

Getting match fit

✓ Kathryn Foster asks whether your trustee board is match fit to face the new governance challenges

Before taking on a new challenge, be it preparing for a cup final, an examination, or perhaps a new job, you need to be in peak condition to give it your best shot. The Pensions Regulator's (TPR) draft new Code of Practice (the new code), requiring trustees to have an effective system of governance, will present a significant governance challenge for some schemes. So is your trustee board match fit to meet these requirements?

A pension scheme needs an effective board in order to deliver the best outcomes for members. However, trustees don't often spend much time together, possibly only meeting once a quarter, making it more challenging to work together effectively.

TPR believes good governance is the bedrock of any well-run scheme, but pension issues are complex and most trustees juggle their scheme responsibilities with competing demands on their time. This often means agenda time is at a premium, so having an effective board is essential to ensure the trustees focus their time and budgetary resources on the key strategic priorities.

So how does a trustee board know how effective it really is?

We believe the best way is to carry out a trustee effectiveness review using a tried and tested process facilitated by someone independent who has experience of other trustee boards. This may seem a 'nice to do' rather than an 'essential' exercise, especially when boards have many other priorities vying for agenda time. However, time spent focusing on

effectiveness is time well invested. It can shine a light on what trustees are individually, and collectively, good at, as well as highlight knowledge gaps and blind spots that may need attention.

We recommend using Barnett Waddingham's GAPS analysis to assess the effectiveness of your trustee board.

What does the GAPS analysis involve?

Barnett Waddingham's GAPS analysis seeks trustees' opinions on what is Good, Adequate or Poor, including the opportunity for free-form Suggestions for improvement. The process includes:

- An advance **briefing session** explaining the purpose and benefits of the review and discussing any specific requirements.
- Completion of an online questionnaire to **gather the trustees' views** covering topics such as risk management, decision making and skills, and behavioural traits such as clarity of communication, collaboration and leadership by the chair. Feedback on the management of specific projects can also be included. This can be supplemented by one-to-one conversations with each trustee to obtain a deeper understanding and provide some context to their responses.
- We also recommend seeking the views of the trustees' **key advisers**. As part of the 'trustee team', the scheme actuary, lawyer, secretary etc. can provide a useful perspective into how the board operates.
- The real value of the exercise comes from **interpreting the results** and agreeing strategies for improvement. A well-facilitated meeting will generate debate and discussion about where

improvements can be made as well as providing reassurance where things are working well.

- It is essential the findings lead to an **agreed action plan** that is monitored and delivered to. Otherwise the good intentions at the time of the review can fade and the effort be lost.

Example trustee effectiveness review outcomes

- Re-evaluate the decision making structure by delegating routine matters to sub-committees or executive support to allow trustees to focus on the strategic high level decisions
- Brief advisers to prepare timely papers with better executive summaries and greater synthesis
- Redesign committee structures as the scheme matures e.g. after a large de-risking project
- Revisit and review accountabilities to ensure they are clearly understood

An investment of time will lead to a stronger team

Now is a great time for trustees to review their effectiveness in preparation for the new code. It can also be beneficial to carry out a review ahead of a major project, such as a buyout, to ensure the board performs optimally. It is, however, not a 'once and done' exercise and, in order to reap maximum benefit, it is important to periodically revisit the agreed actions to ensure continuing progress.

So, is your trustee board really match fit, or could it benefit from a GAPS analysis in order to ensure it is in peak condition to achieve its goals?



Written by Barnett Waddingham associate and senior pensions management consultant, Kathryn Foster

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