



Department
for Work &
Pensions

Call for Evidence Questions: **Pension trustee skills, capability, and culture:**

Name of respondent(s)/organisation (please provide):

Unite the Union

Unite the Union, the UK and Ireland's largest trade union representing over one million members across all sectors of the economy including transport, manufacturing, financial services, food and agriculture, construction, energy and utilities, information technology, service industries, health, local government and the not for profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our Union.

Unite has facilitated and negotiated pension benefit changes, agreed between members and employer, for many schemes. It is a key part of our role to balance the benefits provided, cost of that benefit provision and the risk that the scheme can afford to take, recognising the impact that this has on the funding level, investment strategy and affordability.

Unite represents its members' pension interests across the public and private sector and formally represents our members interests in Defined Benefit (DB) and Defined Contribution (DC) schemes across all scheme types, as indicated below.

Unite is responding in this capacity on behalf of our members but in addition as a sponsoring employer that provides a DB pension to our employees.

Pension Scheme type (cross all those that apply)	
DC Master Trust (500+ employers approx.)	X
DC Master Trust (fewer than 500)	X
DC Single-employer trust	X
Collective Defined Contribution	X
Defined Benefit	X
Hybrid	X
Trustee	X
Administration	
Investment consultant	
Consumer organisation	
Law firm	
Other (please state)	Trade Union

Chapter 1: Trustee skills and capability

Question 1: Do trustees know what the knowledge and understanding standards expected of them are?

Member Nominated Trustees don't always know what the knowledge and understanding standards expected of them are at the outset but that isn't a negative and it can bring a fresh way of looking at things to a Trustee Board.

In addition, trustees have up to six months to gain the relevant trustee knowledge and understanding you need to carry out the role including TPR Trustee Toolkit, which is about the right amount of time.

Question 2: Do trustees currently meet the knowledge and understanding requirements expected of them? Are some types of trustee better than others?

Unite sees no justification for more onerous requirements for trustee knowledge and understanding than are currently required.

It would be worrying if additional requirements, for instance on knowledge and understanding, disenfranchised lay members from becoming trustees. Unite believes that Member Nominated Trustees bring important and varied perspectives from outside the pensions industry, as well as contributing a knowledge of scheme members. This latter aspect is very important when schemes have to consider the communication of scheme aims and decisions.

Unite would like to see half of the trustee board made up of member-nominated trustees.

If there are concerns that lay trustees lack sufficient knowledge, this should be addressed in post-appointment training, not by installing a cadre of professional trustees with similar backgrounds and assumptions.

Question 3: What are the barriers to improving trustee capability? What do you think government should do to ensure that all trustees meet the standards expected of them? Does trustee liability put off potential trustees?

Time is always a barrier to being a trustee. However, Unite doesn't accept that there is a trustee capability issue.

Making sure that Member Nominated Trustees receive full paid release would help.

Trustee liability doesn't put Member Nominated Trustees off, it's more employers not making them welcome these days by putting management trustees in Member Nominated Trustees' positions.

Question 4: Do trustees (including Master Trust trustees) have the right knowledge and understanding to invest in the full breadth of investment opportunities? If not, what can be done to improve this?

Unite believes they do and where there are gaps or new opportunities than that is what the professional investment advisors are for.

Question 5: Is there enough understanding of advice around the consolidation of schemes?

Unite believes there is enough understanding of advice around the consolidation of schemes.

However, it's paramount that decisions around the consolidation of schemes remain a trustee and sponsoring employer joint decision.

Question 6: Do you think that the government should require all trustees to provide information to enable TPR to keep a register of all trustees?

Unites believes there shouldn't be an individual requirement, that would be inefficient.

Question 7: If the government were to require this information, would it be best achieved through the scheme return or through a separate trustee return?

Unite believes this would be best achieved in the scheme return.

Question 8: Do current accreditation frameworks provide a high enough bar to equip trustees who become accredited to properly fulfil their role, including in making investment decisions?

Unites believes the current accreditation frameworks do provide a high enough bar to equip trustees who become accredited to properly fulfil their role, including in making investment decisions.

In addition, as already stated, where there are gaps or new opportunities then that is what the professional investment advisors are for.

Question 9: What proportion of your trustee board are accredited trustees?

Unite representatives sit on numerous trustee boards, which have different make ups.

In terms of Unite's Pension Scheme, there is one (myself). However, this isn't a strategic requirement within the Board's make up and nor should it be.

Question 10: If we required each scheme to have a certain proportion of accredited trustees, where should this bar be set? Should Master Trusts be required to have a greater proportion of accredited trustees than single-employer schemes?

Unite does not believe that schemes should be required to have any accredited trustees, never mind a certain proportion. Boards alongside their sponsoring employer should continue to determine what their requirements are, including whether that's to have or not have an accredited trustee.

A further step to a completely professional accredited trustee board is unwelcome and unnecessary.

Again, it would be worrying if additional requirements, for instance on knowledge and understanding, disenfranchised lay members from becoming trustees. Unite believes that member-nominated trustees bring important and varied perspectives from outside the pensions industry, as well as contributing a knowledge of scheme members. This latter aspect is very important when schemes have to consider the communication of scheme aims and decisions.

Unite would like to see half of the trustee board made up of Member Nominated Trustees.

If there are concerns that lay trustees lack sufficient knowledge, this should be addressed in post-appointment training, not by installing a cadre of professional trustees with similar backgrounds and assumptions.

Question 11: Should there be more rigorous requirements for those acting in the capacity of a professional trustee? What sort of requirements/standards should professional trustees be meeting? Should there be mandatory accreditation?

Unite believes the current accreditation pathways for professional trustees are fit for purpose.

