



Occupational Pensioners' Alliance

2011 Survey of Pension Schemes

By

G J Williams

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1. The Occupational Pensioners' Alliance (OPA) is a democratic, non-party-political organisation of occupational pensioners' associations in the UK. It comprises members from 36 occupational pensioner organisations nationwide and represents the interests of about 50 separate pension schemes with over two million members.

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3. **Executive Summary**

3.1 The OPA members' annual survey is unique in that, it is conducted and completed by the end-users of pensions and therefore provides a very different but vitally important viewpoint from that provided by other surveys of pension schemes.

3.2 27 schemes participated in this survey, a response rate from the total schemes represented within our membership of about 47%. The schemes covered a wide range of sizes, the membership varying between 500 and 160,000 and the assets, ranging from £300k to over £11bn.

3.3 The most significant change from last year's survey¹ has been the number of schemes which are now indexed by the CPI - a total of 67%.

3.4 As previously this survey reveals many issues of real concern such as the management of conflicts of interest. 33% now have an independent chairman but 39% of the employer nominated chairmen were also company directors of the sponsoring company. The OPA firmly maintains that an Independent chairman is the only way to maintain proper balance in the governance of the scheme to avoid any possible conflicts of interest.

3.5 60% of the schemes now have either equal numbers or more of Member Nominated Trustees (MNTs) compared to those nominated by the employer on their boards. This is up from 33% found last year.

3.6 Those schemes which conduct annual (or occasional) meetings with their members so that they can ask their trustees questions are likely to

have better relations with their membership than those that do not.

3.7 The survey also reveals that there is no evidence of any regard by the sponsors for the fairness and proportionality in the selection processes of Member Nominated Trustees as required by the Code of Practice.

4. **Introduction**

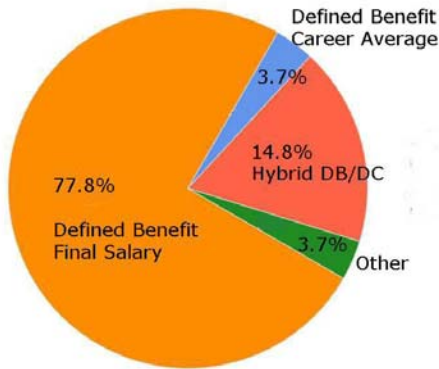
4.1 The OPA members' annual survey is unique in that, unlike surveys conducted by the National Association of Pension Schemes and Aon for example, it is conducted and completed by the end-users of pensions rather than scheme managers and therefore provides a very different but vitally important viewpoint.

4.2 This is the 7th annual survey we have undertaken and the fourth one which has been conducted on-line. It was conducted over a period of 4 months from November '11 to February '12. A total of 27 responses from the members' schemes listed in the Appendix were received which is about the same as last year.

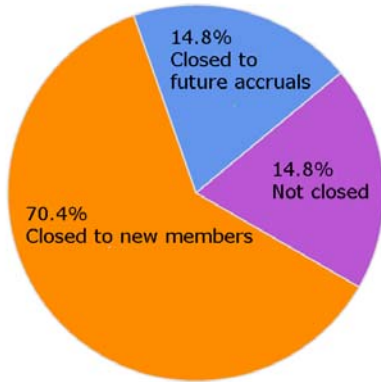
4.3 The respondents' schemes covered a wide range of sizes, the membership varying between 200 to 160,000 and the assets from £160k to £10bn.

