THE ROLE OF
PENSION SCHEME TRUSTEES

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Mark Winterbotham
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on behalf of the
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This study of the Role of Pension Scheme Trustees was one of a series of studies intended to inform policy and to monitor the implementation of changes introduced in the Pensions Act 1995.

We are grateful to the National Association of Pension Funds (NAPF), the Occupational Pensions Advisory Service (OPAS), the Pension Management Institute (PMI), the Trade Union Congress (TUC), the Confederation of British Industry (CBI), the Association of Pension Lawyers (APL), the Institute of Directors (IOD) and officials from the pensions policy section of the Department of Social Security (DSS) for their assistance with this research. The study was co-ordinated by Andrea Garman and Richenda Ward of the Department of Social Security who played a key role in the design and conduct of the survey.

We are also extremely grateful to the scheme trustees and administrators who took part in the study.
This qualitative study examined the roles and responsibilities of trustees of occupational pension schemes before the reforms set out in the Pensions Act 1995 came into effect in April 1997. IFF Research Ltd were commissioned by the Department of Social Security (DSS) to conduct this research.

The study involved depth interviews with 40 trustees from private sector occupational pension schemes. The trustees that were interviewed were selected to represent a range of schemes in terms of size, type of scheme (whether the scheme was salary related or money purchase, or whether the scheme was self-administered or insured) and type of trustee. We interviewed employer-appointed, member and professional trustees. The fieldwork was conducted in Autumn 1996.

The research was designed to collect baseline information against which an examination of the roles and responsibilities of trustees after April 1997 can be compared.

The aims of the research were to examine:

- trustees’ knowledge and understanding of their current role and responsibilities, and how these duties were fulfilled collectively by the board of trustees and by trustees individually;
- trustees’ current relationship with other parties, in particular the sponsoring employer, the scheme administrator and professional advisers;
- the views of trustees on whether their role, and their relationship with other parties, has changed or is currently changing, and, if so, whether they perceive these changes to be a result of the pension reforms or other factors.

Most employer-appointed trustees became trustees because of their position in the senior management of the sponsoring employer, typically managing director or finance director. For many, becoming a trustee “came with the job.” Other employer-appointed trustees were asked by the existing trustees or the sponsoring employer.

Member trustees either volunteered for the role through having a strong interest in the running of the pension scheme or it was initially suggested to them by the trustees or the sponsoring employer.

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1 Employer-appointed trustee refers to trustees who have been appointed by the sponsoring employer without the scheme members being involved in the selection.

Member trustees refers to those trustees who had been appointed specifically in their capacity as a scheme member and where scheme members have some influence in their appointment. This includes cases where the selection is made by a trade union. It is important to note that not all those referred to in this report as member trustees would necessarily meet the requirements for member-nominated trustees under the Pensions Act 1995.

Professional trustees are, as the name suggests, professional or independent trustees who have no connection with the sponsoring company and who provide trustee services as a business.
Routes to becoming a member trustee

The means by which member trustees were appointed to the position varied, and many would not necessarily be classed as member-nominated trustees according to the requirements of the Pensions Act 1995. Some member trustees were elected by the full membership, others were chosen by the trade union. In some cases the employer had the right to approve the final decision or to select from a number of candidates put forward by the trade union.

Terms of office

Nearly all employer-appointed trustees had an open term of office. The majority of member trustees, however, had fixed terms which usually involved elections every year or every three years. There was usually no limit for the length of time for being a trustee, although for a minority of member trustees there was a maximum period for which they could be trustees, usually two terms (six years).

Relevant experience

Most trustees came to their current position with little or no relevant experience. The minority with prior experience had either been trustees of other schemes, or had some involvement in the scheme, or more general experience or interest in pensions. For employer-appointed trustees this prior experience usually resulted from their position as managing director or finance director. For member trustees their previous experience was typically a result of involvement with pensions through the trade union.

Training

The majority of trustees had received some training since becoming a trustee of the current scheme. Around half said they had received training soon after being appointed to the position, usually within the first six months, and half had received training at a later date. In many cases this subsequent training was in addition to the initial training they received.

Initial training

Trustees of medium and larger schemes were more likely than trustees of small schemes to have received any training on becoming a trustee. Those who had been trustees for a long period of time were less likely than those who had become trustees more recently to have received any training on first being appointed to the position.

The initial training most commonly consisted of one or two day courses provided by the actuary of the scheme. Training courses typically covered the trust deed, the legal framework and legislation, the role of trustees and the duties of the employer. Many trustees considered the training courses to be essential, particularly as they gave them a basic understanding of their duties and responsibilities.

For the purposes of this study scheme size was defined as follows:

<table>
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<th>Number of Active Members</th>
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<td>'very large schemes'</td>
<td>5,000 or more</td>
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'Large schemes' has been used in the text to refer to large and very large schemes and 'smaller schemes' to refer to small and medium sized schemes.
Around half the trustees had received training sometime after being first appointed to the position. This subsequent training usually involved one day courses updating trustees on new legislation and any changes to their duties.

A minority of trustees had not received any training at any time during the period they had been trustees of the scheme. Among the reasons they gave for not receiving any training were:

- the length of time they had been a trustee;
- they considered they already had relevant experience;
- the size of the scheme - trustees of small insured schemes did not feel training was necessary as the insurance company was responsible for running the scheme;
- lack of time or lack of awareness that training was necessary.

Respondents were asked without prompting what they considered to be the roles and responsibilities of trustees. They were then shown a list of the key roles and responsibilities and asked which they considered to be the trustees’ responsibility and how the trustee board as a group ensured that this responsibility was fulfilled.

No trustee was unable to think of any roles and responsibilities associated with the position. The most common aspects mentioned spontaneously were that trustees:

- act in the interests of members;
- ensure the funds are safe;
- ensure investments are getting a good return;
- ensure the scheme is properly administered.

A minority spontaneously mentioned the following:

- to ensure employer’s obligations are fulfilled;
- to know and act in accordance with the trust deed and scheme rules;
- to maintain awareness of changes in legislation;
- to make discretionary decisions.

Trustees of large schemes tended to mention more areas of responsibility than other trustees. In small schemes, trustees often focused on the need to ensure the funds are in safe hands. Trustees of insured schemes were the least likely to mention having to know the scheme rules and the trust deed.

Once prompted all the items listed previously were mentioned as responsibilities by the vast majority of the trustees, although fewer trustees recognised that making discretionary decisions was part of the trustees’ responsibilities compared to all the other duties.

Each area of responsibility is examined in turn.
Once prompted, there was almost universal recognition of the need to act in accordance with the scheme rules and the trust deed. Few trustees claimed to have a detailed knowledge of these documents. Many trustees relied on professional advisers (such as the scheme actuary, legal advisers or the scheme administrator) for interpretation of the scheme rules and the trust deed.

Nearly all respondents were aware of the need to act within pension legislation. Detailed knowledge of the legislation varied and there was again a heavy reliance on professional advisers to inform trustees of the legislation and the impact of any changes. Some larger schemes had set up sub-committees specifically to keep abreast of pension legislation. A number of trustees had also attended training courses on new legislation and its implications.

The vast majority of trustees recognised their overall responsibility for making investment decisions and monitoring investment performance. They saw this responsibility in terms of making sure that the funds were safe and that they were getting a good rate of return for their investment. Some trustees of small and medium sized insured schemes did not believe that this was their responsibility, rather they believed that this was something the insurance company should be responsible for.

The responsibility for investment was one that trustees took particularly seriously. They mentioned a number of ways in which this duty was fulfilled, most commonly by reviewing and discussing investment performance at meetings. Trustees of larger schemes often used performance measuring services such as Combined Actuarial Performance Services (CAPS) or World Markets (WM) to monitor their fund’s performance. Some larger schemes had also set up sub-committees looking specifically at investment performance. In addition to monitoring investment performance, the overall performance of fund managers was reviewed regularly. In a number of schemes trustees had changed or planned to change their fund manager because of poor performance.

While some trustees felt that they personally did not have a detailed knowledge of financial issues, most trustee boards either had at least one person with a detailed knowledge of investment matters, usually the managing director or finance director, or a trustee who took the lead on financial issues. However, even those trustees without a detailed knowledge of investment matters questioned the advice and information they received from their fund managers.

Most trustees were aware of their duty to ensure that the sponsoring employer fulfilled his obligations with regard to the pension scheme. Trustees, particularly in small schemes, commonly interpreted this as ensuring that the employers’ contributions were paid. In large schemes, formal procedures had been set up so that non-payment was quickly brought to their attention by the scheme administrator or the actuary.

\[1\] This study discusses how trustees see their role with regard to investment decisions. This issue is explored in more detail in the research report: 'Pension Scheme Investment Policies' (1998) by C Pratten and S Satchell, Department of Social Security Research Report No. 82, Corporate Document Services.
In small and medium sized schemes, where trustees were also senior members of the sponsoring company (for example the finance director or the managing director), many trustees reported that separating the employer and trustee functions was not straightforward. A number of trustees commented on the difficulty of ‘wearing two hats’.

**Acting in the best interests of the beneficiaries**

This was felt to be the overriding duty of trustees. However, it was rarely seen as being fulfilled in any specific way. Rather, it resulted from the other duties being carried out effectively, in particular safeguarding the scheme funds and ensuring the scheme was well funded. A few trustees mentioned good communication with scheme members as a specific function falling within this category.

**Ensuring the scheme is properly administered**

Ensuring the scheme is well administered was recognised as one of their duties by nearly all trustees. It was seen as being fulfilled by a variety of means including having clear, well written scheme rules, keeping up to date records, appointing a good administrator if this role is outsourced, receiving regular administrative reports and questioning scheme administrators about these reports.

**Making discretionary decisions**

The majority of trustees recognised the making of discretionary decisions as one of their duties, although fewer trustees recognised this responsibility compared to the other main responsibilities. Trustees who did not recognise it as a duty tended to be from small or recently set up schemes where there had been no occasion to make such decisions.

Where discretionary decisions had been made this was either by the full trustee board, or by a sub-committee of trustees and the decisions were then ratified at the next full board meeting. In the former case it was often necessary to call a special meeting if a decision was required before the next scheduled trustee meeting. A number of trustees felt the making of discretionary decisions was a challenging and occasionally time consuming area.

**Aspects of the duties of trustees**

The overwhelming view was one of collective responsibility between the trustees. They were all involved in the decision making process and were all equally liable. Within this framework of collective responsibility, though, a number of trustees had specific responsibilities. These included sitting on sub-committees, being the main point of contact with the scheme’s advisers and supervising the production of the annual report. However, any decisions made were agreed or ratified by the full board of trustees.

**Division of responsibilities among the trustees**

In most cases where there were different types of trustee (that is, employer-appointed, member trustees or professional trustees) on the trustee board, respondents indicated that the responsibilities did not differ between the different types of trustee. In schemes where there were differences, either the professional trustees had greater responsibility for training and education, particularly where legislation was concerned, or member trustees had more involvement than employer-appointed trustees in day-to-day issues such as communicating with employees, making discretionary decisions and sitting on sub-committees.
A minority of respondents felt they personally faced problems carrying out their duties as trustees. These problems included: difficulties keeping up to date with legislation, the time consuming nature of the work, occasional conflicts of interest and for some member trustees the position being quite intimidating at first. No trustees, however, felt that these difficulties meant they were unable to carry out their duties properly.

A small number felt that as a group the trustees had experienced difficulties. These included the difficulty of keeping abreast of changes in legislation, differences in opinion on investment strategy and difficulty deciding some of the discretionary decisions. These were occasional problems which had not affected the running of the scheme. Differences of opinion between the trustees were not uncommon but a consensus could nearly always be reached on a fuller discussion of the matter.

Nearly all trustees were keen to emphasise that they did not represent any particular type or group of members. A small number of trustees admitted that they found it hard not to feel more responsible for active members as opposed to deferred members either because they dealt with active members on a daily basis, or because they saw deferred members as a burden to the scheme.

For the majority of schemes, the trustees met at least once a year. Larger schemes tended to meet more regularly. Where regular meetings were held these tended to be twice or four times a year. All the trustees were invited to attend these meetings and they nearly always did so. Larger schemes tended to have other people present including the secretary to the trustees and the administrator or the actuary. Fund managers and legal advisors were usually asked to attend some trustee meetings but not all.

Nearly all trustees felt they contributed their share to the meetings. There were no signs that member trustees in any way contributed less. However, what trustees contributed often varied depending on the subject matter. Financial or investment issues and discretionary decisions or special cases were the key areas where input varied.

In the vast majority of cases, decisions were reached by consensus. For this reason voting was rare in many schemes.

Advice was sought by trustees on a number of issues such as investment, legislation and its impact on the scheme, interpretation of the scheme rules and trust deed, or advice on actuarial matters. The majority of trustees thought that an important part of their role was to question and challenge the advice they received and, if necessary, to seek a second opinion. Very few trustees saw the relationship with the scheme's advisers as one where they accepted the advice unquestioningly.

