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The 100 Group

Pensions Committee

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Ms Amanda Latham
Regulatory Policy Directorate
The Pensions Regulator
Napier House
Trafalgar Place
Brighton BN1 4DW

9 September 2016

Dear Ms Latham

Discussion Paper on 21st Century Trusteeship and Governance

I am writing on behalf of the Pensions Committee of the 100 Group of Finance Directors with regard to the above-named discussion paper.

The 100 Group

The 100 Group of Finance Directors represents the views of the finance directors of FTSE 100 and several large UK private companies. Our member companies represent around 90% of the market capitalisation of the UK FTSE 100 Index, and in 2015 paid, or generated, taxes equivalent to 14% of total UK Government receipts. Our aim is to contribute positively to the development of UK and international policy and practice on matters that affect our businesses, including pensions, taxation, financial reporting, corporate governance and capital market regulation. Whilst this letter expresses the views of The 100 Group of Finance Directors as a whole, those views are not necessarily those of our individual members or their respective employers.

Introduction

We agree with the Pensions Regulator's view that it is 'essential that those who are responsible for running pension schemes … are the right people with the appropriate knowledge and skills, and have the right scheme management processes in place'. We therefore support the Pensions Regulator's initiative to improve standards of trusteeship and governance in UK pension schemes. At the same time, it is important that any new measures introduced are proportionate, in other words that they genuinely improve standards of trusteeship and governance rather than simply providing hurdles that all schemes have to jump over, whether they are well-run or not.

We have chosen not to answer all the questions in your discussion paper, but have instead commented on three key areas:

1. **Diversity of the trustee board**

We agree with the Pensions Regulator's view that 'boards need a diverse mix of trustees who bring a balance of skills and experiences, professional backgrounds and interests'. We believe that the same best practice principles that underlie the make-up of a good corporate board should also apply to trustee boards, and that individual trustees should be appointed on the basis of the skills and expertise that they can add to the overall mix on the trustee board. Once appointed, all trustees then need to receive relevant and timely training in order to ensure that the trustee board continues to have the right knowledge and expertise.

2. **Need for professional qualifications**

It follows from our view that individual trustees should come from a range of different backgrounds that we do not think there should be any blanket requirement for professional qualifications. This could have the effect of restricting diversity on a trustee board and increasing the propensity for group-think if all the members of a trustee board have been through the same qualification process.

We also think that an emphasis on professional qualifications rather than appropriate expertise could deter very strong candidates from taking positions on a trustee board. For example, it is not uncommon for senior executives in a company to take a role on a trustee board (sometimes as chair) on leaving the company itself. Such senior executives would bring with them considerable knowledge of the company itself as well as board-level skills and very probably other professional qualifications. To require them to take a formal qualification in pension scheme trusteeship would add little to their value to the trustee board, but might dissuade them from taking up the role altogether.

3. **Need for a defined benefit governance statement**

We agree that trustee boards should give appropriate time and attention to the effective governance of their pension scheme. However, we would question how effective the introduction of a mandatory governance statement for defined benefit schemes would be. For well-run schemes, this would simply be an additional burden and add little, if any, value to the governance of the scheme, since most such schemes are likely to have their own systems for risk management and good governance in any case; whilst, for poorly run schemes, we suspect that this would simply introduce a checklist approach to governance and give weaker trustees inappropriate confidence that they have 'ticked the governance box'.

We think there are likely to be better ways of encouraging good governance (for example through training or good practice guidance) than introducing a mandatory requirement for all schemes to make a statement on governance.

We hope that you find these comments useful. Please do not hesitate to contact me if you would like to discuss any of the points raised.

Yours sincerely,

JHBeverley

p.p. **Alan Stewart**
Chairman
The 100 Group Pensions Committee