Pensions Age

Pensions and the People

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In today's turbulent economic market, European pension funds could potentially be leaving large sums of money on the settlement table.

Every year, U.K.-based pension funds with holdings in the US lose out on millions of settlement fees by not claiming their entitlement in US securities class actions. At a time when pension scheme deficits are a matter of ongoing concern, the class action model is advantageous. A pension scheme has the option to retain a law firm on a contingent fee basis. Lawyers representing the class will only be paid from monies defendants are ordered to pay if the case is won or settled.

The class action promotes efficiency in the judicial system by allowing similar claims to be heard in one action before one judge. With billions at stake, it is not surprising that European institutions are becoming more involved.

A 2008 study be Securities Class Action Services concluded that 182 European investors applied for lead plaintiff positions in securities class actions in the US from 1999 to 2007. In 2006, such settlements totaled just under £9.2bn. Independent reporting agencies have suggested that between 30 and 70 per cent of payouts between £1.5 and £2bn remain unclaimed by UK and European investors.

The fiduciary responsibility of trustees, to take care of the interests of members, clearly encompasses maximizing investor return as well as advocating for good governance within the corporate arena under appropriate circumstances.

Recent developments in Europe suggest the US securities class action model might fit into the European legal system. At the very least, European investors should continue to actively monitor their portfolios and developments in US courts.