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Deferred members are employees who have left the employer or the scheme but their pension rights are retained in the scheme.
For insured schemes, trustees reported that the insurance company took on the central role of administering the scheme, investing contributions and providing advice to trustees and members. Trustees of small, insured schemes often felt there was little need for regular contact, and the questioning of advice was limited to an annual review of the insurance company’s performance.

It was often the case, particularly in smaller schemes, that those providing the legal advice were the solicitors used by the sponsoring employer. In insured schemes, legal advice was often part of the ‘package’ provided by the insurance company. Legal advice was an area where a number of trustees admitted there was some deference to the advice received. This was in part a result of the complicated nature of the subject matter but also because in this area advice was usually actively sought. The relationship with legal advisers was one that appeared to be particularly stable and long term, and there were no examples of the company providing legal advice having been changed.

Dealings with investment or fund managers tended to be either the receipt of written reports or an annual face-to-face review of performance. In larger schemes contact could be much more regular, in particular where trustee approval was needed for certain investment decisions. Larger schemes used a number of fund managers. The questioning of investment advice was seen as one of the key responsibilities of the trustees. There were a number of instances where the fund managers had recently been changed as a result of poor performance.

Administration of the scheme was either carried out in-house or outsourced (for example, with an actuary). In the former case it often appeared as if the choice of the personnel had historically been made by the sponsoring employer, though some trustees were unsure as to the procedure. Where the scheme administration was outsourced, there was much more certainty about the selection procedure, it typically involving a number of candidates being interviewed by the trustees. Contact with the scheme administrator involved their attending some or all trustee meetings and, especially in larger schemes, fairly regular dealings on day to day matters.

Trustees’ contact with actuaries was either through the actuarial firm administering the scheme or actuaries being contacted for specific functions (for example, the actuarial valuation of the scheme). Actuarial firms were also responsible for carrying out much of the trustee training. In insured schemes there was no independent contact with an actuary in that the insurance company carried out these functions.

Relationships with actuaries tended to be stable and long term. Again it was often the case that the decision as to the selection of the actuaries had historically been made by the employer, though this was commonly cited as becoming a duty for the trustees under the Pensions Act 1995.

The relationship between the trustees and the sponsoring employer varied from very informal in small schemes (often no communication was felt to be necessary because the managing director and finance director were both trustees, and often the only trustees) to more formalised procedures in large schemes.
Employers’ involvement ranged from allowing the trustees a very free hand to their having a high degree of involvement. Although there were some instances of difficulties with the employer, these were never severe or long term or sufficient to prevent the trustees carrying out their duties. More often the relationship was felt to be good and the employer was considered supportive.

Trustees were evenly divided between those who felt their role had changed over the last five years and those who did not. Trustees of large and very large schemes were particularly likely to have felt their role had changed within this period. Changes included the role had become more formalised and structured, trustees were taking the role more seriously and their role had become more complicated and onerous. These changes were nearly always seen as being the result of the Pensions Act 1995, though some put them in the broader picture of Maxwell and the Pension Law Review Committee report.

Most trustees felt their role would change in the next three years. The changes anticipated were either specific aspects required to conform with the legislation (especially regarding member-nominated trustees) or more general changes relating to increased administrative time or more time spent double checking things were being done correctly. A minority of trustees did not think there would be any changes in their role over the next three years. Most of these thought that this was because their scheme already complied with the legislation, particularly the requirements of the Pensions Act 1995.

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This in-depth qualitative study examined the role and responsibilities of trustees of occupational pension schemes before the reforms set out in the Pensions Act 1995 came into effect in April 1997. IFF Research Ltd were commissioned by the Department of Social Security (DSS) in August 1996 to conduct this research.

In the UK private sector occupational pension schemes are set up voluntarily by sponsoring employers, usually as trusts. The schemes are managed by trustees who are responsible for running the pension scheme and for ensuring that the funds in the trust are invested for the benefit of all scheme members. The duties and powers of trustees are principally laid out in three sources: in legislation; in trust law developed by the courts; and in the scheme documents (the trust deed and the scheme rules).

Broadly, the main duties of trustees are to:

- act in accordance with the trust deed and the rules of the scheme;
- ensure that the employer fulfils its obligations to the scheme;
- act in the best interests of the beneficiaries of the trust and not to subordinate these interests to the trustees' own or those of a third party;
- act impartially, balancing the interests of the different classes of beneficiary (active members, deferred members, pensioners and beneficiaries);
- make discretionary decisions as required by the trust deed or the scheme rules;
- act prudently in preserving the trust assets and to deal with them in what they believe to be the best interests of the beneficiaries. However, trustees should decide in principle what the balance of the investments should be. In insured schemes, trust assets are paid over to an insurance company under an insurance policy or annuity contract and the insurance company invests the contributions made.

The Pensions Act 1995 introduced a number of changes in the role of the trustees to make it clear that legal responsibility for decision making and the running of the scheme rested firmly with the trustees. It should be noted, though, that many of the provisions of the Act were requirements under trust law and were already best practice for many schemes prior to April 1997.

The key provisions of the act affecting trustees and their duties are to:

- allow the scheme membership to nominate and select trustees. The number of these member-nominated trustees (MNTs) required on a trust board/company depends on the size of the scheme. However, the membership can decide that MNTs need not be introduced;
• ensure that there are sufficient assets to cover the scheme liabilities and to take remedial action within a certain time frame if these assets fall below a certain level, known as the minimum funding requirement;
• prepare and maintain a written statement of investment principles;
• ensure that the trustees, not the employer, appoint the scheme’s professional advisers;
• ensure that a dispute resolution procedure is in place;
• ensure that proper records are kept of trustee meetings and that at least 10 days’ notice is given for these meetings;
• ensure that scheme members are given specified information within set time limits.

1.2 Aims of the research

The main objective of the research was to build a detailed picture of the roles and responsibilities of occupational pension scheme trustees before the pension reforms, set out in the Pensions Act 1995, came into full effect in April 1997. The research was designed to collect baseline information against which any changes in the roles and responsibilities of trustees after April 1997 can be compared.

The key areas on which the research focused were:
• trustees’ knowledge and understanding of their current role and responsibilities, and how these duties were fulfilled collectively by the board of trustees and by trustees individually;
• their current relationship with other parties, in particular the sponsoring employer, the scheme administrator and professional advisers;
• the views of trustees on whether their role, and their relationship with other parties, has changed or is currently changing, and, if so, whether they perceive these changes to be a result of the pension reforms or other factors.

1.3 Methodology

The study involved depth interviews with 40 trustees from private sector occupational pension schemes.

In order to explore trustees’ knowledge and understanding of their roles and responsibilities, and to establish and understand the reasons for any changes in these duties, in-depth qualitative research methods were used.

Prior to the discussions with trustees, a number of developmental interviews were conducted with organisations working in the pensions field to familiarise the research team with the main issues and to help in the design of the topic guides. These included the Confederation of British Industry (CBI), the Trades Union Congress (TUC), the National Association of Pension Funds (NAPF), the Association of Pension Lawyers (APL) and the Pension Management Institute (PMI).

The sample for the survey was provided by the DSS from the Pension Scheme Registry (PSR) database. The Registry was established as a tracing service for people who have lost touch with their pension scheme. It contains details of all tax approved occupational pension schemes with two or more members.
Initial contact was made with the administrators of the schemes provided by the DSS. Letters from the DSS were sent to administrators explaining the nature of the survey and offering them the option of opting out of the survey. Those not opting out were contacted by telephone and further details were obtained, for example, the number of active members, deferred members and pensioners in the scheme, as well as the names of two or more trustees.

Trustees were then contacted directly by telephone. Details given by the administrator about the scheme were checked, and further questions were asked about the trustee. If one trustee in a scheme was unavailable or unwilling to be interviewed then another was contacted, although only one interview per scheme was conducted.

The main fieldwork took place in late November and December 1996. It was preceded by a pilot exercise involving interviews with five trustees. The findings of the pilot exercise were used to revise the topic guide for the main interviews.

A copy of the topic guide is provided in the Appendix.

Quotas were set on the type of scheme and the type of trustee to be interviewed so that a range of different types of scheme and trustee were included in the research. The most important quotas were based on: the size of the scheme, whether it was self-administered or insured; whether it was defined benefit or defined contribution and the type of trustee (employer-appointed, a member trustee or some other form of trustee, for example, a professional trustee)^6^.

The characteristics of the schemes studied were as follows:

**Number of active members:**

- 2-19 7
- 20-499 11
- 500-4,999 15
- 5,000 or more 7

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^6^ Employer-appointed trustee refers to trustees who have been appointed by the sponsoring employer without the scheme members being involved in the selection.

Member trustees refers to those trustees who had been appointed specifically in their capacity as a scheme member and where scheme members have some influence in their appointment. This includes cases where the selection is made by a trade union. It is important to note that not all those referred to in this report as member trustees would necessarily meet the requirements for member-nominated trustees under the Pensions Act 1995.

Professional trustees are, as the name suggests, professional or independent trustees who have no connection with the sponsoring company and who provide trustee services as a business.
Type of scheme
- Self-administered 32
- Insured 8
- Defined benefit 25
- Defined contribution 15

Number of trustees on the board (or directors of trustee company)
- 1-2 5
- 3 5
- 4-6 13
- 7 or more 17

Whether or not scheme contracted out of State Earnings Related Pension Scheme (SERPS)
- Contracted out 26
- Not contracted out 14

Whether any member trustees on the board
- Yes 19
- No 21

Half of the insured schemes were defined contribution schemes. Most of the self-administered schemes were defined benefit (21 of the 32 schemes).

Most of the defined benefit schemes were contracted out of SERPS (18 were contracted out of SERPS and seven were not contracted out). The defined contribution schemes were more evenly split (eight were contracted out, seven were not).

1.4 The profile of trustees

Twenty six of the trustees interviewed were employer-appointed, 13 were member appointed and one was a professional trustee.

Twenty two of the trustees interviewed currently held senior management positions, though a small number had been in middle management positions when they initially became a trustee. Eight currently held middle management positions and seven worked on the ‘shop floor’ or non-management positions, including trade union representatives.

Two trustees that were interviewed were retired. Both were employer-appointed trustees who had previously held senior management positions.

Most trustees had been a trustee of their current scheme for more than three years, and a number had held the position for over 20 years. Seven of the 40 trustees had held the position of a trustee at a previous company.
Chapter 2 examines the reasons why respondents became trustees, how they were appointed to the position and the experience, if any, they brought to the position. We then look in detail at the training received, if any, and how confident trustees feel in carrying out their duties.

Chapter 3 looks at what trustees believe to be their key roles and responsibilities and how these are fulfilled. Each duty is examined in turn.

Chapter 4 discusses several aspects of trustees’ duties, including any problems faced, the division of responsibility between trustees and views as to who they believe they represent.

Chapter 5 looks at how trustee meetings are conducted and at the work involved outside of these meetings, including sub-committees on which trustees may sit.

Chapter 6 examines the relationship trustees have with other parties such as administrators, actuaries, fund managers and the sponsoring employer. Any contact trustees have with scheme members is also discussed.

In Chapter 7 trustees’ views on whether their role has changed in the last five years and whether they think their role will change over the next three years are explored. The extent to which any changes which have occurred, or which are planned, are the result of the Pensions Act 1995 or other factors is also discussed.

The following abbreviations have been used in the report when attributing quotes:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member trustee</td>
<td>MT</td>
</tr>
<tr>
<td>Employer-appointed trustee</td>
<td>ET</td>
</tr>
<tr>
<td>Defined contribution</td>
<td>DC</td>
</tr>
<tr>
<td>Defined benefit</td>
<td>DB</td>
</tr>
</tbody>
</table>
The following definition of the size of pension schemes has been used:

Number of active members

<table>
<thead>
<tr>
<th>Size</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>2–19</td>
</tr>
<tr>
<td>Medium</td>
<td>20–499</td>
</tr>
<tr>
<td>Large</td>
<td>500–4,999</td>
</tr>
<tr>
<td>Very large</td>
<td>5,000 or more</td>
</tr>
</tbody>
</table>

The expression ‘larger schemes’ has been used in the text to refer to large and very large schemes, and the expression ‘smaller schemes’ to refer to small and medium sized schemes.
In this chapter we examine the reasons why respondents became trustees, how they were appointed and whether they had brought any relevant experience to the position. We look at whether any training was received by trustees on being appointed to the position and/or subsequently. Trustees' views on the usefulness of the training they received is explored. Reasons why trustees had not received training are also examined. Finally we discuss trustees' views on whether they felt confident in their knowledge of their duties and in their ability to perform these duties, and whether they felt that they required any further training.

2.1 Reasons for becoming a trustee

The reasons and motivations for becoming a trustee varied between employer-appointed and member trustees.

2.1.1 Employer-appointed trustees

Employer-appointed trustees typically took on the role as a result of their position in the senior management of the sponsoring employer, often as managing director or finance director. This was occasionally allied with having been involved in the initial setting up of the scheme.

