

Trustee Effectiveness Review

Work in harmony

When asked what keeps them awake at night, pensions trustees regularly cite issues such as lack of time, resources, knowledge and information.

In other words, they worry about their collective ability to make informed and timely decisions and implement them effectively.

At Aon our definition of good governance focuses on exactly this – that is, having the **right structure**, the **right processes** and the **right people** involved in running the pension scheme; with the **right skills** to not only mitigate the risks the scheme face but also to capitalise on any transient market opportunities.

Good
governance

The right
structure

The right
processes

The right
people

The right
skills



Trustee effectiveness review

➤ Aon carry out trustee effectiveness reviews from two perspectives:

1. **A traditional review** where we focus on the structure and processes of the scheme and;
2. **A forward looking review** capturing the collective skills of the board (both behavioural and technical) as well as how effective the board decision making is.

1. Traditional structure and process review

This includes all of the items that you would expect to see in a traditional trustee effectiveness review; a review of the terms of reference of each subcommittee, the agenda of the meetings, the minutes, the reporting between the subcommittees and the main board and one-to-one interviews with board members. The objective of this review is to analyse how the board currently operates.



Source: <http://www.thepensionsregulator.gov.uk/docs/21st-century-trusteeship-governance-discussion-2016.pdf>



2. Forward looking trustee effectiveness review

The forward looking review has been designed in response to the Pensions Regulator's latest thinking on 21st Century Trusteeship and Governance. The review is an expertly facilitated workshop with all trustees with the objective of improving the board's operational effectiveness both now and in the future. This can then flow through to performance objectives and the succession planning of the board to ensure sustainability into the future.

Working with **Aon's Talent, Reward and Performance specialists** as well as **Behave London**, a behavioural science research company, the workshop combines the latest thinking in personality profiling and behavioural finance with our understanding of how trustee boards operate and the challenges involved in building effectiveness.

Our workshop typically lasts around 5–6 hrs and is divided into three main areas, these are:



All attendees are required to complete Aon's award-winning personality profile (ADEPT-15) in advance of the session. The aggregate results will be used to facilitate discussion of collective strengths and areas of potential derailleurs as well as the impact these have on decision-making, influencing, communicating and building trust. The workshop will also address potential sources of bias within the group e.g. groupthink and loss aversion and will identify strategies and techniques to optimise the group's effectiveness.

ADEPT-15®



- **ADEPT-15 is built on 50+ years of personality, leadership, and psychometric research**
- **And structured around the 15 personality traits critical to successful performance**



Workshop outline

| Activity | Description |
|---|---|
| Welcome and expectations | <ul style="list-style-type: none">• Introduction• Objectives of the workshop |
| Structure and process | <ul style="list-style-type: none">• Summary of structure and process review |
| Personality | <ul style="list-style-type: none">• Overview of ADEPT-15• Focus on individual preferences |
| Exploring sources of bias | <ul style="list-style-type: none">• Typical sources of bias that impact decision-making |
| Group strengths and derailers | <ul style="list-style-type: none">• Exploration of group strengths, personality based and skills based, and any potential derailers to making effective decisions |
| Group skills, attributes and experiences | <ul style="list-style-type: none">• Exploration of the combined skills and attributes of the board and the relative strength of the board to feed into training and succession planning |
| Strategies for optimising group effectiveness | <ul style="list-style-type: none">• Identification of strategies and techniques to optimise group decision-making• Framework for effective board meetings |
| Conclusion and post workshop deliverable | <ul style="list-style-type: none">• Questions and workshop wrap-up• Post workshop report documenting findings and action plan agreed |

Output

The output of the session is a report setting out a summary of the findings from both the structure and process review and the forward looking review.

The report will include agreed actions as well as some practical suggestions which could include:

- A guide for advisers on how to best to present their material to the trustees
- Tips for the scheme secretary about the organisation of the trustee meetings
- Tips for the chair on the best way to get participation of a group with different learning styles.
- Possible use of a devil's advocate
- A flag for succession planning if key attributes are currently only held by one person



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About Aon

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For further information on our capabilities and to learn how we empower results for clients, please visit <http://aon.mediaroom.com>.

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