TUC

trustee network

member trustee news

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Contents

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UK top bosses look forward to a £200,000 pension

Directors of the UK's top companies can retire on pensions of over £200,000 a year, according to the TUC PensionsWatch survey, published in September.

The TUC's sixth annual PensionsWatch survey analysed the pension arrangements of 346 directors from 102 of the UK's top companies. It found that the executives had amassed pension pots which average around £3 million each, providing an annual pension of £201,700 a year: 25 times the average workplace pension (£8,100). Those directors with the highest entitlements at each company (usually, but not always, the chief executive) have average pension pots of £5.2million and can expect a pension of £333,400 a year.

Three quarters of the directors surveyed (76 per cent) were on defined benefit (DB) schemes, despite growing evidence of a trend towards riskier and less generous

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Welcome to the autumn 2008 edition of Member Trustee News

The last couple of months have seen virtually unprecedented turmoil on the global financial markets. Even as the immediate rescue packages are put into place and the debate turns to measures to prevent a repeat, it is clear that the repercussions will continue for some time.

Whatever happens, there will be implications for savers and trustees. The role of pension funds as responsible long-term investors is more important than ever, and institutional investors will have a central role in helping to rebuild a sustainable financial system where we can hope to avoid such a crisis being repeated. At the same time the see-sawing of the markets has impacts on DC savers and on the balance sheets of DB schemes that will make cool headed long term planning even more essential than ever. The TUC will be developing further work on financial regulation and on encouraging and enabling institutional investors to hold companies to account and ensure their investments are not doing harm.

In the meantime life for pension trustees goes on, with a raft of new guidance, a number of exciting new initiatives and pieces of research, and several events and opportunities coming up, including a refreshed TUC trustee training course. Details of all of these are in this edition of the newsletter, or email **trusteenetwork@tuc.org.uk** for more information.

UK top bosses look forward to a £200,000 pension

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pensions for many ordinary employees. Those directors who were in defined contribution (DC) schemes had generous terms including an average employer contribution of £91,700. The average employer contribution rate was around 21 per cent, three times the average rate for most workers in this type of scheme (around 6.5 per cent). The top directors with the highest pension payments at each company received an average employer contribution of £149,600.

While many employers across the public and private sectors are raising retirement ages, the majority of directors in the TUC study are still able to retire at 60. Of the 40 companies that provided information about the normal retirement age (NRA) for directors, two thirds (26 companies) still had a NRA of 60.

The PensionsWatch survey also uncovered a lack of transparency in the reporting of directors' pension arrangements. Of the 19 financial sector companies analysed – 18 of which offered DB schemes to at least one director – just four companies disclosed the accrual rate they use to calculate pension benefits.

The TUC is calling for greater clarity and reporting of pay, remuneration and pensions, so that investors have the information they need to scrutinise the awards made to directors. With attention to executive remuneration gaining impetus as a result of the credit crunch, the TUC believes that this should include close scrutiny of pensions arrangements for senior executives. Better information will enable investors to question differential arrangements for directors and employees. More information would also make it easier for employees to see the pension arrangements of their company bosses.

PensionsWatch is available on the TUC website, or you can contact Alice Hood on ahood@tuc.org.uk to request a hard copy

New TUC trustee training course to launch in April

The TUC will be running a pilot of our new trustee training course in Liverpool from 1-3 April 2009. The course has been fully reviewed and redesigned, and builds elements of the Pensions Regulator's Trustee Toolkit into small group based learning delivered by a TUC tutor. It is designed to offer a good grounding in the key issues for new trustees, or a refresher for more experienced trustees. Further details about the course and how to register are enclosed with this newsletter. Places are limited and will be allocated on a first come first served basis, but if there is sufficient interest we hope to announce dates for further sessions in due course.

New study finds mainstream investors are looking at labour and human rights

A new study from Harvard Law School's Labor and Worklife Program (LWP) finds that mainstream investors are beginning to build labour and human rights factors into their investment thinking as a way of increasing returns and lowering risk. The report, "Incorporating Human and Labor Rights Risk into Investment Decisions" says a growing number of institutional investors and global lenders are widening their conventional investment decision-making to include assessments of the long-term sustainability risks posed by corporate labour and human rights practices. Pioneers in the field include leading European and US pension funds as well as financial firms such as Goldman Sachs and Mercer.

