



Ethical Challenges Facing Pension Fund Trustees: 12 key questions

Report

By Peter Montagnon

Summary

Pension fund trustees face a multitude of decisions.

They come under pressure from many competing interests: from beneficiaries, regulators, sponsors, unions, investment firms and lobby groups. The result can be confusion and uncertainty.

Scheme members expect trustees to use their judgement. An ethical approach to decision-making – applying values such as fairness, respect and openness – can help lead to better quality choices.

This IBE Report looks at twelve key questions that trustees should ask themselves - ranging from fiduciary duty, investment decisions and conflicts of interest, to employing consultants. It offers answers that, by applying an ethical approach, aim to cut through the uncertainty and help trustees make the right decisions.

Three core principles guide this report:

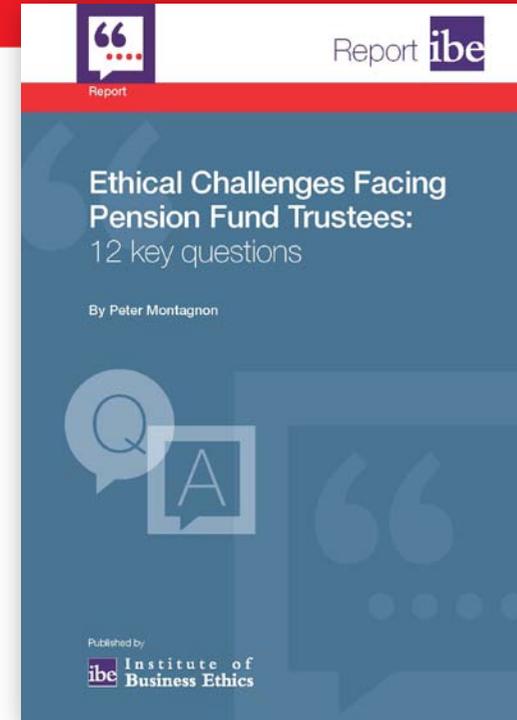
1. The primary purpose of the fund is to deliver on its promise to provide pensions to those who rely on it, even into the distant future.
2. Trustees have an over-arching obligation to scheme members to deliver on the pension promise.

3. The biggest threat to sound decision-making comes from conflicts of interest where the pressure on trustees is greatest. Conflicts must be openly acknowledged and ways found ensuring that the interests of beneficiaries remain paramount.

“While the Law Commission’s recent report has brought welcome clarity and certainty to the legal concept of fiduciary duty, the concept of acting in scheme members’ best interests still requires trustees to make a broad range of judgements on a vast range of issues.

As with the nature of any subjective decision-making there is plenty of scope for ethical quandaries and dilemmas; this report is a helpful illustration of some of the ethical challenges pension fund trustees must navigate. It is right that trustees are encouraged to approach their duties in a thoughtful and considered manner, this guide should prove helpful in framing discussions and in turn fostering decision-making which is in the interests of all scheme members.”

Will Pomroy, NAPF



This report will help pension fund trustees understand the nature of the choices they face, and encourage them to approach decision making in ways that will serve their beneficiaries well. It will also be of use to any organisation wishing to align its pension fund with its ethical values as well as those working with pension fund trustees: actuaries, investment managers, advisers and consultants.

Ethical Challenges Facing Pension Fund Trustees: 12 key questions by Peter Montagnon is available from <http://www.ibe.org.uk/list-of-publications/67/47#pub2161>
Price: £20