'I'm boss of the company. Directors have to become trustees.'

(ET, small, insured, DC)

'It’s part of my job as Group Finance Director.'

(ET, large, self-administered, DB)

A few employer-appointed trustees believed the position had been compulsory but had subsequently discovered this was not the case. Others indicated that while the position was not strictly compulsory, there was in fact little choice.

'I had no choice really. At the time there were only three directors of the company and all these became trustees of the scheme. It’s considered our duty.'

(ET, medium, self-administered, DC)

For the remaining employer-appointed trustees, the process was simply one of being asked by the existing trustees or the sponsoring employer. In some cases there was a fairly clear reason for being asked in terms of having some previous knowledge or experience of pensions. For others the reasons were less clear.

'I know a bit about pensions as I do a lot of pension litigation. I seemed a natural choice.'

(ET, medium, insured, DB)

'The company asked me. It is important to have people on the trustees who understand what needs to be done. I was appointed as I could contribute in a reliable and sensible way.'

(ET, medium, self-administered, DB)

'I was requested by the management to be put forward for the trustee role and I accepted. I don’t know their reason.'

(ET, large, self-administered, DB)
Among member trustees there were broadly two groups: those who put themselves forward for the position through having a strong interest in the running of the pension scheme and those who were asked by trustees or the sponsoring employer. The first group was the most common, though often those who were asked also expressed their reason for accepting as a desire that the scheme should be in good hands. Having a strong interest in the running of the scheme often arose through involvement with a trade union.

'I wanted to make sure that the scheme was effectively managed.'

(MT, very large, self-administered, DB)

'I was interested in being responsible for my pension and making sure it is properly run after Maxwell. I was invited on and I like a challenge.'

(MT, medium, self-administered, DC)

'In 1989 the board decided to set up with one trustee from each union ... the shop steward asked me as I was interested.'

(MT, large, self-administered, DC)

We have already noted in Chapter 1 that not all member trustees would meet the requirements of the Pensions Act 1995 for member-nominated trustees. Indeed there was a variety of methods by which these trustees had become member trustees, with the membership being involved to differing degrees. The following examples, which are not mutually exclusive, cover the range of different methods employed:

- full election by the membership, often at an Annual General Meeting. In one large scheme the election process was administered by the Electoral Reform Society;
- no election because there was only one candidate;
- potential candidates were approached by the trustees, personnel or someone in the sponsoring company who suggested they stand for the position;
- the decision was made by the trade union, staff council or equivalent body;
- the employer or the trustees had the right to approve the final decision, or to select from a number of candidates put forward by the trade union.

In some schemes candidates needed to be proposed. In one, for example, each candidate needed to be proposed by ten scheme members.

The member trustees interviewed were fairly evenly divided between shop floor or blue collar workers and middle management. Those who put themselves forward for the position on the initial suggestion of senior management tended to be middle managers.

In one medium sized scheme run by three directors, one of whom was selected by the union, a system of member observers operated. These observers attended trustee meetings and had full input, although they did not vote or carry the full responsibility of being a trustee. This was to avoid their having legal obligations and liability.
Some of our employees don’t want the responsibilities of trustees because there are obviously legal obligations and penalties that might apply, so some of our employees choose to be observers rather than trustees.

(ET, medium, self-administered, DB)

2.3 Terms of office

The majority of employer-appointed trustees interviewed had an open term of office. However, nearly all member trustees were on fixed periods, typically 12 months or more commonly three years. At the end of this period, if member trustees wished to continue to be a trustee, they would need to be re-elected.

A minority of the member trustees indicated that there was a maximum period for which they could be a trustee. Where this existed it was usually two terms totalling six years.

For the majority of member trustees there was no maximum period. Half the member trustees interviewed had been in the position for more than seven years. One respondent had been a trustee of the scheme for 22 years (‘we’ve had member nominated trustees from the word go’) with elections being held every 12 months.

2.4 Relevant experience

Many trustees, both employer-appointed and member trustees, admitted coming to the position with little or no relevant experience. Some qualified this by saying that they did have some knowledge of pensions because they had a pension of their own.

‘At the time shallow, though as personnel director I was obviously aware of pension things.’

(ET, large, self-administered, DC)

‘I brought very little actually. There was a completely new learning curve. I got a lot of help from a retiring trustee.’

(MT, large, self-administered, DB)

‘Average on pensions - no more than a layman’s knowledge.’

(ET, medium, self-administered, DC)

One trustee of a very small insured scheme went so far as to say his relevant experience was ‘absolutely zilch and still absolutely zilch’ even after eight years of being the sole trustee of the scheme.

Amongst the minority of trustees who had relevant experience, there were no differences between employer-appointed and member trustees. Those who had prior experience had either been trustees of other schemes, or had some involvement in the scheme or more general experience or interest in pensions. In the latter cases, this was typically either through their position as managing director or finance director for employer-appointed trustees, or, for member trustees, through involvement with pensions through the union.

‘I was involved in the administration of the fund, and dealt with actuaries or investment managers.’

(MT, large, self-administered, DB)
'I brought a reasonable range of broad skills. I understand the investment world. I understand the law in relation to pensions and can bring a lot of common sense to bear ... general business acumen.'

(ET, medium, self-administered, DB)

'I was involved with the pension from the union's point of view. I was an LAC (Local Advisory Committee) member for eight years, which was below the trustees and delegated responsibilities (for example, early retirement and day-to-day communication). We were the first line.'

(MT, large, self-administered, DC)

'I wasn't a previous trustee, but I had educated myself and had been on a number of trade union sponsored courses. I was also on a union sub-committee dealing with pension issues.'

(MT, very large, self-administered, DB)

2.5 Training
The majority of trustees had received some training since becoming a trustee of their current scheme. Around half the trustees said they had received training soon after first coming to the position (usually within the first six months), this training being offered as part of their appointment to the position, and half had received training at a later date. In many cases this subsequent training was in addition to the initial training they received.

2.5.1 Initial training
Around half the trustees had received training on first coming to the position. These trustees tended to be trustees of medium, large and very large schemes. Initial training was less likely to have been received by trustees of small, insured schemes. The main reasons given by trustees of these schemes for not having received any training was that, in most cases, the running of the scheme was left to the insurance company and, therefore, training was not considered necessary.

Those who had been trustees for a longer period of time were less likely than those who had become trustees more recently to have received training when they first became trustees.

Member trustees were particularly keen to receive training as a number admitted having little relevant experience before becoming trustees.

The initial training typically consisted of a one or two day course given by an actuarial firm. The training was nearly always held at the firm's premises although in one case training had been held at the employer’s site. It appears from a number of responses that training provided by actuarial firms was typically given for trustees from a number of schemes as opposed to being held for the trustees of only one scheme.

In one or two cases the initial training was more substantial, including a four day residential course, and a training course provided by a trade union which consisted of three sets of five days.
These initial courses were invariably seen as serving a useful purpose, giving trustees a basic understanding of their role and responsibilities. Many trustees felt the initial training courses were essential. In some cases respondents had a somewhat hazy memory of the specifics of what was covered, though it was clear that the training was extensive and had dealt with the main duties and responsibilities of trustees, as well as other aspects such as the legal framework and the Pensions Act 1995, the different types of pension scheme and the implications for the trustees of each one, the role of the sponsoring employer and details of the trust deed.

‘Two days. [It covered] all aspects of trustee duties. Very useful. I didn’t know anything before.’

(MT, large, self-administered, DB)

‘One day course on the role, legal framework, detail of the trust deed, roles and responsibilities of principal employer, other trustees etc. Elements of it were essential, for example understanding the role of trustees and the role of the employer ... you couldn’t come to a trustee meeting unless you had a clear idea of what your role was.’

(ET, medium, self-administered, DB)

‘A four day residential course. [It covered] the Pensions Act, our scheme and rules, legal responsibilities and day-to-day issues. I would not have liked to have gone into this without that training. It made you appreciate what the role of the trustee is.’

(MT, very large, self-administered, DB)

2.5.2 Subsequent training

About half the trustees interviewed had received training sometime after first taking up the position. In many cases this was in addition to initial training received. This training tended to be one day courses updating trustees on new legislation, and the most recent courses tended to have been specifically about the Pensions Act 1995. The courses were generally given by the actuary of the scheme or a pension adviser. In one case the trustee had attended a course provided by NAPF.

‘A one day course given by our pension administrator for trustees of defined contribution money purchase schemes. About the duties and responsibilities of trustees. I’m trying to persuade the other trustees to go on it.’

(ET, medium, self-administered, DC)

‘It’s a process of continual updating. Informal briefings and discussion groups with the advisers. The Pensions Act was one of them.’

(ET, very large, self-administered, DC)

‘A one day course by our current actuaries. An update of the role of trustees and financial aspects. Very useful. We send all our trustees on this one. It included the new legislation.’

(ET, medium, self-administered, DC)

‘The latest one was organised by NAPF. A day course called Experienced Trustees - a Survival Workshop ... we plan to do one course a year.’

(MT, very large, self-administered, DB)
Most respondents indicated that the training currently available was the same for all the trustees of their scheme, although a number of those who had been trustees for many years pointed out that there was more training provided now than when they were first appointed to the position. Some trustees were unsure of the extent to which the training was the same for all trustees of their scheme because they were unaware of what training the other trustees had received.

There were some differences in the actual take up of training. Indeed where respondents felt the training differed between trustees this was usually on the grounds of some having pushed harder for it, or having been more enthusiastic about it, than others. Member trustees were particularly keen to receive training, something pointed out both by member trustees themselves and by a number of employer-appointed trustees.

‘My experience is that elected trustees have more enthusiasm for training than management-appointed trustees. To encourage them [management-appointed trustees] seems to fall on stony ground.’

(MT, very large, self-administered, DB)

‘They haven’t all been on the same courses as me. They all went on the one day course initially but I think it’s up to you to push for the training that you want. I pushed a bit harder and got a bit more.’

(MT, large, self-administered, DC)

‘Originally the MD and the administrator came. Recently I’ve been on my own.’

(MT, medium, insured, DB)

Nearly all the trustees who had received training felt that it had been sufficient to enable them to carry out their duties, and it was seen as the necessary foundation on which to build. A few trustees felt that although sufficient, the initial training should have been a little longer.

‘The one day course was a bit short, a bit compacted...it’s a complicated subject and every time we get a change of law it gets more complicated.’

(MT, large, self-administered, DC)

‘I think I’m doing alright. I think it would have been helpful to have had more, but I’ve coped without it.’

(MT, very large, self-administered, DB)

A minority of trustees felt that there were aspects of the job that the training had not prepared them for, such as some of the terminology encountered, the volume of work involved (for example the amount of papers to be read before each meeting), on-going everyday aspects and the ‘politics’ among the trustees (for example, any recent contentious issues for the board or differences in style or personality among the trustees). However, in many cases trustees felt that it would be too much to expect training to be able to prepare them for everything that they may face, however good the training course, and that this could only come about through on the job experience.
‘The training doesn’t prepare you for the volume of work involved. The scope of the responsibility undertaken can be warned about, but their significance not realised until particular issues arise.’

(ET, very large, self-administered, DC)

‘You learn as you go along. It’s not possible to be sure what a trustee’s role is in every instance. Part of it is handling things as they come along... When you first take it on you don’t know what is out there. Maybe I wouldn’t have taken it on if I had.’

(MT, medium, insured, DB)

‘I don’t know if it’s possible in a day’s training to go in-depth into all the workings of the pension scheme and the responsibilities. I think that’s something that builds up as you’re exposed to it.’

(ET, large, self-administered, DB)

2.8 Reasons why trustees had not received any training

A minority of the trustees interviewed had not received any formal training at any time during the period they had been a trustee of their scheme. This was for the following reasons:

The length of time they had been a trustee Some respondents had become trustees a long time ago, when training was seen as being less necessary than at present. One trustee remarked ‘Nobody suggested it - 18 years ago nobody bothered.’ - something the respondent felt would be ‘suicidal’ today.

Already having relevant experience Some respondents felt they were already sufficiently experienced on becoming a trustee. One trustee for example, had already received training while he was a secretary to the trustee board. Another was involved in organising training for trustees of other schemes.

Size of the scheme Some respondents who were trustees of small, insured schemes felt that the insurance company performed the key functions involved in running the scheme and that there was thus no need for the trustees to receive training.

‘Because the pension fund is managed by a well known insurance company.’

(ET, small, insured, DB)

‘We are so small a scheme and the insurance company do it all... I don’t want any [training], it’s the last thing I want. With what I do it would only take three seconds.’

(ET, small, insured, DC)

Lack of time or lack of awareness that training was necessary A small number of trustees had simply not got around to having any training, either because they felt that they had not been a trustee for long enough, or because they thought they did not have time to go on training courses. Other trustees were not aware that training was necessary or that it existed.

‘I’ve only been a trustee for 18 months.’

(MT, medium, self-administered, DC)
All the trustees were asked how confident they felt about their knowledge of what was required of them as trustees, and whether they felt that they needed any further training.

