Vocabularies of Motive and Temporal Perspectives: Examples of Pension Fund Engagement and Disengagement

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Abstract

Prior research on institutional investors' role in corporate governance draws a distinction between engaged and disengaged pension funds. The aim of this study is to shed more light on how pension fund practitioners talk about engagement and disengagement. Using insights from thirty-five in-depth, semi-structured interviews and round-table discussions with pension fund trustees, executives, investment officers and financial intermediaries, we identify different types of vocabularies and temporal perspectives used to account for different stances towards engagement. We highlight a tension between a seemingly causal relationship between accounts and future behaviour and argue that these 'accounts', 'vocabularies' and 'uses of the past' in themselves need to be treated as an object of study because they may represent not simply the individual motivations, but rather the expressions of extant norms in the broader social context of financial markets. An important policy implication is that perceived realities of investment are unlikely to cause a change in pension fund behaviour because participants seem to decouple their view of the world from their impact on the world.

Keywords: Corporate Engagement, Pension Fund, Vocabularies of Motive. United Kingdom

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Introduction

There is a general academic and policy concern in the UK about the way the financial system is operating; specifically, that investor disengagement and their short-term goals are damaging the economic health of the country (Plender, 2011; The Kay Review, 2012).There is now a formal agreement among policy-makers that both more accountability within the investment chain and more effective investor engagement are needed to remedy the situation (Stewardship Code, 2010, The Kay Review, 2012). Pension funds in particular have been regarded for over a decade as best suited to act as long-term and engaged investors because they tend to have long-term and predictable investment horizons, and therefore they can provide 'patient capital' (Haldane, 2010; Hawley and Williams, 2000; Myners, Report, 2001; Ryan and Schneider, 2002; Davis, et. al, 2006; Martin, et al, 2007; The Stewardship Code, 2010; The Kay Review, 2012). Yet, the evidence of pension fund engagement is mixed.

Our research aims to shed more light on what characterises the distinction between engaged and disengaged pension funds. More specifically, how pension fund practitioners talk about engagement and disengagement over time. We start with a review of the literature, which highlights the paradoxical nature of institutional ownership without a commitment and mixed evidence on pension fund engagement vis-à-vis portfolio companies. To help explain why such variations in behaviour may exist, we frame our study in the construct of vocabularies of motive, sense-making and organisational *enactment* (Mills, 1940; Weick, 1969), combining this with the notion of temporality (Bluedorn and Standfier, 2006; Slawinski and Bansal, 2012). This novel analytical lens informs our methodology and data analysis, which we outline in our research design. By using the examples of pension fund engagement and disengagement, we reveal the existence of different accounts and vocabularies of

motive within pension fund investment practices. These vocabularies of motive are durable and also accompanied with distinctly different temporal perspectives. We term these as ‘engaged’ and ‘disengaged’ vocabularies. Disengaged vocabulary included common internal and external accounts, which were referred to as significant constraints to engagement. In contrast, engaged vocabulary included a range of external and internal accounts described as enablers of engagement. We also found that pension fund practitioners who used a disengaged vocabulary had a more negative perception of the present in comparison to the past, which led them to describe future as more uncertain and short-term. Engaged vocabulary consisted of a narrative of positive gradual changes in the industry over time, which was associated to a longer-term and sustainable future. In so doing, we present rich and novel empirical examples of distinct vocabularies and propose that they represent an important linchpin for understanding how vocabularies shape institutional behaviour. We highlight the need to develop a more coherent and common understanding of how vocabularies and temporal perspectives work, particularly as our findings highlight a tension between a seeming relationship between vocabularies and accounts and future pension fund behaviour vis-à-vis investee corporations. We conclude by considering the significance of our findings with respect to academic and current policy debates, offering some implications for further research.

Ownership without Commitment: Mixed Evidence of Pension Fund Engagement

Since Berle and Means (1932) examined the implications of the separation of ownership and control, the monitoring and disciplining role of institutional investors has been considered to be an important governance mechanism (Jensen and Meckling, 1976). In his seminal work, Hirschman (1970) identified the investor/company relationship within the ‘exit’ or ‘voice’ framework, where investors either sell the

shares ('exit') if they are dissatisfied, or express concerns to management though 'voice' or engagement. However, the empirical evidence investigating this relationship is decidedly mixed (Bainbridge, 2003; Dalton, et. al., 2007; Tilba, 2011). Most recent academic reviews of the current state of shareholder activism literature suggest that the research on shareholder engagement (both financial and social) offers conflicting perspectives on this topic (Goranova and Ryan, 2014; McNulty and Nordberg, 2016).

Paradoxically, Davis (2008) and Jackson (2008) observe that although institutional investors seem to be increasing in both size and the concentration of their stakes, this concentrated ownership is generally liquid and without commitment, focusing on generating short-term investment returns. This is reflected in the trend towards increased stock turnover and shorter average stock-holding periods (Tomorrow's Owners, 2008; Ownership Commission, 2012). For example, in the UK institutional investors' portfolio turnover reached 56% (Jackson, 2008), while the average duration of equity holding has fallen from five years in the 1960s to just over seven months in 2009 (Haldane, 2010).

