

winmark



PensionChair Remuneration Report 2021



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 Sackers and RSM for assistance in conducting the fieldwork.



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Foreword



Danny Wilding, Partner at Barnett Waddingham



Sonia Kataora, Partner at Barnett Waddingham

Barnett Waddingham are pleased to continue as the research partner for the 2021 edition of the Winmark Pension Chair Remuneration Report. It is good to see the scope of the survey and the number of respondents increase once again this year.

In terms of this year's priorities, although the key high-level strategic issues of de-risking and endgame planning remain important, there is also an increased focus on regulatory demands (no doubt reflecting the recent volume of new pensions legislation and Regulator guidance). ESG also features more prominently this year, which we expect reflects Trustees taking action consistent with regulatory statements added to their investment principles in the last two years, as well as considerations of future climate-related financial disclosure requirements.

Last year, very few Trustees expected to have to change their long term goals in light of the Covid pandemic, and this sentiment continues to hold true 12 months on. However, there has been a significant impact on the operational side, with a majority of schemes seeing an acceleration of technology adoption, and expecting a permanent adoption of virtual meetings for at least some Trustee meetings, and increased cybersecurity threats due to hybrid working models.

Continuing a theme of recent years, Trustee Chairs continue to look for increased diversity in their Trustee Boards. Chairs continue to cite a lack of candidates coming forward as the main barrier (although to a lesser extent than in 2020). One positive step is that nearly half of schemes are already implementing or planning to implement a review of recruitment screening and search processes, and a similar number are already implementing or planning to implement a review of language, style and methodology used in recruitment material.

Once again the report shows no apparent gender pay issues (with the women Chairs surveyed again receiving higher average remuneration than the men, as for previous years).

We hope that the report provides you with some interesting insights.

Introduction



John Madden, Research Director at Winmark

We are delighted to present the 2021 Winmark PensionChair Board Remuneration Report.


We are particularly grateful to all of the respondents who have, once again, given up their valuable time to complete the survey after what has been a difficult year for many. Our sample of 121 Chairs and Trustees of pension schemes is, once again, the biggest in the survey's history, maintaining the studies position as the largest of its kind, representing funds with a combined value exceeding £515 billion.






This year, in addition to our in-depth analysis of Chair and Trustee remuneration data, we look at contract terms and payment sources for independent and professional Chairs and explore the long-term impact of Covid-19 on the future of schemes.

Other topics covered include an examination of the top priorities for Pension Chairs in the next two to three years and a continuation of our ongoing exploration of diversity on Trustee Boards, including an overview of current and planned diversity initiatives.

We hope that you find the report useful and please do not hesitate to contact me if you would like to discuss any aspect of the findings.

Key Facts

	Median Pension Chair Remuneration £47,000 (excludes unpaid Chairs)
Remuneration has remained static for the third year in a row, suggesting a decrease in real terms. However, the outlook for remuneration levels is the most optimistic it has been for two years	
Highest median remuneration	<ul style="list-style-type: none"> • Chairs from Pensions and Finance backgrounds • Schemes in the Business Services and Financial sectors • Female Chairs • Professional Trustees
Median Trustee Remuneration £25,724 (excludes Chairs and unpaid Trustees)	

	An increase in the number of professional trustees on boards has a positive impact on standards of governance and member outcomes	72%
	Trusteeship presents attractive development opportunities	71%
	Trusteeship is not diverse enough in terms of ethnicity	61%
	Trusteeship is not diverse enough in terms of age	57%
	Trusteeship is not diverse enough in terms of gender	47%
	Our scheme has taken active steps to increase diversity in the past year	38%
	My remuneration does not adequately reflect the pressures and complexity of my role	41%
	Remuneration levels are too low to attract sufficiently skilled Chairs and Trustees	33%
	There are not enough new Trustees entering the profession	31%

Priorities (50%+) <ol style="list-style-type: none"> 1. Regulatory demands 2. ESG 3. Endgame planning 4. Mitigating cyber-risks 5. GMP equalisation 6. De-risking 	Covid-19 Impact will be primarily technological and operational rather than scheme funding or financial performance related
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1. How Much are Chairs Paid?

- Our survey asks respondents to provide remuneration levels for the previous full year, i.e. calendar year 2020.
- Data excludes the 17% of schemes participating in the research who did not pay their Chairs.

- Pension Chairs' remuneration has remained static for the third year in a row, suggesting a decrease in real terms.

Median Pension Chair Remuneration

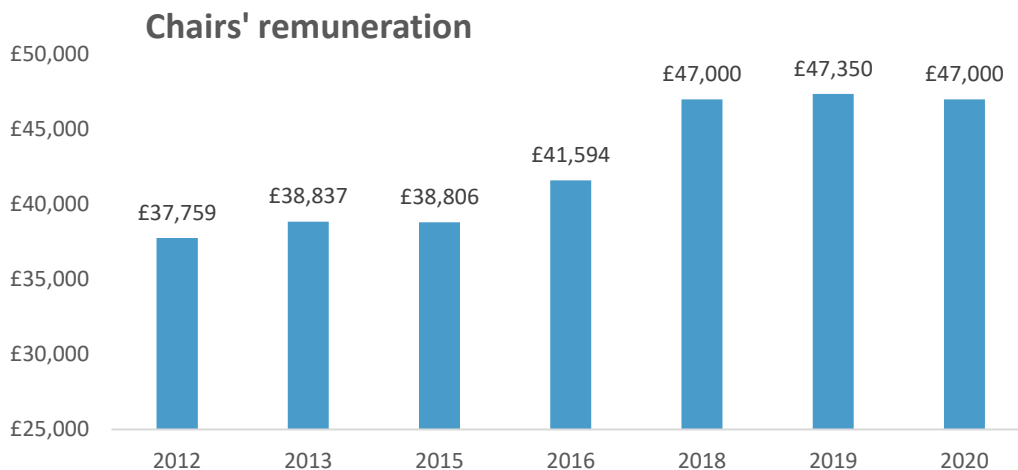
£47,000



Individual remuneration ranges from £6,000 up to £149,000. The median, based on our survey, is **£47,000** (average £46,374).