The vast majority of trustees felt at least fairly or reasonably confident in their knowledge of what was required of them. However, they also recognised that there was a need for continual training, especially with regard to pension legislation. The Pensions Act 1995 was one area in particular where many trustees recognised that they required further training.

‘Further training is always necessary. Anyone who said no would be a fool.’

(ET, large, self-administered, DB)

‘You can’t get too much training but if ever I’m not sure of anything I can ask and get the relevant information. Every 12 months you need updating on new legislation.’

(MT, large, self-administered, DB)

‘The new Pensions Act. I feel that I have an overall knowledge but a detailed knowledge I don’t have.’

(ET, large, self-administered, DB)

‘Yes I feel confident except I need updates on the new legislation.’

(MT, large, self-administered, DC)

‘I feel confident, though I’m not quite up to speed on the provisions coming in to force.’

(MT, medium, self-administered, DB)

A few trustees indicated that they did not feel confident about what was required of them. The reasons they gave for this were usually related to uncertainty regarding the implications of the Pensions Act 1995.

‘I’m still not confident...we had a lot of bumph that came through the other day...there are more onuses coming on to us (for example, member trustees)...that’s why I don’t feel confident. As it was I felt alright.’

(ET, small, insured, DC)

‘The way things are going I feel less confident. There have been so many changes, the workload...one is very mindful of the fact that a trustee’s position compared to 11 years ago is such that I wish I’d never been voted on...it’s a bit of a cross to bear.’

(MT, large, self-administered, DB)

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7 Interviews were conducted in November and December 1996, before the Pensions Act 1995 came into effect in April 1997.
Respondents were asked without prompting what they considered to be the roles and responsibilities of trustees.

They were then shown a list of the key roles and responsibilities and asked which they considered to be the trustees’ responsibility. For each item mentioned on the list, respondents were asked how the trustee board as a group ensured that this responsibility was fulfilled.

Finally, for each of the key roles and responsibilities, respondents were asked how they as individuals ensured that these responsibilities were fulfilled.

This chapter summarises the findings that emerged from the responses to these questions. Spontaneous views of trustee duties are covered first, and then the chapter looks specifically at the prompted responses to each of the key roles.

There was broad awareness of the roles of trustees, and all respondents were able to give a spontaneous outline of their responsibilities. The most common aspects mentioned spontaneously were that trustees:

- act in the interests of members;
- ensure that funds are safe;
- ensure investments are getting a good return;
- ensure the scheme is properly administered.

A minority spontaneously mentioned the following:

- ensure employer’s obligations are fulfilled;
- know and act in accordance with the deed and scheme rules;
- keep aware of changes in legislation;
- make discretionary decisions.

One trustee said that it was his responsibility to encourage employees to join the scheme.

Examples of typical spontaneous comments are listed below:

‘To take care of the funds in the scheme in order that they produce the right amounts for the members as and when required. And to make sure that sufficient contributions are provided.’

(ET, small, self-administered, DB)

‘To secure for our pensioners and our members a secure financial future…to make sure our investments are secure…but you’re within the boundaries of the laws of pensions, you need to secure trustees who are able to contribute.’

(MT, large, self-administered, DB)
To represent the members in the administration of the pension fund. And to ensure that this is being done in the interests of members. To negotiate with the company on the pension rules and make the company aware of the issues they need to be aware of.'

(MT, large, self-administered, DB)

'See the men pay their money every week, to see they don’t get ripped off...make sure they get their annual statements and understand them. To make sure we’ve got enough money in the bank to pay the standing order.'

(ET, small, insured, DC)

'To make sure that the scheme is in good hands with a good investment record.'

(ET, small, insured, DC)

Those in larger schemes tended to mention a greater number of roles and responsibilities, or at least to describe their role in a greater number of discrete functions. In small schemes, trustees often focused on the need to ensure the funds were in safe hands. Trustees of insured schemes were the least likely to mention spontaneously knowing the scheme rules and deed, reflecting the fact that the day to day running of the scheme was in the hands of the insurance company.

3.2 Prompted awareness of trustees’ roles and responsibilities

The list of duties and responsibilities shown to respondents was as follows:

• know about scheme rules and the trust deed;

• be aware of the law or legislation within which trustees must operate.
Ensure that the scheme complies with regulations, for example disclosure regulations and self investment regulations;

• know what the sponsoring employers’ obligations are and ensure these are fulfilled;

• have overall responsibility for investment decisions, and ensure that the scheme’s assets are invested in the best interests of the beneficiaries;

• act in the best interests of the beneficiaries, balancing the interests of the different classes (active members, deferred members, pensioners and beneficiaries);

• ensure the scheme is being properly administered;

• make discretionary decisions (that is, decisions on behalf of members which cannot be defined in the trust deed).

Once prompted, all these roles were recognised as responsibilities by the vast majority of trustees, though fewer respondents recognised making discretionary decisions compared to the other items listed.

Each role is discussed in turn, together with the means by which these duties were fulfilled by trustees.

3.3 The scheme rules and trust deed

Once prompted, there was almost universal recognition of the need to act in accordance with the rules of the scheme and the trust deed. However, relatively few claim to have a very detailed, paragraph by paragraph knowledge of the rules or deed:
A few trustees admitted finding the rules and trust deed fairly complicated. This was not confined to any particular type of trustee.

Reliance on professional advice regarding detailed interpretation of scheme rules and the trust deed was widespread. Advice was sought from a number of sources, including: the scheme actuary, legal advisers, in-house pension managers or the scheme administrators.

Use of professional advice appears to be mainly active on the part of the trustees, that is they seek advice on questions of interpretation.

Overall, trustees ensured that they had a basic understanding of, and acted within, the scheme rules and trust deeds by first reading these documents and by attending training courses which covered the scheme rules and the trust deed. They also obtained professional advice on the interpretation of the scheme rules or trust deed when they felt it was necessary or when they were advised to do so.

3.4 Legislation

As with the trust deed and scheme rules, there was almost universal recognition of the need to act within pension legislation. Again, however, detailed knowledge of the legislation varied and there was heavy reliance on the scheme advisers, such as their actuary, administrator, insurance company or, in the case of large organisations, in-house legal experts.
‘We have somebody sitting with us at trustee meetings - he is a partner who specialises in pension law.’

(ET, medium, insured, DB)

‘We as trustees, I think we have an overview, an awareness that the legislation is there ... The secretary reports back to the trustees on a regular basis, where we can obviously ask questions and discuss these issues with him.’

(MT, very large, self-administered, DB)

‘The secretary of the fund makes sure that the trustees are aware of the regulations. And we receive visits from the actuary, from the auditor and from the investment manager.’

(MT, medium, self-administered, DB)

Reliance on professional advice in the area of pension legislation tended to be passive in the sense that trustees expected to be told, given papers or recommended training about changes in legislation.

In addition to receiving professional advice, the other main means by which trustees ensured that they were aware of and complied with the pensions legislation was through attending training courses. As discussed earlier in this report, the central focus of the most recent of these sessions has been the effects of the Pensions Act 1995.

One further means of keeping abreast of pensions legislation, mentioned by trustees of large and very large schemes, was through the setting up of sub-committees for this purpose. Sub-committees are discussed more fully in Chapter 5, but as a general point, where these have been set up they tend to cover investment issues and/or legislation.

‘We have a working party which actually deals with the trust deed and legislation. It constantly monitors the changes in legislation, receives papers or commissions papers from the professionals.’

(MT, very large, self-administered, DB)

3.5 Investments

Once prompted the vast majority of trustees recognised their overall responsibility for making investment decisions and monitoring investment performance8. This was usually seen in terms of ensuring the funds were safe and that they were achieving good returns given an acceptable degree of risk.

In small and medium sized insured schemes some trustees felt that the real responsibility for investment decisions lay with the scheme’s insurance company. However, even in these cases there was generally an awareness of their need to oversee and monitor overall investment performance, even if this was exercised relatively infrequently.

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8 This study discusses how trustees see their role with regard to investment decisions. This issue is explored in more detail in the research report ‘Pension Scheme Investment Policies’ (1998) by C Pratten and S Satchell, Department of Social Security Research Report No. 82, Corporate Document Services.
Responsibility for overseeing investment was one that trustees as a group take particularly seriously. The role was fulfilled in a number of ways:

**Discussing investment performance at trustee meetings** It was common practice for the fund managers to give written reports to these meetings, and for the fund manager to attend at least one of these meetings annually.

‘You must monitor investment and have regular meetings with your investment managers so they can explain to you what has been going on in the market.’

**Using third parties to monitor performance** In some schemes trustees used companies such as Combined Actuarial Performance Services (CAPS) and World Markets (WM), which provide a performance measuring service, to compare the investment performance of their scheme with the performance of other pension funds. Use of these third parties to monitor performance was generally confined to the large and very large schemes.

**Reviewing investment performance and changing the fund manager if necessary** In addition to discussing investment performance at trustee meetings, the overall performance of the fund manager was reviewed regularly by trustees, and the fund manager was changed if the trustees felt their performance was unsatisfactory. A number of trustees had recently changed their fund manager or intended to do so in the near future as a result of poor investment performance. This is discussed in greater detail in Chapter 6.

**Use of sub-committees with specific responsibility for investment issues** These mostly tended to be found in large and very large schemes. The role of sub-committees is discussed in detail in Chapter 5.
Some trustees clearly felt more comfortable with investment and financial issues than others, but even those for whom it was not a strength said they obtained information about the market from the papers, or the news, and asked questions on this basis. Other trustees mentioned that where there was more than one fund manager, they used the information they picked up from one fund manager to question the others that they employed. Most trustee boards either had at least one person with a detailed knowledge of investment matters, usually the managing director or finance director, or a trustee who took the lead on financial issues.

Most trustees understood that the sponsoring employer had obligations in regard to the pension scheme which were distinct from those of the trustees, and that it is one of their functions to ensure that the employers’ obligations were fulfilled. One exception was a trustee of a small scheme who commented that this was the employer’s responsibility not that of the trustees.

Trustees considered one of the main obligations of the sponsoring employer was to ensure that the contributions were paid on time.

Given that one of the main obligations for employers was that of ensuring the employer’s contributions were being paid, the main means by which it was fulfilled were:

- in smaller schemes, actively making sure the payment is made;
- in larger schemes, having mechanisms in place by which any non-payment would be quickly brought to their attention by the administrator, actuary or insurance company.

In small and medium-sized schemes it was evident that separating the role of the trustee and the employer was not always straightforward. In these cases this was because trustees of these schemes were also the key personnel who managed the company, for example the managing director and finance director. A number of respondents indicated that they found it difficult to wear two hats.

“It’s difficult because we are sitting there as the employer as well and so we have two roles, we have to try and divorce the employer role from it. It’s hard to turn round and say this is what the employer has got to do.’

(ET, medium, self-administered, DC)

‘On a personal basis my role as a trustee is rapidly becoming untenable. There are too many conflicts with my role as Chief Executive.’

(ET, large, insured, DC)

Another trustee thought the split between the trustee and employer artificial in his case because the scheme was set up for the directors of the company, and the three members of the scheme, who were all trustees, were the three senior directors of the company.
3.7 Acting in the best interests of the beneficiaries

This was seen as the overriding role of trustees, and was recognised by nearly all respondents once prompted. However, it was not generally seen by respondents as being fulfilled in any specific way, rather they thought it resulted from other responsibilities being carried out properly. In particular, respondents mentioned: ensuring that the funds were safe and that they obtained a good return from investments; making sure that the scheme rules were adhered to; and ensuring that the scheme was properly administered (particularly that the beneficiaries were being paid). In this way the best interests of beneficiaries were seen as being guaranteed.

'By making sure you get the best return for the beneficiaries.'

(MT, medium, self-administered, DC)

'The best way to look after the interests of the beneficiaries is to have a fully funded scheme which we have.'

(ET, small, self-administered, DB)

Good communication with scheme members was mentioned by a few trustees specifically in the context of acting in the best interests of the members. One director of a company of trustees said this was an area she had paid particular attention to during her time as a trustee, especially for pensioners as they often have more difficulty than those still working in the organisation in knowing who to contact to obtain information.

'We keep acting members appraised of what we’re hoping to do for them at the AGM.'

(MT, large, self-administered, DB)

'We provide everyone with a benefit statement, everybody gets a set of rule changes. People are kept informed when necessary of anything that affects them.'

(ET, medium, self-administered, DC)

The balance between the different classes of beneficiaries was rarely mentioned at this point, though once prompted, the vast majority indicated that they viewed their task as having equal regard to the different types of beneficiaries. This is discussed in more detail in Chapter 4.

'The trustees have to be satisfied that the scheme rules are being administered and that the proper level of benefits are being applied to each class of member and ex-member.'

