Taskforce tackles pension scheme governance

The Taskforce on Pension Scheme Voting Implementation (TPSVI) has set out its recommendations on how to strengthen the role of those who manage people's savings in a move which will see significant strides towards safer, better and greener pension schemes.

Chaired by Simon Howard, the former CEO of the UK Sustainable Investment and Finance Association, the TPSVI was set up by Minister for Pensions Guy Opperman to assist with voting system issues. It will also encourage the people who invest pension savings – such as asset managers – to engage with their clients' preferences about where their money goes.

Currently, when pension schemes invest in pooled funds, they surrender their rights to vote at the Annual General Meetings of the companies they invest in.

And until now, the vast majority of asset managers, who are in charge of these pooled funds, have not always been prepared to engage with their clients' voting preferences.

These votes could be on issues such as climate risk management, diversity, or pay.

Minister for Pensions and Financial Inclusion Guy Opperman said:

> This is about giving pension savers a voice in how their hard-earned savings are being looked after.
>
> I see no reason why trustees shouldn't be able to determine their own high level policies – on areas such as climate risk management, diversity, or pay – and find an asset manager to implement it.
>
> I congratulate the Taskforce for delivering a compelling and well-argued report. I will study the findings closely and respond at the earliest possible opportunity.

Chair of the Taskforce, Simon Howard, said:

> Our recommendations will give asset owners – such as pension schemes – a louder say in voting in pensions.

> There are two principal goals. First; by boosting the owner's voice and influence over their agents we can ensure that the whole system works to better guide investee companies.
>
> Second; we will let the people paying into pensions know that their views are being considered, boosting the support pensions saving will receive. Both are necessary for better pension outcomes.

Taskforce member and Head of Pension Investments at Scottish Widows, Maria Nazarova-Doyle, said:

> It is incredibly important for asset owners like us to have a voice when it comes to voting in pooled funds. A lot of our customers invest in these and our stewardship responsibilities cover all types of investments we make for them.
>
> Having voting guidelines or an expression of wish in place with managers allows asset owners to have an impact and ensure that their sustainability preferences are taken into account when asset managers undertake voting and engagement activities.

Taskforce member and Association of Member Nominated Trustees, Janice Turner, said:

> We are grateful to the Minister for Pensions for setting up this taskforce, which has worked hard over the past few months to assist pension scheme trustees to attain power over the stewardship of their assets.
>
> We welcome the call on asset managers to offer an expression of wish to investors and we will be urging pension trustees to take advantage of this.
>
> We know that one taskforce cannot solve all the issues at a stroke, and so we welcome the recommendation that if the financial services industry does not respond adequately to trustees attempting to fulfil their stewardship responsibilities that action will be taken to change the law.

There are three main recommendations that have been put forward by the Taskforce which look to align greater stewardship and voting policies and help set a path towards more transparency, and investment in line with savers’ interests.

Further information:

The three main recommendations that have been put forward by the Taskforce are:

1. that pension scheme trustees should either set a voting policy of their own, or explicitly accept responsibility for those policies exercised on their behalf by their asset managers

2. all asset managers are to offer asset owners the opportunity to set an “expression of wish” as to how votes are exercised on their behalf, regardless of how they invest

3. The Financial Conduct Authority should:

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