Pension funds, it is argued, are best suited to act as long-term and engaged investors because they tend to have long-term and predictable investment horizons (Hawley and Williams, 2000; Ryan and Schneider, 2002; Davis, et. al, 2006; Martin, et al, 2007; The Stewardship Code, 2010; The Kay Review, 2012). Yet, there are only a few UK (mostly quantitative) studies that examine pension funds in relation to corporate governance. The evidence is also conflicting. On the one hand, most prominent (US) studies on shareholder activism have centred around California Public Employees Retirement System's (CalPERS) activism on target firm governance structure, shareholder wealth and performance (Smith, 1996; Hebb, 2006; Barber, 2007; Choi and Fisch, 2008). In the UK, Clark and Hebb (2004) have observed that

pension funds use their influence to increase managerial accountability and corporate transparency in order to raise standards of corporate behaviour. A survey of more than 250 pension funds in fifteen European countries by Sievänen, et al (2013) also demonstrates that large and small pension funds are active in responsible investment.

However, this evidence is contrasted with studies that regard pension funds as inefficient monitors (Bushee, 1998; Duggal, 1999; Karpoff, Malatesta and Walkling 1996; Romano, 2000, Tilba and McNulty, 2013). Bushee (1998) characterises pension funds as 'quasi-indexers', arguing that they exacerbate incentives for myopic investment behaviour because their fragmented and passive ownership precludes them from gathering important company information, disincentivizing the monitoring of managers. A number of scholars have consistently doubted pension fund ability and inclination to act as principals and influence investee companies (Faccio and Lasfer, 2000; Webb, et. al. 2003; Hellman, 2005; Kahan and Rock, 2007; Conyon and Sadler, 2010). Similarly, Goergen and Renneboog (2002) argued that institutional investors in the UK are mostly passive.

Pensions industry reports also present contrasting evidence. For example, the latest report by ShareAction on the actual voting practices by asset managers (2015) reveals a tendency by some managers to vote in favour of company management's recommendations even when there was a case to vote against them. The actual uptake of stewardship by institutional investors remains scant. This is contrasted with the NAPF Engagement Survey (2014), according to which 94% agreed that institutional investors (including pension funds) have stewardship responsibilities which include engaging with companies and voting shares.

This mixed evidence suggests a gap in our understanding about different qualitative influences that may be at play in informing institutional behaviour. For example, Hendry, et. al. (2004; 2006; 2007) were exploring different motivations behind investor engagement. Similarly, Tilba and McNulty (2013) highlight the need to attend to the practices, meanings and motives that underpin investment management by institutions. We argue that there is a need to shed new light on pension fund investment strategies using novel empirical and qualitative explanations of the distinction between engaged and disengaged pension funds. More specifically, we need to understand how pension fund practitioners talk about their investment practises and what accounts they give about engagement and disengagement. We draw on vocabularies of motive, sense-making and organisational *enactment* (Mills, 1940; Weick, 1969) and use this perspective with particular attention to temporality as an analytical lens to explore our research question and interpret the data.

Practical Reasoning, Vocabularies of Motive and Organizational Enactment

Organizational scholars have long researched vocabularies to understand institutional practices and with the rise of research on language, meaning and discourse, these theoretical frameworks have been helping advance the work on institutional logic as novel extension for organizational research and practice. A large part of this work has been done by scholars who propose that vocabularies are instrumental in the social construction of meaning, organizing practices and institutions (Loewenstein, et. al, 2012).

An interest in vocabularies is longstanding and has been most influenced by the work of Kenneth Burke and C. Wright Mills who provided an integrated and developed theory of vocabularies. In his seminal work on '*Situated Actions and Vocabularies of*

Motive', Mills (1940) suggests that when an agent is articulating motives, he is not merely describing his experienced social action, but also influencing others and himself. Broadly, Mills suggests that the ways in which people talk about their motives is dependent on social contexts. In other words, the association with a subcultural group can have an impact on an individual's decisions and behavior (Mills, 1940). Similarly, a prominent American organizational theorist Karl Weick uses the term *enactment* to denote the idea that certain phenomena, for example, organizations or certain behaviors and human actions, are created or enacted by being discussed. Weick theorizes that by constructing, objectifying and enacting their thoughts, people literally create their own reality and constraints (1969). Although *talk* is the fundamental material of human relation, the 'sociology of talk' (Scott and Lyman, 1968) remains underdeveloped in management and corporate governance research.

According to Scott and Lyman (1968), the central feature of talk is giving and receiving of *accounts* or statements made to explain untoward behavior, bridging the gap between expectations and actions. The explanations of the identification of intentions, purposes and choices of actions are revealed to us through the accounts that practitioners give of their daily practices. By an account Scott and Lyman (1968) mean '*a statement made by a social actor to explain unanticipated or untoward behavior – whether that behavior is his own or that of others, and whether that proximate cause for the statement arises from the actor himself or form someone else*' (p. 46). Accounts thus reflect '*socially approved vocabularies which neutralize an act or its consequences when one or both are called into question*' (Scott and Lyman, 1968: 46-51).

As actions contain some 'mental element', the accounts of actions (which can be excuses or justifications) will have components of 'knowledge' and 'will' (Scott and Lyman, 1968). Following from this logic, an individual might excuse himself from responsibility, using claims that certain information was unavailable to him, and if it had been, his behavior would have been different. Both knowledge and will can be impaired under certain conditions, with mitigated responsibility as a direct consequence. Such a pattern of behavior is also referred to as 'culturally-established sense-making – or "interpretative repertoires"' (Potter & Wetherell 1987; 149, Wetherell and Potter, 1988; 171). In social interaction an individual will learn a 'repertoire' of situations or backgrounds, as well as corresponding appropriate accounts which are acceptable to others. In other words, vocabularies help establish a common ground, a shared knowledge among social actors both within and across organizations that is essential for coordinated social action (Bechky, 2003; Cramton, 2001). Following this perspective, a key research objective would be to understand how social actors *themselves* handle internal and external explanations of action as part of their discursive practice (Wetherell, 2005). Furthermore, because meaning is grounded in experience it is important to discuss *examples* of specific practices, activities, events or relationships that are collectively experienced and conventionally referred to (Loewenstein, et. al, 2012).

