



Maggie Rodger

about delays to the introduction in the face of all the current pension changes. Multi-employer CDC is unlikely to be operational until 2027, and retirement-CDC is still under discussion.

However, we are currently in the throes of discussions about guided retirement options and the consolidation of DC schemes that do not meet value for money. We believe that the sequential timing should be such that consolidating a scheme to a multi-employer CDC, or guiding DC savers towards retirement-CDC, should be available at the start of

managed to ensure it explains all the risks (and benefits) and comparisons with alternative pathways to allow them to decide whether to opt out. Additionally, any claims for pension targets or investment returns compared to other products need to be carefully scrutinised.

AMNT suggests that an independent body, such as the Money and Pensions Service, could produce material explaining CDC and retirement-CDC independently of providers that could be shared with sponsors and potentially the wider public to offer an explanation outside the concept of marketing and promotion. Finally, AMNT highlights that individuals who have already retired and made independent arrangements, as well as groups such as the self-employed, would be unable to access the product at this stage.

# Trusteeship's next chapter

➤ **The Association of Member Nominated Trustees (AMNT) co-chairs, Maggie Rodger and John Flynn, sit down with Paige Perrin to discuss the future of trusteeship, implementation of retirement-collective defined contribution and the importance of member-nominated trustees to the pension landscape**

**T**he AMNT has been vocal on the creation of retirement-collective defined contribution (CDC) and its importance, yet you raised some concerns about the process of implementation. Could you explain what these concerns are and what you believe is the best process for implementation?

**Maggie Rodger:** AMNT very much supports the introduction of CDC. Its collective risk sharing and lifetime pension structure seem to offer both an increase in pension (compared to DC plus annuity) and provide a solution without the need for retirement advice. Importantly, it also removes the very real concerns about outliving your pension pot. Our implementation concerns are

these processes.

In the ongoing discussion about the regulations for retirement-CDC, our concerns include: We have asked that mechanisms be introduced at the outset to ensure that quotations are accurate and not misleading. John Flynn has been quoted as saying that: "Since there are no guarantees in CDC, any benefit illustrations need to be very carefully annotated with the assumptions used. Ideally, a standard calculation method for future illustrations should be developed, perhaps to be used alongside some previous history data in comparison. The truth, the whole truth and nothing but the truth would be a good place to start!" Promotion and marketing that is part of a guided retirement process to a cohort of members needs to be carefully

➤ **The Department for Work and Pensions (DWP) has recently announced that it is consulting to improve the standards of pension scheme trusteeship, governance and administration. What are your views on this?**

**John Flynn:** The AMNT welcomes this consultation, which reflects many of the themes set out in our February 2023 report to the regulator, as well as more recent concerns about the inherent risks of conflict and concentration in the professional corporate sole trustee (PCST) market and the lack of member voice as schemes consolidate towards the Minister's vision of a future with fewer but larger pension schemes. We have been leading the charge on this and are very happy that this consultation is underway. It has been long delayed.

We have been in regular discussion with DWP and welcome the questions being asked, and will be responding in detail. We see the vocational element of trusteeship very strongly in MNTs, most of whom are unpaid, and we endorse that they should have the opportunity (fees and hours covered by the sponsor/



John Flynn

employer) to enhance their continuing training. We believe the best boards are a diverse group of people, working closely with advisers, in the interests of the beneficiaries and that the member voice must be a key part of this. We are glad that the consultation is also considering the role of professional and sole trustees, as we have concerns that the outcome for beneficiaries may be compromised if professional trusteeship becomes too concentrated. This risk is exacerbated where schemes hand trusteeship to sole trustees, and we are glad to see updated codes of conduct designed to address these issues.

However, we remain concerned that the transition to PCST removes the member voice from governance, often without any consultation with members or their representatives. There is a clear risk that the loss of this voice could increase conflicts of interest and encourage groupthink among a limited pool of professional trustees.

The most effective boards bring together individuals with diverse backgrounds and experience, enabling constructive challenge and collaboration in the best interests of members.

**➤ With consolidation increasing in the current pension landscape, how is the role of MNTs evolving in terms of governance, member representation, and purpose?**

**Rodger:** We see the role of MNTs as just as vital as they have ever been. MNTs were – and remain – the voice of members. They may be becoming more likely to be appointed than elected, or chosen in a hybrid process, and, in large schemes, they may be remunerated for their time in the same way as non-executive directors.

With fewer schemes, there will eventually be fewer MNTs, and trustee numbers overall will fall. However, the role of the MNT, to focus totally on the interests of the member, will not change.

The schemes in Canada and Australia that we have been encouraged to emulate have rightly ensured that member representation is built in, and we would like to see more development on this in large consolidation schemes.

**➤ With growing complexity in pension scheme governance and investment decisions, do you believe current trustee knowledge and training requirements are sufficient, particularly for member-nominated trustees? What improvements would you like to see?**

**Flynn:** We believe that member trustees should have access to good training opportunities (including the Trustee Toolkit, although it needs updating because it is lacking some of the key topics currently facing trustees) and the right to sufficient time away from their day job to undertake this training and prepare for meetings. We would like to see MNTs encouraged to achieve accreditation, provided that their costs and time are supported by the sponsor. A trustee register, on which such training is recorded and therefore kept at the forefront for sponsors and trustees, will help to achieve this.

Similarly, we believe professional trustees should be accredited. One of the key skills of an MNT is to challenge advisers and each other if they do not see proposals as a good fit for their schemes. Therefore, it is key that there

is continual training for trustee boards as they face new situations or new asset classes emerge. Boards should consist of a diverse group of people, with the right mix of knowledge and skills. It is not necessary, for example, that every trustee is an expert in everything and larger schemes often use subcommittees for specific topics.

However, it is incumbent on the whole board to ensure that such expertise is represented amongst them and that they all carefully consider professional advice and challenge where they do not feel they understand or agree with a proposal. The diversity of thought, experience and understanding individual members' perspectives that MNTs bring to a board should never be underestimated. It is vital to avoid 'groupthink', a position that financial professionals from similar backgrounds in similar firms might easily succumb to.

**➤ Looking ahead, what are AMNT's priorities for this year?**

**Rodger:** Trusteeship in the widest sense will obviously be a key focus for the next couple of months, and following up on the results of the consultation thereafter. We will be keeping in close touch with DWP and The Pensions Regulator, as usual. In keeping with the best interests of members, we will also be paying close attention to the proposals and outcome on surplus sharing, to ensure that the member contribution to surpluses is a key part of such discussions. It is important to remember that surpluses in DB schemes have been built up, not just from employer deficit contributions but also from members' reduced accruals and increased contributions over recent years. And as usual, our aim will be, thanks to our industry sponsors, to ensure that we offer MNTs targeted training and information on the industry as it evolves, as well as a voice in the wider industry changes.

**➤ Written by Paige Perrin**