

SOAPBOX is a periodic opportunity for ITS Directors to pen a few thoughts on an industry issue that is of particular interest to them. This inaugural edition, contributed by **Peter Askins**, examines Trustee / adviser relationships.



I need a drink

Your appraisal wasn't great, North, South, East West Trains have let you down again and you believed the weather forecast and dressed accordingly. Your sorrows need drowning; do you choose the Tesco's wine box, or the vintage bubbly? Would you make the same choice to wet the baby's head at your first grandchild's christening?

You'd probably bring out the wine box for your sorrows, and the bubbly for your grandchild. If it's bubbly for both, you're probably a lawyer, and may wish to look away now.

Just as both wine box and bubbly fit certain circumstances, so do pension scheme advisers (by which I mean all service providers). This is particularly salient if the scheme is small, or has undergone significant change, perhaps through corporate restructuring or liability reduction.

The reason for getting on my Soapbox today is that I find that many Trustees allow themselves to end up with advisers that suit neither their needs nor budget. I tend to specialise in the smaller scheme sector, where adviser service and costs are very significant issues.

The John Lennon Bit (lots of Imagining)

Imagine that the scheme of a FTSE 100 company uses a national actuarial consultancy - a logical fit. Now imagine that through restructuring a tiny part of that business is hived off until you end up with a 20 member closed scheme with £3m assets. Is that same actuarial consultancy with all its overheads and training costs still appropriate, or would there be any detriment to the scheme in hiring a small, independent operation?

Continuing to imagine our scheme, it still has 3 Employer nominated trustees, 2 MNT's and a former FD of the Company sits as "Independent Chairman", and he's a member of the scheme. They all have day jobs, and the company is under pressure. Do you imagine that they have the time, expertise, or inclination to fully examine the service from each of their advisers? Have they got methods for measuring performance, would they know what benchmark to apply? Can you imagine this being taken advantage of by any advisers, perhaps unintentionally?

You're fired!

The Regulator's guidance states that Trustees should "*establish what level of expertise you actually require for your scheme. Ensure that the service provided matches the cost of the adviser*". These are very sound principles, but can the Regulator do more? These are commercial relationships, so probably not.

So the onus falls on the Trustees to ensure that their advisers are a good fit for their scheme. Their continuing appointment should be part of a deliberate strategy, do not let them be appointed by your Inertia Sub-Committee, worse still on a "better the devil you know" basis. Let's face it how often do advisers terminate relationships because a client

no longer fits their target portfolio? It does happen, probably not as often as it should, and usually because the scheme no longer generates enough fee income. Left in situ, service levels and cost tend to form an inverse relationship.

My message to Trustees is to not only review what your adviser actually does, but also their continuing overall suitability. Just because they were a good fit once, doesn't mean that remains the case. Like death and taxes the only other thing we can rely on is change.

I do not advocate adviser change for the sake of it - far from it - but do advocate Trustees being in control of their adviser relationships. If you're a tiny scheme, and you absolutely want blue chip advisers, then great, provided it's a positive decision you've made with your eyes wide open, and are aware of the alternatives.

My preference is always to work alongside existing advisers, if needs be scaling their services and costs back, and in fairness most advisers usually co-operate when asked. My trigger finger doesn't have the same instinctive itch as Sir Alan's, but nonetheless there are rare occasions when changing advisers is the only logical option and Trustees should not be frightened of doing so.

Communication Let Me Down (with apologies to Spandau Ballet)

Like many married couples, the relationship between Trustees and advisers can drift into a complacent rut, and the basis for the original union forgotten.

Trustees must keep an ongoing dialogue with advisers to ensure their evolving needs are met, especially at times of major change. This can lead to awkward conversations, which some Trustee bodies may be uncomfortable having.

At ITS, we are used to having these conversations, and are aware of the strengths and weaknesses of the main advisers in the various disciplines. We are happy to assist Trustees with their adviser relations either as part of an ongoing appointment, or as a stand alone piece of work. The intervention of a third party can have a very beneficial effect.

And Finally

In the current financial climate the cost of advice and administration is something that exercises trustees and sponsoring employers alike. It is often their number one concern, but too rarely features on their agenda. Trustees need to know that there are alternatives, and if they want help in identifying what's right for them and their scheme all they have to do is pick up the phone.

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August 2009

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