

# Trustee landscape

## Richard Butcher talks MNTs and about the 'vacant seat trustee'

**B**ack in 1997 I met a new breed of pension scheme trustee. Strong, resilient, straight backed and upright, often modern but sometimes timeless. Part of the furniture. Literally. Part of the furniture.

The vacant seat trustee was a phenomenon inadvertently created by the member nominated trustee (MNT) rules introduced by the Pensions Act 1995.

These rules required the employer (unless they opted for an alternative arrangement) to offer the members the chance to nominate candidates for a trustee seat. As a minimum they had to offer up 1/3rd of the seats. Later changes to the rules moved the obligation to do this from the employer to the trustees and abolished the option of an alternative arrangement. If, however, in either iteration of the rules, there were fewer nominations than seats, the trustee board could proceed with vacant seats. The same was allowed if an MNT left office mid way through their term.

It's not good to have a vacant seat

trustee. For a start, MNTs bring an intimate connection between the governance of a pension scheme, its members and usually the employer as well. The familiarity they bring can make for better decision making and improved member communication. Invariably, MNTs also bring diversity. They tend to be less senior and, I'd hazard a guess, generally represent a broader cross section of society than the candidates put up by management. This all leads to a more challenging board room and so, eventually, better decisions.

So, how can we avoid having vacant seat trustees and how can we encourage the diversity they bring?

Here are three ideas: make it easier for them to understand trusteeship, make it easier for them to become trustees and make it easier for them to be trustees.

### Understanding

At a simple level this is about communication – but better communication.

The MNT rules require an announcement is made to members when there is a vacancy. The content of this announcement is, in part, prescribed, but why stop there? It's perfectly feasible to have open Q+A sessions, workshops, roundtables and all sorts of other semi social events that would allow potential candidates to listen, question and so better understand the role. Better understanding equals more candidates.

### Become

There is one principle issue that puts off most potential trustees: legal liability.

Liability can't be gotten away from. Trusteeship is a responsible job and part of that responsibility is to accept the consequences of your own action

or inaction. That said we can still make things easier.

Firstly, the trustee board itself can be restructured. An incorporated board, where the "trustees" are in fact directors, limits personal liability (if done in the right way) while not removing it.

Secondly, there needs to be a distinction in terms of expectation and liability between lay trustees (including MNTs) and people like me who do this for a living. TPR thinks this would be a good thing and is on it (they published a consultation in part on this in March).

### Being

Many years ago an MNT told me that her role was very lonely. As a deferred member she had no one to talk to about the trials and tribulations of being a trustee.

I set up a lunch for her with an MNT from another of my schemes but the idea grew. A few months later, having realised that the problem and solution were scaleable, we launched the Association of Member Nominated Trustees (AMNT). The AMNT is, at heart, a support network of MNTs by MNTs.

Group support, though, doesn't appeal to everyone so we still organise MNT lunches through our trustee dating agency.

Finally, we also, where appropriate, set up buddy systems particularly for new MNTs. The key to all of this is making the candidate aware they are not alone. A problem shared is a problem halved.

There is one final solution to this problem; the snowball effect. Boards dominated by grey haired older men (and I'm on of those myself now) tend to put off more diverse candidates. As we deploy the strategies above to fill our vacant seats, the board becomes less intimidating and less off putting. You could, I suppose, say the board becomes more comfortable - more like an easy chair.



Written by AMNT co-founder Richard Butcher