

Ten questions to help trustees to challenge their advisers



The trustee role can be viewed as similar to that of a non-executive director; they are expected to make decisions on a range of topics. The challenge here is that trustees are unlikely to reach a stage where they are as knowledgeable on every topic as the advisers who are presenting them with recommendations.

What's the answer?

Great questions. You probably don't need more technical details, or to have to rely on one or two key trustees. What you need are the questions that help you move a decision forward.

By employing superior questioning techniques, you can make a contribution even when it's not your area of expertise.

At Aon, as part of our suite of Trustee Effectiveness tools, we have worked with behavioural science specialists Behave London to develop ten questions designed to help you gain confidence in the decisions you make as a trustee, whether for your Defined Benefit or Defined Contribution scheme.

Our questions will help you to understand the decision, to test it and to assess how robust the idea is, all the way through to completion.

 **Cognitive bias:** As you go through the questions, the cognitive bias which might be impeding decision making is flagged too.

Understanding the decision itself

1. What is the rationale for the recommendation?

Is this rationale based on evidence? Did it come out of a strategic plan?

2. Put yourself in someone else's shoes

How would we articulate this decision to the following parties:

- Members (categories or individuals)
- Employer
- Trustee
- Regulators

 **Cognitive bias:** Think about whether there might be an emotion reason behind the recommendation. Are we being rational or emotional about making the decision? We often make better decisions when we think about articulating the decision to someone else.

Testing the decision and alternatives

3. Are there simpler or cheaper alternatives that obtain similar outcomes?

4. What are the alternatives to the recommendation and why have they been discounted?

 **Cognitive bias:** Status quo bias can stop us from seeking out alternatives, and we tend to use price as a proxy for value, believing that the more expensive option is better, often without any basis.

Devil's advocate lens

5. What are the consequences of not making a decision, now / next quarter / next year?

6. In 12 months' time, everything has gone wrong, what are the possible causes?

 **Cognitive bias:** When we weigh up decisions, there is a tendency to fall prey to present-bias. The further away the negative consequences, the more likely it is we will make a mistake in our decision in favour of what feels good in the here and now. Thinking about a future where everything has gone wrong helps us to see the potential causes of that, rather than weighing up just the 'likelihood' of what might go wrong.

Interaction with long term strategy

7. How does this fit in with our long term plan?
8. What might this decision prevent us from doing now or in the future?

 **Cognitive bias:** Humans often fail to fully consider opportunity costs and are susceptible to the sunk cost fallacy, where we continue an endeavour as a result of previously invested resources (time, money or effort). You could think of this as bias resulting from an ongoing commitment.

Implementation and project management

9. Implementation – Who, How, What, When?

 **Cognitive bias:** Making concrete plans with deadlines and accountabilities makes us much more likely to succeed. Research shows that if you ask people what time they are going to vote, for example, how they are going to get there, and what they will be doing just before make them much more likely to turn out. You are no different. By answering simple logistical questions you make it more likely you will succeed.

Measure of success

10. How do we measure the success of this decision, and by when?

 **Cognitive bias:** Robust measures help us meet targets, and by setting out timeframes for review before a decision is made, we can help ourselves in the future. Is the timeframe to review the decision one year, or three years or is the decision irreversible? If it is irreversible, is that preventing you from making a decision? This is called regret-bias, where we anticipate feeling regret in the future and take steps to avoid it, even if the decision appears solid! Which brings us back to the beginning: are you making a rational or an emotional decision?

Contact us

If your trustee board could benefit from taking a step back and considering how they work, get in touch to find out more about Aon's suite of Trustee Effectiveness tools. We can help you enhance your understanding of your current operational effectiveness and governance but also take tangible steps towards improvement. Contact your usual Aon Consultant or Susan Hoare using the details below.

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