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BARNETT WADDINGHAM
beyond the expected

PensionChair Remuneration Report 2019

PENSION CHAIR

Acknowledgements

We wish to thank:

- Our Research Partner Barnett Waddingham for their support, contributing their insight and enabling Winmark to conduct this research for the benefit of PensionChair members and their peers.
- All Chairs and schemes that participated in the research.
- Our Technical Partners Rothesay Life, RSM and Sackers for assistance in conducting the fieldwork.

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Foreword

Danny Wilding, Partner at Barnett Waddingham

Barnett Waddingham is delighted to be the research partner for the 2019 edition of the Winmark Pension Chair Board Remuneration Report. With more Chairs of trustees completing the survey than ever before, this year's findings have even greater credibility and resonance, as well as revealing a number of new insights.

One key common theme is that Pension Scheme Trustee Chairs are now looking for an increasingly diverse range of skills as well as diversity by age, gender and ethnicity for their trustee board. Future trustee recruitment will be helped by the belief of most Chairs that trusteeship presents attractive future development opportunities, as well as the trend of increasing Trustee remuneration. The key to greater diversity could be the gender pay gap within trusteeship (with the women Chairs surveyed currently commanding somewhat higher average remuneration than their male counterparts) as well as the wide range of professional backgrounds from which Trustees are currently drawn.

For those aspiring to their first trusteeship post, it is worth noting that completion of the Pension Regulator's Trustee Toolkit is the entry qualification most often required by Chairs.

Chairs clearly believe their trustee boards will be more effective at tackling the ongoing challenges of regulatory change, volatile investment performance and employer covenant by working as a balanced team of people with a range of skills. They also recognise the need to balance high-level strategic issues (such as de-risking and endgame planning), with getting the detail right (such as regulatory compliance and GMP equalisation). They also need to balance traditional work, for example member engagement, alongside more contemporary work such as managing cyber risks.

I believe this is particularly important for Trustees of DC and hybrid schemes open to benefit accrual, as well as the minority of DB schemes still in that position. This is due to the memberships of these schemes continuing to evolve over time. Trustees' communication channels need to keep up with the times, as well as needing to reflect on the changing relationship between employment, family life, leisure and retirement.

In light of all this, our 2019 Chairs are right to identify a need for greater future diversity of their trustee boards as they manage the UK's future retirement funds.

Introduction

John Madden, Research Director at Winmark

Welcome to the 2019 Winmark PensionChair Board Remuneration Report.

Our data on current Pension Chair and Trustee remuneration levels is an essential resource for schemes that are considering how to remunerate their trustee boards, providing a clear benchmark to help Chairs and Trustees to formulate and evaluate offers and to intelligently negotiate.

In addition, the report goes beyond simple headline remuneration data to explore current trends around attraction, retention and development of pension board members, providing important insights into current recruitment challenges and how these might be addressed in the future. The topics covered include:

- Chairs' remuneration, broken down by key Chair and fund characteristics.
- Trustee remuneration.
- Expenses policies.
- Qualifications that schemes require of Chairs and Trustees.
- Top priorities for Pension Chairs in the next two to three years.
- Key challenges to achieving these priorities.

We would like to thank all 115 Chairs of pension schemes who, in February and March this year, took the time to contribute their considerable knowledge to our survey. This is the largest sample size in the survey's history, representing funds with a combined value exceeding £285 billion.

Their support has enabled our report to provide robust and meaningful analysis that will be a valuable resource for our members and to the wider pensions industry.

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Key Facts

Average Pension Chair Salary **£47,004** (excludes unpaid Chairs)	
• Salaries have increased 6.5% per annum (3.3% adjusted for inflation) since 2015. • Rise in remuneration is expected to continue this year: a third expect an increase, 7% expect a decrease.	
• Highest average salaries	• Chairs from Consultancy, Banking, Law and In-House Pension backgrounds • Schemes in the Consumer Services and Retail sectors • Female Chairs • Open Defined Benefit (DB) and hybrid DB / Defined Contribution (DC) schemes
• Lowest average salaries	• Chairs from Sales & Marketing or Operations backgrounds • Schemes in Construction and Charity sectors • Male Chairs • Closed DB and DC schemes
Average Trustee Salary **£20,384** (excludes Chairs and unpaid Trustees)	

	Pension Chair time commitment is increasing significantly	82% agree
	Trusteeship presents attractive development opportunities	72% agree
	Trusteeship is not diverse enough in terms of age, gender and ethnicity	60% agree
	There are not enough new Trustees entering the profession	38% agree
	Pension Chair remuneration does not reflect the responsibility of the role	29% agree
	Remuneration too low to attract skilled Chairs and Trustees	24% agree
	Attracting new Trustees is a key challenges	11% agree

Priorities (50%+)

- Regulatory demands
- GMP equalisation
- De-risking
- End game planning
- Cyber risks
- Member engagement

Challenges

Regulatory and legislative environment	49%
Investment performance	29%
Funding	17%
Employer covenant	14%
Sponsor support and engagement	12%

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Contents

Acknowledgements 2

Foreword 3

Introduction 4

Key Facts 5

1. How Much are Chairs Paid? 7

    1.1. Chair Remuneration by Professional Background 10

    1.2. Chair Remuneration by Scheme's Sector 11

    1.3. Chair Remuneration by Gender 12

    1.4. Chair Remuneration by Scheme Type 13

    1.5. Chair Remuneration by Fund Size 13

    1.6. Chair Remuneration by Chair's Trustee Capacity 14

    1.7. Chair Remuneration by Number of Years in Role 14

    1.8. Chair Remuneration by Previous Board Experience 15

    1.9. Chair Remuneration by Workload 15

2. Trustee Remuneration 16

3. Top Priorities and Challenges 20

    3.1 Top priorities 20

    3.2 Top challenges 21

4. Insight Focus: Diversity 22

About Winmark 24

About Barnett Waddingham 24

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1. How Much are Chairs Paid?