The research drawing on vocabularies is wide ranging from research on rhetoric (Sillince, 2005; Suddaby and Greenwood, 2005); culture (Berger and Luckmann, 1967; Mills, 1939) and institutional theory (Meyer and Rowan, 1977). In corporate governance Nordberg and McNulty (2013) observe a shifting discourse in the codification within UK away from board structures, composition and procedures in Cadbury towards 'behaviour', as the code seeks to improve board effectiveness as a

mechanism of governance. Aspara, et. al. (2014) theorized about self-reinforcing processes and biases within organizations when they investigated the causes for corporate short-termism. Most recently, Whittle and Mueller (2015) have used similar ideas when they examined the testimonies of leaders of British banks during a UK public inquiry into the financial crisis. They have identified competing interpretative repertoires of agency and structure that the UK bankers used to handle accountability, and particularly their roles in the events leading up to the collapse of the banks.

All in all, scholars who use discourse analysis tend to focus on the delivery of ideas as a form of strategic action but only rarely do they explore actors' vocabularies and the relations of words to examples (Loewenstein, et. al, 2012). In this paper, we aim to fill this gap by using the empirical examples of pension fund engagement and disengagement to examine the *accounts* (both historic and present) used by participants in their daily work practices, which form vocabularies in relation to these examples.

On Temporality

Time has played only a supporting role in prior organization and management studies. Understanding temporality or the 'uses of the past' by managers, organisations and industries represents an important and very interesting dimension of our study. Previous management research and theory tended to understand history as 'organisation's history' (Nelson and Winter, 1982) or histories of industries or populations of firms as 'given' (Hannan and Freeman, 1984). In contrast, the 'uses of the past' approach emphasizes the significance of interpretations of the past and their relationship to how organizational actors experience the present and set expectations for the future. Thus, it represents a novel lens from which to understand a range of phenomena related to organization and management (Mads, et al, 2016).

Time is a basic dimension of organizations and differences in views and assumptions about time shaping organisational culture (Schein, 1983) and norms of organisational behaviour (Doob, 1971). Temporal dimensions of organizations include temporal orientation (i.e. past, present and future), trade-offs related to work pace and awareness of time use (Schriber and Gutek, 1987). A perception of time that considers time cycles adds temporal depth to organizational image (Schriber, 1985). Using the notion of 'temporal imagination', Bluedorn and Standfier (2006) argue that individuals and organizations interpret time and develop their own 'timescapes' (namely, practiced approaches to time), which in turn shapes their behaviour. Referring to Cervantes when he wrote *'for all times are not the same'* (1615/1898: 270) nearly 400 years ago, Bluedorn and Standfier (2006) ask an important question: if time is socially constructed and it differs, how much does it differ? How can variability of interpretation of time explain variances in human and organizational behaviour? More recently, Slawinski and Bansal (2012) began to address these questions and reveal a multi-faceted view of time when they observed two distinct corporate responses to climate change grounded in two different temporal perspectives. Their theorizations about time, as well as the notions of vocabularies of motive offer a novel cross-disciplinary lens to shed new light on pension fund investment strategies.

Research Design and Methodology

This paper has been written as part of a much larger qualitative study into UK pension funds' investment practices and corporate engagement. This study was based on 35 interviews with pension fund trustees, executives, investment officers and financial intermediaries, documentary analysis and observations of four pension fund investment meetings. For this paper, of particular significance were the meanings and actions that 35 key decision-makers assigned to their investment management practices.

Sampling

The UK pension fund industry is remarkably concentrated, with a relatively small proportion of big pension funds and a long 'tail' of small schemes. There are only four pension funds in the whole population with assets under management over £20 billion. We categorize pension funds with assets under management between £10 and £20 billion as 'large'; funds between £5 and £10 billion as 'medium'; and funds with assets under management between £2 and £5 billion as 'small' funds within the UK Top 100 listing. We used theoretical sampling (Shah and Corley, 2006) to identify the funds to study and whom to interview. The literature on pension fund governance suggests that pension fund context, size of assets, maturity, internal investment management capabilities, liquidity requirements, as well as pension fund type (e.g., occupational or local authority fund), are all relevant when determining the approach to investment management, and ultimately the fund's relationship with investee corporations. These pension fund characteristics served as initial sample criteria which informed the identification of the pension funds in two phases (detailed in Appendix A). Apart from these fund characteristics, we were also guided by the assumption that larger (and more internally resourced) pension funds would be better positioned to engage with portfolio companies (Faccio and Lasfer, 2000; Tilba and McNulty, 2013). We also considered that the dominant arrangement of pension fund investment management is delegation through investment experts (Clark, 2000; Tilba and McNulty, 2013). However, given the examples of collective engagement of smaller local authority funds through the Local Authority Pension Fund Forum (LAPFF), we allowed that medium and small size pension funds with delegated investment management might also be in a position to exert influence. As a result, our sample was diverse enough to represent all of these characteristics.

