

Just Having it is Not Enough: Labour's Voice on Pension Boards

Johanna Weststar
Centre for Industrial Relations and Human Resources
University of Toronto
121 St. George Street
Toronto, Ontario M5S 2E8
johanna.weststar@utoronto.ca

Anil Verma
Centre for Industrial Relations and Human Resources and Rotman School of Management
University of Toronto
121 St. George Street
Toronto, Ontario M5S 2E8
anil.verma@utoronto.ca

** This paper is forthcoming as a chapter in: Jack Quarter, Isla Carmichael, and Sherida Ryan, (Eds.). Socially Responsible Investment of Union-Based Pension Funds. Toronto, ON: University of Toronto Press.

Introduction

Pension monies are the deferred compensation of employees and with increased attention to good governance and corporate ethics and responsibility it makes sense to have employee representatives involved in decisions about the investment of those monies. The Certified General Accountants of Canada argued that a pension advisory committee comprised of designates of both plan members and the employer should be the minimum standard in pension governance (CGA-Canada, 2004). Interest in labour or plan member representation also stems from other factors. For one, due to their size, pension funds can have a powerful impact on financial markets (Deaton, 1989; Drucker, 1976; Fleming, 1990). Pension funds also provide an opportunity for labour movements to push towards alternative investment policies (such as socially responsible and economically targeted investment) and participation in corporate governance (Ambachtsheer, 2005; Clark and Hebb, 2004; Fung, Hebb and Rogers, 2001; Ghilarducci, 1992; Manley, Hebb and Jackson, 2005; Salo, 2005). Greater union activism in pension funds may also be a means to union renewal. Wheeler (2004) suggests that increased use of worker capital to influence corporate strategy toward more socially responsible outcomes may result in much needed positive public relations for unions. Such a focus also broadens the labour agenda to larger social and economic arenas providing unions with increased opportunity for visibility and coalition building. Increased involvement may also be a means to union renewal if union participation in pension fund governance is demonstrated to lead to better outcomes for workers as well as for society.

Many trade unions have responded to these opportunities by increasing their involvement in pension fund governance through the appointment of labour or member representatives to

pension trustee boards or committees¹ (Carmichael, 1998; Carmichael and Quarter, 2003; CUPE, 1996; CUPE 2005; Fung, Hebb and Rogers, 2001; Ghilarducci, 1992; Quarter, 1995; Quarter, Carmichael, Sousa and Elgie, 2001; Wheeler, 2004). In 1998 it was estimated that one-third of all pension assets in Canada fell under some form of joint trusteeship (Falconer, 1999) and that 18 of the top 23 unions had won or were in the process of winning some form of joint trusteeship (as cited in Carmichael and Quarter, 2003). Similar moves toward employee representation or joint trusteeship are occurring in other industrialized nations as well (see Schuller and Hyman, 1983a, 1983b and 1984; Gribben and Faruk, 2004; Gribben and Olsen, 2002 for the UK, and Wheeler, 2004 for the U.S.).

But what use is a labour seat at the pension board table if the voices of labour trustees are not labour voices or if they are not heard by the others at the table? Numerous unions have achieved seats on the boards of trustees that govern their pension plans, and many more are attempting to obtain seats or increase their representation. However, many of these opportunities do not result in an effective voice for labour interests due to a host of reasons. Some of these reasons have to do with factors external to and beyond the control of the union. But there are other reasons within a union's control such as lack of training for the role and lack of guidance from the union that also limit the effectiveness of a labour voice in pension governance. Most unions have yet to articulate a comprehensive and proactive policy on their potential role in pension fund governance. Since their goals in pension governance remain unclear, most unions do not appear to have a formal process to identify and develop their own talent in this area.

In this chapter, we present data from interviews and a unique survey of Canadian labour trustees on both public and private pension funds. Labour representation is modeled by a series

¹ Union representatives are also called member representatives, labour trustees, union trustees, plan participant representatives and sit on pension boards, committees and advisory committees. For brevity, we will use labour trustees and pension boards to denote all of these possibilities unless otherwise stated.

of stages with each stage adding new dimensions, decisions, and challenges for labour trustees, their unions and the labour movement. We describe the daily experiences of labour trustees with respect to each stage of their role and highlight that, though many eventually become self-proclaimed integrated and participative board members, there is much that unions and the broader labour movement can do at each stage to increase the effectiveness of labour trustees on substantive labour issues. As such, this research has significant implications for union decision-making in terms of the resources necessary to develop trustees who will be effective labour voices at a table dominated by the bottom line.

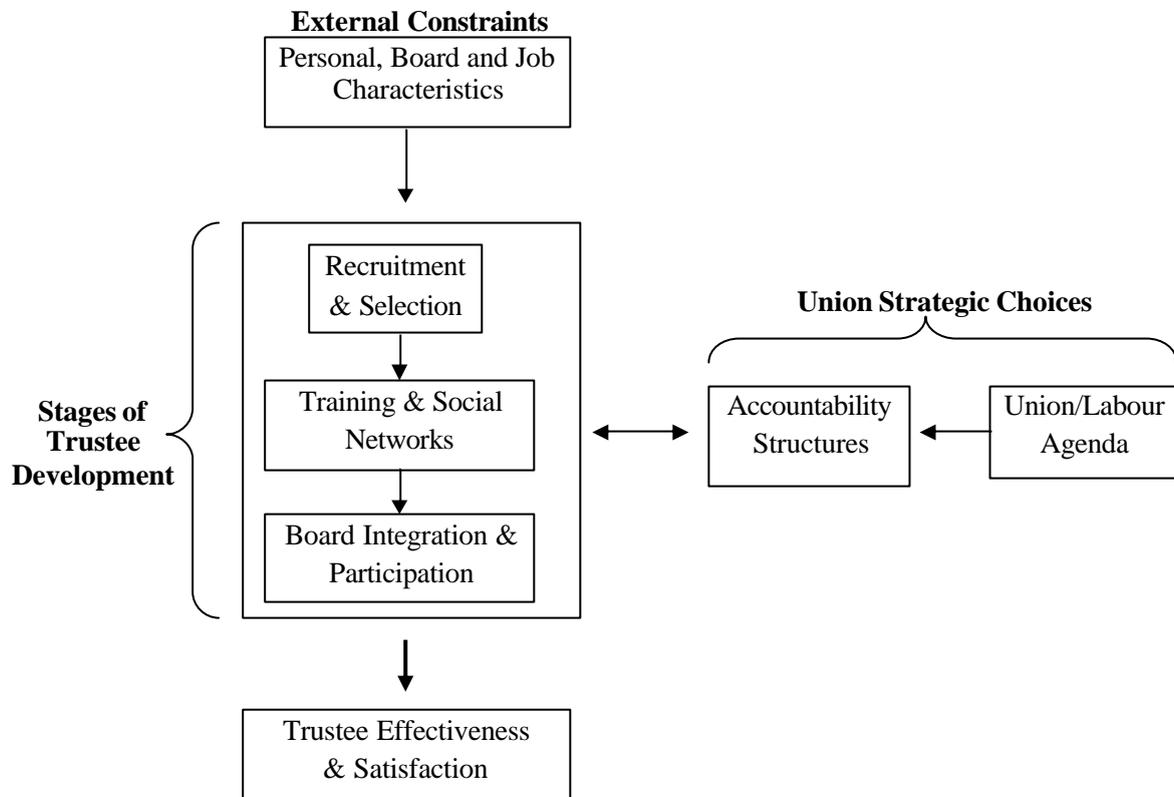
Model of Effective Labour Representation

Figure 1 presents our model of the stages of a labour trustee's development (recruitment and selection, training and social networks, and board integration and participation) and the external constraints (personal, board and job characteristics) and union strategic choices (union agenda and accountability structures) that influence the role and the overall effectiveness of the labour trustee. Many aspects of this model mimic a human resource management model of job attainment where candidates are first recruited and selected based on specific job-related criteria. In the second stage, the successful candidate begins the job and undergoes orientation and training to bring them to an acceptable level of job performance. During this period, the new hires will also develop social networks with colleagues, supervisors and external contacts and will be assisted by the social networks they have previously developed. Following these steps, the new hires reach a stage where they have achieved a certain mastery of the characteristics of the job and become integrated and participating members of the organization. Decisions and actions at each of these stages are influenced by the company's strategic plan and vision and this

link is reinforced by systems of accountability such as performance reviews and regular meetings. The personal characteristics that an individual brings to the job, the nature and description of the job itself and the characteristics of the workplace also act to influence each of these stages. The final outcomes are job effectiveness and worker satisfaction.