Pension Chair salaries have increased in real terms since 2015, due in part to the increasing complexity and time demands of the role.

Remuneration levels will continue to increase above inflation to attract individuals equipped with the required skill set to face the growing challenges: from the ability to deal with increasing regulatory, governance and legal obligations through to a need to understand increasingly technical financial and technology issues around investment, funding and cyber risks.

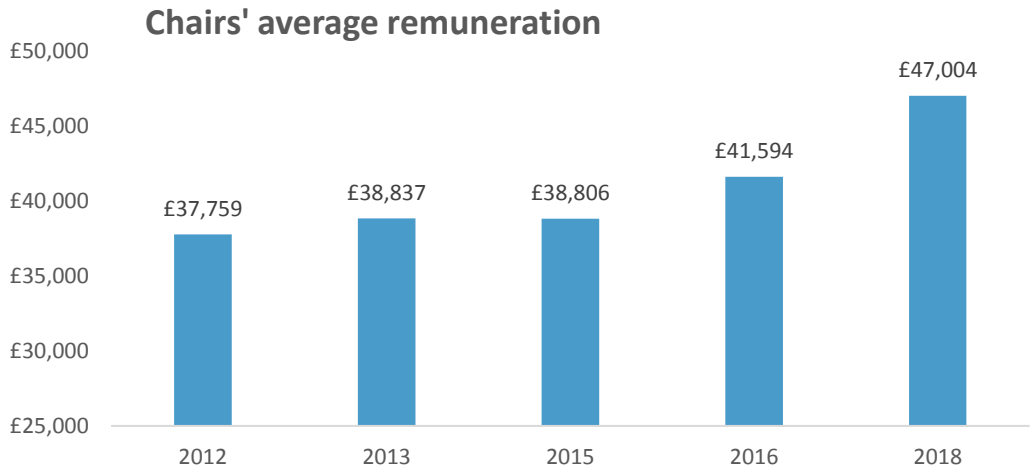
87% of schemes participating in the research paid their Chairs a salary.

For paid Chairs, individual salaries range from £8,000 up to £150,000. The average, based on our survey, is **£47,004**.

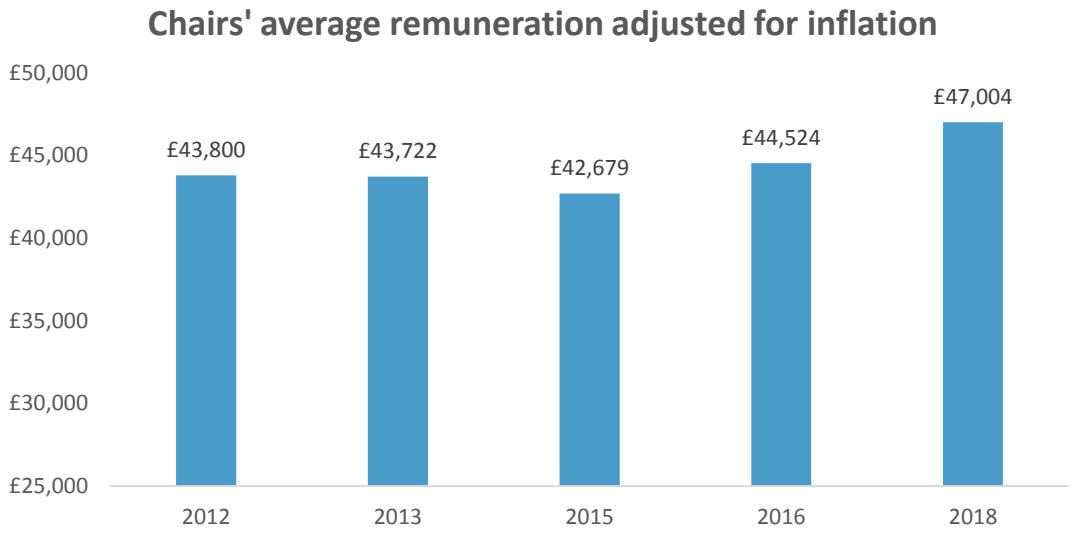
This represents an increase of 6.5% per annum since 2016 and follows a 7% annual increase between 2015 and 2016.

Average Pension Chair Salary

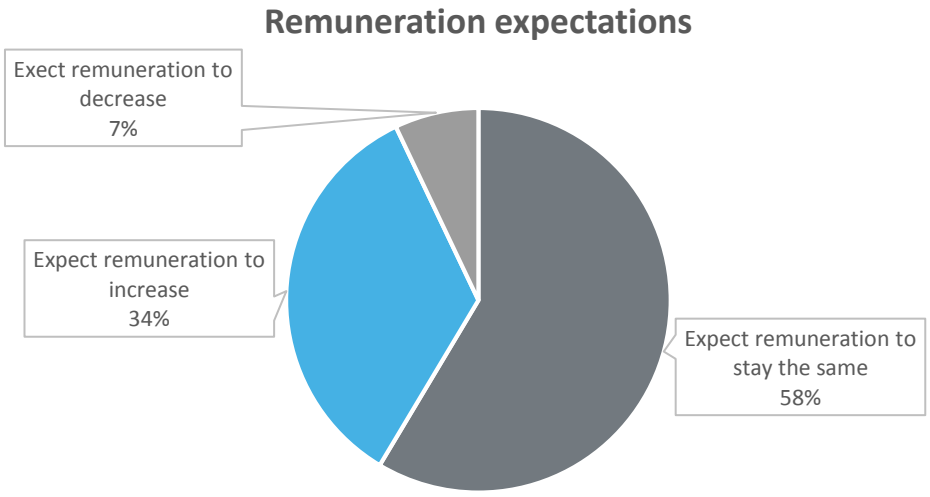
£47,004



Since 2015 there has been a trend for Pension Chair salaries to **increase in real terms** (around **3.3%** per year adjusted for inflation) following a period of stasis between 2012 and 2015.