Data Collection

Data collection and analysis occurred in two stages. The first stage was completed in 2010 and resulted in 35 in-depth, semi-structured interviews. The interviewees were asked about (i) their role and main responsibilities within the organisation; (ii) their reflection on the key issues/drivers within broad pension fund context and their particular organisation, particularly relating to shaping pension fund investment and their direct responsibilities; (iii) their interest in relation to being influencing/engaged owner; and (iv) their perception of 'good' and 'poor' governance. All interviews were digitally recorded and transcribed, resulting in approximately 42 hours of recordings and 548 pages of transcriptions. Appendix B provides the list of respondents.

These interviews were supplemented with a series of meetings and round-table discussions between June 2013 and February 2014 with pension funds, legal, investment and policy experts, as part of the Law Commission's Consultation on Fiduciary Duties of Investment Intermediaries to which one of the authors contributed extensively as a member of the Advisory Board. We had a unique opportunity to return to the initial key interview questions and informally 'validate' the interviewees' insights with pension practitioners**.** The series of meetings took place primarily in London and were organized by the UK Law Commission as part of the Consultation.[1]

Data Analysis

We used a grounded theory approach (Glasser and Strauss, 1960) where we iteratively aimed to build theory by looking into how meanings and concepts are

[1] *The Law Commission Consultation (2013) and the Final Report (2014) contain the list of names and responses of individuals and organisations that took part in this consultation.*

constructed. Grounded in Mills' (1940) logic, we aimed to understand 'vocabularies of motives' of pensions practitioners as situated in time. Although we might not know the true motivations of the respondents, we could learn more about interviewees' subjective perceptions of their internal world and detect clues into the way they think about how their world works. We take a sociological view here that it is the internal subjective reality that can determine how interviewees act in their external world. As the intent was to capture the rhetoric around investment, we interviewed respondents who were involved in pension fund management and making strategic investment decisions.

During the first stage of data analysis (completed in 2010), a distinct and novel theme emerged: all interviewees referred to a number of factors such as their organisational roles and changing context, which they considered to have shaped their approach to investment strategy. This prompted a second round of data analysis between June 2013 and February 2014. As part of the peer review process, we revisited the data again to take a more nuanced view of time. Data analysis was inductive and interpretative, using content analysis to analyse the interview transcripts. To warrant the robustness of this analysis, we used the techniques similar to those used by Eisenhardt, (1989), Dacin, et. al. (2010); Creed, et. al. (2010) and Tilba and McNulty (2013), which consisted of four steps.

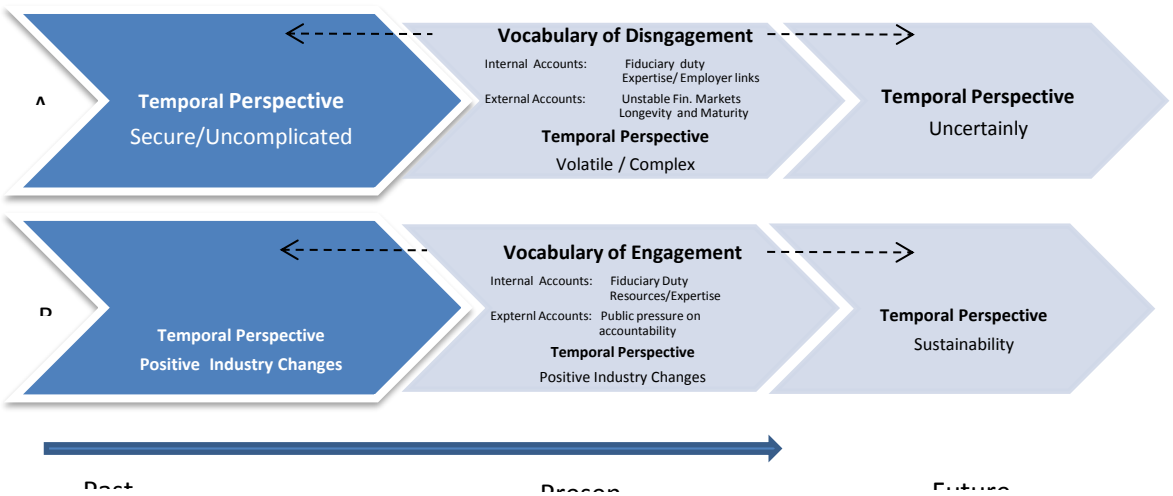
In the *first step* of the analysis, interview transcripts were entered in NVivo as text files and coded on the basis of 'in vivo' words. These comprised descriptions offered by interviewees, all revolving around pension fund investment practices and examples of engagement and disengagement. Distinct themes relating to organisational roles and changing context were identified and also grouped based on the engaged or disengaged stance, forming the first-order codes.

In the *second step*, second-order codes were identified. For example, comments on the first order code such as 'organisational roles' could be distinguished into 'tree nodes' with statements about fiduciary responsibilities of trustees and their expertise. Trustees' statements about contextual factors were grouped into nodes such as 'economic recession and unstable financial markets', 'increased employer involvement', 'increased human longevity' and 'progressing pension fund maturity'. The second-order codes were then refined through triangulation of interviews, with the notes taken during round-table discussions during the consultation (Lincoln and Guba, 1985). This was a recursive rather than a linear process, with analysis moving iteratively between the first- and second-order codes, and patterns in the data emerging into conceptual themes (Eisenhardt, 1989; Dacin, et. al., 2010). This data was then revisited with a more nuanced view of time. For example, the node 'changing context' was further grouped into two distinct temporal perspectives associated with 'engaged' and 'disengaged' examples.

