Viewpoint

The Future of Trustee Governance

3 MINUTE READ

Ian McQuade: November 2025

The government's decision to launch a consultation into the professional trustee market is very welcome. It's long overdue.

Professional trustees play a vital role in ensuring good governance and protecting member outcomes. The decisions they make and the challenge they should bring directly affect the benefits delivered to millions of savers. So, it's right that we pause and ask whether the structures and incentives in the market still deliver what members need.

Where governance falters

We see the best and worst of trustee governance. The best boards and trustees bring structure, experience, and pace to decision-making. But where governance falters, it's rarely through lack of skill or intent. It's because competing pressures pull trustees, sponsors, and advisers in different directions.

Those pressures flow both ways. Sponsors, understandably, want efficiency and control. Advisers want influence and continuity. Trustee firms want to demonstrate commercial strength and scale. None of this is bad, but it can create tension and conflicts that either need to be avoided or effectively managed. When lines blur between who is acting in whose interest, the focus on members risks being diluted.

The danger of blurred lines

We've seen examples of trustee boards being rapidly replaced by the sponsor with sole corporate trustees. Sometimes that's efficient. Sometimes it removes a vital check on sponsor power.

We've also seen professional trustee firms offering multiple service lines – consulting, administration, investment, communications, secretariat services – with good intentions of streamlining delivery.

Yet, when a trustee recommends a colleague from within the same firm, that recommendation can look like a governance decision, but feel like a commercial one.

Lessons from other sectors

We've been here before in other industries. The Competition and Markets Authority's review into the audit market showed how ownership and cross-service relationships can subtly shape behaviour. The lesson was clear – independence isn't a technicality, it's the foundation of trust.

Independence gives trustees the confidence to challenge and to make difficult calls. It doesn't mean isolation, but it does mean clarity of purpose, ensuring proper alignment of interest and effective management of conflicts. Trustees, sponsors and advisers must all know where their accountability begins and ends.

An opportunity to rebalance and reinforce

That's why this consultation matters. It's a chance to rebalance those relationships and reinforce the independence that underpins the system.

As well as independence and conflicts, the consultation should look at the ownership models of different firms to see whether that could have an impact on behaviours (however subtle), incentives and the effective discharge of fiduciary duty. The Pensions Bill has already pointed us toward stronger governance and clearer accountability. This review can make those principles real.

Four practical steps

From our experience, there are several practical changes that would make a difference:

- **Transparency when trustees change.** Where a trustee is replaced outside a normal member or company nomination process, or where those running to term are aware of issues, the outgoing trustee should inform the incoming one of any concerns, ideally in writing. Any issues of concern relating to governance and members interests not being met should, regardless, be communicated in writing to the Pensions Regulator (TPR).

- **Oversight of sole corporate trustees.** When entire trustee boards are replaced, the outgoing board should set out any concerns about actions taken by the sponsor before the new trustee is appointed. TPR should monitor these changes to identify when sponsors may be exerting undue influence.

- **Focus on trustee independence.** Longer term, professional trustee firms should separate their trustee business from other advisory and service arms, to avoid professional trustees being conflicted. Large schemes should have standalone trusteeship. In the shorter term, conflicted trustees should not put forward any associated services or be part of the decision-making process.

- **Visibility of market concentration.** TPR should maintain a register of all trustee boards and monitor where structural or ownership changes occur. This would help identify emerging concentration risk and patterns of sponsor influence.

Governance at the heart of growth

None of this would slow the market. It would strengthen it. Scale and consolidation can be good – but only when robust governance sits at the heart. It is a missing piece of the jigsaw and that's why we welcome this consultation.

We'll play an active role in the consultation. We've seen the value of professional trustees acting independently, and the risks when competing agendas get in the way. All the trustees acting with clarity, integrity and courage will welcome this review as a chance to raise standards across the market.

Independence builds trust

Because this isn't about regulation for the sake of it, it's about trust and ensuring that the industry is acting in members' best interests. Independence gives trustees their authority and members their confidence. This consultation is our opportunity to make sure professionalism, growth, and governance all thrive together.

"Independence gives trustees their authority and members their confidence" - Ian McQuade