The trend of **rising remuneration is likely to continue** into 2019. Although most Chairs expect remuneration to remain the same, a third expect an increase and only 7% expect a decrease.



There is strong agreement (82%) that the **time commitment required by the Pension Chair role is increasing significantly**.

Despite this pressure, most Chairs report that they have enough time to meet their responsibilities, however 5% feel they do not have time to adequately meet the demands placed upon them.

Even though Pension Chair remuneration is increasing overall in real terms, there is some sentiment that further increases are warranted. Almost a third feel that their **remuneration does not adequately reflect the responsibility** of the role, and 24% agree that **remuneration levels are too low to attract sufficiently skilled Chairs and Trustees.**

Pension Chair time commitment is increasing significantly

82% agree

Pension Chair remuneration does not reflect the responsibility of the role

29% agree

Remuneration too low to attract skilled Chairs and Trustees

24% agree

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1.1. Chair Remuneration by Professional Background

The highest average salaries are earned by Chairs from Management Consultancy, Banking, Law and In-House Pension backgrounds. Chairs who come from a background in Sales & Marketing or Operations demand less of a premium.

Background	Minimum	Average	Maximum
Management Consultancy (2)	£60,000	**£70,000**	£80,000
Banking (4)	£20,000	**£67,750**	£120,000
Law (9)	£20,000	**£65,444**	£120,000
In-House Pensions (6)	£30,000	**£65,413**	£120,000
Company Secretary (5)	£35,000	**£57,800**	£75,000
Finance (17)	£20,000	**£56,808**	£120,000
Actuary (19)	£14,000	**£51,851**	£150,000
Investment (19)	£10,000	**£51,605**	£120,000
Management (26)	£8,000	**£51,000**	£150,000
CEO (5)	£8,000	**£48,600**	£100,000
Engineering (2)	£20,000	**£45,000**	£70,000
Pensions consulting (12)	£15,000	**£44,592**	£150,000
Accountant (14)	£10,000	**£43,839**	£80,000
HR (10)	£18,000	**£42,580**	£80,000
Information Technology (3)	£37,500	**£40,833**	£45,000
Operations (6)	£20,000	**£39,583**	£65,000
Sales & Marketing (8)	£8,000	**£38,688**	£55,000

NB: Sub-group results are indicative (base size in brackets)

There is a desire to increase the diversity of pension trustee boards to encompass a variety of opinions and viewpoints that better reflect the changing priorities and motivations of both members and sponsors; and to help encourage innovative perspectives.

Pension Chairs come from a wide range of sectors and professional backgrounds. This provides an opportunity for trustee boards to draw on these disparate industry experiences and avoid boards being dominated by accountants, lawyers, actuaries and retired professionals.

1.2. Chair Remuneration by Scheme's Sector

The highest average remuneration was received by Chairs of schemes in the Consumer services and Retail sectors; and the lowest in the Construction and Charity sectors.

Sector	Minimum	Average	Maximum
Consumer Services (3)	£60,500	**£76,833**	£100,000
Retail (8)	£16,500	**£66,063**	£150,000
Telecommunications (2)	£45,000	**£52,500**	£60,000
Transport (4)	£21,000	**£49,619**	£80,000
Healthcare (6)	£20,000	**£49,167**	£75,000
Financial Services (17)	£10,000	**£48,118**	£103,000
Technology (5)	£16,000	**£45,000**	£80,000
Industrials (11)	£18,000	**£44,969**	£100,000
Consumer Goods (8)	£10,000	**£41,344**	£95,000
Utilities (4)	£15,000	**£38,000**	£100,000
Higher Education (3)	£20,000	**£36,667**	£50,000
Construction (2)	£26,000	**£30,500**	£35,000
Charities and not for profit (2)	£24,000	**£27,000**	£30,000

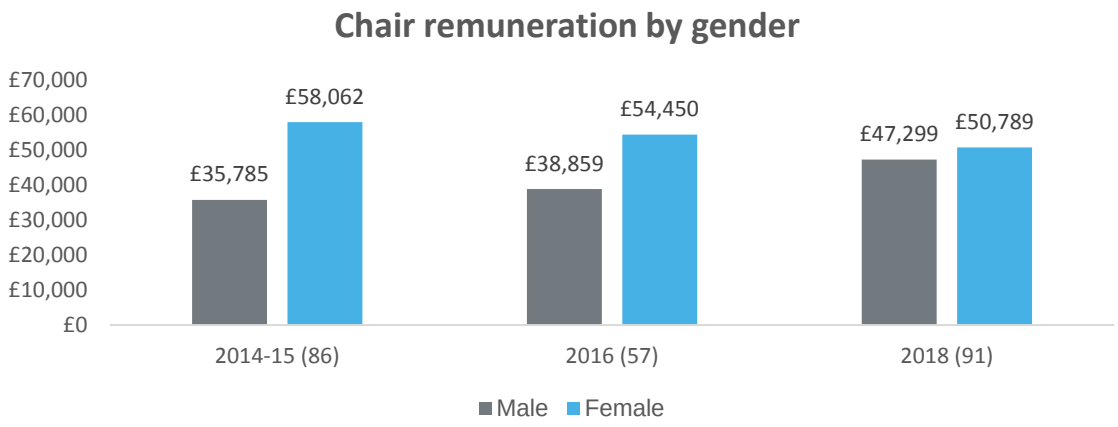
NB: Sub-group results are indicative (base size in brackets)

1.3. Chair Remuneration by Gender

Over the lifetime of the survey, female Pension Chairs have consistently received higher remuneration than their male counterparts. This gender pay gap in favour of women could be a positive message to help attract female candidates to Trustee and Chair positions.