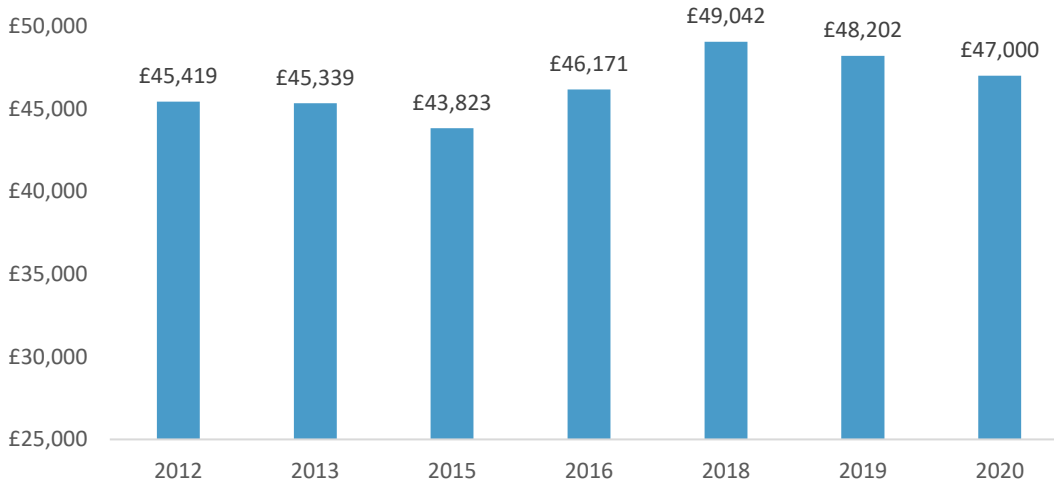
This compares to a median of **£47,350** (average £47,305) for the previous year (2019). It represents a continued flatlining of remuneration following a period of consistent increases of around 3.3% per year adjusted for inflation between 2015 and 2018. The data indicates a decrease in remuneration in real terms.

and 2018. The data indicates a decrease in remuneration in real terms.



NB: Data for 2012 to 2016 shows average remuneration figures, which do not vary significantly from the median.

Chairs' remuneration adjusted for inflation



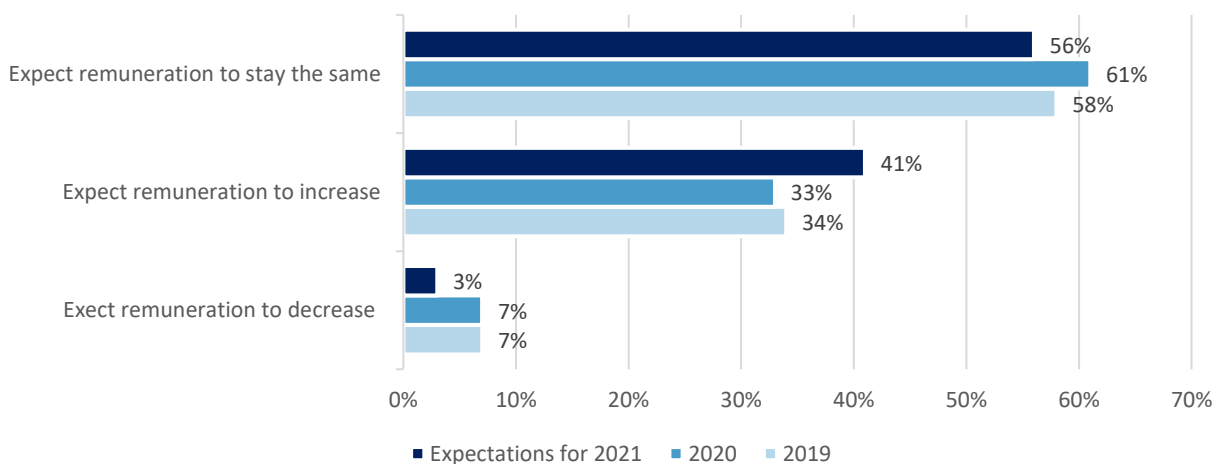
In 2019, 33% of respondents said they expected remuneration to increase in the full year 2020, 61% predicted no change and 7% expected a decrease.

So, with two thirds expecting no increase or a decrease, and with the persistent and prolonged impact of the pandemic throughout 2020, it is perhaps not surprising that remuneration has remained static, falling in real terms.


The outlook for remuneration levels for the full year 2021 is the most optimistic it has been for two years, suggesting cautious hope for the start of a post-COVID remuneration rebound.

41% expect a remuneration increase (up 7% on the previous year), 3% expect a decrease (down 4%) and 56% expect it to remain the same for another year.


Remuneration expectations



- There is a growing perception that Chairs' remuneration is not keeping up with the challenges of the role, and that insufficient time is available to meet those challenges.

	My remuneration does not adequately reflect the pressures and complexity of my role	41%
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Amongst Chairs, there has been a gradual growth in the sentiment that remuneration levels are not reflecting their challenges. This year, around two fifths (41%) agree with the statement that **remuneration does not adequately reflect the pressures and complexity of my role**, up from 39% in 2020 and 36% in 2019.