(ET, large, self-administered, DB)

3.8 Ensuring the scheme is properly administered

As with the other roles and responsibilities, ensuring the scheme was properly administered was recognised by nearly all trustees as one of their key roles. This function was fulfilled through a variety of means, including:

- having a clear and well written trust deed and scheme rules;
- appointing good administrators if scheme administration is outsourced;
- receiving and checking the reports from administrators;
- regular audits;
- keeping records up to date.
You have to ensure that you aren’t in the hands of somebody that will badly administrate it ... select a good administrator.

(ET, large, self-administered, DC)

We have independent insurance administrators who are invited to board meetings to give their report.

(ET, large, self-administered, DB)

The means by which trustees check that the scheme is being properly administered are not dissimilar to the situation for investment, with trustees receiving reports from those doing the day-to-day administration, and questioning individuals face-to-face when they attend meetings.

In smaller schemes this questioning was most often carried out at trustee board meetings. In larger schemes, where there was more regular contact with the scheme administrator, their performance was more open to scrutiny.

In a number of small insured schemes less control was exercised by trustees over the scheme administration than for self-administered schemes. The reasons given by trustees of insured scheme was that the insurance company takes over many of the administrative functions. In addition, insured schemes were often set up by business people who did not wish to spend a lot of time dealing with pensions matters. However, even with insured schemes, some checking of the administration was reported to take place, usually annually.

You’re very much in the hands of the insurance company. However, at least once a year we meet with the insurance company to check it is being done properly.

(ET, small, insured DB)

3.9 Making discretionary decisions

Once prompted, the majority recognised that making discretionary decisions was one of their duties as a trustee, though this was somewhat less likely to be mentioned than the other responsibilities discussed.

The means by which trustees fulfilled their responsibility for making discretionary decisions were by their:

- being discussed at a full trustee meeting;
- being decided by a sub-committee, and ratified by the full board of trustees;
- calling a special meeting if there were exceptional circumstances when the decision could not wait until the next scheduled trustee meeting.

A number of particular examples are worth noting. In one very large scheme, there were two distinct groups of trustees, one group deciding all discretionary decisions (for example, deciding on paying out issues such as death in service), the other group carrying out all the other trustee functions.

In another scheme the three member trustees were each given a specific area of responsibility with regard to discretionary decisions. The respondent’s responsibility was lump sum death benefit payments. The secretary of the scheme would give his suggested view of the case together with the relevant documentation, and the respondent would either accept this or seek further information or advice.
The minority who did not see making discretionary decisions as a trustee responsibility were mainly in small or medium-sized schemes, or recently set up schemes, where there had not been an occasion to make such decisions.

However, even in one very large self-administered scheme, the trustee indicated that as far as she could remember no such decisions had ever been made by the board, although she thought this may be because many powers had been delegated to the in-house pensions department.

It was generally agreed that the making of discretionary decisions was both time consuming and difficult, and was often the cause of much debate between the trustees.

‘You really have to do your homework on these to feel you are doing your duty.’

(ET, very large, self-administered, DB)

For some trustees, often those for whom financial issues were not a particular strength, the making of discretionary decisions was an area which they felt they were able to make a particularly useful contribution.
In this chapter we cover a number of aspects relating to the performance of trustee duties, in particular:

- the extent to which different trustees have different responsibilities, and whether this varied by type of trustee (employer-appointed, member trustee and professional trustee);
- the problems faced by trustees as individuals and as a group;
- whether trustees felt they represent particular types of scheme members more than others;
- the effect of being contracted out of SERPS.

Having discussed the roles and responsibilities of trustees and how these were fulfilled as a group, respondents were asked about their own role, in particular if they were responsible for specific areas.

The overwhelming view expressed was one of collective responsibility among the trustees as a group. They were all involved in the decision making process, they all attended trustee meetings, and they were all equally liable.

Within this framework of collective responsibility there were some instances where individual trustees had specific duties. However, these were all of the sort where any decisions made were ratified by the full board of trustees. Areas of specific responsibility included:

- sitting on sub-committees (examined in Chapter 5);
- individual trustees being the first point of contact with scheme advisers such as the actuary or administrator;
- individual member trustees in one scheme having specific areas of responsibility for discretionary decisions (the respondent’s specific area was lump sum death benefit payments);
- one trustee having personal responsibility for the production and printing of the annual report sent to all beneficiaries.

In most cases where there were different types of trustee on the board (employer-appointed, member trustees and professional trustees) respondents indicated that the responsibilities did not differ between the different types of trustee.

There were a number of instances where duties did differ by type of trustee. In some schemes, professional trustees had responsibility for training and educating other trustees on the board, for example, in regard to any new pension legislation. In other schemes, member trustees had more of an involvement than employer-appointed trustees in day-to-day issues such as communicating with employees, making discretionary decisions and sitting on sub-committees.
"As a professional trustee I have a higher degree of responsibility, especially in regard to legislation, and I contribute more at meetings. Employee trustees also have more responsibility for communicating with employee groups."

(Professional, medium, insured, DB)

"Employer-nominated trustees tend to have less of an involvement in the day-to-day issues, and they don’t get involved with discretionary decisions although all documents are reported to the trustees at the next meeting."

(MT, very large, self-administered, DB)

"Management trustees tend not to take such an active role, or some of them don’t, apart from attending full board meetings. They tend not to get involved in sub-committees."

(MT, very large, self-administered, DB)

Trustees were questioned as to whether there were any problems which they faced either as individuals or as a group, in terms of fulfilling their roles. A minority mentioned having problems as individuals. No trustees, however, felt that these difficulties meant they were unable to carry out their duties properly.

Problems faced by individual trustees included:

**Difficulties keeping up with changes in legislation** Keeping up with changes in legislation was mentioned by a number of trustees in the context of problems encountered as individual trustees. While attending training sessions was one means of attempting to be kept informed, there was clearly fairly heavy reliance on professional advice.

**Time consuming nature of the position** A few trustees, particularly those in very large schemes, indicated that the position involved more work than they had expected. This was an issue raised throughout the discussion in a number of contexts, for example as one of the things that training had not prepared them for. It included the large number of reports and papers that they needed to read before trustee meetings.

**Conflict of interests** Outright conflicts of interest were relatively uncommon, though one trustee was planning to stand down due to the increasing difficulty of separating the conflict of interest between being the Chief Executive of the company (representing shareholders’ interests) and being a trustee (representing the interests of the members). To date where conflict had arisen, this respondent had taken legal advice.

Others were very aware of the possibility of conflicts of interest or of appearing to represent one group of members more than another. However, there was a strong realisation that one of their roles was to treat each class of member in the way laid down in the deed and scheme rules.

**Some member trustees feeling the position can be quite intimidating** Some member trustees admitted the position could be quite intimidating. One trustee, for example, felt his three year terms was too short - "when you begin to open your mouth, it’s time to step down". Another indicated that you need to be able to stand up for yourself as a member trustee, (while conceding in his case this was no problem):
‘You have to have a strong personality to be able to put your case forward to those Chief Executives who are used to having their own way.’

(MT, very large, self-administered, DB)

As a group, trustees were rarely seen as having difficulties and the issues tended to be specific or one off. These specific or one off issues included such things as:

* keeping abreast of changes in legislation;
* deciding investment strategy (‘The MD would like to put the money under the bed’);
* pressure from an overseas parent company to reduce company liabilities by switching to a money purchase arrangement (pressure the trustees resisted);
* occasional difficulty making some of the discretionary decisions.

Conflict or disagreement between trustees was never an issue preventing the trustees’ duties being carried out. This was simply because disagreement was either very rare or eventually a consensus was agreed upon. This is discussed more fully in Chapter 5.

‘[There are] none that cannot ultimately be solved by consensus.’

(ET, large, insured, DC)

‘We don’t always agree totally about everything, but any disagreement is settled by consensus.’

(MT, very large, self-administered, DB)

‘We don’t always agree when we start but we have a reasoned debate and we nearly always come to complete agreement...in the end. For example, we might not agree about quite what proportion of money ought to be given to what beneficiary in a lump sum death benefit situation...We might not agree which investment manager to pick...However, there are no entrenched positions that come up time and time again leading to disagreement.’

(ET, medium, insured, DB)

Nearly all the trustees interviewed indicated that they did not feel more responsible for any particular group of members, and instead tried to treat all equally and impartially. Member trustees were particularly keen to emphasise the importance of this even though they may have been selected by a particular group of members (for example staff from one location).

‘All equally although I have been appointed by a particular group of members, that is the staff here at Head Office.’

(MT, very large, self-administered, DB)

‘I probably come from a slightly different angle and have my own perspective to bring. I have to be cautious and input has to be good for all members. In one sense I’m a member of the staff whereas the other trustee is the MD.’

(MT, medium, insured, DB)
A minority of trustees including both employer-appointed and member trustees reported that they found it hard not to feel responsible for particular groups of members. Some of the trustees admitted to feeling more responsible for active members than for deferred members, either because they dealt with active members every day at work, or because they considered deferred members a burden on the scheme.

‘We have to avoid feeling more responsible for active members rather than deferred members. It needs a conscious effort.’

(ET, large, insured, DC)

‘I would have to admit that as a set of trustees we tend to favour, no, emphasise, the active members rather than the deferred. Because the scheme is not that old most of the deferred members have quite small levels of investment. We tend to see them as just holding it there and causing us expense.’

(ET, medium, self-administered, DC)

One member trustee thought that there were specific occasions where he tended to represent the members who were based at the factory from which he had been nominated. Another member trustee admitted feeling more responsible for staff members as opposed to members who were in management positions ‘because that is where we come from originally’. One employer-appointed trustee felt more responsible for those approaching retirement age than for younger scheme members.

The fact that a pension scheme was contracted out of SERPS was rarely considered to have a significant impact on the duties of the trustees. However, some trustees were unsure whether being contracted out of SERPS had an impact on their duties, either because the administration of the scheme was outsourced or because the scheme had always been contracted out during the time they had been a trustee.

‘Virtually none…it just means the benefit structure is slightly different.’

(MT, large, self-administered, DB)

‘It’s hard to say. We’ve always been contracted out. We’ve had to look into guaranteed minimum pensions but that’s a thing of the past.’

(MT, very large, self-administered, DB)

There were two exceptions where trustees felt that being contracted out of SERPS had an impact. One trustee thought that it made their duties more onerous because of the increased paperwork and administration, and because they had to explain the contracted out element to scheme members. Another trustee believed that, whilst being contracted out of SERPS did not have an impact in terms of extra duties, there were additional responsibilities because they had to ensure ‘there is enough in the funds to pay for the pensions.’
Most of the trustees' duties that were described in Chapter 3 were carried out at board meetings. Thus in this chapter we discuss board meetings in more detail, in particular the frequency with which they are held, how long they last, the typical range of topics discussed and how decisions are reached. In this context, the extent to which trustees felt able to contribute to these meetings was also raised.

We also examine the work required outside of the main board meetings, including work on sub-committees, and how much of trustees' time this involves.

Nearly all the trustees indicated that there were regular (at least annual) trustee board meetings. In the majority of schemes, meetings were most often held either quarterly or half yearly.

There were a small number of schemes, however, where:

- no trustee meetings were held. These were all small, insured schemes. In one case the respondents was unsure what there would be to discuss at such a meeting. In another scheme there were no specific board meetings because the insurance company handled all the day-to-day affairs, but there was one meeting a year with all the trustees and members of the scheme together;

- trustee board meetings were incorporated into management meetings. These tended to be small schemes with only employer-appointed trustees. In one example, the scheme was set up for directors of the company, and any trustee issues were discussed at the regular weekly management meetings as and when required;

- board meetings were held on a fairly ad hoc basis, or less frequently than laid out in the scheme rules.

    'The MD says 'I think it's about time we had a trustee meeting isn't it?'. We have them once a year. We always say we'll hold them twice a year but we never do.'

    (ET, medium, self-administered, DC)

    'They're not held as frequently as they perhaps should be, but we have about three a year. The rules require four a year.'

    (MT, medium, self-administered, DB)

All the trustees were invited to attend trustee meetings and all typically did so unless there were unusual circumstances, such as illness. One exception was a scheme where the sponsoring employer had an overseas parent company, and one of the trustees of the scheme was based abroad. This trustee attended two of the six meetings held each year.
Whether there were other attendees present at these meetings depended on the size of the scheme. It was generally the case that larger schemes were more likely to have a wider range of professionals present, including the scheme administrator and, in some cases, in-house pension experts. Legal advisers usually only attended where this was requested for a specific issue. Fund managers were usually asked to attend at least one trustee board meeting a year to discuss performance. The secretary to the trustees nearly always attended where this position existed.

Almost without exception the meetings were held during working hours and they usually lasted for two to three hours, though in some cases meetings took up to half a day. Expenses were not usually incurred, though the larger the scheme the more likely there were to be trustees at different locations within the company. Where incurred, expenses were usually covered by the sponsoring company.

5.2 Topics discussed at board meetings

Agendas for these meetings appeared to take a fairly standard form across all types of schemes. In most cases the following items were discussed:

- minutes of the last meeting and action points;
- investment performance;
- administrative issues;
- discussion with professionals or advisers (usually a scheme administrator) about relevant issues (for example, legislation);
- feedback from sub-committees where applicable;
- any other business.

