

Summary

- The pensions industry seems to be in unanimous agreement that a trustee's role has become more complicated and knowledge levels have had to improve.
- This has led to a need for more highly skilled trustees and chairs, creating a debate about whether remuneration is sufficient to attract and retain the needed expertise.
- Increased responsibility could potentially lead to a rise in the number of sole professional trustees.
- Research has suggested that the trustee gender pay gap has shrunk in recent years, although there seems to still be an issue with female representation on trustee boards.



More bang for your buck

With the latest spate of regulations coming into force this year following the introduction of the Pension Schemes Act, trustees' jobs have become more complex. Jack Gray investigates trustees' remuneration amid this increasing responsibility

The role of the pension trustee is evolving rapidly. An increase in regulation, and expectations from The Pensions Regulator (TPR), around what is expected of trustees has made the job more demanding. This is likely to lead to an increased need for professional trustees, whose expertise is required to ensure the pension scheme is running efficiently.

PwC's recent *Trustee Pay Survey* finds that trustees are amongst the lowest paid roles in pension scheme management. It reveals that the average pay was £54,000 per annum for a trustee board chair and £30,000 for a non-chair trustee in 2020.

Although average pay has increased across all roles, according to the study, pay for trustees sitting on both boards and committees has reduced slightly since 2018. Trustee time commitment has risen from an average of 17 days a year in 2010 to 26 days in 2020.

The *Pension Chair Remuneration Report*, by Barnett Waddingham and Winmark, finds that pension chair remuneration remained 'static' in 2020, with an average pension chair salary of £47,305, following a three-year period of average increases of 3.3 per cent per year.

Over half (59 per cent) expected no change in their salary over the next year, while 34 per cent expected an increase and 7 per cent expected a decrease. Despite this, 39 per cent felt their current remuneration did not adequately reflect the complexity and pressure of the role. Additionally, 34 per cent believed that pay levels were a key recruitment barrier compared to 24 per cent in 2019.

Evolving role

"The role of the professional trustee has evolved significantly over the past few years and, as a result, has become more time consuming," begins APPT chair,

Nita Tinn.

"We can attribute this change in workload to a number of factors, not least the need to be more vigilant with regards to pension scams, as well as TPR's increased focus on governance.

"Requirements for Taskforce for Climate-related Financial Disclosures (TCFD), for example, as well as increased pressure to put ESG at the core of trustee investment strategies, call for a much broader skillset. While Covid-19 has also required trustees to look more closely at risk, and will result in longer-term implications on the way we govern schemes."

PMI director of policy and head of external affairs, Tim Middleton, agrees that the role of trustees has become more demanding in the past 20 years.

"A clear consequence of this has been a steady increase in the appointment of professional trustees," he continues. "It



would therefore be fair to say that the role of trusteeship as a whole has become more demanding and that the number of professional appointments has increased as a consequence.”

Willis Towers Watson head of pensions governance, Jenny Gibbons, adds: “The work of a trustee has become more difficult and more time consuming over recent years with additional requirements around climate implications or DC governance in particular. They’re also operating in an increasingly complex external marketplace where investment monitoring and decision making is more demanding, and they’re planning for, processing and responding to fast-moving, critically important funding and covenant changes for their schemes. Additional requirements are being layered on top of that, for example around GMP equalisation.”

Despite this, Middleton notes that this has not deterred the number of individuals joining the profession, as the longer-term role for professional trustees is expected to expand.

Dalriada Trustees professional

trustee, Greig McGuinness, argues that the increasing governance requirements will “not necessarily” lead to more trustee time or work, but is likely to lead to a greater reliance on advisers for “anyone other than the most engaged full-time professional trustee”.

Going solo

“There was an increase in sentiment that chairs are underpaid - 34 per cent agreed that remuneration levels were too low to attract sufficiently skilled chairs and trustees,” says Barnett Waddingham partner, Danny Wilding.

“This had increased from 24 per cent in 2019. A similar proportion agreed that remuneration does not adequately reflect the complexity of the role (39 per cent of trustees) and remuneration does not adequately reflect the pressures of the role (36 per cent of trustees).”

McGuinness adds that the “vast majority” of affiliated trustees are not paid for the role directly, as many are employees of the sponsor and perform their duties during work hours.

He continues: “It has been debated whether some level of remuneration should be the norm, especially for pensioner members, and whether this would improve lay trustee supply and governance. You can understand why a company, if paying anyone to be a trustee, might prefer to appoint a professional, and therefore I expect that sole trusteeship will spread faster than the remuneration of lay trustees.”

Middleton agrees, noting that the number of firms offering sole trusteeship services is likely to expand, as scheme sponsors find the responsibilities of effective scheme governance becoming increasingly time-consuming and onerous.

“Either lay trustees will need to be paid more, as they will be increasingly unwilling to take on the training required and the increased responsibility, or else we will see an acceleration of the move to professional trustees and sole professional trustees in particular,” says Wilding.

“In practice we may see both of these things in tandem.”

“To the extent that trustee remuneration reflects the additional value they are able to create through carrying out their role effectively, it feels appropriate for remuneration to be increased to account for this additional value,” notes Gibbons.

“The requirements currently being consulted on in TPR’s single modular code of practice around disclosure of trustee remuneration policies will increase transparency and comparability of trustee remuneration, and may drive further price competition.”

Mixed gender diversity progress

The difference in remuneration between male and female trustees appears to be narrowing, with the *Trustee Pay Survey* stating that female chairs’ average pay increased from £45,000 in 2018 to £68,000 in 2020, overtaking the average male chair salary of £50,000. Independent professional female trustees’ remuneration was also found to have risen “significantly” since 2018.

However, representation seems to be going in the other direction, with only 14 per cent of respondents to the *Pension Chair Remuneration Report* being women, a 4 per cent fall from 2019.

“There was no evidence of a gender pay gap as, over the lifetime of the Winmark survey, female respondents have consistently received higher remuneration than their male counterparts,” says Wilding. “Nevertheless, only 14 per cent of the 2020 survey respondents were female, suggesting there does remain scope to increase female representation amongst trustee boards.”

McGuinness concludes: “We are not aware of a trustee pay gap based on gender/ethnicity etc. However, there remains a lack of diversity on many trustee boards and with some professional trustees, which we have a duty to rectify.”

Written by Jack Gray