

Quality of activism under scrutiny

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UK local authority pension fund trustees are dissatisfied with the quality of shareholder activism being conducted by fund managers working on their behalf, a new report has claimed.

The Local Authority Pension Fund Forum said shareholder activism by fund managers without critical oversight by their pension fund clients should stop.

The Forum, whose members have combined assets of more than £60bn (€88bn), said there had been slow progress in the improvement of engagement quality, the integration of corporate governance and fund manager transparency.

While many fund managers now report on their activism to pension fund trustees, there remained questions as to whether the information was rigorous enough to allow trustees to make a judgement about the effectiveness of this intervention.

The document concluded that "it is doubtful whether current increased levels of engagement alone are leading to better corporate governance practice".

Alan MacDougall, managing director of Pirc, the pensions consultancy that drew up the report, said many of the problems stemmed from problems of communication.

"It wasn't clear from a lot of respondents as to whether or not the managers had clear engagement practices. Was it the decision of an individual fund manager rather than coherent and systematic policy of the house as a whole?"

Mr MacDougall also found a lack of clarity as to the mechanics of fund managers' engagement policies, ie did they merely write letters, arrange face-to-face meetings with company representatives or make their concerns known publicly.

There was also uncertainty as to how far fund managers would take their concerns if they received an obstinate response from a company.

The LAPFF has released a trustee guide with a template of questions to help evaluate fund managers and the job they are supposed to be doing.