In the *third step*, the emerging conceptual themes were organized into the overarching themes that inform our main findings and theoretical reflections. To ensure the credibility of our analysis (Shah and Corley, 2006), throughout the process the authors discussed coding, cross-referencing and emerging themes. NVivo also allowed the interview content to be analysed more systematically. This data analysis enabled us to develop two broad vocabularies of motives that pension fund trustees and managers use to explain their own investment practice, alongside temporal perspectives. We term these as 'engaged' and 'disengaged' vocabularies and map them as examples A and B illustrated in Figure 1.

Research Findings

Figure 1 Vocabularies of Motive and Temporal



Empirically, we reveal the existence of different accounts and vocabularies of motive within pension fund investment practices. These vocabularies of motive are durable and also accompanied with distinctly different temporal perspectives[2] (as indicated by group A and B along a time continuum in Figure 1). Within disengaged vocabulary (group A), trustees and pension fund executives referred to a number of internal and external justifications to account for the disengaged and investment performance oriented behaviour. The internal accounts are associated with trustees' interpretations of their fiduciary duties; the levels of expertise on the trustee board and employer relationship. External accounts included: unstable financial markets, increasing human longevity and progressing pension fund maturity – all considered being significant constraints to engagement. In contrast, interviewees who used engaged vocabulary (group B) used more positive accounts of their investment behaviour. There were also references to internal accounts such as trustee fiduciary duty, internal resources and

[2] As significant number of respondents have been working in pensions industry on the average between 15-20 years, it was possible to get their longitudinal insights on the research topic.

expertise. However, these were considered as enablers of engagement, alongside external public pressure for more accountability and engagement.

We also found that distinct temporal perspectives accompanies engaged and disengaged vocabularies. Group A created a distinct narrative of stable funding and pension fund's environment being *'simple'* and *'uncomplicated'* in the past, but becoming *'volatile'* and *'overly complex'* in the present, leading to an *'uncertain'* future. In contrast, group B used a more positive narrative, describing gradual pension industry changes from non-engagement in the past to more active engagement by some pension funds in the present, and ultimately connecting this to a more sustainable future. We elaborate on these findings in more detail next, starting with interviewees accounts in the Disengaged Vocabulary.

Group A Disengaged Vocabulary

Internal Accounts

Trustees Fiduciary Duty. All interviewees referred to 'Fiduciary Duties'[3] as the most important aspect shaping trustee approaches to investment. We find that the majority of trustees interpret their fiduciary duty as the duty to act in the best *financial* interest of beneficiaries. Out of 35 interviews, 28 local authority and occupational pension fund respondents highlighted that '*one single objective is to manage the money in the best possible way*', and that means making a return on invested capital. Trustees' perception of their duty to act in the best *financial* interest of the pension fund members meant that

[3] The Trustee Act 2000 specifies that trustees have a fiduciary duty of care, which means that in determining investment strategy, trustees must consider the suitability of different asset classes in meeting the scheme's liabilities, account for the risks and returns associated with different investment products and ensure appropriate diversification of the scheme's investment portfolio (The Pensions Regulator, 2010). According to the Trustee Act 2000, trustees are also given power to invest assets in a way that produces an income or return on capital.

in-house investment officers were more focused on generating investment performance at the expense of anything else. While reflecting on their roles, trustees and pension fund managers perceived that pension funds are there '*to provide financial security to members'*. Thus, trustees saw it as their duty in relation to the trust to fulfil what the law required and ensure that pension fund assets are invested in a profitable way. Spending money on engagement was considered to be an *'unjustified'* use of pension fund resources. Trustee accounts (Quotes 1, 2, 3 and 4 in Table 2, Appendix C) illustrate how trustees made sense of this issue. When it came to pension fund governance and compliance, the CEO of a large occupational pension fund (over £22 billion) discussed a variety of factors that shifted focus away from corporate engagement towards other 'more important' issues such as '*sound standards of administration, sensible standards of investment rather than corporate governance'*. Engagement was seen as an unjustified use of pension fund resources, therefore it was not seen as a prudent way of fulfilling a trustee's duty to grow a pension fund. The fund managers said that they exercised discipline over the management of the investee companies by exiting or selling the shares, rather than engaging.

Expertise within trustee boards. A majority of trustees and pension fund managers also referred to a lack of investment expertise on their boards and the subsequent outsourcing from an increasingly complex pensions environment as another reason why they did not engage with their investee companies. Many explained that although trustees are responsible for investment strategy, by law they are not required to be investment experts. Instead, they are required to take appropriate investment advice to help formulate and implement that strategy. Therefore, respondents also shifted their individual responsibility for (dis)engagement by attributing it to an increase in the

availability of financial intermediation in a form of investment consultants and other experts.

Relationship with the Employer. In conversations about the challenges and barriers towards investor engagement, interviewees also described the need to maintain a good relationship with the employer as a constraint. Nearly all interviewees of occupational pension funds related financial well-being of a pension fund to the financial health of their employer. Trustees suggested that it is part of their responsibility to maintain a healthy relationship with the employer and expressed the view that they did not want to engage on any particular corporate governance issue because that might damage the reputation of their employer. Quotes 5, 6 and 7 exemplify this perception. We find that in handling the questions of engagement trustees of large and potentially powerful pension funds seem to make a rational choice and *deliberately* remain distant because it *'makes more sense'* for them to do so. Close ties with the sponsor are said to put pressure on trustees and managers to maintain the status quo with the company and *'not rock the boat'*. Accordingly, the involvement with investee companies was said to be minimal.