	There is insufficient time available to meet the demands of the Pension Chair role	16%
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Although most Chairs report they have enough time to meet their responsibilities, the proportion who feel they **do not have time to adequately meet the demands placed upon them** is steadily rising each year. 16% agree with this statement (up from 10% last year and 5% in 2019).

	Remuneration levels are too low to attract sufficiently skilled Chairs and Trustees	33%
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A third of respondents feel Chairs and Trustees are underpaid: 33% agree that **remuneration levels are too low to attract sufficiently skilled Chairs and Trustees**. This proportion is similar to last year (34%) but has risen from 24% the year before that, the last time a real terms increase was reported.

1.1. Chairs' Remuneration by Professional Background

The highest median remuneration is received by Chairs with a background in Pensions, Finance (Particularly Investment and Banking) and Business Operations (Management, HR etc).

Background	Minimum	Median	Maximum
Pensions (10)	£10,000	£57,000	£96,000
Finance (43)	£7,500	£48,500	£103,000
<i>Investment, Banking etc. (12)</i>	<i>£7,500</i>	<i>£48,500</i>	<i>£90,000</i>
<i>Other Finance (10)</i>	<i>£12,000</i>	<i>£46,000</i>	<i>£90,000</i>
<i>Actuary (15)</i>	<i>£15,000</i>	<i>£45,000</i>	<i>£103,000</i>
<i>Accountant (17)</i>	<i>£9,375</i>	<i>£38,000</i>	<i>£100,000</i>
Business operations (15)	£6,000	£48,500	£120,000
Commercial (10)	£10,000	£20,500	£80,000

Base size in brackets

1.2. Chairs' Remuneration by Scheme's Sector

The highest median remuneration is received by Chairs of schemes in the Business or Financial sectors; and the lowest in the Charity and Non-profit sectors.

Sector	Minimum	Median	Maximum
Business/Financial (28)	£7,500	£50,000	£120,000
Hi-Tec (6)	£11,500	£46,000	£80,000
Manufacturing/Industrial (20)	£10,000	£36,500	£100,000
Consumer/Retail (14)	£10,000	£35,500	£70,000
Charity/Non-profit (14)	£6,000	£29,500	£149,000

Base size in brackets

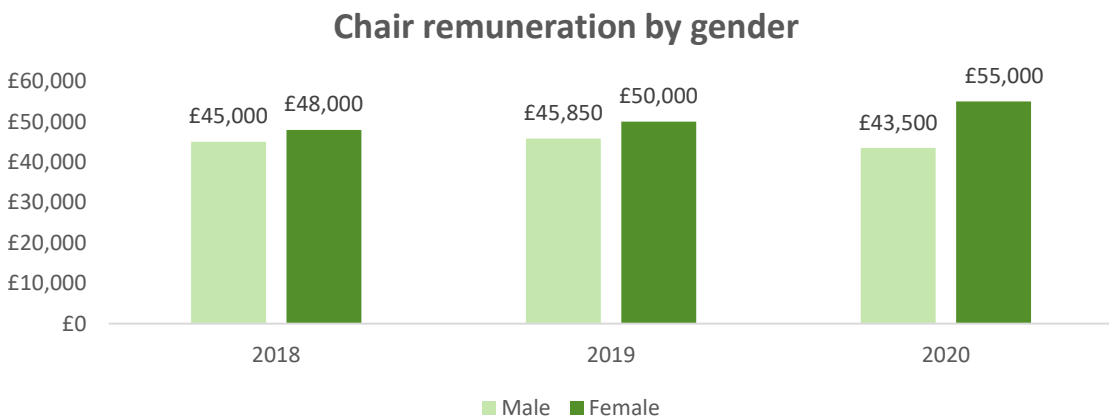
1.3. Chairs' Remuneration by Gender

- As in previous waves, female Chairs received a higher median remuneration than male Chairs.
- The gap may be explained to some extent, but not entirely, by the type of roles occupied.

Over the lifetime of the survey, female Pension Chairs have consistently received higher remuneration than their male counterparts.

This is partly due to the types of role they occupy (for example a higher proportion of female Chairs are professional Trustees compared to male Chairs, and females occupy a lower proportion of nominated Trustee roles).

However, even when examining remuneration by role type, female Chairs are still paid the equivalent or more than their male counterparts, although current sample sizes are insufficient to draw definitive conclusions.



17% of survey respondents are female (participating schemes report the current female representation on their Trustee Boards as 24% - see *Section 4: Insight Focus on Diversity*).

1.4. Chairs' Remuneration by Scheme Type

Chairs in Hybrid schemes receive the highest median remuneration, and those in Defined Contribution (DC) schemes receive the lowest.

Scheme type	Minimum	Median	Maximum
Hybrid (30)	£6,000	£48,500	£149,000
DB (70)	£9,375	£44,500	£120,000
DC (7)	£30,000	£35,000	£100,000

Base size in brackets

1.5. Chairs' Remuneration by Fund Size

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

Fund size	Minimum	Median	Maximum
Less than £100 million (10)	£10,000	£19,500	£30,000
£100 million up to £1 billion (23)	£6,000	£33,500	£70,000
£1 billion up to £5 billion (36)	£7,500	£50,000	£90,000
£5 billion plus (21)	£11,500	£85,000	£149,000

Base size in brackets

1.6. Chairs' Remuneration by Trustee Capacity

Professional Trustees receive higher remuneration than Chairs with other Trustee capacities - Chairs with nominated Trustee capacity receive the lowest remuneration.