Their efforts are part of the broader movement to include environmental, social, and governance (ESG) issues into investment and engagement decisions. The paper points out that an investment analysis of labour and human rights poses some of the most difficult challenges in the emerging ESG field. A major problem is the lack of objective, quantitative data about corporate activities in these areas. One of the paper's conclusions is that asset owners and managers can obtain useful data from the global supply-chain factory monitoring regimes designed to verify the codes of conduct issued by many multinationals. To do so, investors could adopt the shareholder engagement practices institutional investors frequently use to address environmental and governance risks.

The study was written by Aaron Bernstein for the LWP's Pensions and Capital Stewardship Project. It forms part of a broader initiative to develop metrics by which pension funds and other investors can assess the 'S' in ESG, including labour and human rights as well as human capital factors such as employee turnover, compensation systems and skills.

The paper is available on the Labor and Worklife Program's website at:

www.law.harvard.edu/programs/lwp/pensions/publications/occasional_paper2.pdf

For more information, contact Aaron Bernstein at abernstein@law.harvard.edu or Project Director Larry Beeferman at lwb@law.harvard.edu

PPF steps up responsible investment activity

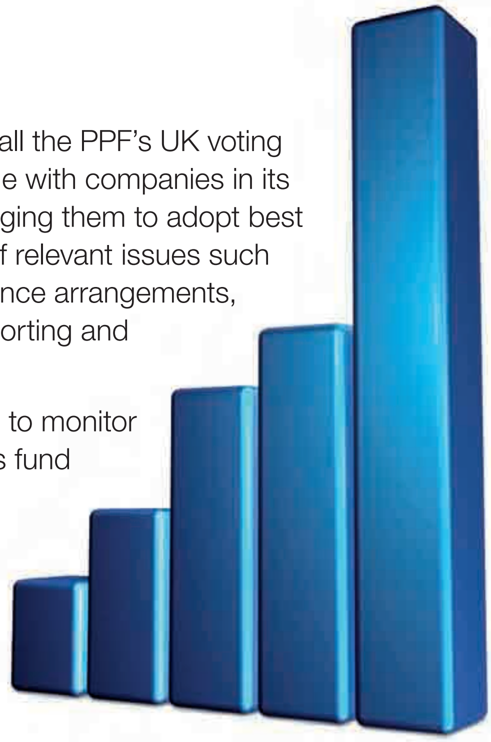
The Pension Protection Fund has announced two major steps to increase its activity on responsible and engaged investment. The PPF is already a signatory to the United Nations Principles of Responsible Investment and it plans to build on this commitment to responsible investment through a new voting and engagement strategy.

The fund has appointed F&C Investments to provide voting and engagement services for its UK equities and to give advice on the PPF's responsible investment strategy.

Secondly, the PPF announced that it will publish its UK voting records. This marks the first step towards regular reporting in this area, and the PPF has said it expects to report on its engagement activity as it develops.

As well as exercising all the PPF's UK voting rights, F&C will engage with companies in its UK portfolio, encouraging them to adopt best practice on a range of relevant issues such as corporate governance arrangements, transparency and reporting and climate change.

The PPF will continue to monitor the extent to which its fund managers address ESG issues, and will look to expand its responsible investment activities to other asset classes over time.



CONGRESS DEBATES PENSIONS

Pensions and trusteeship were on the agenda at the 140th Trades Union Congress in Brighton this September. Speakers from GMB, UCATT, TSSA, Connect and Unison supported a motion calling for a series of measures including an increase to the basic state pension, the recognition of pensions as an issue for collective bargaining and the removal of limitations on national insurance buy-back. The motion also calls for the government to move to honour its commitment to 50% member-nominated trustees and to improve member representation in the governance of statutory and contract-based occupational schemes. All of the debates and proceedings from Congress are available online on the TUC website.

