

# Being a Trustee in 2010 – practical issues facing trustees



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# Agenda

- Conflicts
- Trustees relationship with Plan Sponsor
- Process/Framework for deciding strategy
- Dealing with challenges from members/beneficiaries



# Conflicts

- Almost all trustees have some level of conflict
- Advisers can also add to conflicts
- Managing conflict is now more difficult
- Trustees are likely to be faced with decisions which require difficult judgements
- Big issue is likely to be ‘what is in the best interests of the beneficiaries’
- Dealing with perceptions of conflict can also be an issue
- Having ‘independent’ trustees may help but does not solve the problem



# Trustees Relationship with Plan Sponsor

- Easy to manage this in the past
- Now needs to be re-examined and decision reached on how relationship will be managed
- Clarity in the relationship and how it is managed is key
- Plan sponsor will have own issues with pension scheme – funding, possible capital position, accounting position, IR position
- Trustees have their duty to the scheme beneficiaries but unlikely that this duty can be divorced from the plan sponsor issues
- At end of day trustees depend on plan sponsor for funding....



# Process/Framework for deciding strategy

- Proper investment of the resources of the scheme is a key duty of trustees
- Depending on paid advisers is no longer enough
- Trustees need to decide on/agree their investment strategy
- Deciding on strategy needs a process on how to examine and evaluate strategy
- Trustees should monitor strategy effectively
- Trustees should be in a position to make decisions on change of strategy to meet changed circumstances



# Dealing with Challenges from Beneficiaries

- Members/beneficiaries are unlikely to be happy with current position of most pension schemes!
- Many trustees are worried about current position of their schemes and whether they could have done better in recent extraordinary times
- Trustees might wish to examine their own effectiveness so they can be confident they have done and are doing as good a job as possible
- A strong, united trustee board is important to give confidence to beneficiaries and maintain trust in the pension scheme



# Conclusion

- Look at your trustee board to see if it has the skills, support and advice it needs
- Consider effectiveness of your trustee board
- Look at training needs
- Make sure you have appropriate relationship with plan sponsor
- Re-examine communication relationship with members/beneficiaries
- And finally, do your best!