Trustee Type	Minimum	Median	Maximum
Professional Trustee from a firm* (17)	£15,000	£50,000	£80,000
Professional Trustee not part of a firm** (25)	£10,000	£50,000	£149,000
Independent Trustee *** (20)	£10,000	£43,500	£103,000
Nominated Trustee (39)	£6,000	£35,500	£120,000

Base size in brackets

* Professional Trustee from a firm

** Professional Trustee who is not part of a firm but who acts, or offers to act, as a professional Trustee

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

1.7. Professional and Independent Chairs' Remuneration by Contract Type & Payment Source

In this year's survey we examined the contract/terms status and payment sources of professional and independent Chairs.

The majority of independent and professional Chairs (52%) operate under a contract for services. The most common payment source is the employer (76%), split equally between payroll (38%) and invoice settlement (38%).

The remaining 24% are paid by the scheme, mainly via invoice settlement (19%).

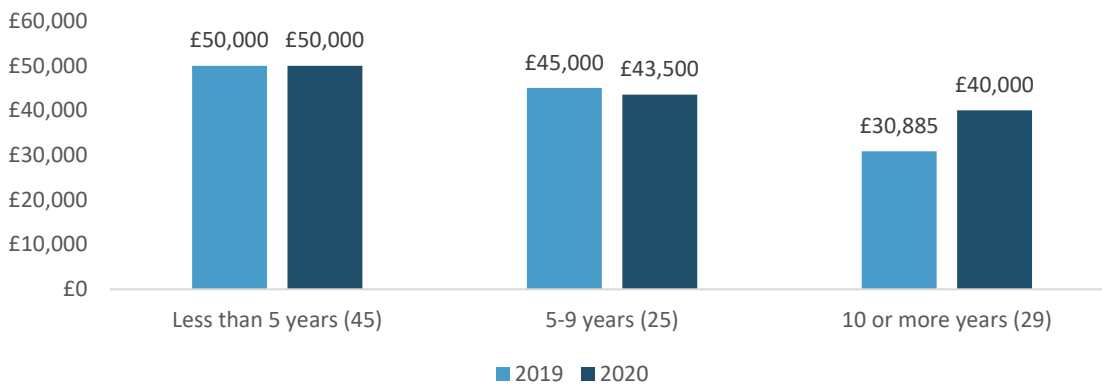
Contract/terms status	% of Pro & Ind Chairs	Minimum	Median	Maximum
Contract of employment	22%	£10,000	£52,500	£149,000
Contract for services	52%	£10,000	£48,500	£103,000
Terms of engagement	26%	£20,000	£42,500	£64,000

Payment source	% of Pro & Ind Chairs	Minimum	Median	Maximum
The Scheme via payroll	4%	£38,000	£81,500	£149,000
The Employer via payroll	38%	£10,000	£50,000	£100,000
The Scheme via settlement of invoice	19%	£12,000	£50,000	£148,000
The Employer via settlement of invoice	38%	£10,000	£36,500	£70,000

1.8. Chairs' Remuneration by Number of Years in Role

As in previous years, median Chairs' remuneration appears to decrease as Chairs have spent more time in role, perhaps indicating that remuneration settlements for newly appointed Chairs are more generous than for incumbents.

Median Chairs' remuneration by years in role

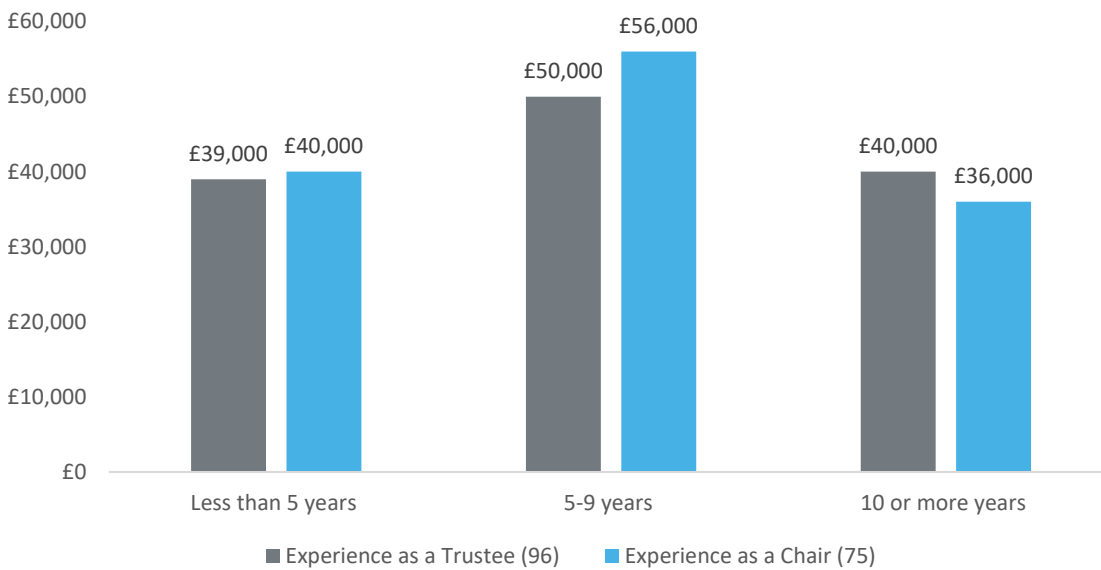


1.9. Chairs' Remuneration by Previous Board Experience

There is a positive relationship between having up to ten years' experience as a Chair or a Trustee and receiving higher remuneration.

Having ten years or more experience when assuming a new role is associated with lower remuneration.