This model is useful for the study of labour trustees because it highlights and isolates important stages that new trustees must move through to become effective labour voices. To fully infuse a union or labour agenda into the governance and decision-making process of a pension board requires that the labour trustee be supported in each stage of their job. However, each stage adds new dimensions and challenges for labour trustees and their unions. Unions must first decide whether they wish to have a seat at the pension board and, if they do, they must make clear commitments toward the support of their labour trustees. This includes internal identification and development of suitable candidates, on-going training, as well as the resources and support necessary to bring a clear union/labour agenda to the table. The next sections of this chapter detail the external constraints, methods of trustee development and union strategy that labour trustees experience.

Figure 1: Model of Effective Labour Representation on Pension Boards



Methodology and Data

For this research, we collected two types of data. First, we conducted semi-structured interviews with six labour trustees on pension funds and one labour representative on a pension fund advisory committee. Four of these funds were based in Ontario, one in Quebec and two under the federal jurisdiction. They were predominately public sector funds. Most interviewees were white males with one female and one racial minority represented. Tenure as a trustee ranged from several months to ten years, all interviewees were over the age of forty and had considerable seniority in their occupations and unions. These interviews provided a considerable

amount of contextual background and were the framework from which we developed the model above and created a more detailed labour trustee survey (Weststar and Verma, forthcoming).

The second source of data is from this unique survey of labour representatives in Canada. The survey was administered through mail and on the internet. As there is no published listing of labour trustees (i.e., total numbers, contact listings, or names of funds that have labour representation) locating the respondents was difficult. To spread awareness of the survey, we used word of mouth throughout the study and distributed flyers at pension conferences. We referenced the Directory of Pension Funds in Canada and searched the internet for fund websites. Email and/or telephone contact was made with those trustees listed on fund websites. Where contact information was not listed, the fund itself was contacted. Some funds provided contact information, while most said they would pass the survey along to their labour trustees. On one occasion, the pension fund refused to contact their labour trustees on our behalf and one labour trustee from that fund later indicated that she was not authorized to complete our survey. In many instances, we called union offices to request trustee contact information. On several occasions, the union staff did not know who their pension trustees were or who might know such information². In the end, our efforts produced a listing of the names of 231 labour trustees and 117 usable surveys. This is a response rate of 51%; however, some of the 231 were never contacted directly and may not have received any notification of the survey. As well, it is likely that other trustees heard about the survey, but did not complete it and so did not make our list. Our directory will be an asset to future research, but it is by no means a complete listing of trustees in Canada. The 117 responses represent 75 unique pension funds and 43 unique unions.

² When distributing the surveys in Quebec we were very appreciative to receive assistance from Denise Gagnon and Michel Lizée of the Fédération des Travailleurs du Québec (FTQ).

Table 1 presents descriptive statistics about the funds and the personal characteristics of the labour trustees in our sample.

Table 1: Descriptive Statistics for Board and Trustee Characteristics

Sample Characteristics		Percentage (unless otherwise stated)
Fund	Public sector	68
	Average # of board members	10
	Region	
	Ontario	16
	Quebec	23
	Atlantic	14
	Western	30
	National	17
	Structure	
	Single union	52
Single employer	31	
Trustee	Average age	52
	Female	24
	Visible minority	5
	Francophone	25
	Education	
	= High school	19
	Apprentice/skills cert.	20
	College/cegep	9
	Undergraduate	21
	Graduate	15
	Postgrad/professional	16

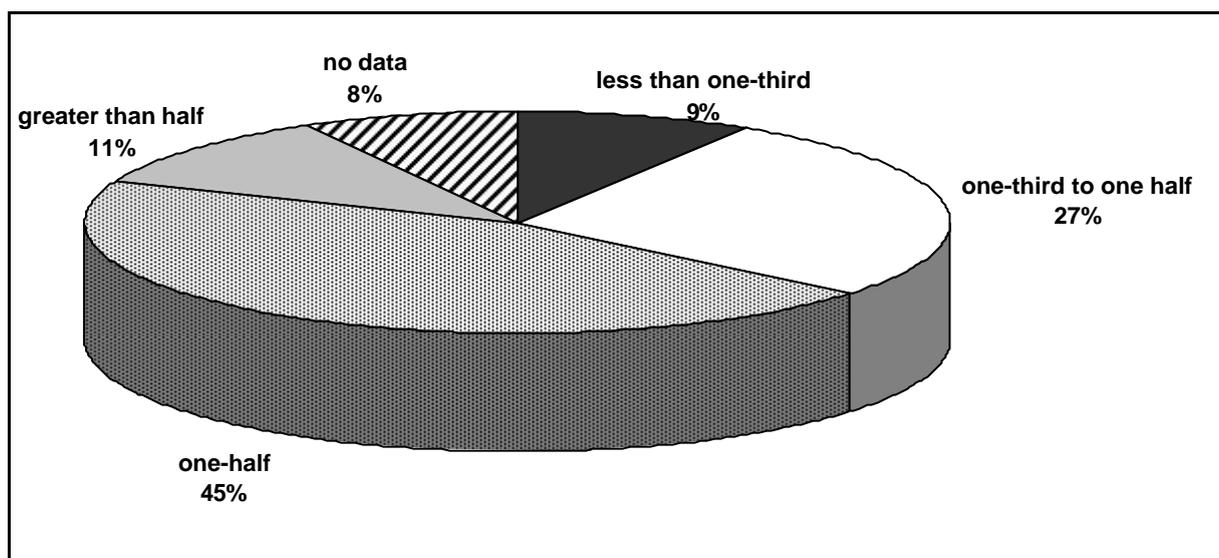
Survey and Interview Findings

Personal, Board and Job Characteristics

Though they are all involved in pension fund governance the actual tasks of labour trustees vary widely depending on the type and size of the plan, the governance structure, and the stakeholders involved. As indicated in Table 1, some plans are comprised of multiple employers and some are comprised of multiple unions. Some plans are jointly trusted by the union and employer, while with others the union or the employer/government may be the sole sponsor. Funds also differ regarding the number of labour representatives on the board (see Figure 2).

Boards can be comprised of a combination of employer representatives, government appointed representatives, active union or non-union plan members (or their representatives), retirees (or their representatives) and/or other external trustees.

Figure 2: Board Composition: Proportion of Labour Trustees



The length of the term also varies with survey responses ranging from 1-10 years (mean = three years). The number of board meetings per year range from 1 to 12 (mean = five).

However, some trustees report that their boards also operate sub-committees on which selected members of the full board sit. The most often reported sub-committee was the investment committee although other advisory committees were also mentioned. Trustees who are part of these separate committees have additional meetings and preparation. Trustees report spending an average of 5.5 hours at each board meeting, 4 hours in preparation for each meeting, and 67 hours per year on other fund related work. The preparation time typically consists of reading through a detailed binder of which one interviewee says, “It takes a full day just to figure out

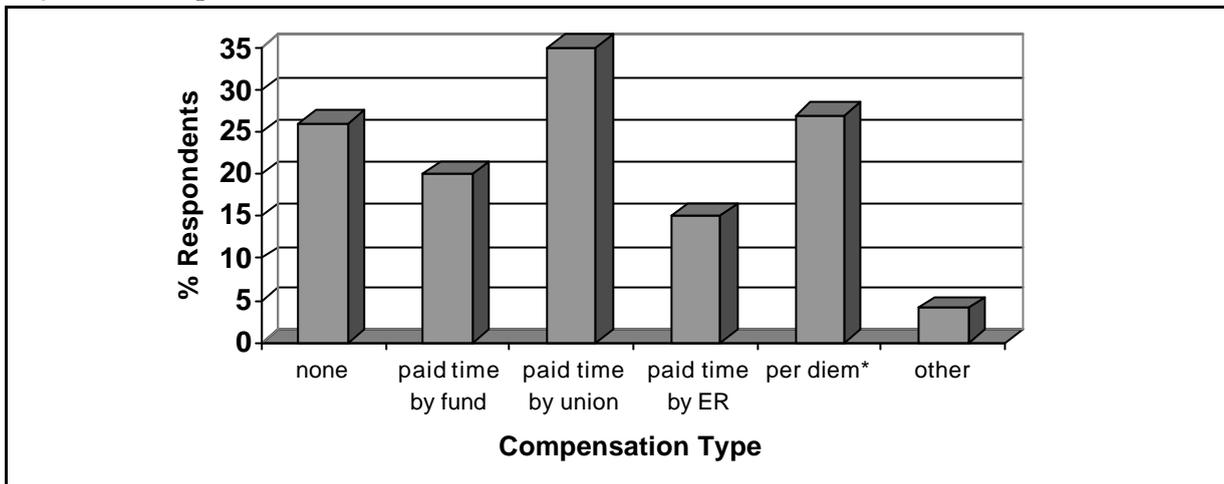
what you understand and what you don't, let alone learn what you don't." (LTI04³) Meetings are generally structured around the content of the binders and trustees are often required to vote quickly on decisions that are based on the binder contents and may concern the allocation of millions of dollars (Post, 2005). Asking a question is allowed, acknowledges one trustee, but it is clear that questioning slows down the proceedings and in some cases causes annoyance (LTI04). When asked specifically about the time commitment, almost three-quarters agreed or strongly agreed that it was manageable, 14% were neutral and 12% felt that it was not manageable. This could be an artifact of the wide differences in time commitment per board and per trustee.

