

Pension schemes say difficulties in recruiting member nominated trustees particularly acute

- **69% say recruitment problems centre on member nominated trustees**

Data from the Pensions Regulator shows that pension funds are finding it particularly hard to recruit “member-nominated” trustees, says Trustee GAAPS, the trustee search and selection firm.

Recent research by the Pensions Regulator found that of those pension funds that were finding it hard to recruit trustees 69% said that their problems lay in recruiting member nominated trustees.

Trustee GAAPS says that schemes are struggling to meet their legal obligation to appoint at least one-third of their trustees from among the scheme members. This is becoming more difficult as the growing complexity of the trustee role makes serving as a member-nominated trustee less and less attractive.

Comments David Johnson, Consulting Director, Trustee GAAPS: “Recruiting member nominated trustees is a growing concern for many trustee boards. There is a diminishing incentive for members of occupational pension schemes to take up what is tantamount to a second job as a trustee without any remuneration.”

“The role of trustee is becoming increasingly complex, which inevitably means there are fewer people qualified to do it.”

He adds: “So few employees are now willing to become member nominated trustees that there is the risk that trustee boards will be forced to accept the first person who volunteers rather than be able to pick and chose. If the reservoir of potential member nominated trustees keeps shrinking it will eventually impact on the quality of the trustee board’s decision making.”

Trustee GAAPS points out that employers who struggle to appoint suitable trustees among their scheme members and are concerned that the pressure to meet the ‘one third’ quota would compromise the quality of the trustee board can appoint an independent trustee as an alternative.

Trustee GAAPS says that the Regulator’s growing focus on eradicating conflicts of interest on trustee boards, culminating in the publication of fresh guidance on conflicts of interest on October 1 2008, could act as another factor to hinder the recruitment of member-nominated trustees.

David Johnson explains: “Member-nominated trustees are often members of trade unions, so there are certainly situations where conflicts of interests may arise. For example, member-nominated trustees might be tempted accept lower contributions from employers in exchange for other benefits, which may be in the interest of the current workforce, but not of the scheme members who are already retired and in receipt of benefits.”

David Johnson concludes: “Recruiting trustees from among scheme members is only likely to become more problematic, both as the role becomes ever more demanding, and as reducing conflicts of interest assumes a greater priority for the Regulator.”

16% of all pension schemes say they are reporting difficulty in recruiting trustees.