When trustees and sponsoring companies are asked about what keeps them awake at night and the barriers they face to moving faster, they regularly cite issues that have nothing to do with economics, demographics or legislation. Rather, responses to our previous Global Pension Risk Surveys say that they worry about things like lack of time, lack of resources, and lack of knowledge and information. In other words, they worry about their collective ability, as individuals with responsibility for the pension scheme, to make all the decisions in the right way, at the right time and to implement them effectively.

We propose three main delivery models to help trustees and sponsors focus their time and attention where it is most needed and best suited, these are: ‘Get Busy’, ‘Get Simple’ and ‘Get Help’.

‘Get Busy’ is where the stakeholders do just that – they dedicate their time to getting involved in everything from decision making to day-to-day operations. They have the knowledge and time to devote to the task. They have the right people to be involved at all levels.

‘Get Simple’ is where the stakeholders agree to run a deliberately simplified model. While simple to run, probably with a lower running cost, it may not be optimal – either because it misses some opportunities or it leaves financial risk or the potential for misunderstanding.

‘Get Help’ is where the stakeholders outsource some or part of the delivery to someone else (with the appropriate skills and resources), who takes the strategic direction set by the trustees and sponsor through into implementation. It is intended to ensure that the scheme can benefit from all the opportunities available, but without the trustees having to ‘Get Busy’.

In practice, no trustee board or corporate pensions team will put all of its processes into the same category – there will be a mix whereby certain things have significant time devoted to them, some are simplified, and others are delegated. Getting the right overall delivery model is about having the right mix of these approaches.

Some processes will benefit from the ability to progress quickly – and in all but the most ‘busy’ of schemes may be best suited to the ‘Get Help’ approach. For example, monitoring the buyout market so you can transact at a pre-agreed trigger, where the speed of transaction can have a tangible impact on the terms obtained.

Similarly, few trustee boards have the resources and structure to respond as quickly as a fiduciary partner to take advantage of transient opportunities – where moving quickly can have significant financial impact.

We often hear ‘Surely outsourcing and delegating work to other parties must add explicit cost?’ While this may or may not be the case, schemes need to consider the overall value derived – getting towards the objectives faster, with less cost or less risk. For instance:

• Delegating preparing and issuing some member communications to a third party, might appear to incur increased fees, but this needs to be compared to the ‘cost of’ trustee time that would otherwise be spent on this.
• Delegating deciding early retirement factors could well decrease costs as, although the adviser takes on more decision-making power, this is somewhat offset by not needing to undertake the work or to discuss comprehensive options, or to train trustees specifically on this.

In addition, in some situations, the explicit costs themselves can be lower – ‘Get Help’ solutions can involve pooling resources with those of similar schemes for a more efficient solution. For example, in the case of fiduciary investment management, assets are typically pooled with those of other schemes, often leading to economies of scale compared to running the same structure independently under a ‘Get Busy’ approach.

As you can see from the examples, any costs incurred via a ‘Get Help’ solution are often offset by other savings, such as trustee time or specific training. Deciding on your optimal delivery model is key to achieving the benefits of a ‘Get Busy’, ‘Get Simple’, ‘Get Help’ approach. When you get it right, the benefits to your scheme can be significant.

For a free copy of Aon Hewitt’s research into effective pension scheme governance and delivery models, or Aon Hewitt’s Global Pension Risk Survey 2015 please email talktous@aonhewitt.com.