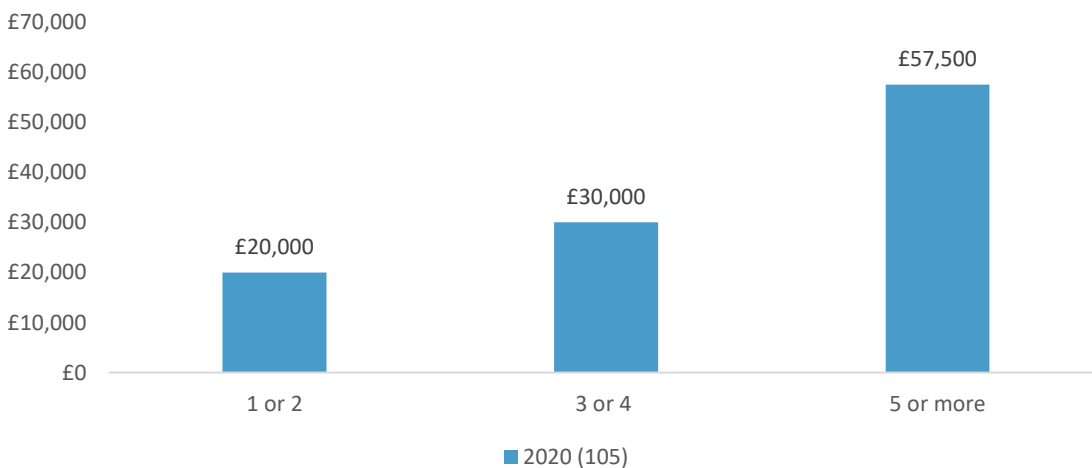
Chair remuneration by previous Board experience



1.10. Chairs' Remuneration by Workload

Chairs' remuneration, as one would expect, increases with the number of working days per month spent on their responsibilities.

Chairs' remuneration by days worked per month



2. Trustee Remuneration

Trustees on the Main Board are remunerated by 73% of schemes, similar to the 76% recorded in 2019.

Amongst those that are paid, remuneration ranges from £750 to £120,000, and the median remuneration is **£25,724** (up from £22,417 last year).

Average Trustee Remuneration



£25,724



Professional and Independent Trustees receive a higher median remuneration than Employer Nominated and Member Nominated Trustees.

Trustee Type	Minimum	Median	Maximum
Professional Trustee from a firm (21)	£15,000	£50,000	£120,000
Independent Trustee (12)	£5,000	£40,000	£100,000
Professional Trustee not part of a firm (15)	£12,500	£35,000	£60,000
Employer Nominated Trustee – Non-member (8)	£15,000	£23,500	£45,000
Employer Nominated Trustee – Active member (7)	£5,000	£13,500	£45,000
Member Nominated Trustee – Active member (6)	£5,000	£13,500	£24,000
Employer Nominated Trustee – Deferred member (9)	£750	£13,500	£24,000
Member Nominated Trustee – Deferred member (12)	£750	£13,500	£47,000
Employer Nominated Trustee – Pensioner member (22)	£750	£12,000	£32,500
Member Nominated Trustee – Pensioner member (37)	£750	£12,000	£37,000


Base size in brackets

	Trusteeship presents attractive development opportunities	71%
	There are not enough new Trustees entering the profession	31%

The challenge of making trusteeship attractive and appealing in order to encourage high quality (and diverse) candidates is a stubborn one, and is not made easier by the current pressures on Trustees to mitigate the impact of Covid-19 on funding levels, and the increased complexity associated with the escalating governance, regulatory and legal obligations associated with Trustee roles.

Although 71% agree that **trusteeship provides attractive development opportunities** for potential candidates, 31% of Pension Chairs feel there are **not enough new Trustees entering the profession**. This mirrors the attitudes expressed in 2020 (where the numbers were 67% and 34% respectively) and has been a consistent theme for several years.

Although the study has shown that median Trustee remuneration has increased (in contrast to the stagnation of Chair remuneration) the forthcoming period of recovery from the pandemic may present an opportunity for schemes to re-evaluate Trustee remuneration in light of the significant responsibilities and challenges they face.

	An increase in the number of professional Trustees on boards has a positive impact on standards of governance and member outcomes	72%
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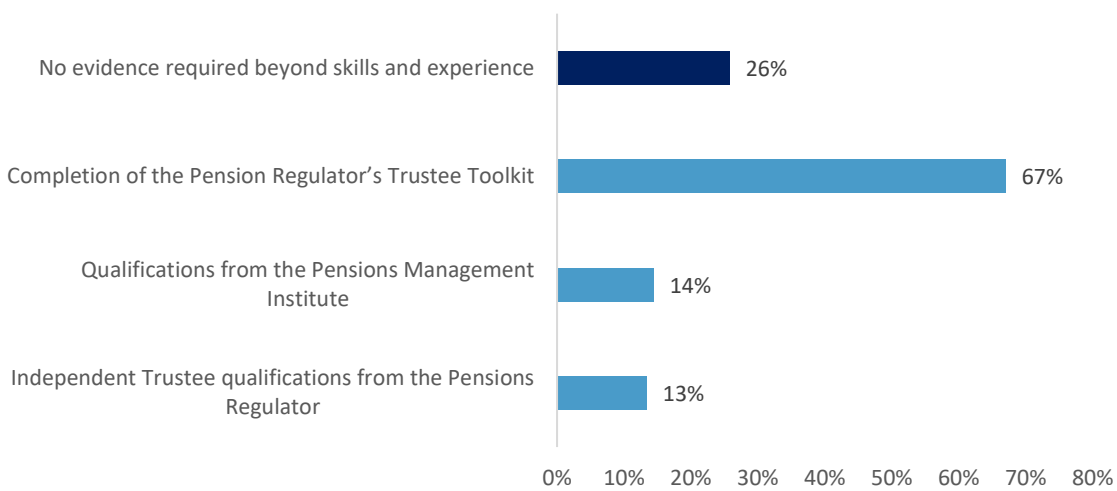
The positive impact of the increased professionalisation of trusteeship continues to be welcomed. 72% feel that **an increase in the number of professional Trustees on boards has a positive impact on standards of governance and member outcomes**, up from 69% last year.

