

Schemes to have 50% member-nominated trustees

1 THE PROPOSALS

Proposals to ensure that 50% of pension scheme trustees are member-nominated ("MNTs") have been announced by the new Secretary of State for Work and Pensions, Alan Johnson. The changes, which were unveiled at the TUC Conference in Brighton on 14 September 2004, will replace the draft requirements in the Pensions Bill for all schemes to have one-third MNTs (or directors of a corporate trustee).

One of the main effects of the new proposals is that most schemes (even those which currently meet the one-third MNTs test under the Pensions Act 1995) will have to adjust their trustee boards.

2 CONSULTATION

A change will be made to the Pensions Bill to give effect to the Government's intention. Discussions will also take place with industry, employers and schemes on how best to implement the changes, especially (according to Mr Johnson) with small and medium sized schemes that may not have MNTs at present. The draft requirements for trustees to have appropriate knowledge and understanding across the full range of their responsibilities will also be factored in to these discussions.

3 OTHER AMENDMENTS

Some other more minor amendments concerned with the nomination process for MNTs have been introduced into the Pensions Bill in the Committee stage of the House of Lords.

The amendments will enable nominations for MNTs to be sought from active or pensioner members or from "an organisation which adequately represents" either category. In putting forward the amendment, Baroness Hollis (for the Government) noted that the meaning of this phrase will be clarified in the Code of Practice on MNTs to be issued (in due course) by the new Pensions Regulator.

4 TIMING

It is unlikely that the new provisions will require action by April 2005, as consultation is currently scheduled for Spring/Summer 2005. Hot topics for consultation are likely to be whether (and when) the new requirements will be phased in.

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