Personal Accounts

Investment discussions and leadership change

The Pensions Bill continues to work its way through the parliamentary process. At Report stage in the House of Lords at the beginning of October there was a further debate on the responsible investment of Personal Accounts. Although any concrete decision was once again deferred to the Personal Accounts Delivery Authority and the board of trustees for the new scheme once it is established, there was an encouraging contribution to the debate from Lord McKenzie, Work and Pensions Minister. In the debate he said; *"There is no reason in law why trustees cannot consider social and moral criteria in addition to their usual criteria of financial returns, security and diversification. This applies to the trustees of all pension schemes."* Once again the discussions were generally positive although much remains to be explored once PADA publish their consultation on the Personal Accounts investment strategy.

In other Personal Accounts news, Paul Myners stood down as chair of PADA at the beginning of October. He was made a peer and given a role as Minister for the City in the recent reshuffle, and has become a member of the new National Economic Council that some have referred to as Brown's 'economic war cabinet'. Jeannie Drake will take the reins whilst a permanent replacement is sought.

Guidance round up

The Pensions Regulator has published guidance on conflicts of interest, member communications and calculating transfer values, as well as the delayed decision on their approach to longevity. They have also launched a consultation on an updated version of the trustee knowledge and understanding framework.

The **conflicts** guidance uses five high-level principles to approach the issue of conflicts of interest: understanding the importance of conflicts of interest; identifying conflicts of interest; evaluation, management or avoidance of conflicts; managing adviser conflicts and developing a conflicts of interest policy.

The **transfer values** policy covers the calculation of cash equivalent transfer values (CETV) in respect of defined benefits; the calculation of other transfer values in respect of defined benefits which are not CETV as defined in legislation (including cash transfer sums); the calculations for schemes in wind up and dealing with enquiries in a PPF assessment period; and the calculation of defined benefits granted in exchange for a transfer-in.

On **longevity**, TPR has confirmed that mortality assumptions will not become an additional 'trigger' for investigation, as was proposed in the consultation, but will only be scrutinised where a scheme is flagged up by an existing trigger such as recovery plan length or the level of technical provisions. Where it does scrutinise the mortality assumptions, the Regulator will not look for a specific method of mortality improvement, but will instead look at the overall strength of the mortality assumption. The changes will come into force for valuations with an effective date on or after September 2008. In issuing its response to the consultation, the Regulator also released guidance for trustees on determining mortality assumptions which is available online.

Finally, the Regulator has also published an updated version of the **trustee knowledge and understanding framework** for consultation. Whilst the actual requirements for what trustees need to know and understand are unchanged, the surrounding guidance has been updated to account for changes to the pensions landscape, including changes in legislation and the focus of the regulator. The consultation follows a review of the existing code of practice and scope guidance, undertaken to ensure that the TKU framework remains relevant for trustees. Key changes reflect:

- the Regulator's increased attention to the importance of good administration;
- the forthcoming introduction of Personal Accounts;
- emerging buyout issues, including abandonment and inducement; and
- pension scheme wind-up and appropriate preparatory steps.

All of the documents are available from the TPR website **www.thepensionsregulator.gov.uk**

Global union focuses on private equity

UNI, the global union for skills and services, has commissioned a report that considers investment levels in private equity by pension funds outside of the US. The report also looks at the opportunity for unions to influence investment decisions through pension funds with union representation on boards or as trustees. The publication *Pension Fund Investment in Private Equity* is available via the UNI website:

www.uniglobalunion.org/UNIsite/In_Depth/PrivateEquity/PDF/PensionFunds-en.pdf

Pension Trusteeship:

What was your motivation in becoming a trustee?

Dr Susan Sayce of the Centre for Diversity and Equality in Career and Employment at the University of East Anglia (UEA) is conducting a short survey to understand why people take on this complex and challenging role.

The intention is to use this research to inform wider international research as part of a collaborative initiative between UEA, Harvard University and the University of Toronto to examine how pension boards manage different stakeholders. The research will explore the motivations of pension trustees in UK, USA and Canadian schemes before an in-depth investigation into how pension boards steward different stakeholders including labour representatives.