5 Results

5.1 Type of Pension Scheme



5.2 Whether the scheme remains open to new members

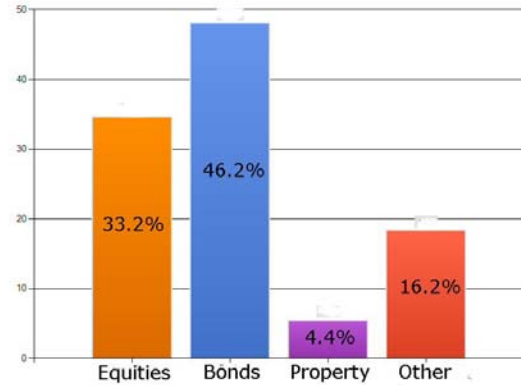


5.3 Distribution of membership status

Actives 106,753
 Deferreds 254,410
 Pensioners 409,402

5.4 Funding level average for all schemes was 90%.

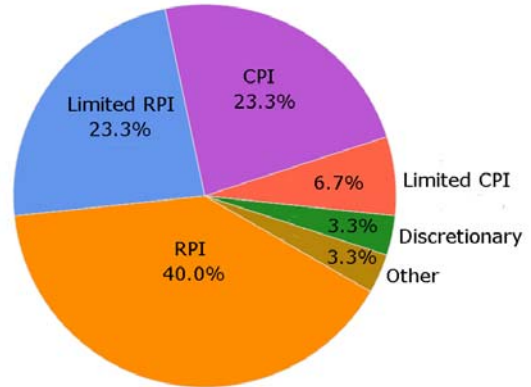
5.5 Average distribution of scheme assets:



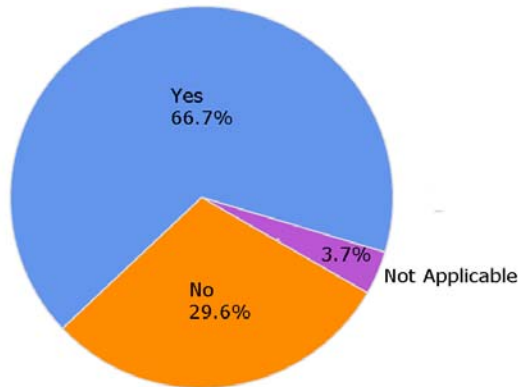
Equities includes UK & overseas. "Other" includes Liability Driven Investment Portfolios, infrastructure etc.

Equities decreased, bonds, property and "other" increased from last year's survey.

5.6 Type of indexation currently provided for the majority of the pensioner members



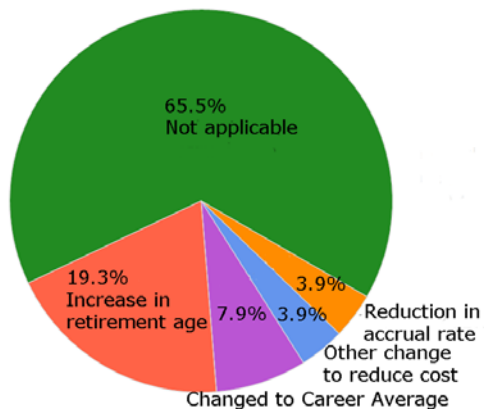
5.7 Percentage Changed from RPI to CPI Indexation



5.8 Percentage returns on investments

Mean: 7.8 %
Range: 14.3 to -1.2 %

5.9 If the scheme is a defined benefit whether any of the following changes in benefits been introduced for the active members in the last 2 years



5.10 The number of scheme Trustees (or Directors) in each of the following categories on each board in random order

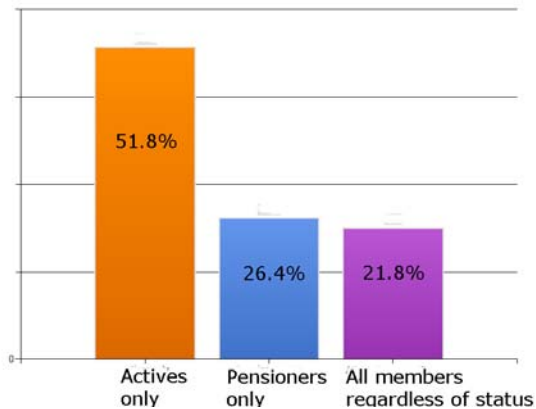
Employer Nominated	Member Nominated	Independent
5	5	1
1	3	1
4	4	0
5	4	0
3	3	1
1	3	3
4	4	3
4	2	0
5	3	1
4	4	0
7	11	0
4	3	0
4	2	0
9	3	0
3	6	0
3	4	1
4	4	1
5	3	0
5	5	0
5	5	0
7	7	0
3	3	1
4	4	1
5	5	2
9	7	2
9	7	2

In 69% of the trustee boards the employer nominated trustees are now out-numbered by employee nominated and independent trustees taken together. Also 60% of the schemes had either equal numbers of Member Nominated Trustees (MNTs) to those nominated by the employer or more on their boards. This is up from 33% found last year but this upward trend is now unlikely to continue.

