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Shareholders have long been concerned about excessive executive compensation and with the current climate resulting in a number of government bailouts, politicians, regulators, and an outraged public on both sides of the Atlantic have joined shareholders in their concern about financially unstable companies paying enormous bonuses.

Consider the furore surrounding RBS and Merrill Lynch. In 2008, RBS suffered losses of £24.1bn -- the largest in UK history. It then announced its intention to pay £1bn in executive bonuses and news emerged that former CEO Sir Fred Goodwin was entitled to a pension worth approximately £700,000 a year for the rest of his life. Public anger and government pressure led to a bonus reduction of 90%, but Goodwin's pension remains a source of outrage. Merrill Lynch accepted $20bn in taxpayer funds from the US government after suffering losses of $27bn last year. Merrill Lynch then awarded bonuses worth $3.6bn and public outrage led to Congressional hearings and an investigation by the New York Attorney General.

A recent ComRes poll showed that 84% of British respondents believe in government-imposed salary limits for bailed-out banks. So with public sentiment so united on this issue, pension schemes should really be actively seeking executive compensation reforms.

One way of doing so is the class action device. In the US, institutional investors have successfully sought corporate governance reforms as part of settlements in class action litigations -- recent settlements with Cendant, Honeywell International, i2 Technologies and Enterasys Networks provided for salary guidelines, better disclosure, and increased shareholder input in the process.