

Briefing

Reviewing Trustee Effectiveness

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The make-up of any trustee board and the governance supporting its decisions is key to success in achieving strategic aims, complying with legislative requirements and having content members and engaged scheme sponsors.

Like any successful business, a pension scheme needs an effective board. In order to achieve this, The Pensions Regulator (TPR) encourages trustee boards to take a critical look at their own performance. This is very evident in its 2021 consultation on the new Code of Practice (the “new Code”) for pension scheme governance, which will result in the introduction of some new requirements for trustees. The proposed new Code seeks to shine a spotlight on the importance of pension scheme governance and encourages trustees to give priority to this important aspect of scheme management.

... Taking some time to reflect on how you operate as a board will be time well invested to ensure that you are ready to meet the challenges posed by the governance milestone arising from the new Code.

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 other demands on their time. This often means that agenda time is at a premium, so having an effective board is essential to achieve trustee focus on the areas of key strategic value which will make a difference.

Board effectiveness reviews are a long-standing part of corporate governance and pension scheme trustees should similarly take time to reflect on how they could possibly better apply their available resource, ensure they have the right skills and experience and improve their overall governance. Not only is it best practice to carry out such an exercise, but it will also stand boards in good stead to face the ongoing challenges of pension scheme management in the most effective way, ultimately resulting in better outcomes for members.

How is effectiveness reviewed?

A trustee effectiveness review considers areas such as decision-making, governance, roles and strategy. Through its Trustee Effectiveness [GAPS Survey](#), Barnett Waddingham can help trustees to assess their individual views of the effectiveness of their board, what is working well and where improvements may be required.

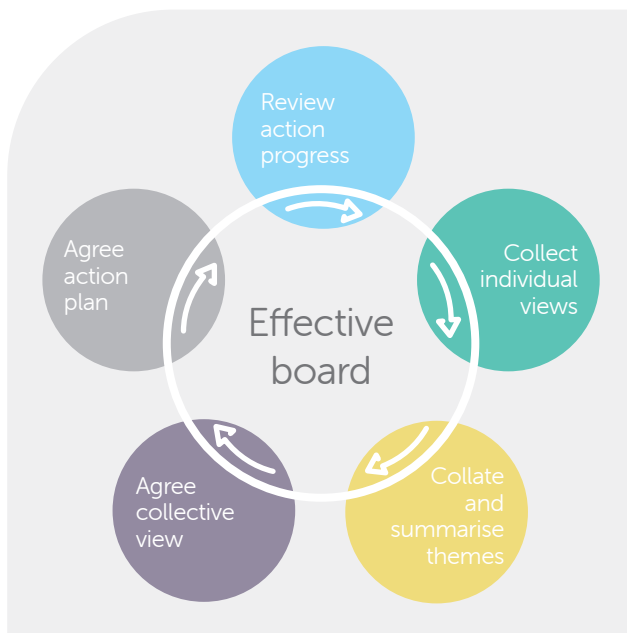
The first stage of the process, by way of an online questionnaire, is to collate individual trustees' views on what is **Good**, **Adequate** or **Poor** about the way in which they operate, together with **Suggestions** for improvement.

In addition, the trustees' key advisers can often provide a useful perspective into how the board operates.

Drawing conclusions and taking action

The information-gathering is useful but the most important stage of any trustee effectiveness review is what the trustee board does with the results. The real value comes from drawing conclusions and agreeing an action plan in the context of the trustees' agreed strategic objectives for the scheme.

The results of the questionnaire process will be presented to the trustees allowing them to review and debate their thoughts and opinions on various aspects of how they manage the scheme and operate collectively. We use our breadth of experience of working with all size of schemes to help trustees decide where their opportunities and challenges lie and what to do about them.



We recommend that the feedback session takes place outside of a regular trustees' meeting to allow complete focus away from other trustee business and encourage full engagement.

The outcome is a collective board view of what is working well, what may need to change and how to go about changing it. A collaborative approach will therefore be key to achieving results and driving the agenda in the right direction.

During their discussions the trustees should:

- Agree the major themes and prioritise any issues
- Explore solutions
- Make a clear plan with timescales and responsibilities, and set a time-frame to revisit progress
- Check to see whether any of the solutions mean they need to update their suite of governance documents
- Where appropriate, share findings and actions with advisers so they can support any changes the trustees decide to make

Agreeing an action plan is crucial, and trustees should endeavour to periodically review progress in order to keep the focus on achieving continual improved trustee effectiveness.

When to take action?

In preparation for the new Code, we believe that trustees should start reviewing their board effectiveness now. After all you can't have an effective system of governance without being effective as a board.

If you have not recently carried out a trustee effectiveness review, now is a good time to schedule one into your trustee business plan over the next few months. This will be a great springboard to get you in the right governance mind-set to address emerging issues that will form the final new Code.

Using an independent specialist resource, such as Barnett Waddingham's Pension Management team, means you can benefit from Barnett Waddingham's experience of clients who may be facing similar issues to you.

⋮ Clear actions, timeframes and
⋮ accountability are essential, to ensure
⋮ you get the most out of this exercise.

If you would like more information about trustee effectiveness reviews or how we can support you in any other governance challenges to help you get ready for the new Code, please contact your usual Barnett Waddingham consultant. Alternatively you can contact our Pension Management team via the following:

✉ pensionmanagement@barnett-waddingham.co.uk

☎ 0333 11 11 222

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