

Pension Scheme Governance and Trusteeship: Raising the bar

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The recent TPR Talks discussion on raising standards of trusteeship and governance reignited an important debate across the pensions industry: what does “good governance” actually look like in practice?

Governance spans a wide spectrum of matters from endgame strategy, risk management, cyber security, business continuity, third-party supplier oversight, data quality to AI governance. Trustees are expected to manage pension-specific risks and all the operational risks that could materially impact members and scheme operations. Operational risk management in a highly outsourced model deserves its own article!



While few would disagree with the principle of improving governance standards, the reaction from TPR’s roundtables highlights a recurring challenge – how do you achieve better standards while trustees are grappling with proportionality, introducing diversity, managing scheme budgets, dealing with increasing regulatory burden, and the practical realities facing schemes of different sizes?

We’ve left behind the idea that governance is a compliance or tick box exercise with the General

Code. Governance is now seen for what it is - a strategic capability that directly influences member outcomes by enabling good risk management, operational resilience and quality decision-making.

Governance is the thread that weaves through the work of the trustees and across pension schemes, through the work of the support function and relationships with advisers, providers and stakeholders.

The future of pension scheme trusteeship

TPR's vision paper and DWP's consultation on Trust-based pension schemes: Trustees and governance, building a stronger future are at the heart of this discussion. The clear theme from both is that all pension schemes must be governed to a high standard and, importantly, led by highly skilled trustees in members' best interests.

TPR wants to raise the bar on trustees' capabilities. Having sound technical expertise, strong behavioural competence and a clear idea of what good governance looks like are solid foundations for tackling the various issues pension scheme trustees face and enabling effective decision-making.

As governance requirements become more technical, there is a risk, though, that trustee boards become increasingly homogenised. The industry's objective should not be to create identical trustee boards with identical backgrounds. Rather, ensure boards collectively possess the skills, experiences and perspectives needed to work well as a group, identify what matters and makes a difference and have the support and advice required to do the work needed in the best way possible given the scheme's circumstances. That has a direct impact on the service members receive and ultimately how easy they find it to access their benefits and know what is right for them.

Member and employer-nominated trustees continue to play an important role in this – bringing a deep understanding of the scheme's membership and their unique skills and experiences to decision-making. Professional expertise is undoubtedly valuable, but governance research consistently demonstrates the benefits of diverse viewpoints and constructive challenge.

Effective boards are often characterised by constructive board dynamics that facilitate:

- **Diverse perspectives**
- **Effective challenge**
- **Timely decision-making**
- **Clear accountability**
- **Strong oversight.**

So, what should trustee boards do?

1. **Strike a balance of skills and competencies, collectively, not just knowledge.**
2. **Balance employer and member nominated trustee capabilities with professional and independent trustee technical skills and complementary experiences.**
3. **Review their board effectiveness – seek continual improvement and be accountable for their performance.**
4. **Get the governance right for their scheme's circumstances.**

Quality over quantity

A recurring concern from discussions is the risk of equating more processes with better governance.

The General Code has encouraged documents to be developed and collated but that on its own isn't enough to be effective. Policies, frameworks, registers, training logs and reporting structures are valuable tools. However, good governance is ultimately demonstrated through how those policies, processes and tools are being applied rather than if they are in place.

Good governance should add value. If trustees are questioning if the work they've done on their system of governance and own risk assessment have added value, then I question if they were done well. Has the focus been on the right outcomes and the scheme's own circumstances to drive better governance, risk management and ways of working in members' interests?

Being in the driver's seat

Trustees can no longer just turn up and keep the show on the road. They need a mindset shift to be more in the driver's seat – setting objectives and outcomes, keeping a risk mindset and plotting the route, planning and monitoring. Trustees must act as leaders.

Setting objectives is key. Everything flows from this – the journey plan, risks, reporting. TPR wants to see a shift from retrospective monitoring and technical papers to a forward-looking, strategic approach and explicitly asking what the impact on members is.

Trustees need to ask themselves “what must we as trustees get right and what must we do to mitigate the risks that we’ve identified will have a material impact on our members?”.

Trustee strategy days play an important role to help trustees think about what’s important to their scheme and consider how they will improve their own governance, to instil a cycle of continuous improvement and drive up standards of governance.

Conclusion

The discussion surrounding TPR’s governance agenda highlights an industry in transition.

The direction of travel is clear: stronger governance, greater accountability, enhanced capabilities and broader risk oversight.

The real debate is not whether standards should rise, but how, as an industry, we can raise the bar through pragmatic intervention, so that governance remains practical, proportionate and focused on member outcomes.

Ultimately, the most effective trustee boards will not be those with the largest collection of policies, formed of trustees with the most technical skills or with the longest governance checklists. They’ll be those that apply their skills in the right way, at the right time, with ways of working and governance arrangements that enable them to fulfil their oversight responsibilities to the best of their abilities



How we can help you

If you are concerned or curious about your board effectiveness and scheme’s governance structure and would like to find out more about how we could help you, please get in touch with me.

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