18% of survey respondents are female, suggesting there is plenty of scope to increase female representation amongst Pension Chairs.

As in previous waves, female Chairs received a higher average remuneration than male Chairs, although the difference has narrowed over time.



1.4. Chair Remuneration by Scheme Type

Open DB and hybrid DB/ DC schemes have the highest average remuneration, closed DB and DC only have the lowest.

Scheme type	Minimum	Average	Maximum
DB – Open (1)	£120,000	**£120,000**	£120,000
Hybrid- DB Open and DC Open (2)	£60,000	**£63,738**	£67,475
Hybrid - DB Closed and DC Closed (6)	£30,000	**£56,833**	£120,000
Hybrid - DB Closed and DC Open (18)	£24,000	**£55,257**	£83,740
DB – Closed to new members (11)	£17,000	**£43,255**	£103,000
DB – Closed to new members & future accruals (46)	£8,000	**£42,084**	£100,000
DC (2)	£20,000	**£30,000**	£40,000

NB: Sub-group results are indicative (base size in brackets)

1.5. Chair Remuneration by Fund Size

The larger funds included in the survey have, on average, higher levels of remuneration for their Chairs.

Fund size	Minimum	Average	Maximum
Less than £100m (12)	£8,000	**£33,312**	£100,000
£100m -<£1bn (28)	£15,000	**£37,673**	£150,000
£1bn-<£5bn (29)	£18,000	**£54,755**	£100,000
£5bn + (13)	£10,000	**£73,960**	£120,000

NB: Sub-group results are indicative (base size in brackets)

1.6. Chair Remuneration by Chair's Trustee Capacity

Pension Chairs with employer nominated trustee capacity receive lower average remuneration than Chairs with other trustee capacities.

Trustee Type	Minimum	Average	Maximum
Independent Trustee * (13)	£16,500	**£58,250**	£120,000
Professional Trustee from a firm (24)**	£14,000	**£52,733**	£150,000
Member Nominated Trustee (2)	£15,000	**£47,500**	£80,000
Professional Trustee not part of a firm* (25)**	£10,000	**£44,226**	£80,000
Employer Nominated Trustee (24)	£8,000	**£40,511**	£80,000

NB: Sub-group results are indicative (base size in brackets)

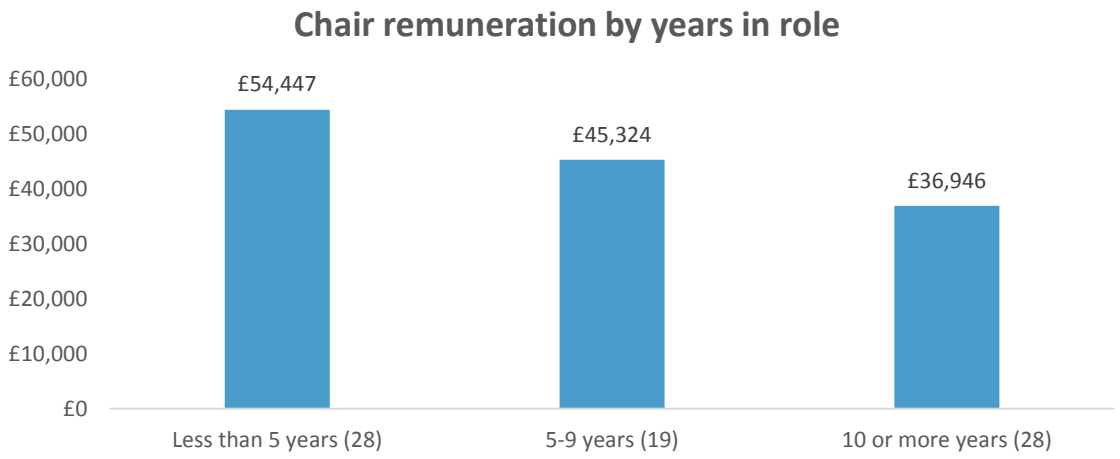
* *Independent Trustee - A trustee who is not acting as a professional trustee, not part of a firm of professional trustees not employed by any of the employer group companies, and not a member of the scheme*

** *Professional Trustee from a firm of professional trustees*

*** *Professional Trustee who is not part of a firm of professional trustees but who acts, or offers to act, as a professional trustee and is not employed by any of the employer group companies and not a member of the scheme*

