

## So You Think You Want an Independent Trustee?

### Some things you should be looking for.

There are many reasons for appointing an independent trustee ranging from ongoing help with the ever increasing governance burden to more pressing issues that need addressing quickly, such as:

Difficult or complex funding negotiations  
Problems recruiting trustees  
Emerging Conflicts of interest  
Corporate change  
Time pressures and demands on existing trustees

The reasons you are appointing an independent trustee are likely to be unique to you, and as individual as your scheme. Whatever the reasons, there are a number of factors you should consider when making your choice.

- **Knowledge**

Whether you appoint an individual or a firm of trustees, it is essential that the individual(s) responsible for delivering the trustee service have sufficient knowledge of the duties and responsibilities of trustees, and the law governing pensions generally, and of your scheme in particular. Trustee knowledge and understanding is a legal requirement, and whilst there is no legal distinction between the responsibilities of lay and professional trustees, in practice the Pensions Regulator and the Courts expect a higher level of knowledge from independent professional trustees, which is why you should consider appointing one.

- **Professionalism**

Some independent trustees treat pension trusteeship as a career, and do nothing else; others may have a portfolio of appointments, including pension trusteeship, whilst some may take on one or maybe two pension trusteeships, often in retirement. There is no right or wrong approach, and the type of individual or firm you choose to appoint will depend on the needs of your scheme. What is crucial is that the individual performing the role is professionally competent and keeps themselves abreast of developments in the field of pensions.

- **Experience**

It goes without saying that whoever you choose to appoint as an independent trustee should have the right level of pension experience for the role. When choosing an independent trustee you should give some thought to the reasons for the appointment, and the 'skills gap' on your current trustee board if this is a relevant factor. For instance if you already have a number of financially literate trustees, experienced in investment matters, you may wish to consider an individual with a different skill set to fill the role. It is also worth thinking about the future requirements of the Scheme, for example if you envisage a lot of change going forward it is worth considering appointing a firm or individual with the breadth and depth of experience to meet those situations.

- **Track Record**

Depending on your reasons for appointing an independent trustee, you should check the track record of the firm or individual you are appointing in the area you are interested in. Very often your advisers or those advising the trustee board will recommend certain firms or individuals who they consider have the right mix of skills and experience. You find independent trustees though your existing advisers and through professional organisations such as the Pensions Management Institute. You should check out their credentials, of course, by asking for examples or case studies and taking up references. More than just general knowledge, make sure your independent trustee has experience that bring reassurance in the circumstances you face.

- **Thought Leadership**

An independent professional trustee should not just follow the herd, but should help shape the strategy and direction of the pension scheme. By keeping abreast of developments in the pensions world the independent trustee can help the trustee board by challenging advisers and bringing clarity of thought to the decision making process.

- **Corporate Governance**

The Pensions Regulator has focused its attention on good governance in recent years. An independent trustee should help ensure that the scheme is properly managed, and when appointing an independent trustee you should question what governance the firm or individual puts in place in respect of its own operations. For example do they have arrangements in place to ensure that decisions are taken at the appropriate level and are properly recorded?

- **Teamwork**

Whether sitting as part of a trustee board, acting as Chair of Trustees or operating as a sole corporate trustee, it is essential that the independent trustee is able to work as part of a team with fellow trustees, advisors and scheme sponsors. A collaborative approach is far more likely to lead to desired results than a combative stance and seeking and gaining consensus on the trustee board is part of building trust as a trustee. Pensions is essentially a business about people and providing their benefits, therefore you should ensure your independent trustee has the right people skills to be able to work effectively and communicate with fellow trustees, employer representatives, advisers and ultimately the members.

- **Flexibility**

The world of pensions has changed considerably in recent years and continues to do so. An independent trustee has to be able to adapt to changing circumstances, which may range from a strategy and flight path to closure to introduction, or the choice of an alternative investment options in the DC world. You should question how your independent trustee adapts to change and what experience they have of working with trustees through change, either at the scheme level or at the corporate level.



These are only some of the pointers you should consider. Ultimately, it is all about confidence and you should ensure that there is a good personal fit between the individual who will perform the role and the people they will be working with.

**Further Information and Contact Details:**

More detail on ITS and our experienced team can be found at: [www.itslimited.org.uk](http://www.itslimited.org.uk)

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