External Accounts

Unstable financial markets. All interviewees perceived that they were operating in an environment characterized by unstable and complex financial markets, a situation which made it difficult for them to engage with investee corporations because they were more preoccupied with generating investment returns from their investment portfolios. Respondents expressed views that economic and financial instability have further worsened pension schemes' funding and increased the financial vulnerability of pension funds, putting more pressure on schemes to look for other means and

investment tools to improve funding. Most interviewees referred to the falls in productivity, corporate insolvency risks and reduced levels of employer contributions as key external drivers shaping their investment strategy. In the context of local authority pension funds, there was a common perception that the worsening economic climate had put pension funds in a huge financial strain, precluding trustees from focusing on stewardship and engagement. Quotes 12 and 13 highlight this common perception.

Increasing human longevity was another factor that interviewees commonly referred to when they reflected on their investment practices. Scientific data show that increasing life expectancy rose both in men and women: a 65-year-old man retiring today will, on average, live to 89 (The Economist, February 23-29, 2008). Over a third of interviewees perceived longevity as one of the largest pension risks, after the investment risk impacting on their investment strategy. According to most respondents, operating in a world where people live longer would meant that pensions have to be paid out over longer periods of time, but at similar pension contribution levels. According to The Purple Book (2009), an increase in human longevity by two years had increased schemes' liabilities by around £51.4 billion, or 5.2% of liabilities. While reflecting on the current conditions, the respondents emphasized that the main challenge of increased longevity relates to maintaining scheme funding and making pensions affordable (Quote 10). Crucially, interviewees perceived that increased longevity and the associated increase in pension liabilities put pressure on trustees to focus more on generating investment returns within their investment fund manager mandates, rather than corporate governance matters.

Pension fund maturity. The more mature a fund is, the less contributions it receives from its working members and the more benefits it needs to pay out to the retired

members. The common understanding amongst practitioners was that the more mature pension funds face more pressing liquidity demands and financial needs. Over 80% of pension funds in the sample were mature or maturing pension funds. Subsequently, trustees and pensions managers explained that because they run maturing funds, their investment priority was to generate more returns on their investments and diversify their investment portfolio to match pension liability profiles more closely. (Quote 11). The language of '*generating investment returns'* in order to '*pay out pensions now as opposed to later'* was used throughout all discussions, particularly when practitioners accounted for their reasons behind disengagement.

Temporal Perspective

In our data, we found that trustees and pension fund managers who broadly used disengaged vocabulary shared a similar temporal perspective of the pension fund industry being *'secure'* in the past, but then becoming increasingly *'complex'* and *'pressured'* in the present. Such use of the past seems to have created a narrow vision of the uncertain future, where trustees ought to be thinking of *'the bottom line'*.

From surpluses to deficits. Alongside the interviewees' references to external socio-economic *'reasons'* , they have also contextualised it using a rhetoric of pension fund finances suffering a double blow: one from falls in stock markets and another dealt by increasing longevity. This ultimately is said to have transformed the pensions industry from being in surplus in the past to being in deficit in the present and putting more financial pressure on trustees to be more short-term in future. Quotes 12 and 13 are suggestive of this narrative. Interviewees suggest that pension fund deficits have contributed significantly to the shrinkage of pension fund investment horizons. Ultimately, most trustees and pension fund managers were *'worried about what is going to happen to pensions in the next three months*'. As a consequence, they said they had

to focus more on investment performance of their asset portfolio over the short term, rather than long-term engagement with equity investments.

Increasing trend towards outsourcing. When reflecting on the nature of their job, interviewees conjured up a vocabulary of a '*different world'* when they talked about the pension fund industry, particularly the investment arena. A CEO of a pension fund with assets under management exceeding £20 billion made sense of his 30 years of experience within the pension fund industry in terms of having more problems because of the multiplicity of advisers they have to deal with (Quote 14 and 15). Pension fund trustees and executives with decades of experience working in the pensions industry have all noted that in the past fifteen years there has been a move towards outsourcing of investment management to external specialist managers and other experts.

Increasing complexity of financial products and structures. Interviewees' accounts also evoked an impression of increasing complexity and volatility in the pensions industry: an increasing range of investment products available, larger number of managers to offer and manage these products, and the associated multiplicity of fund manager mandates. All of these were said to further detach pension fuds from their investee corporations. Quotes 16, 17 and 18 illustrate these accounts. Many pension funds in this group had over 40 investment mandates, sometimes over a hundred. Over time, these increases in mandates is said to become too much for the existing governance structures of pension funds, which makes it difficult to monitor what the fund managers deliver.

The complexity of investment products is also accompanied with the complexity of investment contracts attached to those products and a sophisticated jargon, which trustees often did not understand as it *'wasn't in the discussions that trustees had years*

ago'. Such complexity of pension fund investment is said to have had huge implications for pension fund investment strategy, causing trustees to focus on short-term investment returns within investment mandates. The focus on investment performance and funds' 'exit' strategy is best summarised in Quote 19.

Increasing complexity in regulation. Interviewees also highlighted an increasing burden of regulation over time, which has put more responsibilities on trustees, creating '*a culture of box-ticking'* that was *'gradually replacing professionalism'*. According to pensions practitioners, '*every time there is a crisis, people say that the answer is more regulation, more detail and more boxes to tick';* this type of mentality meant that trustees found it *'difficult to see the big picture because they are overwhelmed by all the detail'*. Quotes 20, 21 and 22 illustrate this perspective.

Group B Engagement Vocabulary

In contrast to group A, very few interviewees (represented only by two large occupational pension funds and pension funds within the Local Authority Pension Fund Forum) used a more positive vocabulary about engagement.