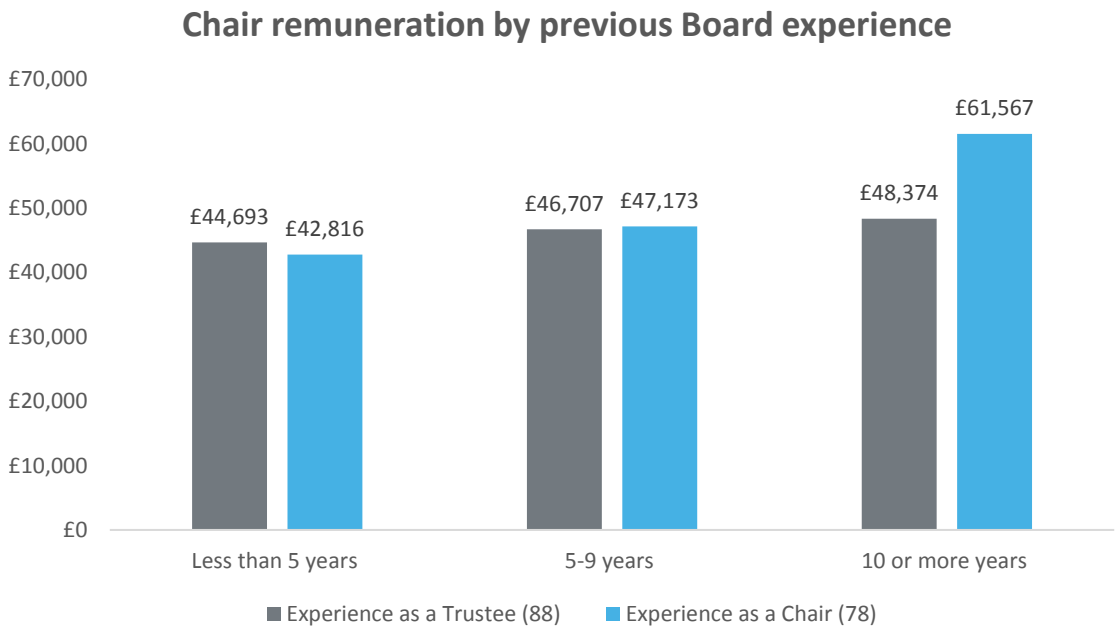
1.7. Chair Remuneration by Number of Years in Role

The average Chair remuneration decreases as Chairs have spent more time in role. This suggests that rises in remuneration for existing Chairs are not keeping up with remuneration increases for newly-appointed Chairs.



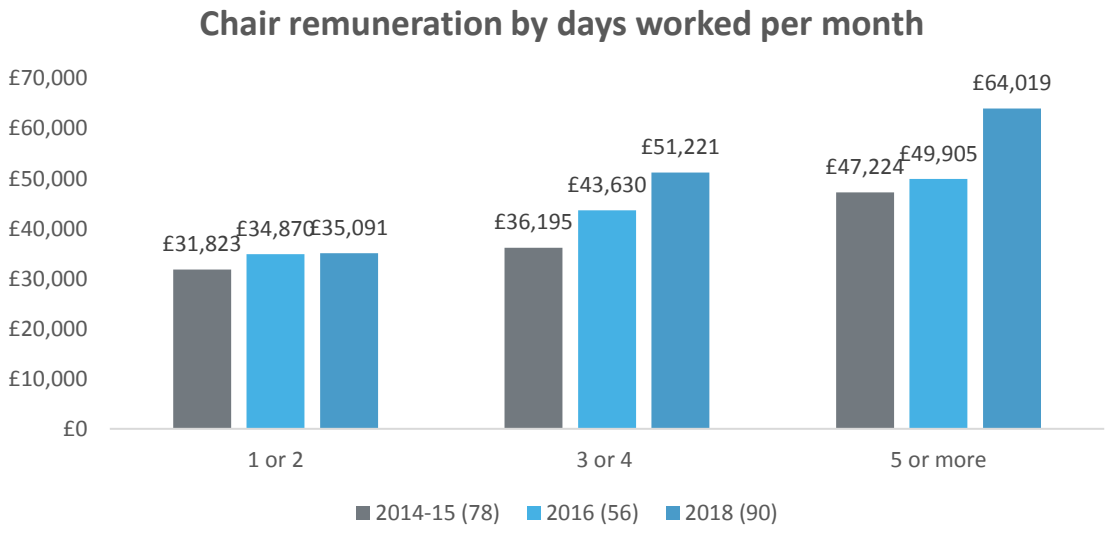
1.8. Chair Remuneration by Previous Board Experience

There is a positive relationship between having experience as a Chair or a Trustee and receiving higher remuneration when assuming a new Chair role. Having 10 or more years as a Chair when assuming a new role is associated with receiving a significantly higher average remuneration.



1.9. Chair Remuneration by Workload

Chairs' remuneration, as one would expect, increases with the amount of time spent on their responsibilities.



2. Trustee Remuneration

Trustees on the Main Board are remunerated by 64% of schemes, up from 61% in 2014-15. Amongst those that are paid, remuneration ranges from £1,000 to £160,000, and the average remuneration is £21,383.

Average Trustee Salary
£20,384

However, this average is influenced by an outlier (a Trustee receiving £160,000). If this outlier is taken out of the calculation, the average Trustee remuneration is reduced to **£20,348**. Professional and Independent Trustees tend to receive a higher average remuneration than most Employer Nominated and Member Nominated Trustees.

Trustee Type	Minimum	Average	Maximum
Professional Trustee from a firm (16)	£14,000	**£65,500**	£160,000
Professional Trustee not part of a firm (8)	£15,000	**£40,875**	£80,000
Member Nominated Trustee – Active member (5)	£7,000	**£27,669**	£75,000
Independent Trustee (9)	£6,000	**£23,701**	£45,310
Employer Nominated Trustee – Active member (6)	£2,000	**£17,557**	£40,000
Employer Nominated Trustee – Pensioner member (16)	£1,000	**£16,803**	£40,000
Employer Nominated Trustee – Non-member (6)	£1,500	**£13,750**	£40,000
Member Nominated Trustee – Deferred member (12)	£1,000	**£12,646**	£25,000
Employer Nominated Trustee – Deferred member (14)	£1,000	**£10,989**	£25,000
Member Nominated Trustee – Pensioner member (43)	£1,000	**£9,250**	£60,000

NB: Sub-group results are indicative (base size in brackets)

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The trend towards consolidation of DC schemes means there are fewer opportunities for scheme members to put themselves forward for Trustee positions. The Pensions Regulator (TPR) annual survey shows that master trust membership hit almost 10 million in 2018, up from around 270,000 in 2012. As the number of companies going into master trusts or contract arrangements increases, the opportunities for potential member candidates decrease.