The 2004 Pensions Act made provision for the Secretary of State to consider making the proportion of MNTs at least 50% by 2009 but this was kicked into the long grass by the then Minister for Pensions, James Purnell, when he commissioned a study on this issue in 2008. In 2011 when the OPA questioned the new Coalition Minister, Steve Webb, as to whether it is his intention to implement this part of the Act he claimed that he knew nothing about this particular issue so unfortunately we must now assume that the subject may well be closed.

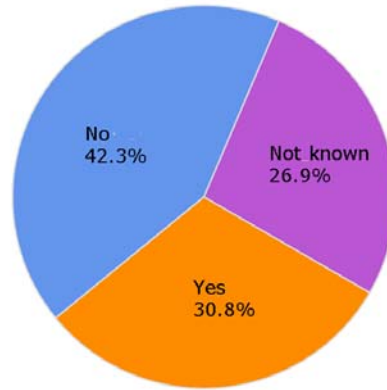
5.11 Selection of Member Nominated Trustees

MNTs are selected by the following categories on membership.

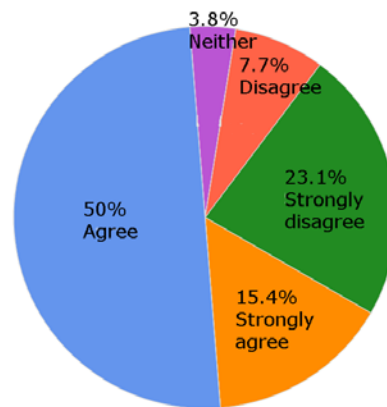


Overall the actives are outnumbered by the pensioners and deferred members by over 6 : 1. In a number of individual schemes this ratio is in fact over 12 : 1. Thus there no evidence here of any regard by the sponsors for the fairness and proportionality in the selection processes as required by the Code of Practice.

5.12 Whether widows/widowers have voting rights

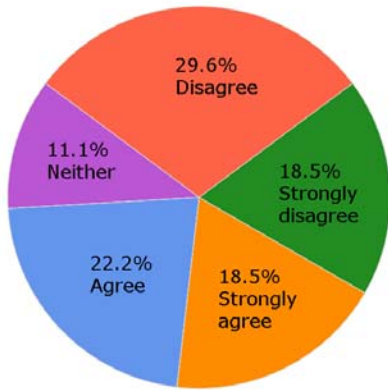


5.13 Whether the process of nomination and selection of MNTs is considered to be "fair, transparent and proportionate"?



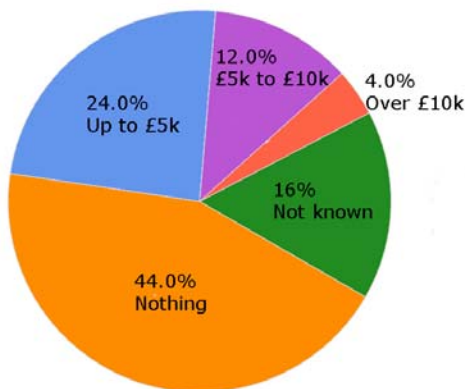
These total levels of dissatisfaction are virtually unchanged from those of last year.

