



Summary

- Working relationships between trustees and service providers and advisers can have a profound influence on retirement outcomes for pension scheme members.
- The best working relationships are based on mutual trust and respect, openness, and clarity around service scope, expectations and fees. Trustees should treat providers and advisers as they would wish to be treated themselves.
- Maintain regular contact with advisers and providers, and be as open as possible about the broader context within which they are working in terms of the trustees' strategies for the scheme.
- Trustees should consider ways to improve relationships with specific specialist advisers and sometimes unsung service providers, such as administrators.
- Better working relationships should result in improved performance, easier conflict resolution and increased responsiveness and commitment to the scheme on the part of providers and advisers.

Stronger bonds

► Few things are as important to pension scheme member outcomes as the relationships between trustees and the scheme's service providers and specialist advisers. David Adams looks at steps trustees can take to ensure the scheme gets the most out of them

Running a pension scheme successfully is a remarkable collective endeavour. Trustees are effectively leaders of an extended team that must work together to deliver the best outcomes for scheme members. At the heart of that team is the partnership between the board and the scheme sponsor, but

strong working relationships with the providers and advisers that support the scheme, including administrators, actuaries, lawyers, investment managers, consultants and others, can have a profound influence on the fortunes of the scheme and its members. What can trustees do to build and nurture those relationships?



relationships will be based on mutual trust and respect.”

That trust and respect must be based on openness and honesty on both sides, including clarity about what each side expects from the other, in terms of the objectives and scope for a provider’s or adviser’s work, and the cost of that work.

“You don’t want any surprises,” says Pi Pension Trustees trustee client lead (and independent trustee), Lynn Pointon. “You will pay a fair price for the work they do, so encourage them to be up front about it will cost.” It will also help if advisers and providers are always paid on time. “Treat people as you would want to be treated yourself,” says Pointon.

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Punther Southall chief operating officer (and professional trustee), James Double, also stresses the need to be “firm but fair”. “You can’t just demand things with unreasonable deadlines,” he says. “Give them sufficient notice and an appropriate deadline.”

Communication

There also needs to be clarity around how the adviser or provider communicates with the trustees. “There also needs to be an effective reporting line, with a key point of contact who is accessible and responsive,” says Double.

Strong trustee/adviser or trustee/provider relationships often seem to be based on genuine collaboration and consultation, rather than purely transactional arrangements. “Often

relationships break down when they have become too transactional,” says Muse Advisory director, Barry Mack.

Instead, it may be helpful to give advisers and providers plenty of extra information and context about the scheme and future strategies. “It’s easy to operate on a need-to-know basis,” says Pointon. “I think advisers find that difficult sometimes. They would like to see the bigger picture, rather than just information that relates to their particular area of expertise.”

She acknowledges that confidentiality, legal, regulatory and other restraints may limit this. “But the more you can foster an open environment, the better.”

Double agrees. “If [advisers] are not fully briefed, if they’ve not been given the bigger picture, they’re not going to be able to give you the holistic advice that you need,” he says.

Contact

Working relationships are also likely to benefit from more regular contact. Pointon thinks that the gradual move back to more face-to-face meetings, after several years when so many meetings have been screen-based, should help, but she also sees value in more regular contact generally.

“With large schemes that may happen naturally, as trustees speak to advisers on a regular basis, but with smaller schemes you can have a flurry of activity around a trustee meeting, followed by a quiet spell when nothing much happens,” she says. “One thing we’re trying to move towards is regular, light-touch catch-ups with key advisers. With the list of governance and compliance requirements getting longer, you need an effective way of managing those relationships that doesn’t incur disproportionate cost. These regular, typically monthly, catch-ups can do that.”

It is important to try to build strong relationships on a personal level, but also important to be prepared for changes of personnel on both sides. Mack suggests trustees try to make sure that

Chemistry

To start with, they can try to base selection of advisers or providers in part on an attempt to assess how well they might work together. It is impossible to be certain how well a working relationship will function before it begins, but it should be possible to get some useful indications. As Hymans Robertson head of governance consultancy, Laura Andrikopoulos, puts it, trustees should be looking for an adviser or provider “who inspires confidence, is clear about what they will do and when they will do it, and delivers in line with agreed timetables and scope”.

“The most successful relationships tend to be those where there is sufficient commonality of values, and where key personalities on each side gel well together,” says Andrikopoulos. “These

advisers and providers are managing succession properly, so the scheme is not disadvantaged when an experienced individual leaves a company.

There may also be steps trustees can take to improve relationships with specific types of adviser or provider. In June 2022 a steering group created by the Pensions and Lifetime Savings Association (PLSA) and the Investment Association (IA) published a report, *Investment relationships for sustainable value creation*, containing recommendations on how to improve relationships between pension schemes and investment managers. They included greater clarity around stewardship expectations, use of a governing charter to set expectations on reviewing managers' delivery of sustainable value, risk management practices, culture and governance; and use of an oversight framework to align objectives and performance indicators.

Trustees should also acknowledge the contributions of other service providers that do vital work behind the scenes, particularly administrators.

"Administrators never get thanked for the good work that they do, but are always criticised for things that go wrong," Double points out. "It doesn't take much to thank them if they are doing a good job."

Where schemes do succeed in building better relationships with providers and advisers, they and their members will benefit in multiple ways, says Double: "If you find you need something very urgently, if you've built that relationship with someone over the years they are more likely to respond and go the extra mile for you."

Conflicts

A good relationship will also be better placed to survive the problems and conflicts that are bound to appear from time to time.

"You need to address concerns about what's working and what isn't

straight away – don't let them fester," says Mack. "You need to have an honest conversation. You also need an environment where they can express their concerns too, because it's a two-way thing."

"If you're not getting what you want out of your adviser, I would try to pick up the phone and have a 'clear the air' call," says Pointon. "Don't hold back from difficult conversations. Handle it calmly and rationally, so the pressure doesn't build up. But also, if you've not handled something as well as you could have done, apologise."

Difficult conversations might involve talking about individual advisers, or within a provider's team. "Be prepared to have conversations about changing the team line-up, rather than changing the adviser," says Independent Trustee Services marketing director, Ian Terry. "It's easier to have those discussions if you've had that regular, ongoing dialogue."

Pointon also notes the additional value schemes may gain from helping to nurture relationships between each

of the advisers and providers; and between them and the scheme sponsor, particularly if or when the scheme goes through a major event like a risk transfer, or some sort of upheaval involving the sponsor.

Ultimately, the aim must be to create a genuine sense of cooperation within this extended team of trustees, providers, advisers and sponsor, as they all work towards common goals. "Strong relationships are formed where advisers and trustees feel they are part of the same team, working for the good of the pension scheme and its members," says Andrikopoulos.

But this is not just about making everyone feel better. Time, money and effort invested in creating those relationships "is never wasted if it results in better advice or performance," says Mack. "You want to get the best out of your providers and advisers, so you need to create an environment where they will give you that. Our experience is that advisers will go above and beyond for clients that they enjoy working with. I would say, make yourself that client. If you do that, that's when you start to get really good value for money."

 **Written by David Adams, a freelance journalist**

