPF to make sure they stand "in a good place before entering an assessment period".

Meanwhile, XPS Pensions head of regional administration, Mary McLeod, says many issues can be pre-empted by "performing regular member tracing and reviewing back files alongside the database".

She also endorses offering improved technology to members can help to ensure that data is accurate, stating that "where members have on-line access, they can see their benefits and the data held and query anything they believe to be incorrect".

"Having strong systems and good quality administrators makes it easier to move work around to meet the peaks and troughs of work and be prepared to deal with any crisis, should they arise."

With preventative measures such as these employed, it should be possible for trustees to cope ably with demanding situations or, at the very least, avoid smashing their fists down on top of the panic button.

Written by Duncan Ferris