5.14 Whether the level of representation of pensioners on the trustee board is considered to be reasonable



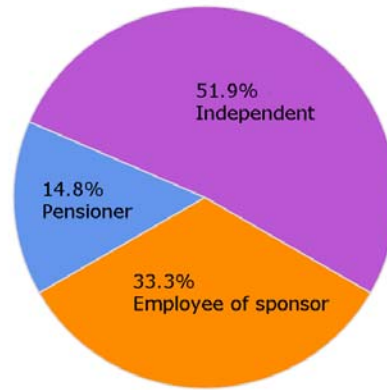
Again these total levels of dissatisfaction are virtually unchanged from those of last year.

5.15 Whether additional income is paid to Member Nominated Trustees / Directors for their trustee services each year



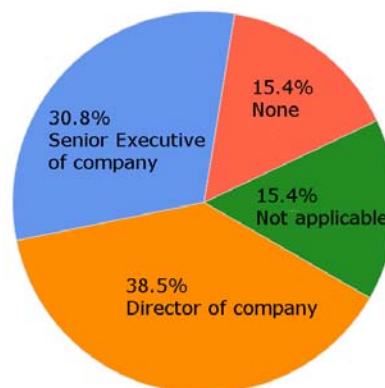
Considering the level of responsibility involved the OPA believes it is wrong for middle and large sized schemes not to provide any additional income at all to MNTs who are also pensioners whose income might be well below that of the other board members.

5.16 Status of the chairman of the trustee board



The proportion of schemes which have an independent chairman has increased this year from 37.5 % to 51.9% which is a welcome sign. The OPA believes that an Independent chairman is the best way to maintain this proper balance in the governance of the scheme and to avoid possible conflicts of interest

5.17 Status of the chairman when he is an employee of the company

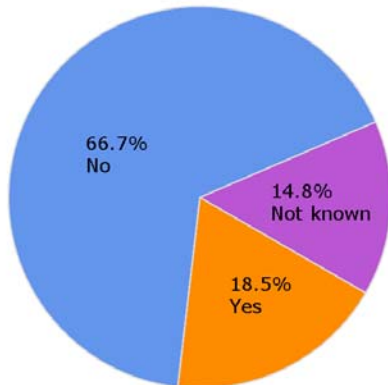


There was a corresponding decrease in the proportion of trustee board chairmen who were also a director of the sponsoring company from 45.8% to 38.5 % but this level is still far too high.

5.18 Administration of the fund

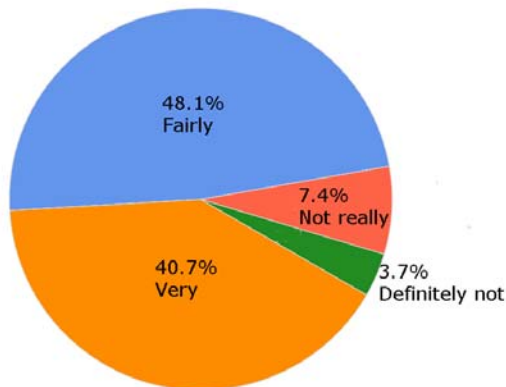
55% in house
48% outsourced

5.19 Whether the scheme secured a "buy-in" insurance policy to cover any of its pensioner benefits



As sponsors seek to reduce the risk in running their DB schemes the number of "buy-ins" is likely to increase in future years.

5.20 Satisfaction with the extent of the information provided by the scheme



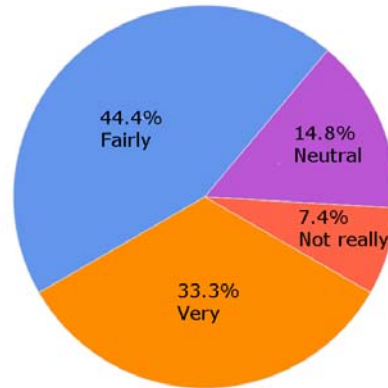
The total level of dis-satisfaction on this issue is virtually unchanged from last year, (11.1% compared to 8.4%).