A number of items tended not to be discussed at every meeting, either because they were ad hoc in nature or it had been agreed that they would be discussed less frequently. Issues covered on an ad hoc basis included dealing with complaints or disputes, discretionary issues and the appointment of new advisers. Issues not covered at each meeting, but discussed at fairly regular intervals, included face-to-face reviews with fund managers (this was often done annually), reviews of the performance of all professionals (including administrators and actuaries), dealing with actuarial reports and the related issues of funding and contributions.

5.3 Individual contributions by trustees to board meetings

Nearly all trustees indicated that they contributed ‘fully’ or ‘as much as the others’ during these meetings. There was no sign that member trustees, for example, in any way contributed less. However, we have already commented that a number of trustees, particularly member trustees, felt it took one or two meetings to find their feet and to be able to contribute fully to the discussions.

‘100 per cent. I usually have a lot to say on all subjects.’
(MT, very large, self-administered, DB)

‘The same as the others. I don’t stand on ceremony. If I want to ask something I ask it.’
(MT, large, self-administered, DC)
Some trustees admitted that there were areas where they felt more able to contribute and other areas where they were less confident. In nearly every case the issues about which trustees felt either more or less able to contribute were finance or investment and the making of discretionary decisions.

‘On the investment side not a lot, though I do ask questions … on the paying side a lot.’

(MT, very large, self-administered, DB)

‘Less on investments, that’s more up to the Finance Director.’

(ET, large, self-administered, DB)

‘More on investment and less on special cases.’

(ET, large, self-administered, DB)

‘More on the investment side and less on membership side … that bothers some of the union representatives more than it would me.’

(MT, very large, self-administered, DB)

Trustees who were managing directors and finance directors were not surprisingly the most likely to take the lead in investment discussions. Employer-appointed trustees who were not part of senior management were as likely to say finance was not a strength as member trustees.

5.4 How decisions are made at board meetings

Decisions made at board meetings were nearly always on a consensual basis. In many schemes voting was rare for this reason.

‘We endeavour to do it on a collective basis. I think in the 22 years I’ve been on we’ve only voted twice and that was on the same day at the same meeting.’

(MT, medium, self-administered, DB)

‘By consensus. We occasionally have a show of hands.’

(MT, very large, self-administered, DB)

Indeed a number of trustees appeared to believe that taking a vote was a sign of failure. In such schemes, when disagreements occurred further discussion would take place, more information would be sought or the matter would be brought forward to the next meeting.

‘Never other than by agreement. If you are reduced to a show of hands then you’ve got a problem.’

(ET, large, self-administered, DB)

‘There has never been a need for a vote in 12 years. We make sure everyone is comfortable with the decision.’

(ET, very large, self-administered, DC)

In other schemes a show of hands was the normal procedure but this again was in the context of everyone nearly always being in complete agreement.

‘By majority decision, but it’s invariably unanimous.’

(ET, large, self-administered, DB)

‘It’s by vote. It’s always been unanimous up until now.’

(MT, large, self-administered, DB)
One trustee in a scheme where votes were regularly taken was unsure whether, if the decision was not unanimous, a straight majority was required or 75 per cent of the vote.

In Chapter 4 we saw that involvement in a sub-committee was one area where trustees had specific duties which were distinct from the duties of the other trustees on the board.

A minority of schemes had sub-committees in place and these were invariably confined to the larger schemes. Where sub-committees existed, there were usually one or two sub-committees in place. These were nearly always on investment, legislation or both.

In one or two of the very largest schemes the use of sub-committees was extensive. One trustee company for example had five sub-committees: investment, audit, advisory, salaries and finance and general purposes.

There was an even split between those schemes which had sub-committees which met regularly and those where a more ad hoc approach was taken.

`We have a Pensions Act sub-committee: me, the administrator and the secretary. We meet every month. We are producing a paper with recommendations on trustee training and dispute resolution.'

(MT, large, self-administered, DB)

`We have had an investment sub-committee. Three of us met to discuss strategy. That’s only happened a couple of times, it’s not a normal thing.'

(ET, large, self-administered, DC)

Selection for sub-committees was either made by the full trustee group or the chairman, and appeared to be based simply on suitability and experience. There were no instances of individuals complaining of being excluded from sub-committees.

`By who is appropriate. You wouldn’t sensibly put me on the investment sub-committee. I’m on the audit committee. We have four meetings a year ... and report back at the main meetings. Full minutes are provided so the full committee doesn’t just hear what they [sub-committees] want us to hear.'

(ET, very large, self-administered, DB)

Most trustees indicated that there were aspects of their position as a trustee which involved work outside of the board meetings (including involvement in sub-committees). These duties centred on:

- reading or, less often, preparing papers or reports for the meetings;
- signing documentation, for example, letters and cheques;
- other administrative issues, for example dealing with professional advisers;
- dealing with enquiries from members.
The actual amount of time involved varied widely depending on the frequency with which meetings were held for which they had to read papers, and the number of enquiries they received (which was a factor of, amongst other things, the size of the scheme, its maturity and whether or not there was an in-house pensions department to deal with these enquiries). The work typically involved one or two hours work a week. The workload also varied widely month on month.

‘Reading the papers for trustee meetings can be quite extensive, for example the investment manager’s report, accounts and the actuarial valuations. Because of my Finance Director’s hat I probably spend more time than the others. Perhaps five per cent of my time is on pension matters.’

(ET, large, self-administered, DB)

‘Making sure things read correctly, that I agree with the letters that are being sent out, and also the administration of the fund in general by signing cheques. It takes two hours a week.’

(ET, medium, self-administered, DC)

For some trustees the tasks involved a minimal amount of work.

‘About two hours a quarter to organise the meetings.’

(ET, medium, self-administered, DC)

‘Correspondence from time to time. Issues that arise that need to be dealt with prior to the next meeting. Minutes per week, it’s not a problem.’

(ET, large, self-administered, DB)

Some trustees carried out these duties during work time (particularly signing documents and dealing with administrators), but for others these extra duties were on top of their normal working week. This was particularly the case for reading the papers prior to board meetings.

There was generally little resentment about the amount of work involved, rather it was considered as part of the job.

‘Signing documentation, for example property, investment issues. Half a day a week. I do it in my own time. You have to be devoted. I take it seriously and expect a lot of homework.’

(MT, very large, self-administered, DB)

‘Daily administration of the scheme. I speak to members and deferred members and pass information over to the pension administrator. It takes one day a month. It’s okay, it’s part of my job.’

(ET, medium, self-administered, DC)

One trustee noted that the amount of work had increased in the last few years, to an estimated two per cent of his time, this being a result of the Barber judgement and the Pensions Act 1995.

‘I think the responsibilities have grown because of the massive change in the amount of legislation, so I’m finding I’m spending more of my time on trustee business...I wouldn’t say my role is any different, it’s just the amount of bloody work is different.’

(ET, medium, self-administered, DB)
6 DEALINGS WITH OTHER PARTIES

The role of other parties has been mentioned in previous chapters. In this chapter we examine the role of the professional advisers, in particular the contact trustees have with:

• insurance companies;
• legal advice;
• investment advice;
• administrators;
• actuaries.

We discuss the nature of the contact with each group and the extent to which trustees say they defer to professional advice.

We also look at the relationship with the sponsoring employer and with members of the scheme.

While trustees often expected professionals advisers to be proactive in offering guidance, advice was sought by trustees in a number of specific areas. This included:

• investment advice (where to get the best returns as well as how well the fund is performing);
• legislation and its impact on the scheme;
• interpretation of the deed and scheme rules;
• actuarial matters, for example the desired balance of investments between gilts and equities;
• audit advice (for example on how the accounts should be presented).

The majority of trustees saw challenging the advice they received as an important element of their role and one which was carried out in practice. Indeed it appeared that professional advice was questioned as a matter of course, and, if required, a second opinion was sought. Very few trustees saw the relationship with their professional advisers as one where they accepted the advice of these professionals unquestioningly.

'It’s our necks on the line. You don’t defer - no one defers. If you’re unhappy with it you question it. You never defer.'

(MT, medium, self-administered, DC)

'There’s plenty of questioning goes on. We question it so we understand it and of course we are intelligent people, we read the papers and so on.'

(ET, medium, self-administered, DB)

'If I don’t understand anything I’ll keep on asking questions. Even if I think it’s a stupid question or one I should know the answer to I’ll ask them to explain it to me again and again.'

(ET, small, insured, DB)
'They are the experts but they are questioned thoroughly as to how and why they have come to the decision. If we are happy, and we usually are, we accept it.'

Although nearly all the respondents emphasised the importance of questioning professional advice, there were differences in the number of advisers they relied upon and the frequency with which they needed to seek, and question, advice. For example, it was often the case that trustees of insured schemes only had dealings with the insurance company. Trustees of small, insured schemes often felt there was little need for regular contact, and the questioning of advice was limited to an annual review of the insurance company’s performance.

There were also specific areas, such as actuarial advice and legal matters, where trustees tended to be more likely to defer to their professional advisers.

The following sections look at dealings with each of the main professional advisers in turn.

6.2 Insurance companies

In insured schemes trustees reported that the insurance company took on the central role, providing and carrying out the individual tasks of investment of the funds, administration of the scheme and provision of legal advice.

'[Our] responsibilities are quite minimal - most of them are undertaken by the pension provider. The pension provider is primarily the administrator and in some respects also the trustee, but not nominally. There's not much to do in reality.'

There were no recent instances of insurance companies being changed due to dissatisfaction with their performance, or of changes being planned. In part this was a result of the trustees of such schemes often wanting to delegate as much responsibility to the insurance company as possible, and being satisfied with their performance to the extent that nothing was going seriously wrong.

A number of trustees of small insured schemes felt there was little need for regular contact with the insurance company, and the questioning of their performance was limited to an annual review.

A small number of trustees of insured schemes also reported that even where the investment performance of such schemes was regularly checked and the performance was found to be below average, it may not be worthwhile to change the insurance company. This was simply because many of these schemes were small in value and any potential gains would be wiped out by charges and commission that would have to be paid for any move.

6.3 Legal advice

It was often the case, particularly in smaller schemes, that those providing the legal advice were the solicitors used by the sponsoring company. In insured schemes legal advice was often part of the 'package' provided by the insurance company. In other instances the legal department of the actuaries was used. Thus in both these examples there was no separate appointment of legal advisers. In a number of the very large schemes the legal advice was obtained in-house.
Among the various forms of professional advice received, legal advice was the area where there was most likely to be some degree of deference to the advice received. In part this was a result of the advice being reactive, in other words, the trustees sought such advice when they were unsure of the legal situation regarding, for example, the scheme rules or deed.

At times legal advisers were asked to attend board meetings, though it was rare for them to attend all the meetings.

The relationship with those providing legal advice was also very stable, whereas there were instances of trustees having changed their fund managers and, less frequently, their actuaries and administrators, there were no cases where new legal advisors had been brought in.

The main contact with investment or fund managers was at board meetings. However, there could often be one trustee, typically the chairman, who dealt with these managers on an ad hoc basis. This typically occurred where a fund manager needed trustee approval for a specific action (a share issue or the acquisition of property were two examples cited).

Usually fund managers attended one or two board meetings a year. It was rarely the case that fund managers attended every trustee meeting, although this was usual in the minority of cases where the fund manager worked for the sponsoring company.

Compared to legal advice, there was very much more questioning of investment advice, indeed we have already seen that this was perceived to be one of the key roles of trustees. Some trustees had a very detailed knowledge of financial issues, particularly finance directors or managing directors of larger companies, and felt very comfortable questioning these professionals. Others admitted to having only a layman’s knowledge but felt able to ask questions, albeit of a more general nature, by raising issues they had come across in the press or on the news, or information gained from other fund managers.

There was no indication that in-house fund managers were treated any differently to external fund managers when they were questioned by trustees over investment performance.

Trustees regularly reviewed the performance of their fund managers. A number of trustees indicated that they planned to change their fund managers in the near future, or had done so recently. Their reason for making this change was usually because of the fund managers’ poor investment performance. Two examples are given below:

‘We review investment managers every five years and if we feel the need for change we will change them. We have just changed one of our investment managers recently. Every year the current investment managers will be invited to update the trustees of how the fund is performing.’

(ET, medium, self-administered, DC)
'This is an area we have had problems with. We invest all the money in a pension managed fund and we have not been satisfied with the return so we are now calling in some investment advisers ... to give us advice on setting up a scheme so that individuals can have a choice...on where they would like to invest...it takes up more of our time than anything else in meetings.'

(ET, medium, self-administered, DC)

Selection of fund managers involved the trustees interviewing a number of prospective candidates. It was common for the trustees to ask their advisers to recommend suitable candidates. Candidates would usually be asked to discuss their views on the current and future state of the financial markets, and their suggested investment approach for the scheme. In large and very large schemes, advisers would often be present at these interviews.

