

Directors' fees

As members will know, The Pensions Trust is an industry-wide occupational pension scheme governed by a corporate Trustee, Verity Trustees Limited. There can be up to 14 Directors of the corporate Trustee, six nominated and elected by the members, six nominated and elected by the employers and up to two further Directors co-opted by the elected Directors.

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 members and their employers.

Being a Director of a pension scheme's Trustee Board (the 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.

In the past Directors were unpaid but received out of pocket expenses. In his 2001 report 'Institutional Investment in the UK: A Review', Paul Myners proposed that one way to raise standards of trusteeship would be to pay trustees for their services. Following the publication of the Myners' Review the Board considered this recommendation and agreed, at that time, not to introduce

payment as it would be unlikely to affect the composition of the Board given that all the Directors are elected by employers and members and give their time willingly.

In 2006 in response to the additional expectations of and responsibilities placed on Directors, the Board reviewed its decision not to pay Directors and agreed that whilst most Directors should continue to work in a voluntary capacity, the Chair, Deputy Chair and Chairs of the Audit and Compliance and Investment sub-committees should be paid in recognition of the extra duties involved in these roles and the significant additional time commitment required throughout the year.

In acknowledgement of the continuing increase in its workload, the Board has once again been considering changes to its structure to improve the governance of The Pensions Trust. This review has resulted in changes to the delegations to a number of sub-committees, which in turn is likely to lead to an increase in the time commitment required from Directors.

Whilst there is a statutory requirement for active members to be given paid time off during working hours to carry out their duties as a Director, not all Directors are currently employed by an employer participating in The Pensions Trust. This can mean that Directors may have to take unpaid leave or holiday from their paid employment in order to attend meetings. As a result there were concerns that this additional time-commitment may deter individuals from putting themselves forward for election in the future.

This has led the Board to once again consider the issue of payment to Directors. The Board has reaffirmed its earlier decision that an elected Director should not receive a fee for serving as a Director as nominees put themselves forward for election on the basis that the role is voluntary. However, the following decisions were made:

- The Chair, Deputy Chair, Chairs of the Audit and Compliance Committee and Investment sub-committees and co-opted Directors would continue to receive an annual fee for their services, but no additional fee for attendance at sub-committee and working party meetings.
- Other Directors will receive a fee of £250 per day for attendance at sub-committee and working party meetings.

The Board did not take these decisions lightly, being conscious of the history of the Trust and very conscious of the fact that fees paid to Directors do add to the running costs of the Fund at a time when for some members their pension prospects are reducing and for others their contributions are being increased. However, the Board believes that this decision is in the best interest of the Fund and will continue to monitor the performance of Directors and the Trustee body as a whole to make sure that members are receiving value for money.

If you have any queries or comments on the structure of the Board or payment to Directors please contact Karen Parry, Head of Policy and Compliance, via email karen.parry@thepensiontrust.org.uk