The growing popularity of sole trusteeship is further reducing opportunities. Increasing complexity and governance obligations are also driving the movement away from lay and towards professional trustees.

Although 72% agree that **trusteeship provides attractive development opportunities** for potential candidates, over a third of Pension Chairs feel there are **not enough new Trustees entering the profession and** 11% say attracting new Trustees is one of the key challenges they face in the next two to three years.

Achieving diverse trusteeship is clearly a challenge, with 60% agreeing that there **is insufficient diversity of age, ethnicity and gender amongst Trustees**.

Trusteeship presents attractive development opportunities

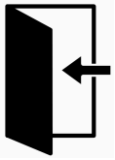
72% agree

There are not enough new Trustees entering the profession

38% agree

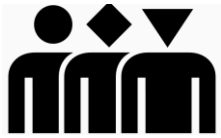
Attracting new Trustees is one of my key challenges

11% agree



Trusteeship is not diverse enough in terms of age, gender and ethnicity

60% agree



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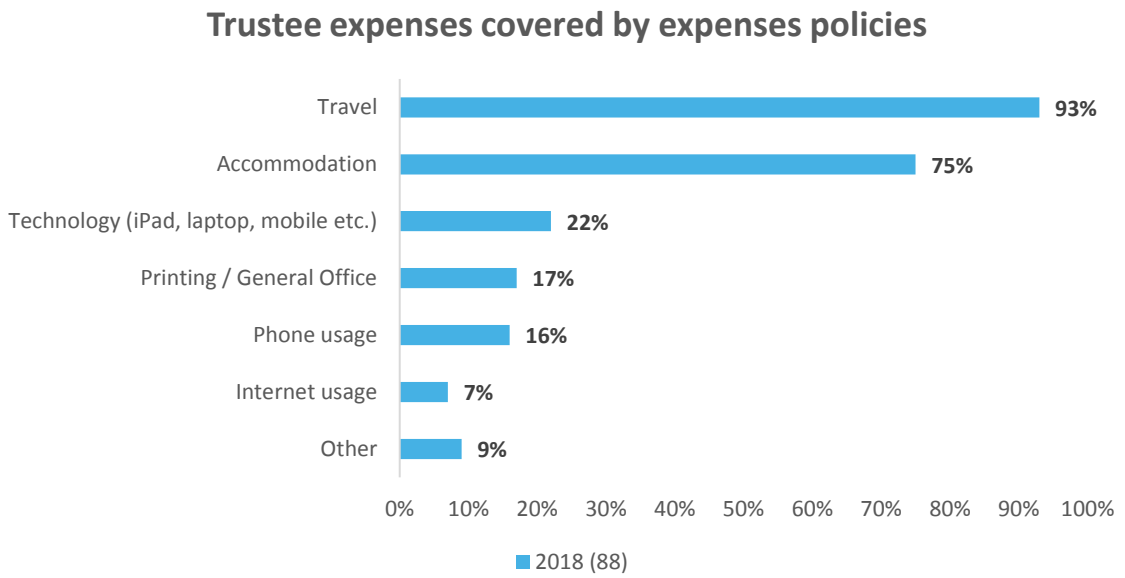
Pension Chairs express concern about a lack of diversity by age, ethnicity and gender and want trustee boards to represent a broad range of experience, skills, backgrounds and perspectives to achieve proper boardroom discussion and debate. Having one or a few individuals with similar views dominating the boardroom is likely to miss important perspectives that could improve the running of schemes.

The attractive development opportunities that Trustee roles offer should be emphasised to encourage applications from a more diverse pool of potential candidates and to help overcome candidate concerns about the high level of responsibility and time investment required relative to remuneration. Female Chairs tend to earn more than their male counterparts and this could be leveraged to encourage more females to enter the profession (only 18% of survey respondents are female, suggesting they are underrepresented).

Expenses and Qualifications

Trustees have access to an expenses policy in 77% of schemes. The share of schemes that offers an expenses policy is stable: 85% of schemes offered a policy in 2014-15 and 77% in 2016. The types of expenses that are offered also remain similar to previous years.



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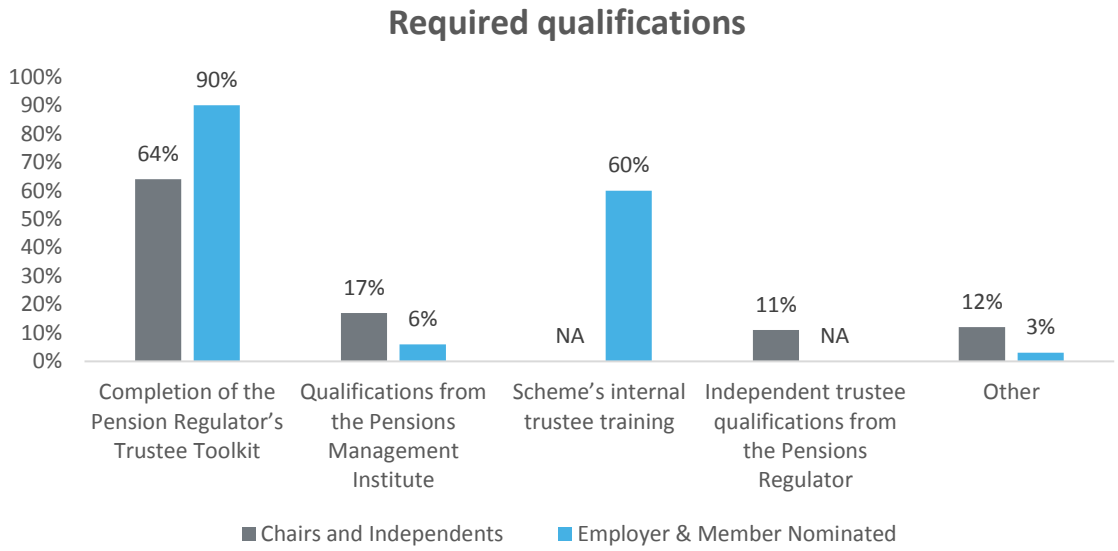
When recruiting for both Chairs and Trustees, most schemes require evidence of completion of the Pension Regulator's Trustee Toolkit. For 17% of schemes, qualifications from the Pensions Management Institute are required for Chairs and Independent Trustees, and 6% for Employer and Member Nominated Trustees. 60% of schemes require Member and Employer Nominated Trustees to complete the scheme's internal Trustee training.