Administration of the scheme can either be managed in-house or outsourced, for example to an insurance company or to professional administrators. Some actuarial firms also provide administration services for pension schemes. The method used affects the means by which the scheme administrators are appointed. If the administration was managed in-house, the administrators were typically long serving employees and thus their selection had never arisen for recently appointed trustees. For this reason some trustees were unsure of the process by which they were chosen, and by whom. However, it was often the case that the sponsoring employer found a suitable candidate and the trustees were asked to ratify the decision.

'I think the system is that the company nominates and we ratify.'

(MT, very large, self-administered, DB)

‘Nominally the trustees appoint him, but the [sponsoring company] would find someone and recruit them and the trustees would then approve this. Formally the trustees appoint him, under the deed.’

(MT, very large, self-administered, DB)

In the latter quote cited, the respondent added that the trustees had previously rejected someone suggested by the company for the post of administrator, as they did to the suggestion from the company that one of the trustees administered the scheme.

In one large scheme the member trustee pointed out that the in-house scheme administrator had been appointed by the employer-appointed trustees in senior management positions without consultation with the rest of the trustee board, something that had been a source of disagreement between the trustees.

Where administration was outsourced the process was more clear cut. Selection normally involved a number of candidates being interviewed by the trustees.

'She is an employee of the actuarial consultants. She took over from the ex-secretary of the scheme when we asked them to administer the scheme. The trustees appointed her when actuarial consultants put forward three candidates.'

(ET, large, self-administered, DB)
Whether administration was managed in-house or outsourced, the degree of contact with the trustees typically involved, at a minimum, the administrator attending the main board meetings and being available to provide advice when required. They were also often the first point of contact for members with queries.

In some schemes contact between the trustees (or one specific trustee) and the administrator could be very frequent.

'We have daily contact with the administrator...he is an employee and gives us guidance.'

(MT, medium, self-administered, DC)

In smaller schemes there was less need for such frequent contact. Further, the relationship was not always between the administrator and the trustees: in one scheme the contact outside of the meetings was described as negligible as the administrator dealt with the secretary to the trustees.

The main means by which the trustees checked the work of the administrator was questioning them at board meetings and checking the administrator’s report, which was usually annual. The report usually covered the numbers of leavers and joiners, and details on the number of enquiries and the speed with which they had been dealt with.

6.6 Actuaries

Trustees’ contact with actuaries was either through the actuarial firm administering the scheme or an actuarial firm being contacted for specific actuarial functions, for example the actuarial valuation of the scheme. In insured schemes there was no independent contact with an actuary in that, as one trustee commented, the 'insurance company and the actuary are one and the same.'

As with legal advisers, the relationship with actuarial firms tended to be relatively stable and long term, and it was only rarely that the actuary had been changed or that a trustee had been involved in deciding which actuary to use. It was noted in a number of cases that the sponsoring employer either chose the actuary or played an active role in the process. In a few cases, trustees pointed out that this would change under the Pensions Act 1995, as it was the responsibility of the trustees to appoint the actuary.

'The actuary has been the same since the scheme was set up, and he was originally appointed by the company. Now the actuary is appointed by the trustees.'

(MT, very large, self-administered, DB)

'I think historically it's the trustees - I can't remember, we've had the same one for donkey's years. I think under the Pensions Act we have to appoint the actuary.'

(MT, very large, self-administered, DB)

In one scheme the actuary had recently been changed.
'We’ve just had a review of the actuary and we’ve bought another one in... We had a sub-committee and interviewed three sets of actuaries who gave us a presentation. They did a summary on our pension fund and what they would do and...we asked them a lot of questions.'

(MT, large, self-administered, DC)

Other than where the actuaries carried out the administrative function, contact tended to be relatively infrequent and centred around attending board meetings. Most often the actuary attended some, but not all, of these meetings. If more regular contact was required this was often with one specific trustee, typically the finance director, or sometimes the administrator.

'The financial director is involved with them for all statutory requirements and investment and accounting monitoring. We have three year valuations, though this will be annual with the new act.'

(ET, large, self-administered, DB)

Actuarial valuations of schemes tend to be every three years and not surprisingly contact with the actuary increased prior to the preparation of this.

Actuaries, as we have seen in Chapter 2, also carried out a key training role. As well as running formal training sessions, they were sometimes looked to for advice and guidance on specific issues.

'The actuary attends all the meetings and gives presentations and updates on the law, as well as presenting triennial and other valuations.'

(ET, large, self-administered, DB)

6.7 Sponsoring employer

Ensuring that the sponsoring employer was carrying out its duty was widely recognised by trustees as one of their key roles, particularly ensuring that the employer paid over the contributions on time. This has already been discussed in Chapter 3. This section looks at the relationship between trustees and the sponsoring employer, and the extent to which sponsoring employers get involved in the running of schemes.

In most cases the relationship between the employer and the trustees was described as ‘good’ or ‘supportive’, or as one trustee put it ‘benign non-interference’.

‘The firm is very concerned to do the correct thing. They would never interfere improperly with the trustees. But having said that they do like to be told what we are thinking about.’

(ET, medium, insured, DB)

‘It all boils down to trust. The employer basically leaves us to it.’

(MT, very large, self-administered, DB)

There were a few instances where there had been issues or tensions between the trustees and the employer, but none that were long term or which meant the trustees were unable to carry out their duties.

‘Reasonably positive and cooperative. Half the trustees are the sponsoring employer. The odd incident of mistrust, but really nothing serious.’

(MT, very large, self-administered, DB)
However, as we saw in Chapter 4, separating the employer function and the trustee role was one that a number of employer-appointed trustees found difficult. In small trustee boards, this was in part because the board consisted of key personnel of the company, often the managing director and the finance director. There were a number of references to having to wear two hats.

'It's a balancing act between shareholder money and employee interests.'

(ET, large, insured, DB)

One member trustee felt that the relationship had been 'contentious' at times because of the confrontational attitude of some of the trade union representatives.

Specific issues which had arisen between the sponsoring employer and the trustees had included indemnity insurance for the trustees (in one scheme the trustees were concerned that under the new pension regulations they were now personally liable in the case of any legal action and they wanted the company to pay for indemnity insurance), and some minor difficulties where the sponsoring employer was based overseas and was not familiar with the notion of the trustees being distinct from the employer.

In smaller companies a very informal relationship existed between trustees and the employer, and no formal communication was required. This tended to be because the key senior personnel in the company were on the trustee board.

In larger organisations some formal communication existed, often the sending of the minutes of the trustee meetings or one of the employer-appointed trustees reporting to the corporate board.

The degree to which the employer was involved in the scheme varied, but there was usually a range of decisions on which the employer was consulted. This was particularly the case in decisions having financial implications for the employer such as accepting new members to the scheme or potential contribution holidays.

'Contribution levels and all monetary aspects.'

(MT, medium, self-administered, DB)

'The employer has to ratify all new members. And the employer would have to ratify, well concede, to any change in the contribution rate.'

(MT, medium, self-administered, DB)

'Our scheme does not provide for pension increases routinely. Those are discretionary decisions which the employer decides. This will change in April because of limited price indexation.'

(ET, medium, self-administered, DB)

In the majority of cases respondents reported that the employer would not make any decisions about the pension scheme which the trustees were not themselves involved in. There were, however, some areas where the employer occasionally did make decisions without consulting the trustees, for example, over the appointment (and in one case also removal) of employer-appointed
trustees. A few trustees also mentioned that the nature of the pension scheme was an area that the employer could decide without trustee approval, for example, contracting out arrangements, although this appeared to be more in theory than actual practice.

6.8 Contact with members

Contact and communication with scheme members fell into two categories, formal contact such as sending out the annual report, and the answering of queries on a more ad hoc basis.

6.8.1 Formal communication

Formal information or communication with the scheme membership included:

**Annual benefit statement** This was the most common means of formal contact and was mentioned by most trustees. The statement included information on how long members had been in the scheme, their contributions to date and, for some types of scheme, the size of the pension they could expect on retirement.

In medium, large and very large schemes, an annual report was often available for members, or at least a summary version of it. This was either sent to members with the annual benefit statement or was available on request.

**Provision of the scheme booklet** The scheme booklet was generally provided to all new scheme members, with further copies being available on request to other scheme members.

**Pension newsletters, or pensions issues covered in a company newsletter** Newsletters were produced for the membership by a minority of schemes. They were usually annual or six monthly, although in one case they were produced every two months. In large companies the company newsletter, where one existed, was often used to raise pension matters with the workforce.

**Annual meetings** Annual meetings with members were not particularly common. Where they did take place, they were usually official Annual General Meetings in the larger schemes and more informal meetings in smaller schemes. In one small insured scheme, for example, the trustee organised an annual ‘chat’ between the broker and the members.

**Other forms of contact** These included letters to the membership covering any changes which were planned or which had occurred in the scheme.

One trustee of a large scheme mentioned that the scheme administrator visited each site once a year and had one-to-one sessions with members who had requested a meeting. Another trustee mentioned that they had recently instigated a ‘roadshow’ visiting each site within the company, and providing question and answer sessions for members.

Another trustee had given particular attention to communication with pensioners, especially in relation to reducing the jargon and the overall length of the information which was sent to them.

6.8.2 Informal communication

More informal contact included trustees answering any queries from the membership. Generally, this did not appear to take up a great deal of their time.
A number of trustees indicated that they had informed scheme members that the scheme administrator should be the first point of contact for any inquiries or that they would usually refer any enquiries they received to the administrator.

'Very day, we all do. I often get asked about aspects of the scheme. We are all approached but particularly the member representatives.'

(MT, very large, self-administered, DB)

In some of the schemes where there were member trustees, these trustees often took a more active role in this area. This appeared to be a result of the scheme members thinking of them as the first point of contact, especially if they were the only trustee at a particular site.

'My door is always open but it's mainly done through the administrator.'

(ET, large, self-administered, DB)
Trustees were asked for their perception of any changes in the roles and responsibilities of trustees which had occurred recently (over the last five years) or which they expected to occur in the near future (the next three years).

This chapter outlines the details of these perceived changes, and the reasons for these changes.

Trustees were evenly divided between those who thought that their role had changed in the last five years and those who did not. Those in large schemes were the most likely to report recent changes. In nearly every case these related to one or more of the following:

- the role and operations of the trustees had become more formalised and structured (for example, announcements of trustee board meetings being put in writing to trustees as opposed to being given by word of mouth, and minutes always being taken of these board meetings);
- trustees were taking the position more seriously;
- the role of the trustee had become more onerous as well as more complicated.

Attitudes were mixed as to whether the changes had been beneficial. Some indicated that they were now taking the role more seriously, others felt the requirements burdensome. In the latter context a number felt they would need to spend time proving that they were doing what they already did. The following comments were typical:

‘It is becoming more onerous with the new Act. The law has become more structured, laying down more and more responsibilities and personal liabilities, and decisions needs to be seen to be right.’

(ET, large, self-administered, DC)

‘It’s becoming more complicated - there are more returns and more paperwork. On the regulatory side more changes, more frequently.’

(ET, small, self-administered, DC)

‘Legislation makes it more complex. The Pensions Act: a whole list of formal obligations most of which we probably fulfil. There is more nit picking from now on, making sure we comply: it’s time consuming and expensive.’

(ET, very large, self-administered, DC)

‘Because of the Act, all the trustees are taking a more active role in the administration and management of the scheme.’

(ET, large, self-administered, DC)
As a number of the quotes suggested, the changes were nearly always seen as the result of the Pensions Act 1995, or more broadly 'legislation', although a number of trustees reported that they had already started to make changes after Maxwell and the Pension Law Review Committee report. One trustee felt that not all of the changes that they had made related to Maxwell or the Pensions Act 1995, but were, in part, the result of the company maturing.

'There has been the Pensions Act which has changed it formally. I think it has been changing informally as a reaction to what has been happening over the years. People have started to appreciate the significance of the role, rather than just 'Bert hasn't got a lot to do, we'll put him on the trustees.'

(ET, large, self-administered, DC)

'We have become a lot more structured and it has become more important that we get things right. It's because of Maxwell and because we are maturing as a company.'

(ET, large, self-administered, DB)

The vast majority of trustees believed some changes in their role would take place in the next three years. The most common change anticipated was in reference to member trustees, either the need to have member nominated trustees on the board or the need to get the current arrangements accepted or the likely effect of such trustees on the balance or structure of the trustee board. As some of the following quotes show, increasing the number of member trustees was a concern for some respondents.

'Increase the number of trustees to six including two MNTs.'

(ET, large, self-administered, DB)

'Increase the number of trustees. [The issue is] how can we more actively represent members. We will probably get two or three trustees not based at head office, not member nominated but member approved.'

(ET, large, self-administered, DB)

'It could change as a result of MNTs. The structure of the board could change. Current members may not keep their seats on the board.'

(ET, medium, self-administered, DC)

'MNTs: I think they will be more critical [than employer-appointed trustees] of decisions made on their behalf. They will be more proactive in asking questions of advisers.'