Internal Accounts

Trustees' Fiduciary Duties. Several respondents within this group *'made sense'* of engagement by relating it to their fiduciary duty. However, unlike the narrative within disengaged vocabulary, trustees and pension fund managers interpreted their fiduciary duty of loyalty as securing not only the best financial interests of members by focusing on investment (out)performance, but also by making sure that investments are sustainable over time through engagement. One Trustee explained that engagement is actually good business (Quote 23). Interestingly, a CEO of one industry-wide pension fund also noted that '*there are differences in the drivers of investment strategy between*

local authority and private sector pension funds', where public sector funds have a *'more moral view of things'* running through their investments. This view is echoed by five respondents from LAPFF who associated their fiduciary duty with being a responsible owner of shares, providing not only capital but also being concerned with environmental, social and governance (ESG) issues for the greater good of society (Quotes 24).

Resources and Expertise. Interviewees also suggested that the size of a fund, its internal resources and the level of expertise on the trustee board play a crucial role in enabling engagement activities. The more resources and expertise a fund has in-house, the more control it has over the formulation and implementation of its investment strategies. Coupled with the internal 'ethos' of stewardship, these characteristics were said to have allowed trustees to exercise their fiduciary duty and act in the best long-term interests of their members in a more 'responsible' way. Quote 25 captures this perception. We also note here that smaller and less resourced local authority schemes *'pulled their resources together'* and engaged via LAPFF.

External Accounts

Public Pressure for Accountability and Engagement. Interviewees noted that the increasing public pressure for accountability was one of the reasons for such a 'concentration' of responsible investment interests within the public sector pension funds. Local authorities were said to have more pressure to have higher standards of public accountability and more is expected of these funds in terms of dealing with ESG issues. (Quote 26 exemplifies this account.) In short, engagement *'made sense'* and was embedded in the investment philosophy and connected to the overall investment decision-making process.

Temporal Perspective

In contrast to disengaged vocabulary we find that trustees and pensions executives within this group talk about past, present and future in a more positive way. Respondents described gradual pension industry changes from non-engagement in the past to more active and meaningful engagement by some pension funds in the present and ultimately connecting this to a more sustainable future. Interviewees suggested that there is more attention not only to pension fund governance within the industry, but also more responsibility around investment stewardship, which was a result of increased public pressure to take ESG issues more seriously (Quotes 27, 28 and 29). Trustees and pensions executives also reflected on the positive changes in the pension fund industry, by saying that the Pensions' Regulator provided a wealth of information which allowed trustees to become *'more professional'* and *'more knowledgeable'* about investment and stewardship.

Longer investment time horizons. Interestingly, pension funds within group B talked more positively about the past, which appears to have increased their tolerance towards future uncertainty, allowing them to focus more on investment sustainability, partly through stewardship and engagement. This was evident from longer investment performance evaluation cycles. In contrast to group A, where predominantly quarterly fund manager performance evaluations prevailed, group B looked three to five years ahead. Respondents also recognised a tension between fund managers having to report on investment performance on a quarterly, even monthly, basis and a more long-term investment horizon than pension funds can have. A CIO of a multi-billion bound pension fund articulated this comparison in Quote 30. Local governance pension schemes (LGPS) had the longest outlook into the future because they did not have the yearly appraisals of pension fund liabilities *'on the balance sheet of the corporate*

sponsor'. When setting up the investment strategy, a number of schemes were looking as far ahead as fifteen-twenty years.

Discussion

The aim of this research was to shed new light on pension fund investment strategies and the approaches to equity ownership. More specifically, how pension fund practitioners talk about engagement and disengagement vis-à-vis investee corporations over time. We used theorizations about time (Bluedorn and Standfier, 2006; Slawinski and Bansal, 2012) and the notions of vocabularies of motive (Mills, 1940; Weick, 1969; Whittle and Mueller, 2015), as a novel cross-disciplinary lens to shed light on pension fund investment strategies. Methodologically we moved away from the hard laws of economic behaviour and the dichotomous principal/agent view of investor/company relationship towards more soft and qualitative assumptions which take into account the often messy, fluid and complex view of social organization. We also viewed pension funds as one distinct type of investor to account for investor heterogeneity (Ryan & Schneider, 2003; Koh, 2007; Connelly, et. al. 2010).

Empirically, our findings offer novel qualitative insights into the vocabularies and temporal perspectives that trustees and pension fund managers use to account for their investment behaviour. We extend the very few and mostly quantitative studies on pension funds in relation to corporate governance. Looking at what economic sociologists would call 'the blind spot', we particularly provide further evidence to support ongoing scholarly concerns about pension fund willingness and ability to act as engaged owners (Webb, et. al. 2003; Hellman, 2005; Kahan and Rock, 2007; Conyon and Sadler, 2010).

More specifically, while the most recent qualitative study by Tilba and McNulty (2013) associate UK pension fund disengagement with the complexity within the investment chain and a subsequent disconnect in accountability relationships alongside it, we find that this picture is much more complex. By using the examples of pension fund engagement and disengagement, we reveal the existence of different accounts and vocabularies of motive within pension fund investment practices. These vocabularies of motive are durable and also accompanied with distinctly different temporal perspectives. We term these as 'engaged' and 'disengaged' vocabulary, which included a range of external and internal accounts described as enablers of or barriers to engagement. Our findings highlight a tension between a seeming relationship between vocabularies and accounts and future pension fund behaviour vis-à-vis investee corporations. During the interview discussions and often implicitly interviewees linked their accounts with their pension fund investment strategies and engagement. For example, when reflecting on their organisational roles, trustees and executives who used disengaged vocabulary (Group A) interpreted their fiduciary responsibility to act in the best interests of beneficiaries as the duty to act in the best *financial* interests, which they said precluded them from engagement. In contrast, trustees and executives in (Group B), have linked the same notion of fiduciary duty to their engagement actions. Similarly, in giving an account of the relationship with the employer, trustees in group A have emphasised their dependency on employer contributions, linking this dependency with their unwillingness to engage with corporations. In contrast, these accounts were absent from the accounts of the interviewees in the engaging pension funds in group B.

