

EXPERT VIEW

A harmonious relationship

Esther White explains how independent trustees and member nominated trustees can work together for the benefit of their scheme

For many schemes, it is increasingly difficult to attract member nominated trustees (MNTs). This is for a variety of reasons including the sheer amount of time being a trustee takes and the complexity of information trustees are required to understand. Add to that the bad press generally associated with pensions – deficits increasing, schemes closing to new members and to future accrual – and it is not surprising that those offering to stand as MNTs are declining in number.

Independent trustees (“IT”) can help. They provide breadth of knowledge and experience to trustee boards. They bring an understanding of industry practice and procedure. This can provide reassurance to those considering whether to stand as an MNT. Potential MNTs need not be concerned that they may “disagree” with their employer (in the form of employer nominated trustees) on their own. They will not necessarily be a lone voice. The independent trustee can ensure that all points of view are heard and properly considered.

The presence of an IT will generally increase the skill set of the trustee board as a whole. Their knowledge of trustee boards across the industry and their understanding of the investment risks, technical issues and member issues improves governance on any board. An IT knows the questions to ask of advisers and is skilled at maintaining good working relationships with the employer. As a consequence the standing of the trustee board will be enhanced, both generally in the company and amongst the members of the pension scheme. This can make standing as an MNT more attractive.

Whether the individual has been elected or appointed to a trustee board, all trustees are under a duty to act in the best financial interest of members. In reality, juggling different hats can be difficult. Conflicts of interests have grown in prominence over recent years. The Pensions Regulator has focused on the problem and on ways to overcome it. As a starting point, the Regulator recommends that schemes should have a conflicts of interest policy.

The conflict of an employer nominated trustee is often the first that springs to mind. For example, the HR director who is also a trustee, might be involved in a company’s remuneration review which is considering various changes to the pension scheme. However, an MNT can have conflict issues, for example, if he is also a union representative in respect of only one section of the workforce. In both of these situations an IT can be helpful. By their very nature an IT provides independence. They are external to the company and workforce. Their presence on a trustee board can facilitate its work by overcoming some of the conflict issues.

MNTs bring experience of the company and an understanding of grass root concerns. This is recognised and understood by ITs. The MNTs and the IT working together can improve governance and the running of the pension scheme. An IT can help to ensure that the strengths of the MNTs and the employer appointed trustees, are maximised and brought to the fore. ■



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