Move to scrutinise directors' pension benefits

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A National Association of Pension Funds (NAPF) letter to the chairmen of FTSE 350 companies has urged greater transparency on the pension perks of senior executives.

The NAPF and the Local Authority Pension Fund Forum (LAPFF) initiative has called for details of accrual rates, payments in lieu of pensions and retirement ages.

The letter warns boardroom pensions that have significantly higher accrual or contribution rates than those available to other employees could be seen as unfair, if not fully explained.

Some of the enhanced benefits available to directors raised in the joint letter are not covered by the mandatory disclosure requirements, so a number of companies do not make them explicit.

NAPF chief executive Joanne Segars said: "There should be no reward for failure, and pensions must be scrutinised as a key part of the overall pay package.

"Pensions are not usually linked to performance and so must not become a back door to increasing directors' pay."

The NAPF and LAPFF revealed some directors benefit from a rapid accrual rate, such as 1/30th, when other employees may typically be on a rate of 1/60th.

Equally it points out recent studies have shown directors' employer contributions are often far higher than those made to other staff.

It has also asked for any differences between the retirement ages of the boardroom and other employees to be explained.