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The Pensions Regulator
Napier House
Trafalgar Place
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Dear Sir

The future of 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 consultation.

The 100 Group

The 100 Group represents the finance directors of the FTSE 100, several large UK private companies and some UK operations of multinational groups. Our member companies represent the vast majority of the market capitalisation of the FTSE 100, collectively employing 7% of the UK workforce, and in 2016 paid, or generated, taxes equivalent to 13% of total UK government receipts. Our overall aim is to promote the competitiveness of the UK for UK businesses, particularly in the areas of tax, reporting, pensions, regulation, capital markets and corporate governance. The 100 Group represents companies sponsoring defined benefit (DB) pension schemes with assets of approximately £500bn and membership of 3.6m (around a third of the overall DB universe).

Whilst this letter expresses the views of the 100 Group of Finance Directors as a whole, these views are not necessarily those of our individual members or their respective employers.

We are happy for the 100 Group to be included on the list of respondents.

As we only have a few comments to make, we have chosen to send these to you in a letter rather than in your detailed response form.

General comments

The 100 Group supports TPR's overall objective of improving the governance of pension schemes. However, we are not in full agreement with some of the proposals contained in the consultation paper.

In summary our views on what a successful governance regime could look like are as follows:

- TPR should develop and share a vision of what are the outcomes of 'good governance' before legislating further.
- TPR should keep its governance requirements simple and focus on completion of the Trustee Toolkit. Rather than producing more prescriptive requirements, TPR should review the Toolkit to ensure that it is fit for purpose, and then have a simple requirement to complete it in a specified timescale, enforced rigorously where it has not been completed.
- There should not be a one-size-fits-all approach to governance. A 'comply or explain' approach would leave smaller schemes clear on what they need to do, whilst larger schemes could do something different if they could justify their approach to TPR. Such an approach could help to improve accountability on scheme governance to members, as well as to TPR.

We expand on some of these views below.

There should not be a one-size-fits-all approach to governance

First, we would suggest that it is not entirely clear what problems this consultation is trying to address. We suspect that TPR is primarily concerned with smaller schemes and so would caution TPR against imposing one-size-fits-all requirements on all pension schemes. It might be a better use of TPR's resources to focus on improving governance in small schemes and/or encouraging them to consolidate rather than in devising additional requirements for all schemes.

For example, it appears there is currently poor take-up of the Trustee Toolkit. It would be useful for TPR to follow up with the members of trustee boards where the Toolkit has not been completed within a reasonable time period, especially for smaller schemes and to require trustees to complete the toolkit in order to continue to act as trustees. In general, we would expect the level of trustee knowledge and understanding to be higher in larger schemes, and well above the minimum level set out in the Toolkit.

TPR needs to set out a clear outcome-focused view of the principles of good governance

Second, it would be helpful for TPR to set out in more detail its views on the key outcomes it expects to see from a well-governed board: the 21st century trusteeship material goes some way towards achieving this, but we think there is more that could be done.

We are also aware that TPR is gathering further information on governance best practice from its one-to-one supervision of large schemes. It would be helpful to pull this together into a coherent definition of the principles of good governance before imposing any new requirements.

We do not think there needs to be a requirement for mandatory professional trustees or qualifications

We do not believe that there should be a requirement for mandatory professional trustees. There is no such requirement in other trust contexts and good professional trustees would come at a cost to the pension scheme. It should be for the employer and/or trustee board to weigh up the additional value that a professional trustee would bring to the board against the cost of doing so.

Also, whilst it is reasonable to expect higher standards of qualified trustees, this should be in terms of being able to demonstrate the experience they bring to the pension scheme, rather than having passed a test. There might be useful lessons to be learned from the process of recruiting into other board roles, e.g. non-executive directors. A highly experienced individual might be a very effective trustee, irrespective of whether they have taken a test or not.

There may be different ways to achieve good governance

Although we believe that TPR should be explicit in its views of the principles of how a good trustee board should operate, we think it should be clear that there may be different ways to achieve the same outcomes.

If TPR decides to prescribe new requirements in order to help smaller schemes be confident that their scheme is well governed, then we would advocate the introduction of a 'comply or explain' approach (or 'fast-track and bespoke', along the same lines as the proposed new DB funding code).

The Chair of the pension scheme could be required to state (for example, in a Chair's statement) how the scheme achieves the principles of good governance, either by meeting the prescribed rules, or by following a more flexible approach to achieve the same outcomes. We would expect larger schemes to be more likely to pursue the latter approach.

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 faithfully,

A handwritten signature in black ink, appearing to read 'Alan Stewart', with a horizontal line underneath.

Alan Stewart
Chairman
The 100 Group Pensions Committee