So if you would like to assist in developing international discussions of pension trusteeship please fill in the survey enclosed and return it to Susan Sayce at UEA: it should only take five minutes. If you have any queries about this research please contact Dr Sayce at s.sayce@uea.ac.uk

pensionschampions

New courses announced

Interested in becoming a Pensions Champion? Fifteen new Pensions Champions at Work courses have been organised at Trade Union Education Centres around the country. For information on dates and venues go to the unionlearn website – **www.unionlearn.org.uk** or contact Terry Segars at tsegars@tuc.org.uk, tel. 020 7467 1363

Pension fund survey shows results of engagement

The National Association of Pension Fund's annual engagement study has found increasing evidence of engagement by large pension funds, and the impact that this is having on companies. The survey of 53 large pension funds found that 74% reported changes to board membership as a result of their engagement activities; 69% had effected changes to company strategy; 79% to remuneration policy and 68% of funds reported making an impact on social or environmental policy. All of these figures were increases from the previous year's survey. More information at **www.napf.co.uk**

GUEST ARTICLE

Tomorrow's Investor

New citizen investment project from the RSA

Tomorrow's Investor is a new project from the 250-year-old Royal Society for the Encouragement of Arts, Manufactures and Commerce – better known as the RSA. It looks at investor accountability from the point of view of ordinary citizens.

Two-thirds of people in the UK hold some sort of retirement savings – be it a pension, an ISA, or an insurance policy. As trustees are well aware, these sums are invested, ploughed into the stock market by a whole range of intermediaries.

Indirectly then, and taken together, ordinary investors own large portions of the biggest companies in the world. Yet many have little or no consciousness of their role as owners.

This is not an academic point. The misalignment that can arise between the interests of ordinary investors and the salaried executives they hire to manage their affairs is the reason behind some of the worst practices of the financial sector. It is also directly responsible for the current financial crisis. The big shocks to the system have come from stock market-quoted companies – because they struggle to deal with what economists call the principal-agent problem.

The first stage in Tomorrow's Investor was a deliberative forum. Twenty-five ordinary investors were presented with information by experts in the field. This was intended to mirror the process of true accountability – which involves not just being *held to account*, but also *giving an account*.

Before and after the presentations, the investors discussed the way they felt about the investment system. We asked them how they felt about their pensions, how they felt about their other investments, what their concerns were.

The results showed a population confused and, at times, fearful. The people at the deliberative forum were worried about the future of their pensions. Their faith in the financial system was declining. But they were unsure what they could do about it. In other areas – purchasing and consumption, most notably – they were able to take action. In the pensions market, they felt the clear, simple choices were absent.

This suggests that we are facing a case of market failure. Over the next few months, the RSA is going to be working to develop a low-cost, high-engagement fund that aims to gives people the clear choices they need to make their voices heard.

The RSA is a think-and-do tank dedicated to finding innovative and practical solutions to today's most pressing problems.

Written by Rowland Manthorpe, Project Co-ordinator, RSA

The Tomorrow's Investor interim report can be found at:
www.thersa.org/projects/tomorrows-business/tomorrows-investors

Trustee support website launched

Raising Standards of Trustee Education (RSTE), a campaign run by trustees and pensions professionals and supported by *Engaged Investor* magazine and the Pensions Management Institute, has launched a new website **www.rste.co.uk**, which features practical information and guidelines on trustee education.

The website seeks to help trustees plan training and improve communication with their advisers and service providers. It also includes a library of information to support trustees, and a series of guidelines on communications, training and support for trustees will be available by the end of the year.

For more information, or to volunteer to get involved with the project, contact emma.watkins@rste.co.uk or bob.campion@rste.co.uk

RSTE has three main objectives:

- to set guidelines for developing effective communication between pension professionals and trustees
- to set guidelines for what trustees should expect from training and those who deliver training
- to collate material that provides objective, practical information for trustees.

