

DB trustee exodus slows, but attrition is driven by onerous reporting requirements

After a tumultuous few years for the Defined Benefit (DB) DB pensions world, with Covid and the LDI crisis necessitating hugely more complex investment and strategic decisions, the dust is finally settling. Consequently, fewer DB pension trustees are planning to step down from their roles within three years than they were last year, according to new research from Charles Stanley Fiduciary Management. The annual research, which polled 68 professional DB trustees appointed by schemes with an average AuM of £1.38bn, sheds a light on sentiment and decisions made by professional trustees on DB pension schemes.

When polled last year, 80% of pension trustees were planning to step down from their roles within three years. The latest research shows that this number has dropped to 73% - a sign that the industry has become marginally more stable. However, that's still three quarters of all trustees, signalling that the industry continues to face an exodus in high-value pension professionals.

Concerningly, more than a tenth (13%) of DB pension trustees plan to exit their role in less than six months, while a further 37% are planning their exit in 7-11 month's time. A fifth (22%) plan to leave within 1-3 years. This takes the mean number of months in which professional DB pension trustees plan to step down from their role to 16 months – down from 20 months in 2022.

The research also emphasises the need to find the next generation of trustees to alleviate an impending skills gap. Of those who indicated that they would be stepping down in the next three years, 39% said that it was because they were retiring from all work – a four percentage point rise on 2022. Concurrently, a third said that it was the end of their tenure – up six points from last year.

Interestingly, 22% of trustees indicated they were stepping down due to burdensome regulations – a six-point drop on 2022, yet 11% more outgoing trustees in 2023 indicated that reporting requirements being too onerous was a factor in their exit.

Year-on-year comparisons

	2021	2022	2023
The regulations are too burdensome	56%	28%	22%
I don't feel I have the knowledge to perform the role	44%	22%	22%
The reporting requirements are too onerous	41%	20%	31%
I have health concerns	29%	30%	29%
It's taking up too much of my time	24%	23%	18%
I'm retiring from all work	18%	35%	39%
It's the end of my tenure	12%	27%	33%
I've struggled doing the role remotely	6%	28%	27%
Other (please state)	0%	0%	0%
There are no key motivations in my decision to step down as my position as a trustee in the next 3 years	0%	0%	0%

Bob Campion, Senior Portfolio Manager, Charles Stanley Fiduciary Management comments: “Although the latest research shows that a degree of stabilisation has occurred in an industry which has been buffeted by serious regulatory pressures and reporting requirements in recent years – not to mention the gilts crisis – we still have almost three quarters of trustees standing on the precipice of exiting their roles and leaving a serious deficit of expertise and experience.

“Onerous reporting requirements have once again reared their ugly head in 2023 as a factor pushing trustees out, but the effect of impending retirements continues to be the biggest pressure. To avoid a sudden shortfall in professional oversight which would put people’s pensions and investments at risk, the industry needs to radically increase efforts to try to attract and retain the required influx of new talent.”

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Methodology

Research was carried out by Censuswide among 67 professional pension trustees of UK DB pension schemes, who manage an average of five DB pension schemes each, with an average scheme size of £415million. The average total AUM each trustee presides over is £1.38 billion (significant increase on 2022 which was £863m). The survey was completed between 05/07/23 – 08/08/23.

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