2.1. Trustee Qualifications

A quarter of schemes do not have prescribed qualification requirements. Most schemes (67%) require evidence of completion of the Pension Regulator's Trustee Toolkit.

For 14% of schemes, qualifications from the Pensions Management Institute are required and 13% require independent Trustee qualifications from the Pensions Regulator

Required qualifications



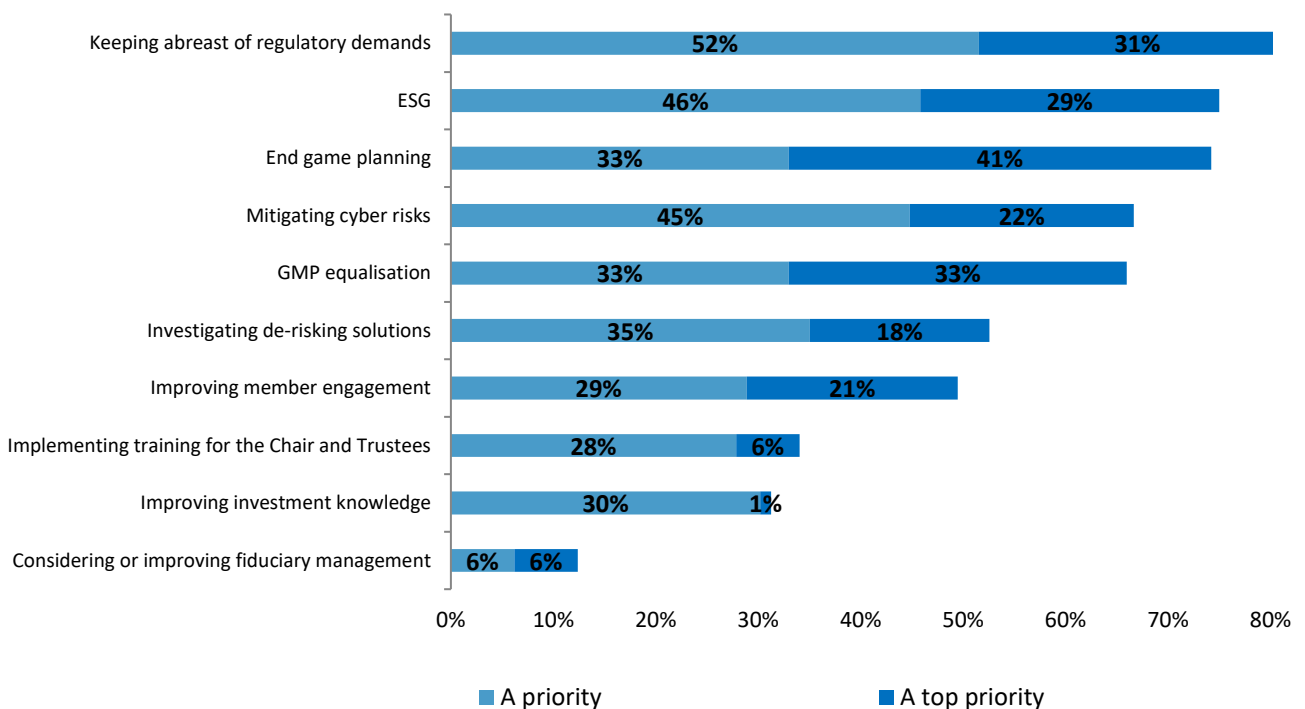
3. Top Priorities and Covid-19 Impact

3.1 Top priorities

As we start to emerge from the challenging and demanding pandemic year, schemes appear to be making some significant adjustments to the order of their priorities as they look beyond the immediate funding and operational challenges that have dominated their thoughts.

- **Keeping abreast of increasing regulatory demands** is a priority for 83%, up from 68% last year; and is a top priority for nearly a third (31%) of schemes.
- **Considering ESG investment issues** is the second biggest priority, mentioned by 75%, up from 59% in 2020.
- Dealing with **GMP equalisation** (66%) has also risen in the hierarchy of concerns (from 53% last year).
- **Endgame planning** and **investigating de-risking solutions** continue to be priorities for over half of schemes, as well as **mitigating cyber risks**.

Priorities for the next two to three years?