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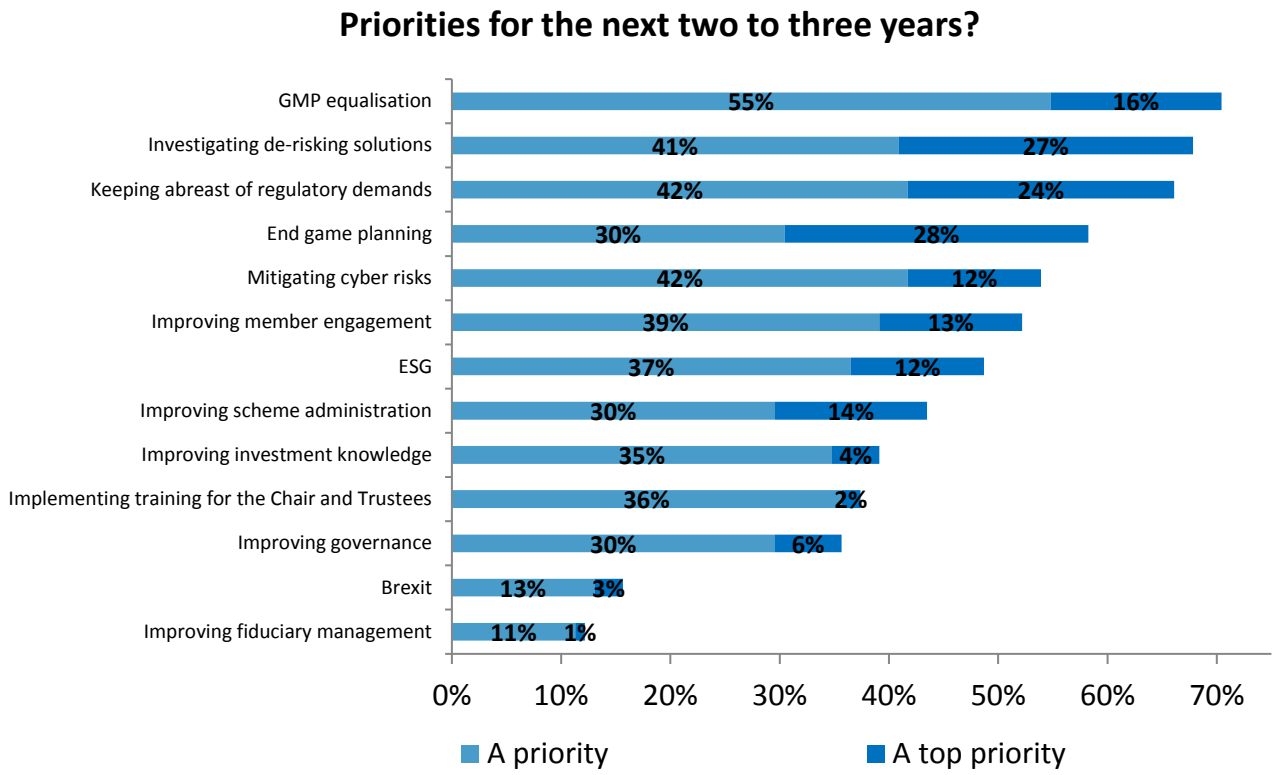
3. Top Priorities and Challenges

3.1 Top priorities

Pension Chairs face a long list of **demanding set of priorities** in the next two to three years.

Keeping abreast of **increasing regulatory demands**, dealing with **GMP equalisation**, investigating **de-risking** solutions and **end game planning** are all priorities for over half of Pension Chairs. Mitigating **cyber risks** and promoting greater **member engagement** are also a priority for over 50% of respondents.



Pension Chairs are facing a highly complex set of priorities, ranging from strategic, macro-level problems such as managing cyber risks and dealing with Brexit, through to detailed, micro-level responsibilities around scheme administration and planning; all in an environment of increasing regulation and pressures to improve governance.

In order to mitigate these pressures in the future, good relationships with (and support from) regulators, sponsors, administrators and external advisors will be crucial.