(MT, very large, self-administered, DB)

'It may change when there are MNTs. It's very much an 'us' and 'them' situation might happen. I think you'll have a new MNT who believes his job is there to challenge...I think it will make the trustees a lot more defensive.'

(ET, medium, self-administered, DC)

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7.2 Trustees' views of whether the role will change in the next three years

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However, in the majority of schemes with member trustees, a confrontational attitude was the exception rather than the rule. Even in schemes which had experienced instances of disagreement where the member and employer-appointed trustees had taken different positions (for example one case of deciding what to do with a surplus - the vote was split and the chairman decided in favour of a pension holiday for the company) they occurred infrequently and did not affect the overall running of the scheme.

A number appreciated that changes in their role would be required as a result of the Pensions Act 1995 but were unclear what specific changes needed to take place.

'The 1995 Pensions Act will impose certain things on us. There will be changes, I'm not exactly sure what yet.'

(ET, large, self-administered, DC)

'New pension legislation has to be taken on board.'

(ET, medium, insured, DC)

Other changes anticipated for the next three years included the need for a more formal approach, for example more regular meetings, the need to be more precise ('Spend time in proving that we are doing what we've always been doing') and increased administrative time.

'We will have to check and double check everything that's said and done, though we are quite happy that we conform.'

(ET, large, self-administered, DB)

'Increased administrative time because accountability will increase.'

(Professional, medium, insured, DB)

A minority of trustees felt there would be no changes in their role in the next three years. These were those who felt their scheme already complied with the legislation ('We would like to think we have always been doing our duties properly'). A number added that while they already complied they would need to make some formal changes to the set up of their scheme, for example, rewriting sections of the trust deed on advice of the actuaries.
APPENDIX  TOPIC GUIDE ROLE OF PENSION SCHEME TRUSTEES

1 Background

IFF Research
DSS

Aims of the research
Confidentiality

1.1 I’d like first to check quickly the details about the scheme given by <name of administrator>. I believe the scheme... [Run through responses given by administrator about the scheme]

1.2 Any differences check with respondent and write in here and on screener:

2 Respondent details

2.1 Record sex
2.2 Age
2.3 Educational qualifications (further education/ training qualifications)
2.4 (If employee) Job title/position in the sponsoring company - (director, manager, shop floor worker)?
2.5 (If employee) How long have you been working for sponsoring employer?
2.6 (If member of scheme) How long have you been a member of the scheme?
2.7 How long have you been a trustee of this scheme?

3 Trustee history

3.1 Why did you decide to become a trustee of this scheme?
3.2 How did you become a trustee?

Obtain full details of how they became a trustee. Who nominated them or appointed them to the board?

3.3 (If member nominated)

Probe: Were they actually nominated by members of the scheme? If so, was there a vote, if not, why not?

3.4 Have you been appointed for a fixed term and if so, for how long, or is it open?

3.5 (If employer appointed and part of the employer’s company)

Were you appointed because of your position in the company, for example senior management, or because you are a scheme member or for some other reason?

3.6 Had you been a trustee of any other scheme prior to this? If so, for how long?

3.7 What relevant experience / knowledge of pensions did you have before becoming a trustee? [Try to establish information about any skills or experience or qualifications they have which make them suited to be a trustee, or whether they were completely ‘new’ to the whole area, when they became a trustee]
4 Training

4.1 Did you receive any training when you were initially appointed a trustee (of this scheme)?

4.2 If yes: obtain details of nature of training
   - How long did it last?
   - Who gave it?
   - What did it cover?
   - Were your role and duties made clear?
   - How useful has this training been? Why?

4.3 Have you received any subsequent training?

4.4 If yes: obtain details of nature of training
   - How long did it last?
   - Who gave it?
   - What did it cover?
   - How useful has this training been? Why?
   - How long had you been a trustee when you received further training?

If no training

4.5 Why have you received no training? [Check: is it because already had relevant training or experience; offered it and turned it down; not offered or allowed to go on any training course]

Those trained

4.6 Do you feel the training has been sufficient to enable you to conduct your work as a trustee? If not: why not?
   - Probe: Was there anything the training did not prepare you for? What?

4.7 Is the training different for the other trustees on the board? If so, how?
   - Ask all

4.8 Do you feel confident in your knowledge and understanding of what is required of you as a trustee?
   - Probe: Do you feel you need (further) training? In what areas?
   - Explore fully [Check whether further guidance is necessary, and if so, what they would find useful]

5 The role of trustees

5.1 What do you see as the role and responsibilities of trustees of occupational pension schemes (I mean the trustees as a whole, not just you personally?)
   - Probe: What other roles and responsibilities do they have?

Prompt with show card

5.2 On this card are (other) potential roles and responsibilities. Which do you regard as the role and responsibility of you and your fellow trustees (please include those you may just have mentioned)? TICK IN GRID ON NEXT PAGE
You mentioned that [Read letter from show card] is one of the responsibilities of trustees. What do you as a group of trustees, actually do to ensure that this responsibility is fulfilled?

For example, how do the trustees ensure that the scheme is being properly administered?

how do the trustees ensure that the funds are safe? or well invested?

Repeat for each area mentioned:

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5.4 You have mentioned what actions the trustees as a whole take to fulfil their responsibilities. Which of these tasks are you personally involved in?

**Probe:** Do you have any particular responsibilities? If yes find out what these are. For example, whether they are part of a sub-committee. Do you have any other responsibilities?

**Probe:** Are there areas or tasks where you tend to be less involved than other trustees?

If yes which areas and why is this the case? How do you ensure that these areas or tasks where you are less involved are being correctly carried out?

**Probe:** Are there areas where you tend to be more involved?

If yes which areas and why is this the case?

If different types of trustee exist on the trustee board

5.5 Do the tasks of the different types of trustee differ at all?

For example, non professional lay trustees v. corporate/professional trustees; employers v. member nominated trustees

If so, in what ways?

(If not mentioned above and any independent professional trustees)

How does the role of independent professional trustees differ, if at all from that of other trustees?

5.6 Do you feel more responsible for particular groups of members, or all members equally?

5.7 Are there occasions or specific matters where you would tend to be representing one particular group of members? If so, in what circumstances and why? PROBE RESPONSE FULLY

If scheme contracted out:

5.8 What impact does the scheme being contracted out of SERPS have on what you do? PROBE

Ask all

5.9 Who arranges board meetings?

How often are board meetings held?

Are all trustees invited to meetings?

(If not) why not? How often do you meet as a whole group?

(If yes) Do they all attend?

How long do the board meetings usually last?

When are meetings held? (for example, time of day, inside or outside working hours)

If expenses are incurred are they covered?
5.10 What do you discuss at board meetings?

- Dispute resolution (for example, members' complaints/queries)
- Investment strategy
- Discretionary decisions
- Dealing with funding and contribution levels
- Selection/assessment of advisers, fund managers etc
- How to keep members updated/informed (handling enquiries/producing newsletters)
- Company profile with respect to the fund liability (how to deal with a maturing workforce?)
- Legal issues

5.11 How much do you contribute/how involved are you in these discussions?

5.12 Does your input vary depending on what subject is being discussed? In what way?

5.13 How are decisions taken at board meetings?

   (If voting arrangements are not mentioned probe - unanimously/by majority/arrangements for quorum etc)

5.14 Are any trustees' decisions taken other than at meetings of the full board? If so, in what circumstances and who is involved?

5.15 Are there any sub-committees?

   If so, what do they cover? How are sub-committee members chosen?
   (If respondent is a member of any sub-committees):
   How many sub-committees are you involved in? What do they do?
   How often do they meet?
   How much of your time do they consume?
   How do they report back to the other trustees?
   What do you know of what happens on other sub-committees?
   What do they do?
   How often do they meet?
   How do they report back to the other trustees?
   (If not a member of a sub-committee):
   What do they do?
   How often do they meet?
   How do they report back to the other trustees?
5.16 Outside of meetings, what other trustee business are you required to carry out?

How long does this take?

Do you do this in your own time?

How do you feel about this?

IF HAVE TO SIGN THINGS: What do you have to sign? Is it just a matter of signing or do you have to check, question, decide etc before you sign?

5.17 Are there any problems which you as an individual trustee encounter? If so, what are they?

5.18 Are there any problems which the trustees as a group encounter? If so, what are they?

5.19 Is there any conflict or disagreement among trustees?

In what areas do these conflicts arise?

Does the conflict/disagreement affect how the trustees carry out their duties?

In what ways?

How is it resolved?

6.1 What interaction do the trustees have with:

(For each mentioned):

6.2 How are these professionals appointed, and do you have a say in this decision?

Who do these professionals report to?

Do any of these professionals attend the trustee board meetings? What role do they fulfil?

Who else attends the meetings? What do they do?

Scheme administrator

Actuary

Fund/investment manager

Legal advisers

Any others not on the list

6.3 On what sort of matters do you seek professional advice, and from whom?
6.4 Are there any areas in which you rely on other trustees on the board to question the advice or information received from professional advisers?

6.5 Do you feel it is part of your role to question the advice or information you receive from professional advisers? If yes in which particular areas?

Do you feel able to question the advice or information you receive from professionals, for example legal advice or information on investment performance? OBTAIN DETAILS (for example, areas feel confident and less confident)

And do you in practice question this advice or information? OBTAIN EXAMPLES

In which areas do you defer to professional advice?

6.6 What sort of relationship do you think the trustees have with the sponsoring employer?

6.7 How do you feel the employer perceives this relationship with the trustees?

How involved does the employer get?

What sort of decisions would the employer be consulted on?

Are there any decisions which the employer takes regarding the pension scheme which the trustees are not involved in? Which?

If trustee is employer nominated and part of the employer's company

6.8 Do you feel any conflict of interest in your position as a trustee and the position you hold in the sponsoring company? Probe respondent's answer fully - Why do you say that? If there is any conflict of interest how do you resolve it?

6.9 What information do you currently provide to the scheme members?

How is this provided?

6.10 Do you or other trustees have any other contact, either in person or as a group, with scheme members? If so, what about?

7 Changes in role

7.1 Do you feel your role and responsibilities as a trustee have changed in the last five years?

Probe: In what ways?

Why have these changes come about? [Was this to conform with the Pensions Act 1995, or because of other developments in the pensions field, or something else?]

7.2 Do you think your role and the role of the trustees board will change over the next three years?

Probe: In what ways? What effect will this have?

Probe: Why will they change?
7.3 (If Pensions Act not mentioned) Do you think your role and the role of the trustee board will change as a direct result of the Pensions Act 1995?
   If yes: in what ways?
   If no: is this because you already conform to the requirements?

7.4 (If trustees haven't currently done much about the Pensions Act 1995)
   Have you made plans to discuss what you should do to implement the Pensions Act 1995? If yes, when will you do this? If no, why not?

7.5 Are there any other factors that you think will change your role as a trustee? Prompt for reasons for answers.
ROLE OF TRUSTEES
SHOW CARD

A Know about scheme rules and the trust deed
B Be aware of any law or legislation within which trustees must operate. Ensure that scheme complies with regulations, for example,
   * disclosure regulations
   * auditors’ regulations
   * self investment regulations
   * contracted out regulations
   * Inland Revenue regulations
C Know what the sponsoring employers’ obligations are and ensure these are fulfilled
D Have overall responsibility for investment decisions, and ensure that the scheme’s assets are invested in the best interests of the beneficiaries
E Act in the best interest of the beneficiaries, balancing the interest of the different classes (active members, deferred members, pensioners and beneficiaries)
F Ensure scheme is being properly administered
G Make discretionary decisions (ie decisions on behalf of members, which can not be defined in the trust deed)
### OTHER RESEARCH REPORTS AVAILABLE:

<table>
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<tr>
<th>No.</th>
<th>Title</th>
<th>ISBN</th>
<th>Price</th>
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<tr>
<td>1.</td>
<td>Thirty Families: Their living standards in unemployment</td>
<td>0 11 761683 4</td>
<td>£6.65</td>
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<tr>
<td>2.</td>
<td>Disability, Household Income &amp; Expenditure</td>
<td>0 11 761755 5</td>
<td>£5.65</td>
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<tr>
<td>3.</td>
<td>Housing Benefit Reviews</td>
<td>0 11 761821 7</td>
<td>£16.50</td>
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<td>4.</td>
<td>Social Security &amp; Community Care: The case of the Invalid Care Allowance</td>
<td>0 11 761820 9</td>
<td>£9.70</td>
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<tr>
<td>5.</td>
<td>The Attendance Allowance Medical Examination: Monitoring consumer views</td>
<td>0 11 761819 5</td>
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<td>Lone Parent Families in the UK</td>
<td>0 11 761868 3</td>
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<td>Incomes In and Out of Work</td>
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<td>Working the Social Fund</td>
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<td>Customer Perceptions of Resettlement Units</td>
<td>0 11 761976 6</td>
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Telephone: 0171 962 8557