3.2 Covid-19 Impact

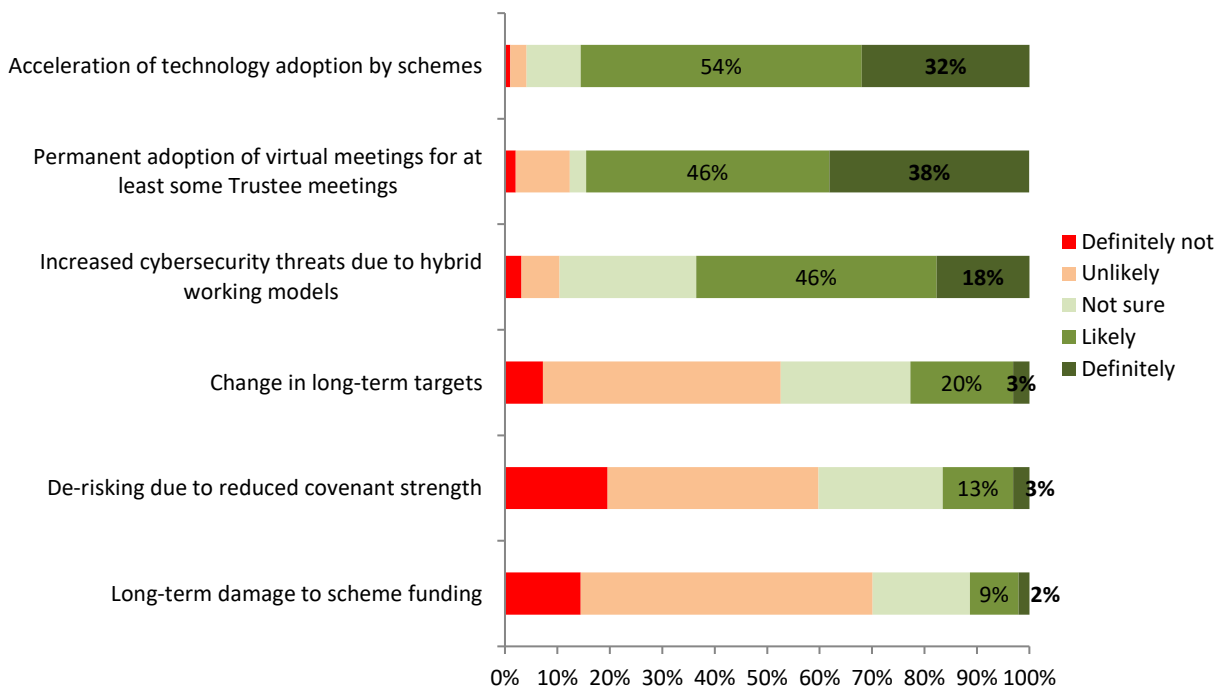
There is a clear message from survey respondents that the long-term impacts of Covid-19 are expected to be primarily technological and operational rather than related to scheme funding or financial performance.

The large majority (86%) expect Covid will ‘definitely’ or is ‘likely’ to result in **acceleration of technology adoption by schemes** and a similar number (84%) anticipate **permanent adoption of virtual meetings for at least some Trustee meetings**. A majority of schemes (64%) also expect **increased cybersecurity threats due to hybrid working models**.

In contrast, there are a minority of schemes who expect the pandemic to have negative long-term repercussions for scheme covenant strength and funding. Although 23% feel it is ‘definitely’ or ‘likely’ that they will need to implement a **change in long-term targets**, only 16% anticipate a need for **de-risking due to reduced covenant strength** and only 11% expect **long-term damage to scheme funding**.

It seems that most schemes are confident that there will be an eventual full economic recovery and limited long-term damage caused to scheme funding.


How likely do you think it is that Covid-19 will have the following long-term effects?



4. Insight Focus: Diversity

For the last three years we have used the remuneration survey to examine perceptions and priorities around the topic of diversity in Trustee Boards and to understand how the landscape is changing.

There is general agreement that trusteeship would benefit from being more diverse. 45% of respondents agreed with the statement that **effectiveness of the Trustee Board would be improved if it was more diverse** (18% disagreed).

	Trusteeship is not diverse enough in terms of ethnicity	61%
	Trusteeship is not diverse enough in terms of age	57%
	Trusteeship is not diverse enough in terms of gender	47%

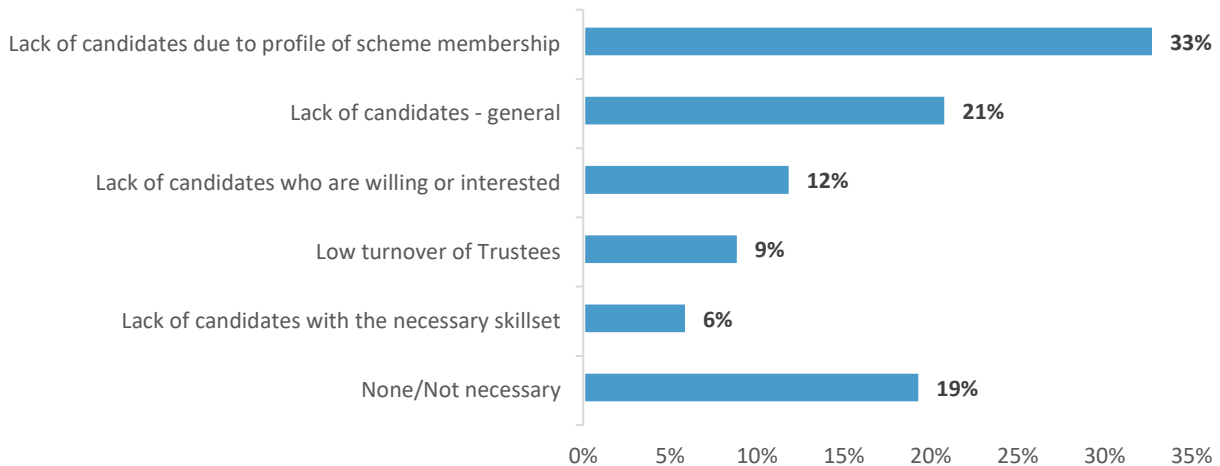
A majority agree that trusteeship is not diverse enough in terms of specific demographic criteria such as **ethnicity** (61%) and **age** (57%, similar to the 63% last year). Around half (47%, similar to the 55% last year) agree that trusteeship is not diverse enough in terms of **gender**. 77% say trusteeship insufficiently represents at least one of these groups.