The compensation schemes also vary per plan, though compensation is typically paid time for work missed due to meetings. Figure 3 outlines the common forms of compensation. These categories are not mutually exclusive, which means that some trustees will receive no compensation at all (approximately 25%), others receive one of paid time or per diem, and others receive paid time plus a per diem. The key here is that regardless of the type of compensation, it is only for attending meetings and does not include the preparation time for each meeting or the other trustee-related work that all trustees in the sample report throughout the year. Two trustees noted the inadequacy of time and compensation in the open comments section of the survey: "I think it is very important that trustees are given time off with pay to travel, and prepare for the meetings. It should not cost an employee anything to sit as a trustee." (LTS129) "Time needs to be made available for board representatives to participate fully because the time demands are increasing." (LTS138) As evidenced by the comments of a trustee on a university pension board, labour trustees have day jobs and other commitments. Inadequate compensation for lost time and expenses further relegates pension work: "I don't feel I'm able to do as good a job as I'd

³ See Appendix 2 for a profile of all trustees quoted or referenced in this chapter. LTI = interview. LTS = survey.

like to be doing for my union due to other pressing time commitments and teaching commitments - because of the lack of time to attend and participate fully.” (LTS65)

Figure 3: Compensation Received



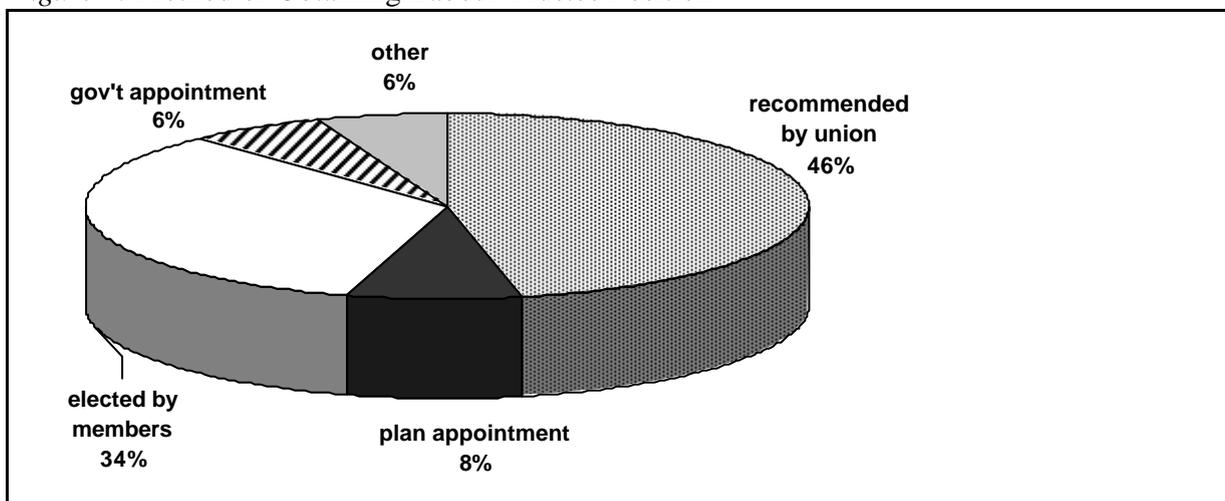
Note. * Per diem also includes honouraria. Categories are not mutually exclusive. ER = employer.

Trustee Development: Recruitment and Selection

Figure 4 depicts the variety of means by which union members come to be labour trustees. The appointment mechanisms or appointing bodies are varied primarily due to the different governance models that exist in the Canadian pension fund landscape (see Appendix 1). The categories below represent the prime mechanism or authority behind the appointment; however, some labour trustees are hired by the union from outside the union or are recommended by the union, but officially appointed by the government or the plan itself. A major point regarding the recruitment of candidates for the trustee position is that only 3% of the survey sample reported that they came forward with an independent application. According to interview reports, where unions play a substantial role in recommending candidates for appointment or where trustees are elected by plan participants, the successful candidates tend to be those who have been more active in the union. Some unions select or recommend union staff from applicable departments

(i.e., pension and benefits departments or bargaining committees) because they are generally more knowledgeable about the issues than rank-and-file members and typically have a stronger and more grounded sense of the union agenda (LTI01). Similarly, union activists or elected union officials seem more likely to attain the position (LTI02). Indeed the main factor linking the interviewees was that they were all labour activists and had held or were holding positions either as elected union officials or as union staff.

Figure 4: Method of Obtaining Labour Trustee Position

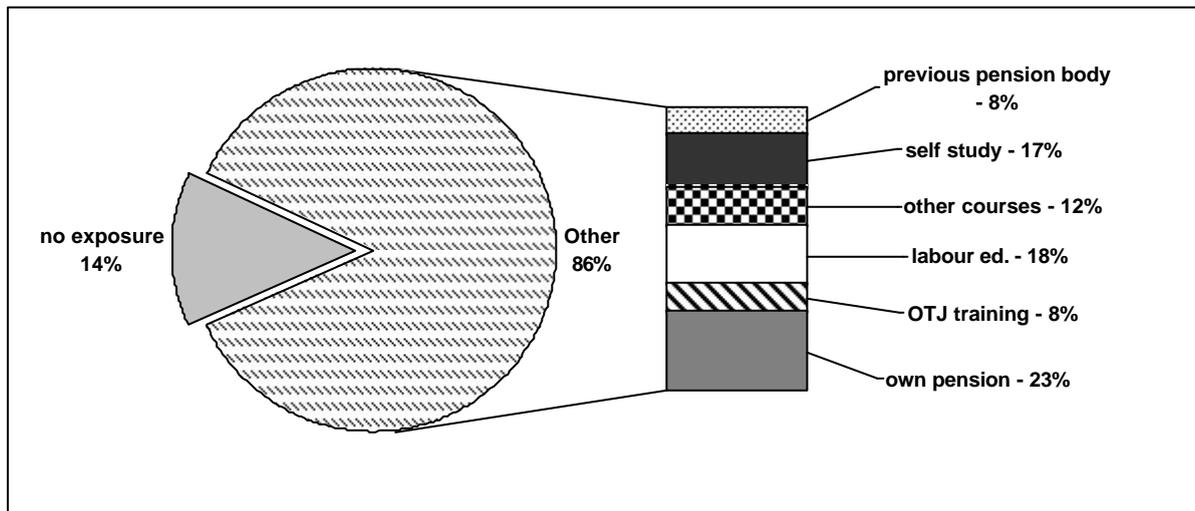


These comments are not meant to imply nepotism or to suggest that long-standing union activists are not suited for the job. Indeed, as will be more fully developed later in this chapter, candidates who have stronger ties to the union and a deeper sense of their labour voice may be more ideal candidates. What is important to note is that most trustees come to their role with very little background knowledge or ability in pension matters because they have not been specifically selected (excepting previous members of pension committees) for that skill set.

With respect to prior exposure to pension matters 14% of the survey respondents reported no prior exposure, 56% reported exposure through one or two sources and 30% reported exposure

through three more sources. Figure 5 illustrates the main sources of previous pension knowledge or awareness. On first glance it is promising that 86% of labour trustees had some awareness of pension issues before taking on their job at the board. However, half of those had experience from only one or two sources and the sources reported most frequently were experience with their own pension and general labour education. This information taken together indicates that most trustees had general or policy level awareness, but not specific preparation for the job of a labour trustee. Trustees recognize this deficiency and it hinders their early performance. Only 29% reported that they were prepared for their role as a labour trustee when they took up the position for the first time. Almost half reported that they were not prepared and 27% indicated that they were not sure – this in itself indicates less than complete preparation. One survey respondent noted in the open comments section that, “regardless of background very few are well prepared for the educational demands of being a Trustee.” (LTS26)

Figure 5: Previous Exposure to Pension Issues



Trustee Development: Training and Networks

I think it would be helpful to have more training courses available, perhaps in manageable one-day chunks, and from a labour perspective. I'd also love to have some materials to use to help union members better understand the basics of pension plans. I suspect that even though we talk often, as a union, about bargaining issues and pension benefits the union is fighting for, many people don't really understand the basics of the plan. I've learned a lot on the job because our plan has had some funding issues that have made us deal a great deal with the federal regulator and that has taught us all a great deal about solvency and funding liabilities; we've replaced several fund managers and that has taught us a lot about what to watch for and how to track our investments. But it has all been a bit ad hoc and it would be great to have some resources to help the union trustees, at least, to better communicate the rights and responsibilities of average pension plan beneficiaries to our members (LTS146).

