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INSIGHT

When one basket holds too many eggs: Concentration risk in Trustee Services

Katherine Milton September 2026 4 Minute Read

Trustee boards have long understood the importance of diversification within investment portfolios. Few would willingly accept excessive exposure to a single investment, manager, or strategy. Yet the same principle can apply to the way schemes structure their adviser and service provider relationships.

Often, the journey begins innocently enough...

An actuarial adviser may be appointed to provide scheme funding advice and, over time, take on additional governance responsibilities. Equally, an independent trustee firm may initially be engaged to strengthen board effectiveness before later expanding its role into project management, governance support, secretariat services, and other operational functions. The result can be that a significant proportion of a scheme's knowledge, governance activity, and institutional memory becomes concentrated within a single organisation.

There can be clear benefits to this approach. Providers develop a deep understanding of the scheme, communication becomes more streamlined and efficiencies can be gained from having fewer suppliers involved in decision-making and delivery. Trusted relationships are valuable and should not be underestimated. However, trustee boards should also consider the potential risks associated with excessive reliance on any single provider.

Lack of resilience.

If a key supplier experiences significant personnel changes, organisational restructuring, acquisition activity, or service deterioration, the impact on the scheme may be far greater when multiple critical services are concentrated in one place. Put simply, the more eggs that sit in one basket, the more significant the consequences if the basket is dropped.

Lack of independence of thought.

Good governance thrives on challenge, debate, and differing perspectives. Where one organisation occupies multiple positions within a governance framework, there is a risk that alternative viewpoints become muted. This is not a question of capability or professionalism. Rather, it is recognition that robust decision-making benefits from diverse voices and positions around the table.

Third is knowledge concentration.

There is a practical consideration at play here too. If a large proportion of scheme history, governance processes, and decision-making rationale resides with a single provider, changing suppliers can become more difficult and disruptive than trustees anticipated. Over time, dependence can develop not because it is the most effective arrangement, but because moving away feels increasingly challenging. That can have a serious negative impact on good outcomes for members, which is, after all, the point.

This does not mean integrated service models are inherently flawed. Instead, concentration risk should be treated like any other governance risk: identified, assessed, and managed consciously rather than allowed to develop by default or inattention.

Questions trustees may wish to consider include:

1. **How many critical services are provided by a single organisation?**
2. **Would the board continue to operate effectively if that relationship changed unexpectedly?**
3. **Is sufficient scheme knowledge documented and retained independently?**
4. **Are there enough independent voices contributing to decision-making?**
5. **Is the market periodically tested to ensure continued value and effectiveness?**

Helping trustee boards answer these questions is a core part of what we do here at Muse Advisory. We work with schemes to assess governance structures, identify potential concentration risks, and consider whether existing arrangements are delivering the right balance of efficiency, resilience, challenge, and independence.

However, independence is not only valuable when reviewing governance arrangements. We believe it is one of the strongest reasons for appointing a governance provider in the first place.

Unlike many firms operating in the pensions market, we do not provide actuarial, administration, investment, covenant, or trustee services. We are governance specialists, and governance is all we do. That means our advice is not influenced by opportunities to cross-sell other services, nor are we seeking to expand our role across multiple parts of a scheme's governance framework. We believe that maintaining clear separation between governance support and other advisory functions helps preserve objectivity, reduces the risk of over-concentration and supports the independent challenge that effective trustee boards require.

This allows us to act as a genuinely independent governance partner to trustee boards, providing ongoing support while maintaining appropriate distance from the other advisers and service providers whose work we help oversee and coordinate.

For many schemes, that can include acting as an outsourced pensions manager and/ or Trustee Secretary, delivering day-to-day governance and project management support, coordinating advisers, driving actions forward, maintaining governance frameworks, and helping trustees navigate increasingly complex regulatory and strategic demands. **Because our role is focused solely on governance, we can perform these functions while retaining the objectivity and independence needed to challenge, coordinate, and hold others to account where necessary.**

While there is nothing wrong with placing a number of eggs in a single basket, it is key that trustees understand how many eggs are there, what could happen if the basket is dropped, and whether a more diversified approach would strengthen the scheme's governance framework. We believe our model delivers the best of both worlds. Trustee boards benefit from the efficiency and continuity of a trusted governance partner, without creating unnecessary concentration across multiple advisory disciplines. Instead of adding more eggs to an already crowded basket, schemes can strengthen governance through a specialist provider whose role is to provide oversight, challenge, coordination, and support.

Ultimately, resilience and independence are not achieved by accident. They are achieved through conscious governance choices.

By considering supplier concentration risk alongside other governance risks, trustee boards can help ensure that convenience today does not become dependency tomorrow. In a market where service offerings are becoming increasingly integrated, there is real value in having at least one adviser whose perspective remains wholly independent.

How we can help

The question is not simply whether your scheme has concentration risk today, but whether your governance structure provides sufficient independence, challenge, and resilience for the future. We can help assess that position and, where appropriate, provide ongoing governance support as an independent pensions manager and governance partner. By remaining focused exclusively on governance, we help trustee boards benefit from expert support without adding further concentration risk to their adviser ecosystem.

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