

# Working better together

► **Pensions Age** looks for your tips as to how pension fund trustees/managers can ensure a harmonious relationship with their providers

**A**t the heart of positive relationship management is good communication and a clear understanding of expectations, for both parties. I believe the best starting point is for pension fund trustees/managers to clearly define and agree their expectations at the beginning of any relationship with the service provider. This should encompass an agreement on service standards and ongoing service support. Questions like 'do we have a dedicated relationship manager' and 'how quickly will you respond to issues' can help build a framework around a set of expectations to help manage the relationship.

I also find that maintaining regular contact with service providers is key. We are all so busy in our day-to-day roles that when things are going smoothly with service providers, regular dialogue with them may sometimes drop off and things get missed. I think it's important that pension fund trustees/managers hold regular, structured meetings with their service providers. This strengthens the relationship in two ways. First it creates the conditions for both parties to continually keep up to date with each other's business, so services can be flexed when a change of circumstance arises, and help build on the partnership. Secondly, this helps the relationship when challenges arise.

**CACEIS managing director, Pat Sharman**

All parties in pension scheme trustee meetings need to be clear on what is expected of them and the risk of events that may prevent a pension scheme from

achieving its objectives. One example is investment strategy: investment advisers and fiduciary managers need to be clear on the sizes of risks being taken. Another example is the recent risks to funding levels around an unfavourable Brexit that need to be clearly communicated. If the magnitude of risk of such an event is unbearable when communicated to trustees and sponsors, the investment strategy must clearly be further customised to a scheme's needs. Only when a strategy with appropriately sized risks is found, communicated and accepted by all parties does it become fit for purpose.

Another key ingredient of a harmonious relationship is that there must be give and take. The strongest relationships are those that are symmetric. If one party is given undue prominence then the whole relationship can suffer. For example, if the trustees' scheme actuary, investment adviser and covenant adviser are not in the room when discussing funding, covenant and investment issues, this can result in impossible objectives. If the investment adviser doesn't get to hear how the liability discount risk is set then it can result in investments that need to take unnecessary risk to meet the liabilities. Likewise if a scheme actuary doesn't get to hear a company's covenant strength, the entire scheme funding may be put at risk.

**SEI Institutional Group client strategy director, Alistair Jones**

We no longer live in a world of selling pre-packaged products and services to pension fund trustees. The world has moved on to a time where customisation and tailoring is key to ensuring a long-term successful partnership with

providers.

For me there are three ways to do this successfully. First, by focusing on outcomes; ensuring the provider is aligned to your goals as trustee is key. This should be reflected in clear objectives, service agreements and key performance indicators. A good example relates to The Pensions Regulator's guidance regarding setting objectives for your investment adviser. Evaluating your providers against their own benchmark is akin to marking your own homework.

Secondly, collaboration delivers better solutions. Central to a harmonious relationship with providers is to work collaboratively on the design and implementation of fresh thinking. Finally, you need transparency in everything you do. Providers must be able to provide trustees with complete openness, whether performance attribution, full breakdown on ongoing costs, detailed risk assessment including environmental, social and governance considerations. This ensures that providers are fully accountable for the services they provide and supports effective trustee governance.

**River and Mercantile Solutions co-head, Ajeet Manjrekar**

It's important that providers have a clear understanding of their client's business needs and objectives in order for them to respond with tailored solutions. This understanding supports the delivery of a great service experience and strong engagement levels, which in turn support good members outcomes.

**Standard Life head of strategy and development, Neil Hugh**