This statement is an excellent summary of the daily experiences and needs of labour trustees. Information and insight are picked up on the job as the board puts out fires. Trustees do not have the time or the resources to develop long-range or proactive material for their constituency or to meet their own learning needs. The labour trustees we interviewed repeatedly iterated that continuous training was necessary to master the pension domain. Tables 3 and 4 show that survey respondents felt similarly. The 117 trustees surveyed have participated in at least⁴ 271 pension-related courses, workshops or conferences since becoming trustees. The distribution of courses among trustees was fairly even with approximately 13-17% reporting each of zero, one, two, three and four courses taken. About 20% of the sample managed to document five or more courses despite the format of the survey, which was structured for four courses. Certified courses were typically offered by financial institutions and included the Advanced Trustee Management System (ATMS) modules offered by the International Foundation of Employee Benefit Plans (IF); the Canadian Securities Course offered by CSI; Pension Investment Management Services (PIMS) offered by Mercer's and the Schulich School of Business at York

⁴ There was only sufficient space in the survey for respondents to provide detail about four courses.

University; or the courses offered by Humber College’s Centre for Employee Benefits. Courses classified as basic were most often introductory pension courses or pension fundamentals courses offered by unions. Some unions also provided advanced courses. For most trustees, conferences refer to the annual conference of the International Foundation of Employee Benefit Plans.

Despite the number of courses that trustees seem to already be attending, 70% agree that they need more training in at least one of the areas listed. Not surprisingly, trustees who have served on the board for three years or less report a higher need for training ($M = 0.78$, $SD = 0.42$) than trustees with more than three years of experience ($M = 0.58$, $SD = 0.50$). This difference was significant ($F_{1,116} = 5.32$, $p < .05$); however, in the interview transcripts and survey responses of new and experienced trustees words such as: ‘continuous improvement,’ ‘continuing education,’ ‘mastery,’ and ‘repetition is the key’ are very common. One ten-year veteran sums it up, “We require more training. It's a highly technical world.” (LTS21)

Table 3: Courses Taken

Topic/Type	Count	% of Total Courses Taken
Fiduciary responsibility	8	3
Investment & governance	41	14
Issues from labour perspective	18	6
Benefits & administration	7	2
Other		
Certified course	90	31
Basics course	68	23
Advanced course	6	2
Conferences	33	11
Other	20	7
Total	291	100%

Table 4: Training Needs

Topic	Need More Training (%)		
	(Strongly) Agree	Neutral	(Strongly) Disagree
Fiduciary responsibility	48	35	17
Pension law	80	17	3
Investment & governance	80	17	3
Issues from labour perspective	71	19	10
SRI/ETI	72	20	8
Actuarial valuation	68	21	11
Benefits & administration	64	28	8

Just over half of the trustees in the sample reported that the pension fund paid for their courses, over one third said the union funded the courses, 8% said their employer paid, and the remaining 2% reported paying themselves or acquiring funding from a different source. This indicates that labour trustee education is not so much a question of access, but availability. Most trustees reported that the courses they had taken and conferences they had attended were somewhat to very valuable in assisting them with their role. However, many trustees said that typical courses are not sufficient because they are introductory level, only last a few days and are most often provided through a financial or business lens. This means they rarely deviate from, let alone question, the traditional means of pension governance. As well, these courses cater primarily to pension trustees or board members in general and do not address some of the needs specific to labour trustees such as reconciling their role or bringing forth alternative perspectives. In addition to these challenges, one survey respondent highlighted the difficulty in finding pension education that is beyond an introductory level, but not steeped in industry jargon:

Pension education is difficult. I have been to more education sessions and conferences that have been unsatisfactory than those that I have enjoyed. Also, the use of technical language that is over the heads of many trustees can be problematic at conferences especially. This is really true with investment issues and valuation terminology and concepts. We have been struggling with our investment manager and actuary to provide information in plain language and have not been successful although they acknowledge the problem (LTS115).

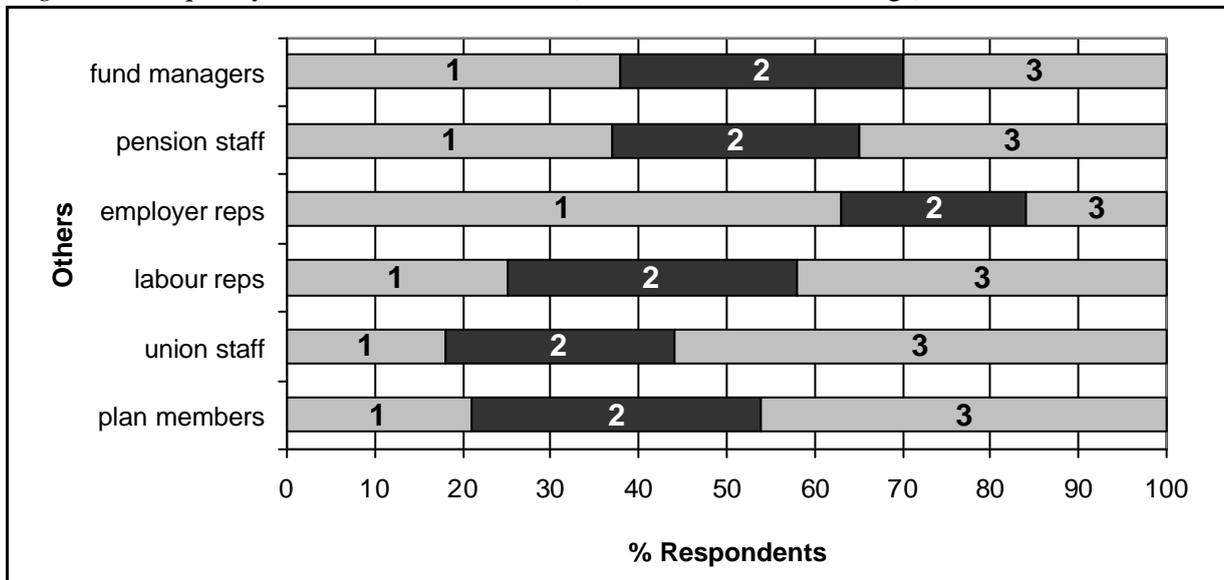
In the words of another trustee, “It is imperative union trustees get advanced education from a number of sources to be able to be well trained as a fiduciary. Unions need to invest substantially more resources into the education of reps on pension and benefit issues.” (LTS13) Some unions and education providers are heeding this call for on-going training specific to labour trustees on pension boards and beyond the introductory level (i.e., CUPE, SHARE, CLC, Manitoba Centre for Labour Capital, Pensions at Work, FTQ). The Fédération des Travailleurs du Québec (FTQ), one of the central labour bodies for unions in Québec, is a leader in developing and administering training programs for labour trustees (Hannah, 2003; LTI05). The large majority of the eighteen courses ‘from a labour perspective’ were reported by trustees from Quebec.

Formal courses are an important means by which labour representatives can increase their knowledge, abilities and self-efficacy, but trustees can also access knowledge and receive support through the development of networks with knowledgeable others. Interviewees reported that they spent little time with other representatives outside of board meetings and that there is lack of independent sources of advice and support. They reiterate the importance of advisors and friends internal and external to the board, but the bonds of trust are difficult to form. One trustee said that, “you are not ever sure who you can rely on, depend on, who will mentor you – who can you ask without making yourself look bad.” (LTI04) In this environment where the trustee is continually guarding their perspective and their potential weaknesses, the trust and understanding necessary to build a strong network of support is difficult to establish. A trustee’s effort to develop relationships with other board members or pension advisors, staff and managers is also thwarted by the pervasive sense of not belonging, of being unwanted or unaccepted. Trustees reported experiences of not being introduced the first time they attend meetings, of being asked

for their resumes by other board members or feeling largely excluded from board decisions (LTI04; LTI05). As a result, the process of discovering potential allies or independent sources of advice seems slow and full of pitfalls.