5.21 Whether or not the pension scheme has a dedicated website

63% yes
37% no

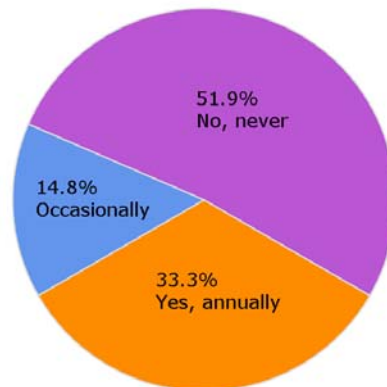
This question was not raised last year so there is no comparison. Hopefully the numbers of dedicated websites will increase in future years.

5.22 Satisfaction with the frequency of the communications from the scheme



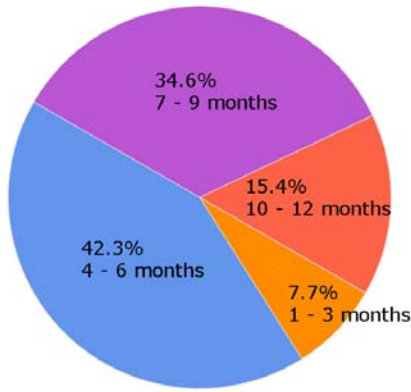
Again there is little change from last year and still progress to be made.

5.23 Whether or not the trustees hold open meetings to answer questions from members



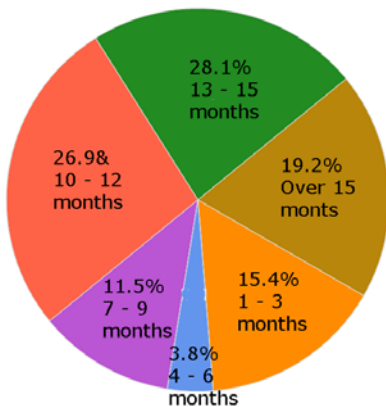
The number of schemes which hold annual meetings has increased from 25% last year to 33.3%. Clearly this is a welcome sign but more progress is required.

5.24 The length of time normally taken between the end of the fund's financial year before receipt of a summary statement



The proportion of schemes who managed to report within 6 months appears to have fallen from 62% last year to 50% this year.

5.25 Length of time normally taken after the fund's triennial actuarial review before receipt of a summary of the results

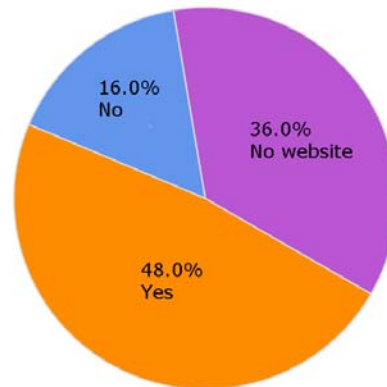


The proportion of schemes which take 13-15 months or longer has increased from 28% last year to 42% this year which is disappointing. During periods of recession prolonged delays in reporting can only serve to cause considerable anxiety to members. Scheme members often wish to make timely decisions based on funding situation and prospects.

5.26 Whether the recovery plan is always published together with the triennial actuarial review

Yes: 85%
No: 15%

5.27 Whether the scheme's Statement of Investment Policy is freely available on the scheme's website



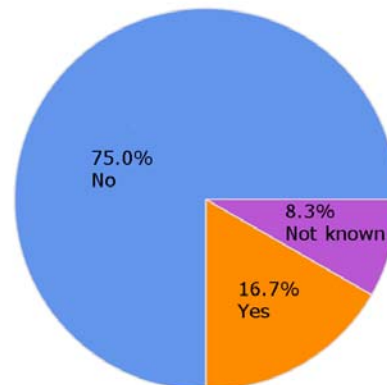
All the following questions on Environmental, Social and Governance (ESG) issues produced a lower response rate than the ones above, presumably because it may have been more difficult to locate the answers. Thus it is difficult to draw conclusions on any trends. However with the above question there appears to be little change here from last year.