It is not clear there is a practical need to make the accreditation process mandatory. Unite knows of no examples of bogus accredited professional trustees. If one wants to be an accredited trustee then two pathways are available in order to use the title that comes with it and be employed on that basis.

Question 12: How would you define a professional trustee for the purposes of legislating for all professional trustees to be accredited?

Again, Unite is not sure there is a practical need to make the accreditation process mandatory. Unite knows of no examples of bogus accredited professional trustees. If one wants to be an accredited trustee then two pathways are available in order to use the title that comes with it and be employed on that basis.

Chapter 2: The role of advice

Question 13: What are your observations on the external support trustees are given to make investment decisions, particularly in relation to unlisted equities?

Unite believes in terms of the Chancellor's recent Mansion House speech where there was a political steer towards investing unlisted equities. Obviously, this will lead to questions from members about the risk and return profile.

Trustees and their advisors are unlikely to invest, unless the risk and return profile is right. Ultimately trustees have a legal fiduciary duty to do this.

Question 14: What changes could be made, including to the regulatory environment, to improve trustee support in relation to unlisted equities?

Unite believes no changes are required.

It's a trustee decision upon advice and the risk and return profile has to be right.

Again, ultimately trustees have a legal fiduciary duty to do this.

Question 15: To trustees: To what extent do trustees use investment consultants to support decisions around allocations to unlisted equities? Did they subsequently increase? Is there a deficiency of knowledge or expertise by investment consultants of these types of investments?

Unite believes it's a trustee decision upon advice and the risk and return profile has to be right.

It's perverse to ask:

"Is there a deficiency of knowledge or expertise by investment consultants of these types of investments?"

Again, ultimately trustees have a legal fiduciary duty to do this.

Question 16: What changes could be made to investment management to support pension scheme investment decision-making?

Unite believes no change is required. It works perfectly fine as it is.

Question 17: To trustees: How does legal advice impact on your investment decisions? What is an acceptable level of tolerance for investment risk? Is there a culture of 'risk aversion'?

Unite finds it worrying that a question about legalities is alongside questions about acceptable investment risk and implied investment risk aversion.

The Government needs to be extremely careful and should not politically dictate what investment decisions trustees should take and should not create a separate legal framework that threatens to contradict and undermine the tried and well established current regulatory framework of fiduciary duty that trustees are bound by.

Chapter 3: Barriers to trustee effectiveness

Question 18: Is fiduciary duty a well-understood concept? Do current regulations and guidance support trustees to make investment decisions which seek higher returns for members? If not, what changes would be useful?

Unite believes that fiduciary duty is well understood by trustees and is more than a concept, it's a practical reality.

Again, the Government needs to be extremely careful and should not politically dictate what investment decisions trustees should take and should not create a separate legal framework that threatens to contradict and undermine the tried and well established current regulatory framework of fiduciary duty that trustees are bound by.

Question 19: Do trustees currently make investment decisions in the long-term interests of pension savers? If not, what barriers are there to trustees making investment decisions in the long-term interests of savers?

Unite believes that trustees do currently make investment decisions in the long-term interests of pension savers.

Question 20: How do trustees balance investment returns, costs and charges, and services when making decisions in the long-term interests of savers?

Unite believes that trustees have to be convinced that returns will outweigh any additional costs, charges and services that maybe required in comparison to other investments, whilst also factoring members ESG (Environmental, Social and Governance) considerations.

Question 21: Do trustees' fiduciary duties discourage investment in alternative asset classes? If so, please explain with examples.

Unite believes that sometimes members' (pension savers') ESG beliefs may discourage investment in certain asset classes such as private equity for example, where there may be a belief that a particular investment may lead to short term asset stripping and undermine labour standards, or a belief that investment in a certain country, perhaps for its poor human rights record shouldn't happen.

This shouldn't be deemed as a negative or a wrong use of fiduciary duty but quite the opposite. Trustees are capable of finding ways when necessary to invest in line with members' beliefs and with no loss of return. This may be from engagement or divestment. Either way, trustees are not being prevented or restricted.

Question 22: Is the way in which trustees exercise their fiduciary duties preventing trustees from seeking the best returns for pension savers? If so, what is causing this?

Again, Unite believes that this shouldn't be deemed as a negative or a wrong use of fiduciary duty but quite the opposite. Trustees are capable of finding ways when necessary to invest in line with members' beliefs and with no loss of return. This maybe from engagement or divestment. Either way, trustees are not being prevented or restricted.

Question 23: Do those actors who have most influence on advice to trustees on long-term investment decisions experience any challenges or barriers in provision of their advice on illiquid assets? If so, what would unblock this?

Unite believes that firstly, illiquid assets have to be the right choice as part on a balanced investment portfolio and for some schemes having illiquid assets will not be the right choice.

Unite wouldn't agree there are barriers.

The challenge with illiquid assets is trying to find the right investment that fits with the members' and scheme's profile. The fact is that there are only a limited amount of illiquid assets that are suitable.

Question 24: Would trustees find it helpful if they received more direction from regulators when assessing their investment decision making? In addition to our work on Value for Money we are also interested in whether the advice for trustees provided by regulators via training and guidance supports our objective to shift the focus from cost to value?

Unite believes that regulation with fiduciary duty and guidance in this area is already clear.

There is no need for anymore at this time.

Question 25: Do lay trustees have enough time and support to perform their duties effectively? Do professional trustees? If not, what changes would support this?

Unite believes that time is always a barrier to being a trustee. However, Unite doesn't accept that there is a trustee capability issue.

Making sure that Member Nominated Trustees receive full paid release would help.

Again, trustee liability doesn't put Member Nominated Trustees off, it's more employers not making them welcome these days by putting management trustees in Member Nominated Trustees positions.

John Neal – National Pensions Officer, Unite the Union

5th September 2023