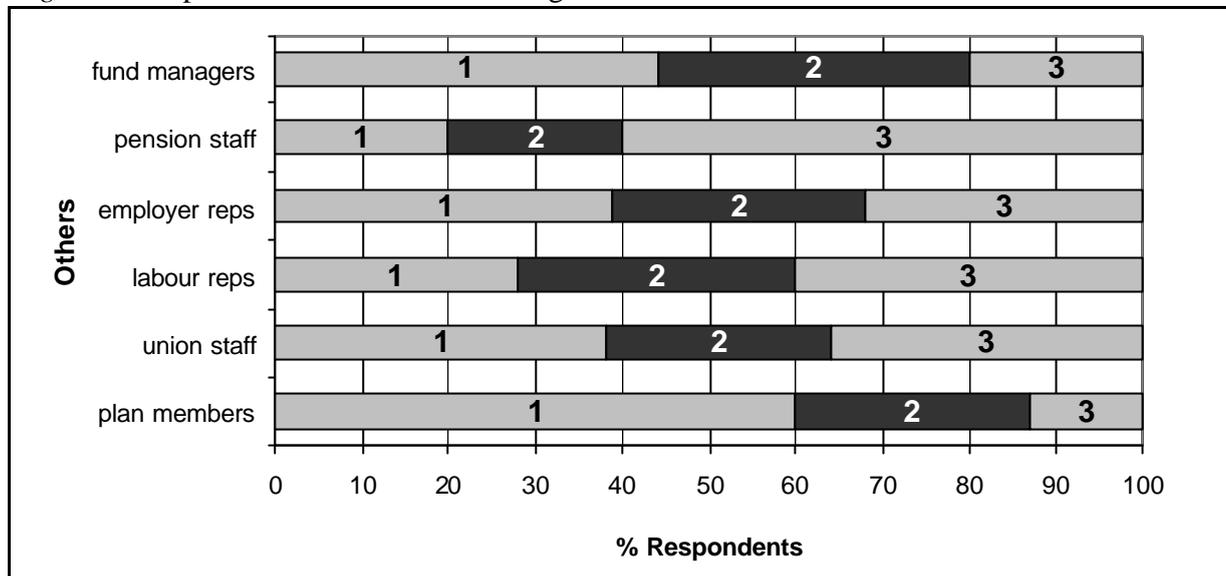
To further assess the social networking opportunities available to trustees, survey respondents were asked how often they meet or have contact with pension staff, employer/government representatives, other labour representatives and union staff outside of board meetings (see Figure 6). Compiling all listed groups, 29% of trustees never meet or rarely meet with anyone outside of board meetings while 43% sometimes meet with other people or groups and 27% meet often or very often with other people or groups. Survey respondents were also asked to rate the helpfulness of various people/groups in assisting them with their role as labour trustees and the value of the help provided by pension staff, other labour representatives and their own union staff the most (Figure 7).

Figure 6: Frequency of Contact with Others (Outside of Board Meetings)



Note. 1 = rare or no contact. 2 = some contact. 3 = often or very often contact.

Figure 7: Helpfulness of Others in Assisting Labour Trustees with Their Role



Note. 1 = not or minimally helpful. 2 = somewhat helpful. 3 = very to extremely helpful.

These findings for labour representatives and union staff fit the reports from interviewees, as well as the frequency of data in Figure 6. However, 20% of labour trustees are rarely or never in contact with other labour trustees. One survey respondent indicated that he “would like more mentoring and open dialogue among labour reps” and “found it was hard to get in step with the other labour reps” when he first joined the board (LTS58). The other labour trustees referenced here are from the same union as this respondent. A respondent from Quebec sits on a board with one labour trustee from a different local and several labour trustees from different unions. He reported that they are not in touch with each other and do not coordinate their efforts at the board table. It is interesting that labour representatives overwhelmingly rate pension fund staff as the most helpful even though they seem to have less contact with this group.

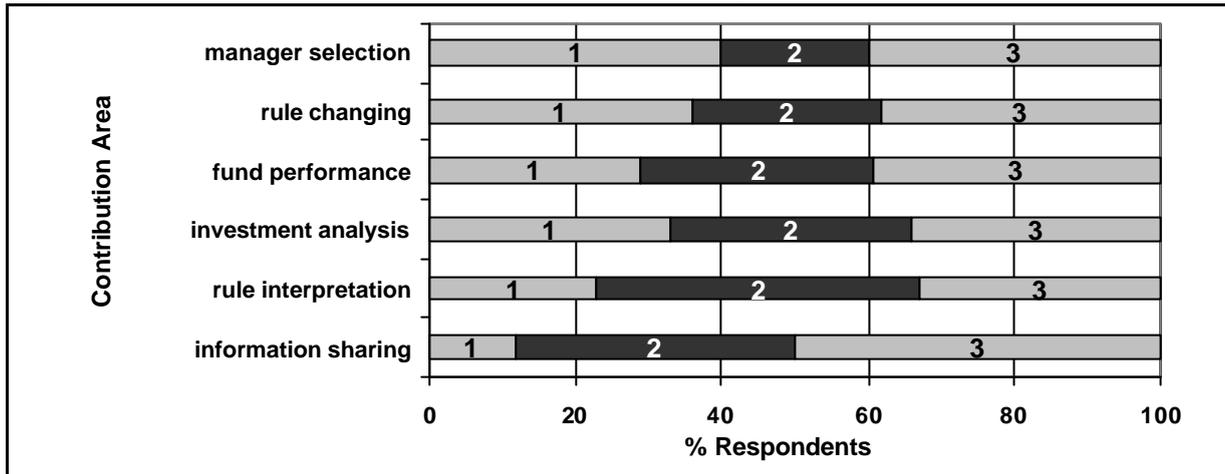
Trustee Development: Integration and Participation

An interviewee told us that the first step that a labour trustee must achieve is the “technical proficiency of the financial lingo, how the financial industry operates, how pensions operate...” (LTI01) This operational knowledge and resulting confidence (gained through training and networking) is necessary to gain equal acceptance at the board and to be an active and contributory member. All of the labour trustees that we interviewed had considerable experience on pension boards and with pension issues and each felt that he/she was a contributing and accepted member on the board. The survey allowed us to delve more deeply into the areas of contribution and acceptance with a broader range of labour trustees.

Respondents were asked to rate their level of contribution to the following pension fund tasks or decision-making processes: 1) information sharing or dissemination, 2) interpreting the pension rules, 3) investment policy analysis, 4) monitoring fund performance, 5) applying or changing the rules/policies of the pension trust deed, and 6) selecting fund managers. Figure 8 displays the data. Overall, labour trustees feel that they make the largest contribution to information sharing activities. With respect to changing the rules or rewriting/creating policies and being engaged in fund manager selection, there seems to be a polarization among trustees. Some feel that they contribute very highly to these tasks, while a similar number feel that they make very little or zero contribution in these areas. Contribution to investment analysis is the most evenly distributed with just over one-third of respondents reporting each of no contribution, medium contribution and high or very high contribution. Using a composite of each task sub-group, 44% of trustees feel that they make a medium level of contribution to the board while 31% rate their contribution value as high or very high and 24% report making low or no contribution to the board. Trustees report that they contribute significantly more when they have

had more experience on the board ($F_{1,115} = 13.13, p < .001$). The mean contribution for trustees who have three or fewer years of experience on a pension board was 1.97 on a 1-5 scale where the mean contribution for trustees with more experience is 2.54.

Figure 8: Level of Labour Trustee Contribution to Fund Operations



Note. 1 = low or no contribution. 2 = medium contribution. 3 = high to very high contribution.

In addition to the question above, trustees were asked a range of questions about their participation on the board and their level of integration on the board. Composite measures of these items are high; the mean of participation is 3.95 and the mean of integration is 3.81 both on a scale from low = 1 to high = 5. Table 5 presents a more detailed breakdown of the questions and shows that trustees generally feel that they are active and integrated board members. It should be noted that this scale may be influenced by social desirability such that respondents over-report their levels of participation and acceptance. Trustees who report being integrated are also likely to report being more participatory and contributory, have stronger networks with board members and pension staff outside of meetings and have fewer training needs. The same is true for people who report being more participatory. They also are likely to report more

feelings of integration, a longer tenure on the board, and more prior experience with pension issues before joining the board (see Table 6 for correlations of these variables).

Table 5: Self-Perception of Participation and Integration

Items	Participation		Integration	
	Agree (%)	Disagree (%)	Agree (%)	Disagree (%)
I often feel excluded from in-depth policy discussions.	13	74		
I often don't participate fully at meetings because I may not understand what is being discussed.	13	77		
I had an aptitude for pension issues prior to taking on this role.	56	21		
I feel free to contribute ideas or thoughts from a labour perspective.	86	3		
I avoid asking questions because this may reveal a lack of understanding.	5	87		
I now feel prepared to fulfill my role as a labour representative.	73	11		
I feel comfortable with other members of the pension body on which I serve			80	7
I have adequate contact and information sharing with people inside and outside of the board.			65	15
My perspective is frequently not supported by non-labour representatives.			23	51
The meetings do not invite participation from all members.			11	82
Most substantive decisions are made within the meetings.			80	10
I feel free to ask for additional or clarifying information at meetings.			98	0
I feel accepted and integrated as a member.			87	4
There are not enough meetings.			30	40
I do not get enough information from the pension staff			10	72
The meetings seem to rubber-stamp decisions that are made elsewhere.			15	70

Note. Numbers will not add up to zero as the 'neutral' option was not included in this table.