CPD POINTS FROM TRUSTEE CONFERENCE

The Pensions Management Institute has accredited the TUC trustee conference, so if you attended the conference you can claim five and a half hours of Continuing Professional Development points!

The Pensions Regulator

Free e-learning from the Pensions Regulator

'I thought I knew everything but one of the useful things about the Trustee toolkit is I realised that there were large areas about which I knew nothing, so I had to get a move on and learn some more.'

Toolkit completer, Medium/Large DB scheme

Our toolkit covers the whole scope of the Trustee Knowledge and Understanding (TKU) requirements, from becoming a trustee, through investment, scheme funding and DC-specific considerations, all the way to matters of scheme governance.

Independent research undertaken in December 2007, seven months after the publication of all the modules in the original toolkit (May 2007), shows that the toolkit has been very well received. Both new and experienced trustees are using it to fill in gaps in their knowledge, and to confirm what they did know, and more importantly what they did not know. All completers reported increased confidence as trustees.

The full findings from the research can be found at **www.thepensionsregulator.gov.uk** under *Online publications: facts and figures*.

Although the content of the toolkit has stood the test of time, we have recently reviewed the TKU framework, to ensure that it remains relevant while non-excessive. A particular concern had been the perceived burden on trustees of small, fully insured DC schemes. As a result, we have produced a draft reduced scope for such trustees. Other suggested changes include the clarification of the trustee role in relation to administration and reference to the introduction of Personal Accounts. The proposed revised code of practice and scope documents are currently going through the consultation process and can be found on our website at **www.thepensionsregulator.gov.uk**

unionlearn
with the TUC

TUC Education short course for pension trustees

An introduction to pension fund trusteeship

Many trade union members become trustees out of an interest in ensuring that members' voices are heard in the way their pension schemes are run and their funds invested. Pension trusteeship is a demanding but rewarding role. This means keeping up to date with the latest legislative and regulatory changes and keeping on top of the information and guidance that comes from key bodies such as the Pensions Regulator and the Pensions Protection Fund.

This course is designed for trade union members who have recently become pension trustees and more experienced trustees who would like to refresh and update their knowledge. It uses small class-based learning alongside the nationally-recognised Pensions Regulator's Trustee Toolkit to provide an introduction to the role and duties of pension trustees.

This is a national course, being held in the North West region. This briefing gives further information on the course aims and programme.

Course aims

This course will help pension trustees:

- Understand the role and duties of pension fund trustees
- Begin the process by which union representatives can achieve the necessary knowledge and understanding to become competent trustees.

briefing

Course programme

The course is planned to run for 3 days, below is a sample programme:

Day	Morning	Afternoon
Day 1	Introductions Course aims Outline of pension schemes Initial jargon activity	General role and duties of trustees Trustees toolkit modules 1 & 2
Day 2	Review Pensions law - Trust law - Election of MNTs - Disclosure of information - Statutory requirements and notifiable events	Trustees liabilities and protections Dealing with disputes and regulatory bodies Trustees toolkit module 3
Day 3	Review Investments and investment principles Socially responsible investments Role of the actuary	Trustees toolkit modules 4 & 5 Action planning

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Course details

This national course will be held in:

Liverpool	Merseyside Trade Union Education Unit Wirral Metropolitan College Suite 520, Cotton Exchange Bixteth Street, Liverpool L3 9LQ 3-days block 1-3 April 2009

Applications for this course should be sent to Jennifer Mann, telephone 020 7467 1222, email jmann@tuc.org.uk

If you have any queries about course content please contact Dave McMonnies at the address above, telephone 0151 237 2750, email david.mcmonnies@wmc.ac.uk.

If you have any queries about your application please contact Alice Hood, telephone 020 7467 1225, email ahood@tuc.org.uk

Local accommodation in Liverpool

TUC Education is unable to meet the cost of overnight accommodation, however as a Pension Fund Trustee your own scheme may be able to meet these costs. If you require overnight accommodation during the course suggestions for local hotels are below, you will need to book your own accommodation.

The closest reasonable hotel to the course venue is Atlantic Tower (Thistle) Hotel in Chapel Street, Liverpool L3 9RE telephone 0151 227 4444.

