

Time for outsourcing trusteeship

Pension schemes in the UK have become more complex than ever. They are facing yet more challenges as final salary arrangements are cut off, legacy schemes are closed, trustee education raises the bar, demands for greater data accuracy increase and governance gets tougher. All of which comes on top of deficit recovery and funding issues.

Where does this leave employers that have a legacy scheme, which sits like the elephant in the room and which finance directors would love to dispense with, if only they could?

Across the country, companies are asking whether they really want to be so closely involved in the detailed and increasingly time-consuming complexities of the scheme's operation, such as trustee meetings and associated matters.

Senior managers often conclude they have more cogent priorities: they are starting to consider ways of delegating the job to third parties, like so many other functions in modern scheme management.

While, of course, there are many excellent member-nominated trustees, the supply is limited by the availability of skills and time. There are few who are capable of doing the job effectively. It's a relief for employers if they have such willing people, but what if not?

An increasing number of employers are choosing a delegation route that involves hiring a sole corporate trustee, offering independent expertise to schemes. We have come across one or two quite large schemes that are warming to the idea.

Mike Anthony

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It means pension matters are dealt with by professionals, enabling the employer to step back from the involvement that normal trusteeship brings. That lifts the dialogue, which still needs to be

undertaken, to a different level: between the independent professional trustee and corporate management.

All aspects of the scheme are still discussed and the arm's-length feel to this new arrangement allows for increased candour. Those who have tried it generally feel that this kind of delegation works.

As scheme closures continue, there will be a growing number of legacy schemes whose future, over a period of years, will involve steady derisking.

They can embark on a path starting with the insurance buyout of pensions in payment, and ending with the buyout of all the scheme's liabilities with a strong third party.

Because it can take years before a buyout at the right price can be achieved, a wise employer will want to think about how his legacy scheme can be managed towards ultimately securing the promised benefits. Corporate trustees can bridge that gap.

The sole corporate trustee has the responsibility to act in the best interests of scheme members and to meet fiscal and other responsibilities – in other words to get the job done properly and professionally.

This might be the road that all but the very largest and best-resourced schemes and sponsors will want to travel, given what the future seems to hold for corporate pension schemes.

Mike Anthony is a client director with Capital Cranfield Trustees and a former president of the Pensions Management Institute

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