Pension Trusteeship and Expertise: The Million Dollar Question?

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The Problem: What is expertise in pension trusteeship?

- OECD recommends that the pension board should have the necessary skills and knowledge to oversee all the functions performed by a pension fund (OECD 2009 para 4).
- But what skills and knowledge is needed: financial, technical, relational or experiential?
- This is the ‘million dollar question’. (President of ACPM)
Diversity and Pension Trusteeship

- Internationally the diversity of pension trustees is increasing.
- Diversity in pension trusteeship goes beyond socio-demographic perspective includes:
  - Experience
  - Occupation

But what skills and education are required in pension trusteeship is a contested terrain.
Pension Trusteeship and Occupational Pension Plans and Fiduciary Responsibilities

Different stakeholders:

- Sponsors (employers)
- Members (employees)
- Provincial: regulation, economic, social, employer
- Pension and Finance industry
- Labour
- Retirees
- What does this mean for representation and expertise?
Collective Responsibility

- What is unique to pension boards is they set the standards in regard to skills and competences.
- There is no consensus in respect of specifying competence, technical and experiential expertise in pension trusteeship and governance from a regulator’s perspective.
- ‘we take more of a principled approach to governance’ Ontario Regulator
- To assume you will find individuals people who are expert on all things on pension boards ‘that is hogwash’ Alberta Pension Administrator.
Stakeholder Representation and Motivation

Quebec was the only province in this research to adopt legislation requiring representation to improve transparency but which also increases diversity.

• ‘When the people present themselves, they are always more interested than if they are obliged to be on the committee’. (Quebec regulator)

• ‘Employers generally resist having employee involvement-I mean that’s just a given’ (Ontario administrator 2)

• But this approach demands high level of education and training, which is supplied by Quebec labour bodies in respect of volunteer trustees. But the legitimacy of their knowledge can be challenged (Quarter et al 2008, Sayce 2015)
Expertise, Competence and Oversight

• ‘People rely on lawyers, people rely on doctors, people rely on expertise’ (Ontario Administrators)

• Expertise can be a form of domination with people deferring to people regarded as experts and governance expertise is ultimately based on trust’ (Haikio 2007)

• But who is regarded as experts can depend on one’s perspective.

• Ambachtsheer’s (2007) suggests that what is required from trustees is ‘oversight of the pension process to see that promises re the pension plan are delivered and this requires social commitment...’
Expertise and legitimacy

There are a lot of stakeholders involved in trusteeship in Canada occupational pension plans which can lead to questions of legitimacy.

Representational knowledge and experiential knowledge

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professional knowledge and scientific knowledge
Professionalism and trusteeship?

- Scott (2008) argues that professionals are preeminent institutional actors.
- Share a sense of vocation, public service, autonomy and self-regulation
- Generate a sense of community and common identity
- Secure benefits by restricting access to professions
- Risky? Increasing levels of professionalization and legitimization of knowledge could shift the focus from delivering value to primary beneficiaries to delivering more benefits to the industry or employers who sponsor you (Sayce 2015)
Competency v Expertise

• Share (a union pension think-tank) considers there is a lot of ‘mythology’ about what kind of expertise you need.

• They advocate that member nominated trustees ‘articulate the value that they add’ and be clear about why they are there and why that makes a difference to members.

• Prior experience is essential. Prior experience, understanding what a board is, what your job is, nose in, hands out, that kind of stuff etc (not getting bogged down in the detail), I mean that is critical, you have to understand that… We’re getting better member trustees. With identifying the skill sets that we need and pushing as we have done from the point of view of saying competency, competency, competency skill set, understanding what it is and what it isn’t etc (Alberta Public pension plan Administrator)
Conclusion

• The debate about diversity and expertise has to acknowledge the structure of pension plans, culture, power and political characteristics and how these influence interpretation of competency, expertise around technical as well as financial skills in boardroom decision-making. This can place it at odds with governance literature whose data is oft rooted in functional efficiency (Carter et al 2003).

• No consensus in respect of specifying competence and technical and experiential expertise by Canada’s regulators institutionally offers more space for experimentation and interpretation. This runs counter to Dimaggio and Powell’s (1983) claims about institutional isomorphism.
Risk for the future

• However, there is also the risk that the competing self-interest of different stakeholders may also develop interpretations in expertise into different directions than it is at present. Investment strategies and dealing with an ageing cohort remains challenging, which could suggest greater support for mimetic processes in order to deal with this problem.

• In addition, the economic and social importance of Canadian occupational pension funds indicates that the professional significance of the role (Abbots 1991) as well as political interest will remain high. Meaning that institutional homogeneous pressure which may be thwarted at the moment around professionalism, will not disappear within interpretations of expertise and fiduciary duty.
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• Diversity, Expertise and Skills: A Balancing Act for Pension Trusteeship
References

• Abbot (1991) The Systems of Professions