Table 6: Correlates with Integration and Participation

	Integration	Participation
Integration	1.00	
Participation	0.47 ^{***}	1.00
Prior exposure	0.05	0.19 ^{**}
Meeting frequency	0.26 ^{***}	0.30 ^{***}
Months on board	0.18 [*]	0.30 ^{***}
Percent union	0.09	0.02
Contribution to fund	0.41 ^{***}	0.40 ^{***}
Training needed	-0.33 ^{***}	-0.39 ^{***}

^{**}Significant at the .05 level; ^{***} at the .01 level.

Union Strategic Choices: Union/Labour Agenda and Accountability

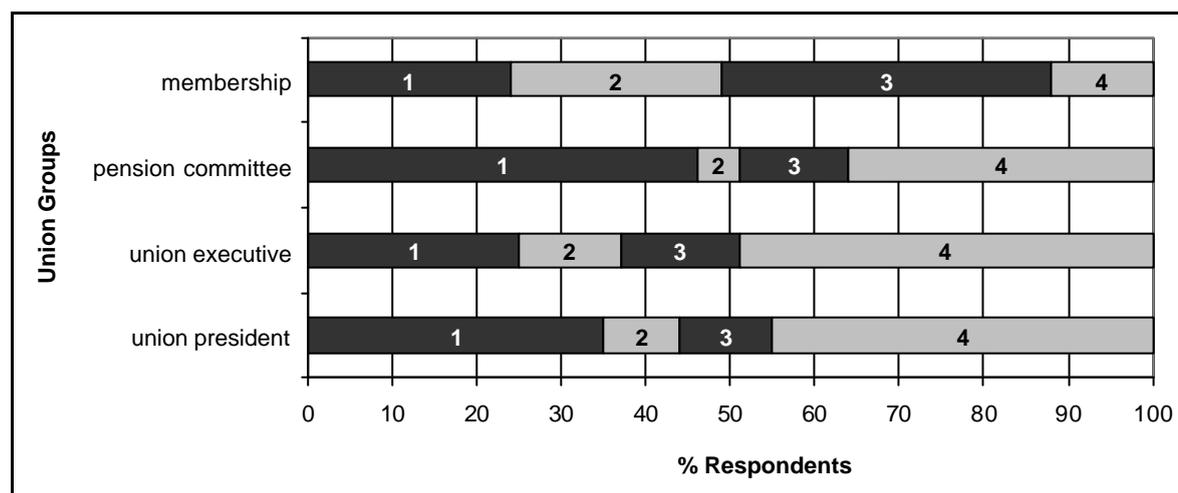
The last section began with a quote about achieving technical proficiency. This trustee goes on to say that the next step is to develop critical thinking and alternative viewpoints regarding socially responsible investing (SRI), economically targeted investing (ETI), and strategic proxy voting of pension fund shares. In his opinion, “an educated trustee is not necessarily a critical trustee.” (LTI01) As shown in Table 5, 85% of the survey respondents feel free to contribute ideas or thoughts from a labour perspective. However, an interview with an experienced trustee indicated that it might not always be so easy to maintain or bring forth these alternative viewpoints: “[Fiduciary responsibility] says you will act in the best interests of the pension plan and in saying that a lot of trustees will then lose their role as a union representative.” (LTI03) This trustee goes on to describe the difficulty faced when bringing forth a labour perspective within the ‘old boys club’ of the board. “Because there is this collegial atmosphere, there tends to be less challenging and when you interject with a union perspective into that sort of milieu, if you seem too overt they can always fall back on the notion that you are not following your fiduciary responsibility.” (LTI03)

However, the opposition toward alternative investment agendas is not completely one-sided. One survey respondent says that there is “much opposition from all fronts, both from union and management” and “more pro-active education and advocacy is required on economically targeted investments and ethical investments.” (LTS32) Labour trustees who wish to bring progressive agendas to the table face the ingrained rhetoric of fiduciary duty and the traditional mindset of the management trustees and financial advisors, and they do so without purposeful support or clear messages from their unions. Thirty-five percent of the survey respondents said that the guidelines they receive from their union about how to fulfill their role on the pension

fund are either poor or minimal. One-tenth of the trustees do not receive guidelines at all. A further 25% said that the guidelines were adequate and only 29% said they were good or excellent.

With respect to reporting structures between the trustee and the union, 15% of trustees surveyed do not report in any way to the union (or the membership) about their pension trustee position. Figure 9 shows the frequency with which trustees report to various groups within the union.

Figure 9: Union Accountability



Note. 1 = never. 2 = annually. 3 = bi-annually. 3 = quarterly.

Discussion: Labour's Options in Pension Board Governance

This study brings into focus a host of issues that concern labour's participation in pension fund governance. We started out wanting to examine factors such as selection and training of labour trustees. This line of investigation led us to some very basic questions about labour's role in pension fund governance. Does labour want to participate in such matters? If yes, how is a union to go about it? Once a labour representative becomes a trustee, what issues and methods

will she (or he) pursue to maximize union interest? To put these issues in perspective, Figure 10 maps the decision points that unions need to address in considering their policy and strategy for pension fund governance.

In the course of our research, we found that there are many unions that do not have a seat on their pension boards. This is particularly true of private sector plans, and within that sector, of smaller plans. Thus, the first decision (D1) facing any union concerns whether a seat is available to the union on the pension board. If yes, the union can go to the next decision point (D2) to decide if it wants to take the seat. If a seat is not available and if the union puts a priority on getting a seat then a decision can be made to campaign for a seat with the relevant authorities. In some cases where a seat is available or could become available through a campaign, a union like the CAW has decided against participating in pension fund governance. In general, private sector unions have hundreds of pension plans where they could participate, but many feel that the cost of providing training and on-going support to that number of labour trustees is prohibitive. The CAW takes the hard-line view that unions should not buy into the neo-liberal ideology that the market is central to the democratic process. Rather, they feel that private sector unions should bargain for increased pensions and benefits through traditional arm's-length processes and fight the battle of social responsibility and workers' rights in other, broader forums (see CAW, 2006; Hannah, 2003; Stanford, 1999). The opposite view is one of creativity and pragmatism where unions and labour should resort to all avenues to enact social change and to harness working capital. As well, in most cases public sector unions do not have the luxury of bargaining over pension issues and so outside of lobbying, they must be a part of the decision-making structure (i.e., on the board) to ensure change.

If the union has the option to take a seat and it decides to do so, the next decision point (D3) involves deciding whether a finance professional or a labour insider would be selected to take the seat. The arguments for hiring a finance professional are that one is hiring a trained expert. However, many unions choose to appoint one of their own. Embedded within the decision process at this point is the challenge to ensure that labour trustees hit the ground running and don't use up the majority of their term just acquiring enough knowledge and confidence to stay afloat. The average term of a labour trustee is three years (though many are renewable) and the board meets at most twelve times a year. Given that labour trustees have daily jobs and responsibilities that compete for their time and resources this is not an adequate amount of learning time.

Traditionally, unions have favored a selection process in which their trustee for the pension board is nominated by the leadership. This process of identifying suitable candidates for pension board trusteeship is inherently political and is well integrated with the processes by which unions select people for other positions. The selected individuals have the support of the union executive. They may have served in leadership roles in other duties. They may owe allegiance to certain union leaders and thus be appointed to the job. Our survey suggests that many individuals selected in this fashion have gone on to very successful careers (or stints) as effective labour trustees. In contrast to the "nomination" approach, we followed the professional human resource management (HRM) model in designing our survey questions. As outlined earlier with reference to our model in Figure 1, in the professional HRM approach, a job description is developed first which is then posted to attract a pool of qualified candidates. The "best" candidate is then selected using tests and interviews. This candidate undergoes appropriate training to acquire skills necessary to be effective in the job. Our survey shows that the

professional HRM approach is rare in labour circles. Given that unions are political organizations and that their nomination method produces reasonably good trustees, we find it unwarranted to recommend that the nomination process be replaced by a professional HRM process. However, our evidence suggests that there is room to integrate the best features of both approaches to improve upon current practice.

In a more integrated approach, unions can retain the basic steps of the nomination approach but add a few more steps suggested by the HRM approach. For example, the union can make it known that they would be looking for people from time to time with certain skills to sit as a pension trustee. Courses on various aspects of pension governance can be offered to those individuals who express an interest in such matters. The advantage would be a bigger talent pool at the time of selecting a labour trustee. Developing a job description and skill requirements for the job would be also a step in this direction. Even though political considerations will continue to be important, adding these steps would give union leaders a better pool of candidates from which to choose. Likely, it will also improve labour's clout on pension boards.

