

### Summary

- Trustees need to keep up and be engaged with the pensions industry to be able to perform their role properly.
- A large number of trustees, particularly on small schemes, are disengaged and struggle to reply to emails.
- TPR could potentially reach more trustees by increasing work with industry associations.
- The focus on governance means bodies are taking their roles more seriously.

# Rise to the bait

► **Sunniva Kolostyak explores how companies and associations engage with trustees and what methods are used to catch the attention of the disengaged**

The attention and engagement of pension savers is not the only difficult catch in the industry – the engagement of trustees has proven to be just as difficult to reel in for a number of associations. While some trustees are hooked on, there are several who simply slip through the braiding.

Engagement with trustees is defined by The Pensions Regulator (TPR) as a way to clarify trustees' duties and its expectations are being sent to defined benefit schemes, newly-authorised master trusts, defined contribution schemes and new employers with auto-enrolment responsibilities.

For Mercer principal Mark Wilkinson, in the modern situation where the pension scheme is a significant financial liability to the sponsoring employer, it is "in a company's interest to make sure that the trustees of the scheme are doing their job properly".

"Increasingly we are seeing companies taking a more active approach to appointing company trustees, looking for people with the skills and knowledge to take on the role, as well as the appetite. This ensures they put forward the 'right' person who will be engaged but can also handle the inherent conflict of acting as a trustee as well as representing the company."

The trustees who are members of The Association of Member-Nominated Trustees' (AMNT) are usually those with an interest in pensions, which makes engagement a lot easier, co-chair David Weeks says.

He notes that trustees are most interested in finding out more about training, keeping up to date on developments and networking with others in the same position. As a result, AMNT prefers conferences as a way to communicate and hosts one every quarter.

"The members, because of who we are, tend to be the upper end of the age spectrum, and they like this method of keeping up to date," Weeks says, as it can be helpful to have the opportunity to discuss problems with people in similar situations and with comparable experiences.

"Member-nominated trustees certainly can be in a protected situation and they ought to be up to the mark," he said.

"Our members are sort of at the top end of the trade. They are not compelled to it, they are sufficiently keen and they want to turn up to these events. They are what good trustees ought to be and do in terms of keeping up."

### A set of policies

As a membership body, the Pensions and Lifetime Savings Association (PLSA) states that it is essential to understand the issues the members are facing. This is in order to be able to provide the support they both want and need, PLSA head of membership engagement James Walsh says.

As a result, the association has a comprehensive set of policy bodies



which helps the PLSA team shape policy positions, Walsh explains.

“Our policy board sets the strategic direction of our policy work and our four policy committees tackle the specific issues. To further develop this work we are also currently establishing four

have agreed that they are in essentially two different markets when it comes to trustees.

While AMNT represents the top end of engaged trustees, TPR has to deal with what Weeks calls “the long tail of schemes”, which includes a large number of disengaged trustees who even struggle to reply to emails.

“What we have said to the regulator is that can we do our bit, work together, to spread the net. Because if trustees are not motivated to respond to the official communications, as it were, we are perhaps a more friendly face.”

TPR does however have a number of ways to address levels of engagement which it is continuously evaluating and reviewing.

The regulator is now taking a more directive style of communication with disengaged trustees – “clarifying priorities and providing ‘simple steps’ for complying with the fundamentals of good

governance”.

“The majority of savers are in schemes with engaged trustees who are meeting the key governance requirements. But reaching those trustees who are disengaged is a challenge. Our research has shown that trustee disengagement with TPR is often also an indicator of a trustee’s wider disengagement with their role in governing a pension scheme.

“We know that poor governance is likely to lead to poorer outcomes for savers, which is unacceptable.”

Trustees on smaller schemes are more likely to be lay trustees, and in that case, they rely on advisers and service providers to support compliance, meaning it is important for TPR to communicate clearly with these intermediaries in order to improve scheme governance.

However, TPR’s research has found that trustees who faced enforcement action from TPR were more likely to change their behaviour. As a result, the

reference groups to bring a wider group of members into our policy work.”

In addition to its multiple conferences covering investments, local authorities and trustees, PLSA also conducts teach-ins, training and webinars.