Information on other hotels in Liverpool can be found at:

www.booking.com/Liverpool

or

www.LateRooms.com/Liverpool-Hotels
or

BookInHotels.com

We recommend that you do not book accommodation until you receive confirmation that you have a place on the course.

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Application Form (PLEASE USE BLOCK LETTERS)

I wish to apply for a place on the Introduction to Pension Fund Trusteeship Course

To be held at Wirral Metropolitan College

Starting date 1-3 April 2009

Your full name ______________________________

Home address ______________________________

____

Postcode ______________________________

Daytime telephone number ______________ e-mail ______________

Trade Union ______________________________

Union posts held ______________________________

Previous TUC courses ______________________________

____

Your occupation ______________________________

Name and address of employer ______________________________

____

Please circle the relevant answer

Number of employees: Less than 50 Less than 250 More than 250

Work pattern: Full-time Part-time Days Shiftwork

I am a fully paid-up member of my union and my employer has agreed to my attending this course without loss of earnings.

Are you happy to receive future TUC communications: Yes No

Signature of Applicant Signature of full-time union official

______________________________ ______________________________

Please send this application form Jennifer Mann, ESAD, TUC, Congress House, Great Russell Street, London WC1B 3LS

Motivation and Pension Trusteeship Survey

This survey is concerned with examining pension trustee motives for participating in pension trusteeship. It is being conducted by *Dr Susan Sayce of the Centre for Diversity and Equality in Careers and Employment at the University of East Anglia*. The aim is to increase understanding of what motivates both appointed and elected to participate in this complex role. Permission has been given by both the TUC and the National Association of Pension Funds to survey their pension trustee networks as they are interested in this question. I would also like to reassure you that information provided in this survey will be aggregated and no confidential details about individual pension schemes is requested. For further details please contact Dr Susan Sayce.

Please place an **X** in the corresponding box:

1. Age: 20+ ☐ 30+ ☐ 40+ ☐ 50+ ☐ 60+ ☐ 70+ ☐

2. Gender: Male ☐ Female ☐

3. Ethnic classification (*optional)*

White British	☐	Irish	☐
Asian British	☐	Chinese	☐
Black British	☐	Not provided	☐
Other	☐	Please state________________________________	

4. Present work occupation, (if retired please list your last occupation):

____

6. Did you have pension or financial experience prior to becoming a pension trustee?
Yes ☐ No ☐

If yes, please detail what this experience encompassed

____

6. How many pension schemes do you represent?_____________________________

7. What type of pension scheme (s) do you represent? e.g DB, DC _______________

8. Is the scheme located in the? Private sector ☐ Public sector ☐

9.Which industry is the scheme located in e.g. financial, media

____

10. How many members do you represent approx.?_____________________________

11. What type of representative are you?
Employer appointed ☐ Elected ☐ Independent ☐ Other ☐ ____________

12. Motives for becoming a trustee: Please tick those that are **relevant** to you and **rank** in order of importance (*1 being the most important and 9 being the least important*) **Relevant** ☐ **Rank** ☐

	Relevant	Rank
It was seen as a continuation of my existing job role	☐	☐
I felt I could make a useful contribution to pension activity	☐	☐
I valued the power and significance of performing this role	☐	☐
I felt a moral obligation	☐	☐
I was concerned about the welfare of fellow citizens	☐	☐
I was concerned with notions of equity/fairness	☐	☐
Representing the membership was a major driver	☐	☐
I welcomed the intellectual challenge of pension trusteeship	☐	☐
Offered opportunity for future organisational progression	☐	☐

Any further motives for participation in trusteeship please comment:

12. If you were to recommend this role to someone wishing to become a pension trustee what would be your advice?

Any further comments:

To return, please post to:
Dr S Sayce
Room 0.26, Norwich Business School
University of East Anglia
Norwich, NR4 7TJ

OR if you are accessing this electronically, attach as a file to an email to s.sayce@uea.ac.uk

Thank you for your contribution to this research
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