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Number of pension schemes experiencing problems recruiting trustees jumps by a third

- **Survey by the Pension Regulator**
- **Focus on conflicts of interest discouraging directors from becoming trustees**

The number of pension schemes experiencing difficulties recruiting trustees has jumped by almost a third in one year as potential candidates become more aware of the growing complexity and responsibilities of the trustee role, says Trustee GAAPS, the trustee search and selection firm.

A survey by the Pension Regulator disclosed in its annual Corporate Plan revealed that 19% of schemes are now admitting to problems recruiting trustees compared to 15% in 2007, an increase of 27%.

According to Trustee GAAPS, the true extent of the recruitment problems facing schemes is likely to be far more severe than reported as many schemes would be reluctant to disclose any difficulties they are having to the Regulator, or simply be unaware of the problem.

David Johnson, Consulting Director, Trustee GAAPS, comments: "It's a significant jump in the number of schemes having problems recruiting trustees in a single year. Potential trustees are increasingly withdrawing from the job market as the complexity of trusteeship grows and their ability to deal with that complexity comes under ever-greater scrutiny."

"The growing burden of legislation, codes of conduct, and regulatory pressure to resolve conflicts of interest is all piling the pressure on part-time trustees. The role of trustee is increasingly untenable as something people do in their spare time while keeping the day job."

He adds: "The problem is almost certainly worse than the Regulator's research suggests. There is a dwindling pool of trustees who are prepared to take on the responsibilities of the role on an unpaid basis, and a rising demand for paid, professional trustees."

Trustee GAAPS says that the publication of a major consultation paper by the Pension Regulator in the last few months urging schemes to do more to resolve conflicts of interest is likely to further discourage company directors from becoming trustees.

David Johnson says: “The Regulator is clearly taking the issue of conflicts of interest much more seriously. Trustees who also serve as directors with scheme sponsors are finding that conflicts of interest which 10 years ago would have received little attention are now deemed unacceptable.”

Trustee GAAPS says that in its consultation paper the Regulator notably encourages the appointment of independent trustees as they will have no conflicts of interest and yet will still bring the knowledge and expertise needed to replace those directors stepping down from trustee boards.

Trustee GAAPS also points out that fresh conflicts of interest have emerged in the past year, such as new International Accounting Standards’ (IAS) guidelines regarding the treatment of pension scheme surpluses, which took effect in January 2008.

The new IAS guidelines could mean that surplus funds in a pension scheme will no longer count as assets on the company balance sheet. Companies could seek to reduce payments into schemes or change scheme rules so that repayments are not contingent on the approval of trustees. This could create new conflicts of interest for trustees with responsibilities towards scheme members and sponsoring companies.

David Johnson says: “It’s yet one more headache for trustees who also serve as directors with the sponsoring company to grapple with, and makes the balancing act required to discharge both roles competently even more challenging.”

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