

Should you pay 'lay' trustees?

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The answer is easy regarding professional trustees but what about your lay trustees who are not in employment with the sponsoring employer?

1. Why pay your trustees?

With DB pension schemes in particular, it is becoming increasingly common for there to be lay trustees that are not employed by the sponsoring employer such as member-nominated deferred members or pensioner trustees. They may also be conducting key roles within your trustee structure such as chairing one of your committees.

Whilst remunerating lay trustees should not be such that it encourages the wrong sort of person to seek office, the reality is that today's pension trustee world is much more complicated and onerous than a decade ago. To hold trustees more accountable and to consider setting expectations in terms of, for example, keeping knowledge and understanding up to date, participating actively in trustee meetings; paying a fee or an honorarium may go a long way to assisting you in your goals.

2. What principles might you consider?

Clearly you will want to avoid any conflict between the duties of a trustee and their personal interest in some form of fee/ honorarium, so transparency is key here. For example, have the whole trustee board considered and explicitly authorised any fees; and have they disclosed these in the annual report and accounts and managed any conflicts openly.

You will want to offer fair value in terms of recognising relevant expertise, competence and skills that you need on your trustee board and to be aligned with the level of the role and responsibility they're taking on. But you will also want to set any fees at a level that doesn't detract from or undermine the nature of wanting to be a trustee. An honorarium is one way in which to do this as it is not intended to reflect the true value or time given by a trustee but shows appreciation for the work and effort required whilst acknowledging that the appointment itself will have been voluntarily entered into.

Of course, any fee paid to a professional trustee is likely to be higher than an honorarium paid to a lay trustee and should reflect the anticipated workload. Professional trustees are individuals who hold themselves out as experts in trustee matters and are expected to have higher levels of experience and knowledge.

3. How much should you pay?

There are various trustee remuneration surveys from time to time that you can readily view to get a sense of what others are doing. However, **it is important to note that** survey data contains several areas of bias resulting in payment figures being artificially inflated. For example, they exclude trustees that haven't been paid anything at all, so the surveys only show medians for paid trustees – many lay trustees

are not paid. They also do not allow for differences in workloads which will vary from one pension scheme to another depending on, for example, where they are on their funding journey.

So by all means use surveys as a guide but remember that any fees/ honorarium paid should be at the discretion of the whole board. Make sure that they are seen as a package rather than direct recompense for hours worked and avoid inadvertently creating an employer/ employee type arrangement. It is also a good idea to review the pay, say every three years.

4. Put a policy in place

Whatever you pay, you will want to be consistent from one trustee to another. It is therefore a good idea to put in place a policy that sets out the principles by which fees/ honorarium for trustees will be considered, awarded and reviewed. You can also use it as an opportunity to set out what is expected of a trustee. For example, you could explicitly state that trustees are to be accountable to their fellow trustees with an annual assessment taking place to consider attendance, training (including trustee toolkit), adherence to a code of conduct (including confidentiality), competency and constructive participation in trustee decision-making.

The policy can also state that fees/ honoraria will be reviewed triennially or in response to the annual assessment or exceptional circumstances considering any changes in roles and responsibilities. The policy should also state from where the payments will be made, for example, the pension scheme itself.

5. In conclusion...

Given the increasingly complex and onerous role trustees play, paying a fee or honorarium will increasingly be considered or desired. Put in place a policy and use it to achieve your goals by making the payment of fees and honoraria dependent on trustees acting in line with an agreed set of trustee role principles - particularly in relation to training, confidentiality, conflicts of interest and abiding by a code of conduct.