

# How much is a trustee worth in 2021?

► **PwC considers what the year has in store for pension scheme trustees**



There's no doubt the events of 2020 changed what people focus on. Everyone's experience will have been different. One common theme was an increased concern for an individual's wellbeing. As part of financial wellbeing, millions of people relied on the security of their pension. Some already had a pension in payment, some knew that it would be, one day. And, of course, it is pension scheme trustees at the heart of making sure this £2 trillion industry, already paying out £50 billion in pensions every year, delivers its commitments. Being a trustee of a pension scheme has never been easy.

What does 2021 have in store

for trustees? Continued economic uncertainty, evolving regulation, and an increasing range of options available to manage pension schemes, all combine to make the role a complex one. The strain on the short-term ability of sponsoring employers to support pension schemes has increased in some cases. As a trustee, you are expected to understand and navigate through all of this, at pace, sometimes across multiple schemes, and typically when it is not even your full-time job.

The challenges, for the more than 5,000 pension schemes in the UK, will vary. But there will be a common set of skills that will allow trustees to go from

good to great. Based on our experience of board and leadership effectiveness, here are the main ideas that trustee boards typically do not commit enough attention to:

- **Running an effective trustee board:** The move to virtual meetings in 2020 looks likely to continue for most of 2021. This means meeting craft is even more important. Trustees need to be in control of what is on their agendas, and in what order. Meeting packs, which are often more than 100 pages according to PwC's Trustee Question Time community, are often generated on auto-pilot by the eco-system surrounding trustees. Instead, they could be actively and purposefully commissioned by trustees. Trustees also need to be clear when they are required to make simple decisions, debate complex options, or just be made aware of developments for information purposes.

- **Challenging the status quo:** Too many times, trustees can defer to their advisers to make important decisions. The adage from politics – advisers advise and Ministers decide – applies just as much to pension trusteeship. Trustees should question why the adviser has reached their conclusion, and what process they followed. For example, did they rely on in-house benchmarking, which may not paint the whole picture? That's something the actuarial profession itself has recently highlighted. And is the adviser's range of options influenced by the range of their own business offerings, or personal experience?

- **Giving members the information they really need:** With economic uncertainty, some members may crave flexibility in benefits, while some want stability. Trustees must ensure the right information is available for members. The right information has to incorporate what's required by regulation, like it or not, but ideally should also include what's likely to be most useful to a layperson to help them take the right action. There is often a challenge to grab members' attention in the first

place. The provision of at-retirement support is expected to grow over 2021 and beyond. Technology, such as fully personalised video 'mail merge' communications, will play a big part. Trustees will need to embrace the move to different ways of communicating with their membership.

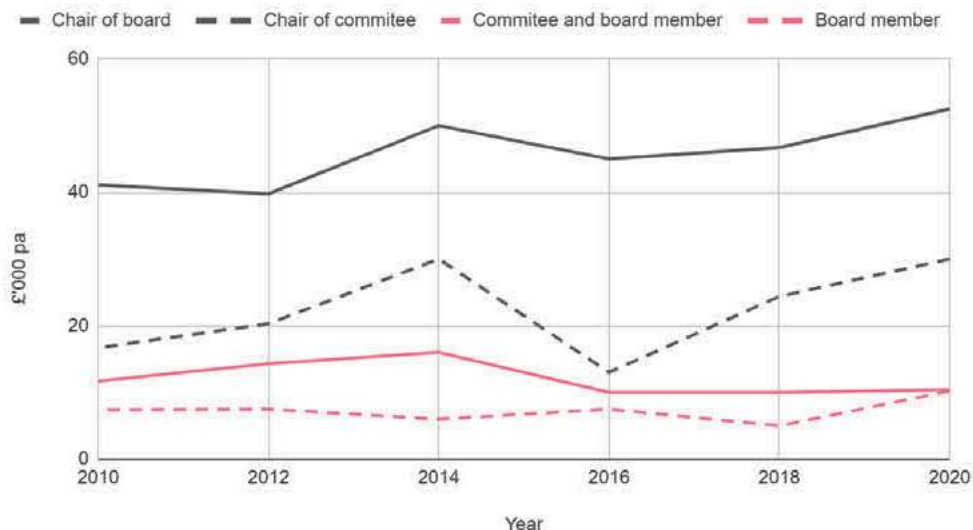
• **Truly understanding risk:** In the end, trustees could look at all their responsibilities through a risk lens. Good risk management is not just about a risk register, and looking at regular metrics for how the scheme is performing. It's much more than that. Many trustee boards would do well to go back to first principles, identify what their fundamental responsibilities and goals are, work out from there what risks really matter, and then identify how to manage and measure them. It's more than documents, dashboards and checklists. Risk management in a complex pensions context requires an intuitive ability to spot what's important, and take action on the right agenda items at the right time, without being unduly influenced by external timetables such as triennial actuarial reviews.

With more representation on boards by professional trustees, this has helped bring wider experience, and views from across a range of schemes and industries. We've also seen trustee training develop, and incorporate input from beyond the incumbent actuarial and investment consultants and managers. This helps trustees access different insights, along with an independent lens on new solutions outside of 'house views'.

What are all these skills worth? Are trustees being remunerated properly for the role they play?

PwC's latest *Trustee Pay Survey*, released in January, mostly shows a trend of gradually increasing trustee pay over the past 10 years. That feels right, but is it enough to compensate for a role that has become much more complex over the

Annual trustee pay (median), split by role



past decade?

Our analysis shows that, on average, the chair of a trustee board is paid £54,000 a year. That is less than 25 per cent of the average pay of the chair of a major company board. The average pay of a trustee who is not the full board chair, but is likely to have additional responsibilities such as chairing a sub-committee, is £30,000 a year.

Trustee time commitment has also steadily increased over the past decade, from an average of 17 days a year in 2010 to 26 days in 2020. Most of this time is spent performing trustee duties outside of regular meetings. This can be outside of normal working hours for company-appointed trustees who are still in employment.

The increase in professional trustees has demonstrated the market's awareness of the need and benefits from improved quality of trustees. Non-professional trustees should welcome this. With the increased focus of the role of trustees, and governance of pension schemes, 2021 is a great year for all trustees to undertake a wholesale review of their arrangements. A diversity of experience across the board will help ensure that their strategy and effectiveness is fit for purpose for the next decade.

Some trustees may point to the challenges of doing an exercise like that during remote working, but trustees should not be deterred. We have seen fantastic engagement, and high-quality outputs, in some exceptionally well-run virtual meetings, enabled by user-friendly technology which replicates simple physical tools – flipcharts, sticky notes, breakout groups and the like. Our lives are not on hold, time still passes, and what we are experiencing is life as we now know it. Pension schemes are not on hold either, and their management needs to be better than ever before. Pension trustees may have been the unsung heroes to date, but will be more important – and visible – than ever before in delivering financial security to millions of people.



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