

Pensions Bulletin

Fact Sheet 6

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The Pensions Trust reviews governance structure

1 Introduction

- 1.1 As employers will know, The Pensions Trust is an industry wide occupational pension scheme governed by a corporate Trustee, Verity Trustees Limited. There are 16 Directors of the corporate Trustee, eight nominated and elected by the employers and eight nominated and elected by the members.
- 1.2 The Trustee is the guardian of The Pensions Trust's assets. It must ensure that the provisions of the Trust Deed and Rules are adhered to and must act impartially in the interests of all classes of membership. In addition, it is responsible for the direction and control of The Pensions Trust itself and the service it provides to its employers and their members.
- 1.3 Being a Director of a pension scheme's Trustee Board is a significant responsibility and the role has changed substantially since The Pensions Act 2004 came into force in April 2005. Pension legislation and the whole pension environment has become much more complicated and demanding. A much greater level of knowledge and understanding is now required and the duties of Directors have become far more onerous.

2 Recent review of the Trustee Board

- 2.1 Over the past few months the Trustee Board has been considering whether changes to its present structure are necessary to improve the governance of The Pensions Trust.
- 2.2 Equal representation of members and employers on the governing body is one of the fundamental principles upon which The Pensions Trust is based. However, having a 100% elected Trustee Board does carry with it the risk that the Directors elected may not always have the best mix of skills and experience to carry out all the Trustee's responsibilities to the level members and employers expect and deserve.
- 2.3 The Trustee has sought legal advice on whether it would be possible to co-opt Directors in order to strengthen the skills and experience of the Trustee Board. The advice confirmed that it would be possible to co-opt a third category of Professional Director to serve alongside the Directors nominated and elected by employers and members.
- 2.4 After careful consideration of the advantages and disadvantages of co-opting Directors the Trustee has decided to amend the Trust Deed and Rules to introduce a power to co-opt up to two Professional Directors. Professional Directors will be selected by the elected Directors on the basis of their ability to fill any identified skills gaps and will receive a fee for their services.
- 2.5 The Trustee has also reviewed the overall size of the Board and has decided to reduce the number of elected Directors to ten, five nominated and elected by employers and five nominated and elected by members. The Trustee believes that reducing the number of Directors will make the decision making process more efficient. The changes will be phased in over the next two years.



3 Safeguards

3.1 There will be a number of safeguards to protect the existing balance and ensure that the elected Directors retain control.

- Firstly the appointment of Professional Directors will have to be approved by a majority of both Employer Nominated Directors and Member Nominated Directors. Any Professional Directors will not be employer sponsored.
- Any Professional Directors will serve for a maximum of three, two year terms and may be removed by the elected Directors at any time.
- At present, no Board decision can be made unless it is approved by a majority of both Employer Nominated Directors and Member Nominated Directors. Importantly, this will continue should Professional Directors be appointed and therefore the Professional Directors would not be able to override decisions made by the elected Directors.

3.2 John Alleston, Chair of the Trustee Board concludes 'The Trustee is satisfied that these safeguards uphold the fundamental principle that decisions must be made by a majority of both Employer Nominated and Member Nominated Directors whilst also allowing the Trustee to benefit from the skills and knowledge that Professional Directors will bring. I am confident that this change is in the best interest of both employers and members as it can only improve the governance of The Pensions Trust'.

4 Queries

4.1 If you have any queries or comments on the structure of the Trustee Board and the decision to co-opt Professional Directors please contact Karen Parry, Head of Policy and Compliance, at karen.parry@thepensionstrust.org.uk. All queries and comments will be forwarded to John Alleston.

While every effort has been made to ensure the accuracy of the information contained in this fact sheet, it should not be treated or relied upon as a statement of law. Readers should contact their regular Account Manager at The Pensions Trust in relation to their own circumstances and/or refer to the original source material as appropriate.