“Member visits are also a key way for us to get out and meet members at their places of work for in-depth discussions on their schemes’ challenges and the services they need from the PLSA and we also get groups of members together for breakfast discussions on current issues.

“Additionally, our network of local groups provide opportunities for our members to engage with each other and to hear from visiting speakers,” Walsh says.

## Spreading the net

Weeks points out that in his conversations with the regulator, they

## ► The Pensions Regulator and engagement

According to TPR, reaching out to disengaged trustees is a challenge. It uses communications, including emails to trustees, a regular trustee roundup and social media pages, such as a specific LinkedIn trustee page. TPR is engaging with industry bodies such as the PLSA, AMNT and the PMI both to help inform about policy and approach and to share its messages through their channels. Furthermore, it is sharing information with people involved with the running of pension schemes, such as advisers.

The 21st Century Trusteeship communications campaign in 2017/18 aimed to drive up standards of governance, contacting trustees, scheme managers, pension boards, employers and advisers with simplified content and a clear focus on good governance.

Its 2018 DC survey assessed the impact and found that three quarters of respondents who received 21st Century campaign emails found them to be clear and more than 60 per cent of the trustees of medium and large schemes and master trusts took action as a result of receiving the emails.

However, the improvement tended to be from trustees that are already motivated and already engage with educational content to maintain their knowledge and understanding. The trustees of the majority of micro schemes and half of small schemes took no action, because they felt they did not need to, did not believe it was relevant to their scheme, or had other priorities.

TPR is planning a consultation on the future of trusteeship to explore topics including whether TPR’s role should focus on establishing and setting standards as well as educating trustees, or if educating trustees should be the role of industry, which may be better able to provide tailored support.

regulator is changing its approach to regulatory interventions that ask specific questions about compliance with certain aspects of governance, which might be indicators of wider poor governance.

“Trustees being fined for breaches of regulation should lead to understanding that their schemes are not meeting the required standards of governance and the consequences of this, and so should increase engagement with their role.

“More than a thousand schemes will be contacted by TPR this year to monitor how savers are being treated when it comes to matters such as dividend payments to shareholders, length of recovery plans and efficient record-keeping. Action will be taken where standards are not met.”

### Capturing all

Weeks says that there certainly is room for casting the net wider through a cross-collaboration between industry associations and TPR. Together with the regulator, he says, associations can reach out to somewhere between 80 to 90 per cent of schemes.

“Over the next year or so, we’d like to do more work with the regulator,” he says. “Outreach work can be done. We are ready to be called upon to do that if the regulator wants.

“The difficulty for the regulator is, should they appear to favour one trade association rather than another. We say to that, well, if that’s your problem, have a word with our friends at the PMI and the PLSA. I am sure that, together, we can come up with some sort of formula for doing it.”

Mercer is also in support of giving associations more power in the space. Wilkinson says: “We would also encourage wider involvement, such as with the AMNT, so that trustees can share ideas and become more involved with the wider aspects of trusteeship.”

Another factor is that there is not an unlimited number of trustees available. Weeks therefore suggests that those trustees who are engaged should consider sitting on multiple boards.

“You don’t want to overdo it – some people do a dozen, which we think is too much – but two or three is probably a good idea, because you do your triennial

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valuations and then, if you’re only on one scheme, for the next two and a half years it sort of drops down the radar. Whereas, if you were on another couple, you would keep it in perspective.”

Wilkinson explains that when someone becomes a trustee, it is increasingly important that this person fully understands the role he or she is about to take on, and in order to achieve this, the person should undergo proper training.

This training should be provided by the schemes to ensure that the trustees have the necessary tools, he says. Schemes should also ensure that the new trustee is presented with an induction process in respect of the scheme itself.

But it is not all floundering, Wilkinson points out. “Lack of engagement is a problem, but we are seeing changes. TPR’s increasing focus on good governance means that scheme and trustee bodies are taking their roles more seriously.”

“We are also seeing more trustee bodies reviewing their structure and size to ensure it is right for the scheme, and the trustees have the right mix of skills and knowledge. This results in improved engagement. The chair’s approach is important, but all parties have a responsibility to make sure the trustees fully understand and engage with the role.”

 **Written by Sunniva Kolostyak**

