



# Trustee Effectiveness Assessment

Myths, realities and  
tips for success

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advisory 

*think independently ... act effectively*

## It's time for trustees to shine the spotlight on themselves

We all recognise that a truly effective trustee board is a pre-requisite for good pension governance; so what has stopped trustees stepping into the spotlight to do just that?

Trustees have always shown a deep interest in monitoring the performance of their investment managers, typically facilitated by the ready availability of hard data and clear benchmarks. More recently they have employed more qualitative forms of assessment to examine the performance of other professional advisors and service providers. What has proved to be less of a priority is the examination of the trustees' own performance.

Muse Advisory has been working with trustee boards to develop and facilitate trustee self assessment processes and to review governance arrangements. This work is built around our established Pensions Governance Framework.

By publishing some of the key findings gained from our research and experience we hope more trustee boards will take steps to realise the benefits of self assessment.

We look forward to hearing about any board assessment myths, realities and tips you have experienced.



**Avgi Gregory** and **Mark Hodgkinson**

# Self Assessment Myths

## We're doing okay – we don't need to do anything

An effective assessment process can identify issues that the board has not been collectively aware of. *“No board has reached a state of perfection and states of near-perfection should never be taken for granted,”* Neville Bain, Chairman, the Institute of Directors.

## It's a waste of time and money

The periodic challenge of a trustee board's behaviours, culture, purpose, structures and roles, as well as its management of advisors and board processes, help it to keep on top of its responsibilities.

## We are untypical/we are too small – self assessment is not right for us

With the right self assessment process any board should be capable of improving performance.

## It will be threatening and uncomfortable

A well designed assessment process with external facilitation delivers anonymous feedback to identify development opportunities both for the board and for individuals.

## We have a good Chair – why should we bother?

A good Chair is one who embraces self assessment and understands the value it can offer the trustee board and its committees.

## We did it once – there is no need to do it again

A well run board constantly fine-tunes its performance to deal effectively with the constant stream of new challenges.

## We can't analyse our own performance

You can - and external facilitation can add rigour to the process.

## Even if we do review our effectiveness we should not tell members about it

Shareholders and investment analysts take comfort from knowing that company boards have had an effectiveness assessment and are well governed – why should scheme members not feel the same?

## It's just a box ticking exercise

Treating self-assessment as a box ticking exercise is a waste of time – effective assessment challenges accepted practices and generates action.

## Some Realities of Failing to Self Assess

The board risks becoming complacent about their performance; it can happen to even the best trustee boards, but complacency leads to ineffectiveness.

The structure and composition of boards and committees can outlive their purpose; the board should not be rooted in the past but rather be serving the needs of the present with an eye to the future.

The sense of unity created by clearly stated values and expected behaviours can get forgotten; a strong board shares clear values and understood behaviours.

The Chair can become overly dominant; this is usually obvious to everyone but themselves and the opportunity for constructive feedback is missed.

Some members of the board may feel intimidated and fail to contribute constructively to debate; quality discussion is one of the keys to effective decision taking.

**Advisors may not get rigorously challenged;** so how can you be sure they are working effectively on behalf of the trustee board?

**Roles and responsibilities, particularly between the trustee board, committees, advisors and officers can become clouded;** duplication of effort is ineffective and can lead to conflict.

**Trustees receive no feedback on their personal performance on the board;** poor morale or complacency often precedes poor performance.

**Succession planning may be overlooked;** do you want your board to be floundering when you have gone?

**Meetings may become routine;** some critically important issues, e.g. administration or advisor reviews can be overlooked.

## Tips to Successful Self Assessment

One size does not fit all – what may be right for one board may not be right for another. Choose the right process to meet your particular circumstances and needs.

An enthusiastic Chair to embrace and sponsor the process is a critical prerequisite. If your Chair is hesitant, introduce them to one who has gone through the process; it might help them realise its benefits and get them on side.

Participants should have an honest approach, be open minded and willing to adopt change. Good communication about the process and its benefits will help achieve the right mindset from the start.

Choose the right time for your board to start the self assessment process. There isn't a 'perfect time' but it's always best to do so before things start going wrong.

Deal with any issues known to be affecting board performance before you start to self assess. You can then focus on the issues uncovered through self assessment.

Use an independent facilitator to add external challenge and provide anonymous feedback. He/she should also be able to advise on how to manage sensitive or complex issues.

Create time to review the results and implement changes if you want long term success. A trustee board that fails to follow up on the findings of self assessment would have wasted its time.

# Trustee Effectiveness Assessment (**TEA**) from Muse Advisory

At **Muse Advisory** we believe that trustee boards should not just assume that they are operating effectively, but should shine a spotlight on their own performance.

Our **Trustee Effectiveness Assessment (TEA)** service is specifically designed to facilitate challenge to established practices and to help trustee boards and committees identify shortfalls.

Your specific needs and circumstances provide the foundation to our work. We build on that to develop an evaluation process that meets your needs and helps you optimise trustee board/committee performance and effectiveness.

**TEA** was developed with learning and research from the corporate sector and pensions governance best practice.

The assessment comprises a core element:

- Board (Committee) Effectiveness

and two optional modules:

- 180 Degree Feedback
- Board (Committee) Priorities.

Finding time to step back to review your own performance is always difficult which is why we have developed a process that can be quickly and easily completed on line. The feedback is anonymised, analysed and can be supplemented with meetings and a facilitated discussion of the results at a board (committee) meeting.

Trustee board assessment is not an audit, a witch hunt or a skills review; it is a means to improve the way a board works as a team and takes effective decisions.

If you agree that trustee boards must not be the 'weakest link' in the pension governance chain then perhaps **it's time for TEA.**

To find out more contact **Avgi Gregory** or **Mark Hodgkinson.**

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