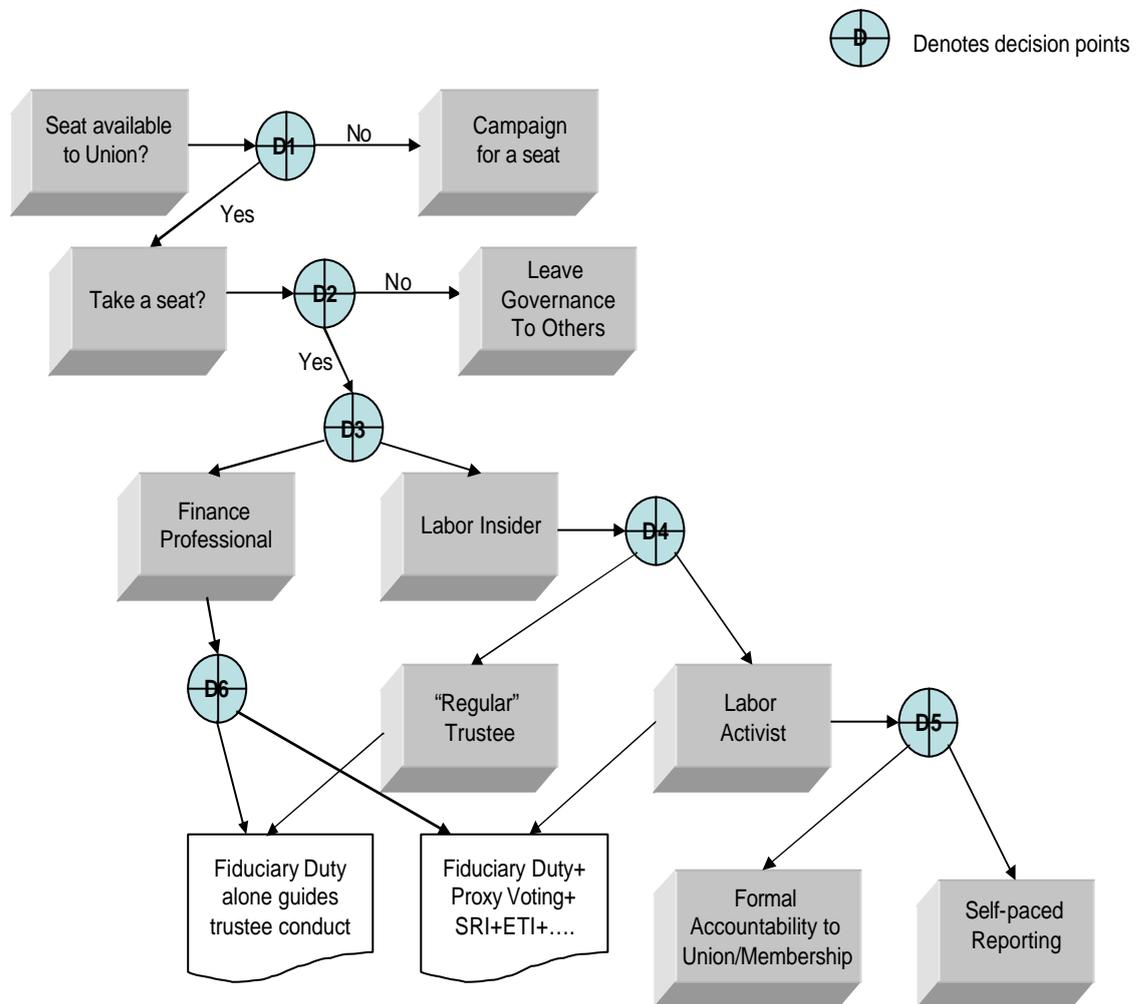
If the union chooses to recruit and select a union staffer or rank-and-file member, then the next decision point (D4) is to decide whether the union wants this person to become indoctrinated in a traditional pension role that emphasizes a narrow interpretation of the fiduciary role. In that case, the guidance given to this person by the union is to be a "regular" trustee like all the others on the pension board. The alternative is to emphasize the *labour* part of a labour trustee and to support a more activist role. Both options require investment in training for pension fundamentals and the development of a mentor or support network among labour trustees. The latter option would require additional training in how to argue for alternative investment strategies and would benefit from a broader support network of other labour trustees,

union members and pension activists. Labour activist trustees also need a mandate from the union and on-going consultation with the union executive to play the role effectively. Moving beyond the traditional lens of the fiduciary role, activist labour trustees could broaden their scope to engage in proxy voting on issues of labour interest and develop investment policies that include socially responsible or economically targeted criteria. Such policies could take labour relations, employment standards and environmental practices into consideration, place screens on enterprises that seek to privatize public services and focus on investments that benefit communities through encouraged development of local business or promotion of affordable housing (Hannah, 2003; Thomson and Wheeler, 2004; Manley, Hebb and Jackson, 2005). The investment of pension funds could also be used strategically either against recalcitrant employers or toward employers with labour-friendly policies and behaviours. An example on the positive side is Concert Properties Ltd. in British Columbia, a real-estate company that is owned by union and management pension plans (Concert Properties, 2006)⁵.

This leads us to the next decision point (D5) on the form of accountability to the union. This can be formal and structured or it can be informal. As outlined above, some trustees made regular reports to the executive and to the membership while others had limited contact and received little or no guidance from the union. They reported largely at their own initiative, on issues they thought were of interest to their constituents and at sporadic rather than periodic intervals. If a finance professional is hired to represent labour interests, the union will also have to decide (D6) if it wants the professional to engage primarily in their fiduciary role or whether it wants the representative to press for labour-leaning issues such as proxy voting, SRI, and ETI.

⁵ A longer discussion of socially responsible investing (SRI) and economically targeted investing (ETI) is beyond the scope of this chapter but can be found elsewhere in this book as well as in Ambachtsheer (2005); Clark and Hebb (2004); Fung, Hebb and Rogers (2001); Ghilarducci (1992); Manley, Hebb and Jackson (2005); Salo (2005).

Figure 10: Charting Labour's Options in Pension Plan Governance



In conclusion, it is important to recognize that each of these decision points (and more broadly each stage of our model) have significant implications for the selection, training, role purpose and ultimate effectiveness of labour trustees. Based on our research we would recommend that unions develop strategic policies for labour representation on pension boards and that these policies harmonize across the labour movement. Unions then need to commit to

these policies and work to cultivate functional experts who will follow them through. This involves implementing a more formal recruitment and selection process (perhaps coupled with preparatory training programmes, mentoring or other succession planning techniques) to ensure that trustees are as equipped as they can be for the role. It includes developing and accessing labour-centric training on pension issues beyond fundamental pensions training so that labour trustees will have the arguments they need to push responsible investment strategies. It also necessitates that unions work at various levels to create social networks for knowledge sharing and support. These networks could be peer-based and include trustees within and across unions and within and across particular plans. Mentor networks could also be developed and include past trustees, union staff, pension activists, academics and progressive members of the financial community who can provide independent advice. Such networks could operate regionally, nationally and internationally and provide a wealth of information for labour trustees as well as a forum to debate and develop labour's policy and strategy toward pension governance.

Some of these recommendations and decisions have consequences for a union's own governance (i.e., recruitment and selection, accountability structures, union-specific agendas on alternative investment) while others concern the labour movement at large (training, development of labour trustee networks, broader agendas regarding alternative investment and the role labour should play in pension governance). Unions will find that unless these decisions are tackled in a proactive and strategic manner, achieving effective labour representation on pension boards will be a frustrating experience.

References

- Ambachtsheer, Jane. 2005. Socially Responsible Investing. *Benefits and Compensation International* 35, no. 1: 1-7.
- CAW. 2006. CAW Pension Campaign. <http://www.caw.ca/campaigns&issues/ongoingcampaigns/pensions/index.asp> (accessed June 1, 2006).
- CGA-Canada. 2004. Addressing the pensions dilemma in Canada. Certified General Accountants Association of Canada. http://www.cga-online.org/servlet/portal/serve/Library/Advocacy+and+Research/CGA-Canada+Key+Areas+of+Interest/Pensions/ca_pensions_report.pdf (accessed May 2005).
- CUPE. 1996. Pension plan governance: A review of several models. <http://www.cupe.ca/pensions/pensiongovernance> (accessed June 2005).
- CUPE. 2005. Why we need joint trusteeship of our pension plans. http://www.cupe.ca/pensions/Why_We_Need_Joint_Tr (accessed January, 2006).
- Carmichael, Isla. 1998. *A survey of union pension trustees*. Toronto: Canadian Labour Market and Productivity Centre and Ontario Public Service Employees Union.
- Carmichael, Isla and Jack Quarter, Eds. 2003. *Money on the line: Workers' capital in Canada*. Toronto: Canadian Centre for Policy Alternatives.
- Clark, Gordon. L. and Tessa Hebb. 2005. Pension fund corporate engagement: The fifth stage of capitalism. *Relations Industrielles/Industrial Relations*, 59(1), 142-171.
- Concert Properties. 2006. Concert Properties Limited website. www.concertproperties.com (accessed June 1, 2006).
- Deaton, Richard Lee. 1989. *The political economy of pensions: Power, politics and social change in Canada, Britain and the United States*. Vancouver: University of British Columbia Press.
- Drucker, Peter. 1976. *The unseen revolution: How pension fund socialism came to America*. New York: Harper and Row.
- Falconer, Kirk. 1999. *Prudence, patience and jobs: Pension investment in a changing Canadian economy*. Ottawa: Canadian Labour Market and Productivity Centre.
- Fleming, J. 1990. No more Mr. nice guys. *Report on Business Magazine* (September): 13-16.