5.28 Whether the scheme is signed up to the United Nations Principles of Responsible Investment (UNPRI)

No: 64%
Not known: 36%

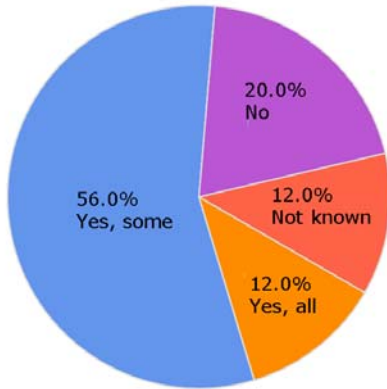
This appears to be very similar to last year's figure.

5.29 Whether the scheme's annual report includes a detailed section on responsible investment



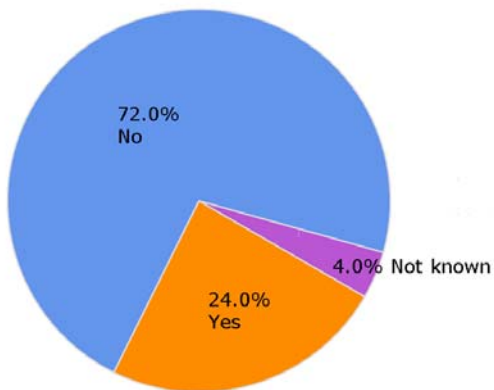
Again there appears to be no change from last year.

5.30 Whether the scheme's SIP contains detailed statements of Responsible Investment Policy, policy implementation and performance monitoring



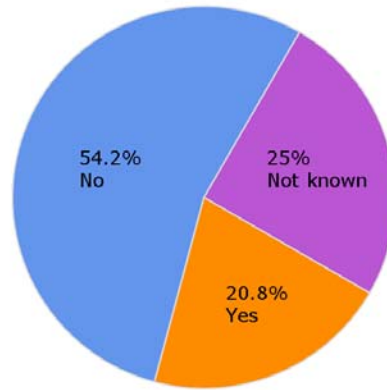
Again there appears to be no change from last year

5.31 Whether the scheme provides full voting records and summary voting analysis on the scheme's assets



Here there is some evidence of improvement on last year.

5.32 Whether the scheme provides details of its Environmental, Social and Governance (ESG) engagement strategy, and reporting



Again an improvement is evident here but it is still at a disappointingly low level.

6. Recommendations

6.1 Trustee boards should reduce the delays in making their annual financial reports and triennial actuarial reviews available to members.

6.2 The above reports should be made freely available to members on scheme websites.

6.3 More schemes need to introduce annual (or least occasional) meetings for their members so that they may be given the opportunity of questioning their trustees.

6.4 It should be mandatory that the chairman of trustee boards should be independent.

6.5 Because of unavoidable conflicts of interest Finance Directors should be disqualified from serving as trustee board members. It is better that they should have an advisory role.

6.6 Trustees who are also senior staff of the sponsoring company should be closely monitored for conflicts of interest.

6.7 MNTs who are also pensioners should be paid at least a nominal remuneration for their services.

7. Reference

1 OPA 2010 Members' Survey.
February 2010

Appendix

The following 27 schemes participated in this survey:

Airways Pension Scheme & New Airways Pension Scheme (part completed)
Aon Alexander & Alexander UK Pension Scheme
BAE Systems Pension Scheme
BBC Pension Trust Ltd
British Steel Pension Scheme
BTG Pension Scheme
Civil Aviation Authority - CAA Section
Civil Aviation Authority - NATS Section
EMI Group Pension Fund
Foster Wheeler
GSK Pension Fund
IBM UK Pensions Trust - Main Plan
Imerys UK Pension Scheme
Imperial Tobacco Pension Fund
Industrial Training Boards Open Fund
Industrial Training Boards Pensioners Closed Fund
Lafarge UK Pension Plan
NTL Pension Plan
Ofcom (former ITC) Staff Pension Plan
Philips Pension Fund
Reckitt Benckiser Pension Fund
Royal Ordnance Pension Scheme
RWE npower
Serco Pension & Life Insurance Scheme
Trafalgar House Pension Trust
TRW Pension Scheme
Unilever UK Pension Fund