Looking at their current composition, participating schemes report females make up 24% and black and minority ethnic Trustees make up just 3% of Trustee Boards, suggesting there is certainly scope to increase representation.

It is also widely recognised that diversity should not simply be seen in terms of demographic criteria, but should also encompass diversity of experience, skills, backgrounds and perspectives, all of which contribute to the quality and value of boardroom discussion and debate.

Consistently, respondents have told us that a **lack of candidates** is the key barrier to increasing diversity on Trustee Boards, and this year is no exception.

Barriers to increasing diversity on Trustee Boards



Over 80% cite a recruitment related barrier, the most common (mentioned by 33%) being the **profile of scheme membership** not being conducive to producing a diverse range of candidates, although this has reduced from 47% last year. 9% also say a **low turnover of Trustees** limits recruitment opportunities.

12% of schemes say a **lack of willingness or interest** amongst potential candidates hinders their ability to have a direct influence on the profile of Trustee Boards and 6% say a **lack of necessary skills** amongst applicants is a barrier.

	<p>Our scheme has taken active steps to increase diversity in the past year</p>	<p>38%</p>
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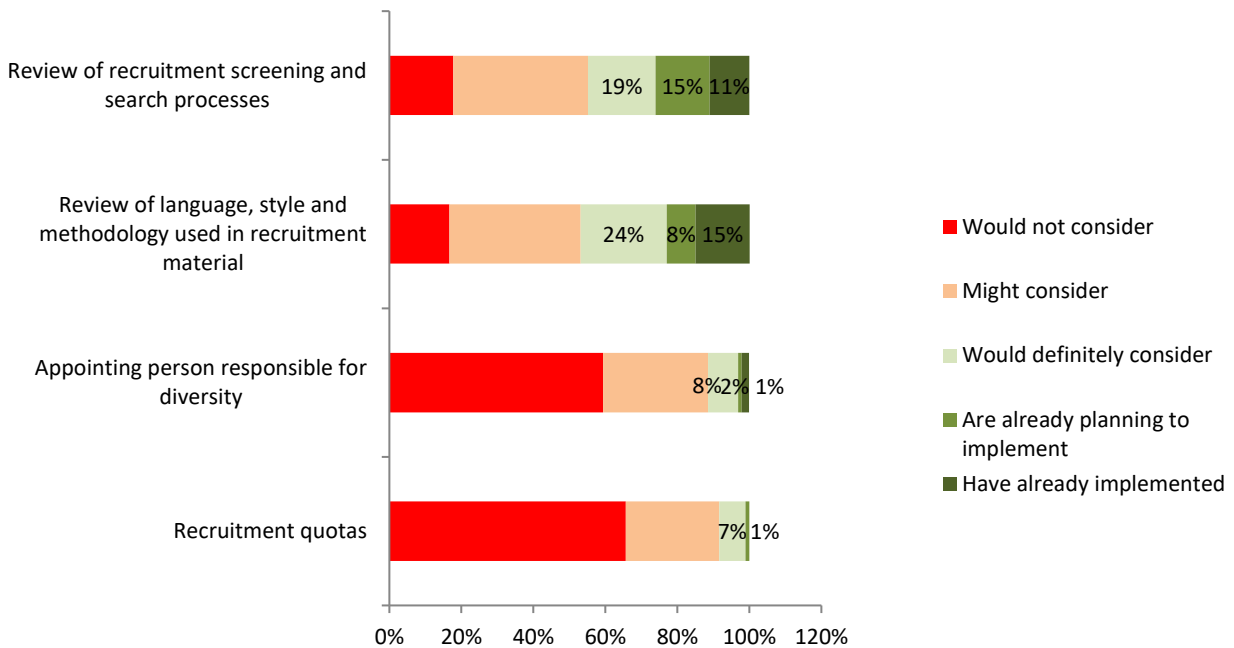
Around two fifths (38%) say that their scheme has **taken active steps to increase diversity in the past year** (a similar proportion to the previous year, when 40% had taken steps).

When asked about future diversity initiatives one fifth (19%) said they would definitely consider a **review of recruitment screening and search processes** and a quarter (26%) are already implementing or planning to implement such initiatives.

A quarter (24%) said they would definitely consider a **review of language, style and methodology used in recruitment material**, and another quarter (23%) are already implementing or planning such initiatives.

Schemes are much less enthusiastic about **recruitment quotas** (7% would definitely consider, 1% are already planning or implementing) and **appointing a person responsible for diversity** (8% would definitely consider, 3% are already planning or implementing)

How likely are you to consider implementing the following diversity initiatives for your scheme?



Nearly all specific steps that schemes have taken to increase diversity seek to address the primary challenge of recruitment.

The primary actions were to prioritise recruitment efforts to **encourage applications from specific groups** and to **review recruitment processes**:

- *“We are prioritising efforts to recruit diverse candidates by gender and ethnicity, but also by background and thinking style.”*
- *“We are pro-actively encouraging younger and female employees to put themselves forward.”*
- *“Selection...is heavily weighted to individuals who will add diversity of skills and broader contribution.”*
- *“We are proactively widening of shortlist pool.”*
- *“We filled a vacant place with a person with a skill set complementing those of the existing Trustees. The result was that a wider range of views expressed and considered.”*
- *“We are reassessing recruitment criteria with participating employers and reviewing our diversity and inclusion policy, including setting up a working group to further develop our approach for the future.”*

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