- Fung, Archon., Tessa Hebb and Joel Rogers, Eds. 2001. *Working capital: The power of labor's pensions*. Ithaca, NY: Cornell University Press.
- Ghilarducci, Teresa. 1992. *Labor's capital: The economics and politics of private pensions*. Boston: MIT Press.
- Greenan, Jennifer. 2003. *The handbook of Canadian pension and benefit plans*. 12th ed. Toronto: CCH Canadian Limited.
- Gribben, Chris and Adam Faruk. 2004. *Will UK pension funds become more responsible? A survey of trustees*. London: Just Pensions and UK Social Investment Forum.
- Gribben, Chris and Leon Olsen. 2002. *Will UK pension funds become more responsible? A survey of member nominated trustees*. London: Just Pensions and UK Social Investment Forum.
- Hannah, Jo-Ann. 2003. Remarks to the IQPC Canada Conference: Pension Investment & Governance. 28 October, in Toronto, ON. Received from author.
- Manley, Kathryn, Tessa Hebb and Ted Jackson. 2005. Pension Fund Investment in Underserved Capital Markets: Implications for Canadian Policy Makers. Presented at the Canadian Industrial Relations Association Annual Meeting. 3-5 June, in London, ON.
- OPSEU. 2004. OP Trust Board of trustees. http://www.optrust.com/aboutus/p_trustees.asp (accessed November 2004).
- Ontario Teachers'. 2004. Board of directors. <http://www.otpp.com/web/website.nsf/web/BoardofDirectors> (accessed November 2004).
- Post, Erna. 2005. Access to trustee education in Canada: Issues and problems. Panel discussion at the 2nd Annual Pensions at Work Conference. 14-15 October, in Toronto, ON.
- Quarter, Jack. 1995. *Crossing the line: Unionized employee ownership and investment funds*. Toronto: James Lorimer and Co. Ltd.
- Quarter, Jack, Isla Carmichael, Jorge Sousa, and Susan Elgie. 2001. Social investment by union-based pension funds and labour-sponsored investment funds in Canada. *Relations Industrielles/Industrial Relations* 56, no. 1: 92-115.
- Salo, James. 2005. Shareholder activism, social and environmental standards: An analysis of recent trends from annual general meetings 2001-2004. Presented at the 2nd Annual Pensions at Work Conference. 14-15 October, in Toronto, ON.

- Schuller, Tom and Jeff Hyman. 1983a. Pensions: The voluntary growth of participation. *Industrial Relations Journal* 14, no. 1: 70-79.
- Schuller, Tom and Jeff Hyman. 1983b. Information, participation and pensions: Strategy- and employee-related issues. *Personnel Review* 12, no. 3: 26-30.
- Schuller, Tom and Jeff Hyman. 1984. Forms of ownership and control: Decision-making within a financial institution. *Sociology* 18, no. 1: 51-70.
- Thomson, Jane and David Wheeler. 2004. *Human capital based investment criteria for total shareholder returns: A Canadian and International perspective*. www.pensionsatwork.ca/english/pdfs/thomson_wheeler_human.pdf (accessed October 2005)
- Stanford, Jim. 1999. *Paper boom: Why real prosperity requires a new approach to Canada's economy*. Toronto and Ottawa: James Lorimer and Co. Ltd. and Canadian Centre for Policy Alternatives.
- Weststar, Johanna and Anil Verma. Forthcoming, 2007. What Makes for Effective Labor Representation on Pension Boards? *Labor Studies Journal*.
- Wheeler, Hoyt. 2004. Producers of the world unite! A return of reformist unionism? *Labor Studies Journal* 29, no. 3: 81-100.

Appendix 1:
Administrative Structures of Canadian Pension Plans

	Representative Composition	Labour Representative Selection	Example
1	<ul style="list-style-type: none"> • sole union trusteeship • plan administered by a financial institution 	<ul style="list-style-type: none"> • elected by plan participants 	<ul style="list-style-type: none"> • Marine and Shipbuilders Pension Plan • Carpentry Workers Pension Plan of BC
2	<ul style="list-style-type: none"> • co-sponsored by union and government • joint trusteeship • rotating Chair 	<ul style="list-style-type: none"> • elected or selected by union/plan members 	<ul style="list-style-type: none"> • OPSEU Pension Trust
3	<ul style="list-style-type: none"> • equal representation • rotating Chair 	<ul style="list-style-type: none"> • elected or selected by union/plan members 	<ul style="list-style-type: none"> • HOOPP • CAAT
4	<ul style="list-style-type: none"> • equal representation • rotating Chair 	<ul style="list-style-type: none"> • union recommends representatives to government 	<ul style="list-style-type: none"> • Alberta Public Service Pension Plan
5	<ul style="list-style-type: none"> • equal representation for union and employer sponsors • independent Chair 	<ul style="list-style-type: none"> • sponsoring union selects its own representatives 	<ul style="list-style-type: none"> • Ontario Teachers' Plan under sponsorship of the Ontario Teachers' Federation
6	<ul style="list-style-type: none"> • equal representation • employer Chair 	<ul style="list-style-type: none"> • union recommends representatives to employer 	<ul style="list-style-type: none"> • Canadian Broadcasting Corporation
7	<ul style="list-style-type: none"> • legislated representation for union and employer • not necessarily equal 	<ul style="list-style-type: none"> • elected or selected by union/plan members 	<ul style="list-style-type: none"> • Pension Plans in Québec
8	<ul style="list-style-type: none"> • advisory committee with equal representation • government/employer sole trustee 	<ul style="list-style-type: none"> • elected or selected by union/plan members 	<ul style="list-style-type: none"> • B.C. Municipal • B.C. Public Service • Canadian Pacific Rail
9	<ul style="list-style-type: none"> • advisory committee with equal representation • government sole trustee 	<ul style="list-style-type: none"> • union recommends representatives to government 	<ul style="list-style-type: none"> • Nova Scotia Public Service
10	<ul style="list-style-type: none"> • no joint trusteeship but equal representation • multi-union representation 	<ul style="list-style-type: none"> • employee representatives appointed by government (often on recommendations by union) 	<ul style="list-style-type: none"> • Ontario Municipal Employees' Retirement System (OMERS) • Local Authorities (AB)
11	<ul style="list-style-type: none"> • little or no union representation • unions aspire to more equal role 		<ul style="list-style-type: none"> • Ontario Hydro • Ontario Pension Board
12	<ul style="list-style-type: none"> • no union representation 		<ul style="list-style-type: none"> • General Motors • Bell Communications Enterprises

Adapted from Carmichael, 1998 with additions from CUPE, 1996; Greenan, 2003; OPSEU, 2004; Ontario Teachers', 2004; LTI05; LTI07.

Appendix 2:
Profile of Trustees Quoted in Chapter

ID	Data Source	Gender	Visible Minority	Age Bracket (yrs)	Board Tenure (yrs)	Fund Sector
LTI01	Interview	M	No	35-39	5	Public
LTI02	Interview	M	No	55-59	2	Public
LTI03	Interview	M	Yes	45-49	7.5	Public
LTI04	Interview	F	No	55-59	0.5	Public
LTI05	Interview	M	No	55-59	10	Private
LTS13	Survey	M	No	50-54	15	Public
LTS21	Survey	M	No	55-59	3.5	Public
LTS26	Survey	M	No	45-49	7	Private
LTS32	Survey	M	No	45-49	2.5	Public
LTS58	Survey	M	No	55-59	0.8	Public
LTS65	Survey	F	No	45-49	3	Public
LTS115	Survey	F	No	55-59	6.5	Public
LTS129	Survey	M	No	35-39	0.5	Public
LTS138	Survey	M	No	40-44	7.5	Public
LTS146	Survey	F	No	40-44	2	Private