



# A good relationship

## How can pension trustee boards maintain positive professional relationships?

“Pension schemes deliver the best outcomes for members when there is a good relationship between all stakeholders. Three key principles are candour, communication, and clarity on the objectives. A candid and honest relationship where both parties feel able to trust each other (sharing openly anything that isn't working) avoids niggles building up over time. Good communication has always supported this, but particularly in the pandemic era, it is crucial to make sure that the communication channels work for all trustees. Finally, clarity on the objectives ensures all parties can build a ‘one team, one goal’ approach – this helps to present advisers, trustees, and scheme sponsors chasing off down interesting but ultimately unnecessary side-streets.”

**Mercer partner and UK wealth trustee leader, Tess Page**

“Most advisers or service providers to trustees will be trying to maintain a positive relationship with their clients, but not all will succeed. Some service

providers may simply not sufficiently prioritise client needs, but in other cases a breakdown in relationship can be the result of misaligned expectations between different parties. Many problems can be avoided by ensuring that roles and responsibilities are clear at the outset of a relationship, especially where there are multiple stakeholders. Having a frank conversation early on about what you expect from a professional relationship can sometimes feel awkward or unnecessary, but can avoid frustration and poor service down the line.

“It's also important to be aware of potential principal-agent issues and conflicts of interest. Almost everyone has conflicts of interests, but the key to maintaining a good relationship is recognising these, discussing them openly, and putting in place strategies to manage them. Solutions could involve contract structure, incentive design, third party oversight, or a separation of duties. Pension trustees will also have to maintain good professional relationships with their scheme's sponsor, and with The Pensions Regulator. Whilst these

present different challenges, many of the points above are still relevant. Good relationships can be achieved by clarifying trustee responsibilities to different stakeholders, recognising and managing potential conflicts, and maintaining good communication at all times.”

**LGIM head of fiduciary management, Tim Dougall**

“Firstly, it's important to scope requirements for the services or advice required and how it's going to be delivered. The expectations need to be clear on both sides, not least to head off sticky conversations, particularly on scoping of fees, at a later date. If you intend to conduct regular reviews, then let the advisers know this will happen. This review process is then simply part of the regular cycle of governance and does not become a reactive event. Having conducted the review, though, it's important not to ignore any issues which are raised.

“Talk to your main adviser or relationship lead if you are unhappy with how they have handled some advice, or if there is a significant mismatch of expectations around fees. They would rather address this directly with you than have the matter escalate or, worse, find themselves replaced. In the end, a relationship is better when both parties have goals that are aligned. It is also

always good practice to maintain a dialogue which extends beyond and outside the meeting cycle. At the very least, we'd always recommend that the chair takes time to have regular calls with each adviser. Good firms will have already been proactive and are likely to invite you to relationship management meetings, with the opening question, 'How do you feel things are going?'. Be clear, be honest, and nip problems in the bud. You will then allow everyone to play their part in supporting a well-run scheme with good outcomes for members."

**Law Debenture pensions trust director, Elizabeth Hartree**

"Like so much in life, running a successful pension scheme is a team sport. No individual stakeholder holds all the cards; collaboration is a necessity. A critical relationship is of course that between the trustees (representing the best interests of the scheme members) and the sponsoring employer. Our experience is that this relationship is typically much more collaborative than adversarial, but exceptions do exist.

"However, both of these key groups need specialist input, as they are operating in a complex environment. Through the journey of a pension scheme the list of partners can be extensive, including actuarial, investment, administration, covenant, legal and audit, to name a few. Each partner should of course be a specialist in their own right which is why you pay for their expertise. But just as importantly, each should appreciate the bigger picture. The best outcome invariably results when boundaries are clearly marked. Moreover, the partners on either side of those boundaries should be encouraged to work together towards the common goal.

"That interface between the trustees' partners is phenomenally important. There are potential conflicts of interest between partners or opportunities for one to make the life of another

uncomfortable. But trustees should expect – and indeed encourage – their partners to not only co-operate but to collaborate. Diverse thinking between partners can help identify holistic solutions, mitigate risks, reduce scheme costs and/or promote efficiencies. Strong, constructive relationships with and between the trustees' chosen partners increase the chances of a positive outcome, ultimately contributing to improving the security of members' benefits."

**Russell Investments head of client relations for fiduciary management, Paul Wharton**

"Pension trustees can very much be the squeezed middle – with the employers and shareholders on one side, The Pensions Regulator on another, the members having potentially differing interests, depending on whether they are still employees or not, and the unions pursuing their own agenda. The trustee board needs to maintain good professional relationships with all despite the various conflicting interests. Then there is the relationship that pension trustee boards need to have with their own advisers. It can be difficult for the advisers to deliver advice that might be unwelcome to some parts of the trustee board, who as explained before have their own conflicts to manage.

"From the adviser perspective, there is the knowledge that boards should review their advisers regularly – preferably every year and this is bound to make an impact on the relationship between adviser and trustee board. This review is more regulated where investment is concerned (due to earlier poor behaviour) and we have seen this leading to a better behaviours by investment consultants. There is no doubt that advisers selected and paid by the trustee board are very aware of who their client is, and this smooths the relationship. However this relationship can easily be soured if the trustee board is forever nipping the adviser about the

level of fees charged, particularly if these are paid by the employer."

**Irwin Mitchell partner, Penny Cogher**

"I dealt with a case last year where relationships between the trustee board and employer became very strained and left an element of mistrust all round. I gave a lot of thought as to how matters might have been dealt with differently and it took me back to the basics of what maintaining a good professional relationship should ideally look like. There was no rocket science involved in arriving at the following ideas.

"Encouraging good and early communication: The employer is welcome to attend trustee meetings and should be encouraged to do so. The best outcome for scheme members is most likely to be achieved when the trustees and employers communicate with each other and have a shared vision and strategy, where each party understands and appreciates the risks that the other is running. Disputes or conflicts might well arise along the way but, with early and sensible dialogue, any significant problems can normally be avoided.

"Openness/transparency/honesty: In my aforementioned case, it's clear that an element of openness and transparency was missing for some time before an independent trustee was introduced, partially due to a lack of transparency, which created a challenging and difficult atmosphere which might have been nipped in the bud earlier. Maintaining openness and transparency throughout is key and can save a huge amount of time and effort.

"Understandable language: Nobody enjoys reading jargon! Keeping correspondence and all methods of communication in a simple and easy to understand format helps everyone in maintaining a good relationship."

**20-20 Trustees director, Kevin Dolan**

**Written by Natalie Tuck**