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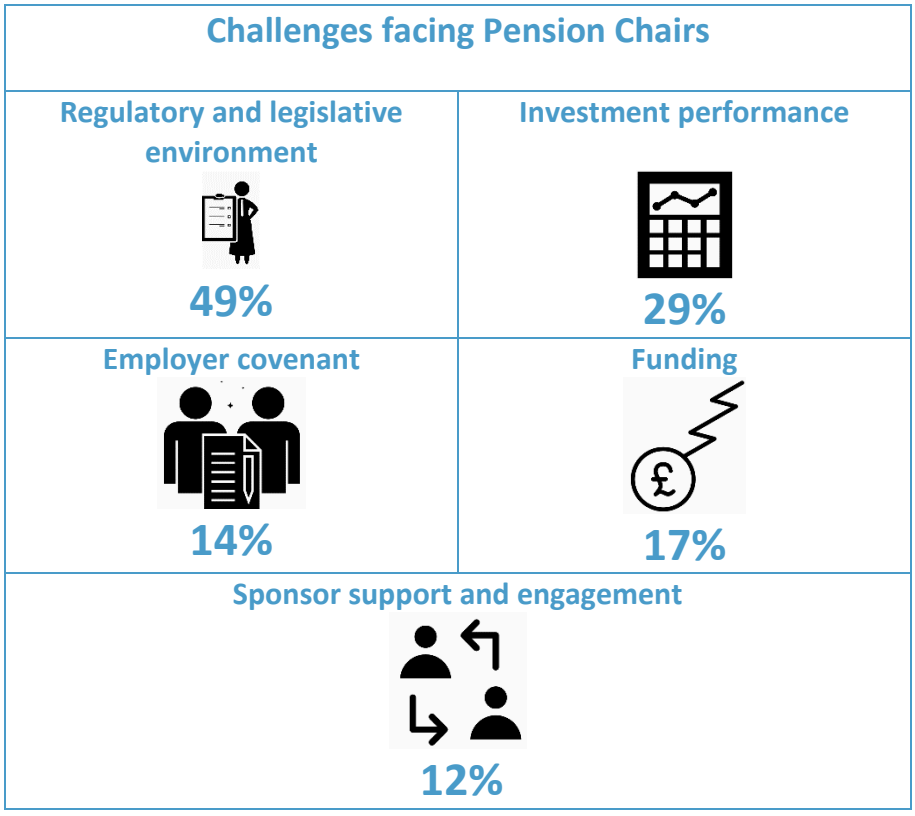
3.2 Top challenges

The single greatest challenge that Pension Chairs say they face is the **increasingly complex regulatory and legislative** environment. 49% of Pension Chairs identify this as a top challenge in the next two to three years. 30% also agree that scheme governance is excessively burdensome.

There is also significant concern about the difficulty of ensuring positive **investment performance** in an uncertain economic and political environment, with 29% identifying this as a key challenge.

Achieving sponsor engagement and support is also perceived to be an important challenge in three key areas:

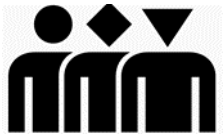
- Effective evaluation of the legal and financial strength of the **employer covenant** (14%).
- Adequate sponsor **funding** (17%).
- **Sponsor support** and engagement (12%).



The need for pension boards to demonstrate strategic aptitude and foresight combined with the ability to manage detailed and complex processes means that there is an increasing need for the right people, structures and processes to be in place to offer good governance.

Schemes will need to have more robust conflict of interest policies to manage potential conflicts arising from the increasingly complicated relationships between sponsors, advisors and service providers.

4. Insight Focus: Diversity



The desire to increase the diversity of pension trustee boards is a key theme emerging from this year's study. This is as much about background, experience and outlook as it is about age, ethnicity and gender.

What is diversity?

- A diverse and functioning trustee board means providing a variety of viewpoints that reflect the changing priorities and motivations of members and sponsors and encourage innovative thinking.
- It also means considering the balance of 'soft skills' (such as problem solving, critical thinking, and communicative skills e.g. knowing when and how to contribute effectively). How the different characters and temperaments on a trustee board work together and complement each other is crucial to creating a balanced team.

Attraction

- To succeed in increasing diversity it is essential to encourage applications from a wide range of qualified candidates by age, gender, ethnicity, skillset, professional background, and sector; and where possible, attract a broad mix of employer-appointed, member-nominated and professional trustees.
    - A method to circumnavigate the increasingly limited opportunities for members to join trustee boards is to create member forums to regularly meet with trustees to express their views about member concerns, communication, trustee activity etc.
    - Where the opportunities exist, members often need encouragement to come forward so appointing 'Pension Champions' and 'Ambassadors' to communicate with the workforce can help build up awareness and interest and encourage applications.
- When advertising new positions the language used can be instrumental in changing perceptions about what trusteeship entails.
    - The terminology associated with trusteeship can be quite daunting and dry. Terms such as 'committees' and 'board meetings' may be seen as the domain of older, senior professionals, and repositioning the role as being part of a 'team' could make the role sound more positive and inclusive to less experienced but capable applicants.
- The report clearly shows that most Pension Chairs believe that trusteeship presents attractive development opportunities. These opportunities should be enthusiastically communicated to encourage applications from a wider pool and to overcome concerns about the level of responsibility and time investment required.

- Female Pension Chairs have consistently received higher remuneration than their male counterparts, which may be helpful in attracting female candidates to Trustee and Chair positions.

Retention

- Retention is also key to achieving diverse trustee boards. Taking the time to integrate new and existing members is crucial - there is no point in having a diverse board if the members do not work well together or if meetings are dominated by a few individuals. One of the challenges is giving every member of the board the confidence to participate by providing adequate training and setting clear and realistic expectations to avoid potential anxiety from not contributing or, at the other of the spectrum, feeling the need to contribute on every point of discussion.
- One strategy to help establish confidence is to invite shortlisted candidates to sit in on a board meeting to observe proceedings, get a better understanding of the content and dynamics of meetings and ultimately make the process more familiar and less daunting.
- Building personal relationships is also key to successful integration and retention. Spending time together in an informal setting can help establish rapport and make the seniority of other trustee board members less daunting for younger or less experienced candidates.

Pension Chairs are right to recognise the need for greater diversity of their trustee boards and should also recognise their responsibility to develop the skills required to chair a diverse board that may not always align with their own views.

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