



A Note on Trustee Leadership

Trustee Leadership Forum for Retirement Security

What is a Trustee Leader?

Trustees of pension funds carry a weighty burden. As stewards of their funds, they are responsible for governance, strategy, and active oversight, in good times and in bad. In the wake of the financial crisis, pension funds have become objects of debate and conflict, while public funding strategies and financial markets remain uncertain.

Pension fund trustees face significant challenges in their positions. Pension stewardship depends on good judgment and engagement on important issues, as well as the ability to work with fellow trustees, pension fund staff, investment consultants and managers, fund beneficiaries, public and corporate officials, and other fund stakeholders. These complicated networks vest power across the chain of agents involved in investment decisions, even as trustees themselves are ultimately responsible for their funds' course of action.

How can trustees best respond to these challenges? What does it mean for trustees to lead in these circumstances?

As part of the work at the Trustee Leadership Forum for Retirement Security, a project of the Initiative for Responsible Investment, we asked trustees of public and Taft-Hartley funds these questions in order to define what it means to be a *Trustee Leader*. When asked to lay out their vision of trustee leadership, our trustee colleagues report that a Trustee Leader is seen by fellow trustees, and fund beneficiaries, as responsible stewards of retirement security, who is

- willing to take on difficult issues, and
- willing to redirect fund strategies in light of changing circumstances.

There were several areas that trustees themselves saw as areas where they and their peers demonstrate leadership:

Education and Preparation

- *Trustee leaders capably participate in financial discussions, even if they are not financial experts. They know enough to be informed. They are also skeptical.*
- *Trustee leaders understand the political context in which their funds operate, and are aware of how politics affect the retirement security provided by their funds.*

- *Trustee leaders have a clear sense of fiduciary duty, and resist efforts by stakeholders to define their duties for them.*
- *Trustee leaders actively communicate with peers and beneficiaries, highlighting key issues as they emerge.*
- *Trustee leaders help develop new trustees, actively mentoring and building capacity among their colleagues.*

Board Activity

- *Trustee leaders regularly review, rethink, and drive the redesign of:*
 - *Fund governance*
 - *Investment beliefs and strategy*
 - *Policies and procedures*
- *Trustee leaders anticipate what questions need to be asked and which stakeholders need to be engaged.*
- *Trustee leaders ask hard questions and are unafraid to challenge trustees, staff, and service providers when they have questions or doubts. They resist jargon and obfuscation, and approach decisions with informed skepticism.*
- *Trustee leaders spend time learning about and interacting with their fellow trustees, and demonstrate understanding and humility when confronting differing points of view.*

Ethics

- *Trustee Leaders place the interest of fund beneficiaries as the goal of the decisions they make.*
- *Trustee Leaders remain independent, uninfluenced by fund stakeholders, and alert to potential conflicts across the agency chain of investment decision-making.*
- *Trustee Leaders do not accept gifts or favors meant to influence their decisions.*
- *Trustee Leaders promote transparency in their own and their funds' activities, and keep in mind the public importance and scrutiny of fund activity.*

Collaboration and Public Outreach

- *Trustee leaders build relationships with trustees on other funds, and promote fund collaboration on important issues.*
- *Trustee leaders work in concert with beneficiaries and the public on important issues, and recognize that their role is not only internal to their fund.*
- *Trustee leaders make the case for retirement security as an important social and ethical issue.*
- *Trustee leaders understand that political dynamics are complicated, and require careful attention, knowing that logic and reason alone may not lead to ideal outcomes.*

We believe these ideas about trustee leadership are a useful guide to thinking about trustee leadership, and how trustees themselves identify exceptional performance. We hope they promote discussion about the issue, and they help trustees identify leadership as an important topic on which they should engage.