Similarly, trustees in group A linked external socio-economic factors such as unstable financial markets, increasing longevity and progressing pension fund maturity

with increased pension fund deficits and liabilities – all factors which respondents claim to have diminished pension fund capacity to engage with investee corporations. Although engaging pension funds' respondents all mentioned these factors, they did not consider them to be a barrier to engagement. Instead, they were talking about increasing public pressure on accountability, which has often prompted more engagement actions.

We also find that disengaged and engaged vocabularies or 'scripts' are contextualized within different temporal perspectives. Pension fund practitioners who used a disengaged vocabulary had a more negative perception of the present in comparison to the past, which was connected to short-term future uncertainty. Trustees and executives were describing a transition from pension's surpluses into deficits, an increasing trend towards outsourcing, and increased complexity of financial products and structures, which was detaching trustees too far from investee companies. Furthermore, a burden of over-regulation was said to create a culture of box-ticking rather than meaningful engagement.

In contrast, engaged vocabulary consisted of a narrative of positive gradual changes in the industry over time, which was associated to a longer-term and sustainable future. Interestingly, the temporal perspective within disengaged vocabulary suggests a discord between the long-term investment horizon of pension funds and the need to provide a pension which is sustainable in future on the one hand and a short-term and more 'immediate' financial pressures in the present. Within such a temporal perspective, engagement was also often described as a trend in time.

Theoretically, our findings support the growing body of qualitative governance research, which highlight the need to attend to the practices, meanings and motives that

underpin investment management by institutions (Hendry, et. al.'s, 2004; 2006; 2007, Tilba and McNulty, 2013). Our empirical insights into pension fund vocabularies highlight the significance of different narratives and also help develop a more coherent understanding of how vocabularies work (Loewenstein, et. al, 2012). Furthermore, our analysis of temporal perspectives adds to an embryonic stream within corporate governance research which examines a multi-faceted view of time in relation to ESG issues like climate change (Slawinski and Bansal, 2012).Our findings also support their claim that variability of interpretation of time can shed more light on the variance in organizational behaviour.

Significantly, we suggest that the tension between discourse and action in this study may represent not simply the individual motivations of fund managers, but rather are expressions of extant norms in the broader social context of financial markets. We believe that these contrasting accounts and the associated engagement or disengagement actions may be an example of organisational *enactment* through co-production of vocabularies of motive, which is consistent with Weick's (1969) theory. The systematic and self-reinforcing processes are something that Aspara, et. al. (2014) and Whittle and Mueller (2015) have been recently investigating in relation to investors, the media and the banks.

Our study provides some initial evidence to suggest that engagement or disengagement actions may be a *product* of accounts, often constructed in unnoticed ways through the choice of internal and external, rational or irrational, explanations and justifications of behavior. What is clear from our study is that a great deal rests on which accounts of action become embedded in the 'repertoire of legitimate stories' (Czarniawaska, 1997; 16). In other words, the dominant repertoires/vocabularies can

provide the dominant patterns of sense-making and reasoning that may inform action, creating the very conditions they describe.

Our findings support the view that ‘vocabulary of motives’ are rooted in the culturally and situationally approriate 'scripts' that are available in a particular social group in a particular historical period of time. We find that these repertoires of stories are embedded within different temporal perspectives, which support the Bluedorn and Standfier’s (2006) view of time as socially constructed. Significantly, our findings provide some indication that disengaged vocabulary appears to be if not a conduit that drives action, but certainly a conduit that can permit disengagement and short-term behaviour. Therefore, a fresh research agenda should focus on establishing whether this causal relationship exists. This agenda is of particular importance given the UK policymakers’ interest in understanding pension fund trustee behavioural dynamics (FCA, 2016; Tilba, et. al. 2016).

Policy Implications

Both academics and policy makers have focused on shareholder value and the role of shareholders, with many attempts made to facilitate further engagement and stewardship between shareholders and management. We find this focus to be misconceived, preferring to claim that trustees’ accounts of their fiduciary role within the trust relationship contradict in practice the logic of engagement because many trustees equate beneficiaries’ interests to *financial* interests and maximizing investment returns. This is also reflected in the contractual relationships with their investment fund managers and their mandates, which we argue actually discourages the investment fund managers from conducting stewardship activities. An important policy implication is that perceived realities of investment are unlikely to cause a change in pension fund

behaviour because participants' accounts of their investment practice seem to decouple their view of the world from their impact on the world.

Limitations and Future Research

Our study has limitations. The qualitative character of this research means that we might never move beyond subjective 'mere rationalizations' to 'real motives' and 'uses of time'; multiple others factors may also play a part in self-reinforcing behaviors. We also did not specifically set out to investigate the human perception of time. However, we believe that understanding the espoused vocabularies of motives and their *enactment* through time is important because it can be transferred to other contexts and organisations. For example, how do investment consultants make sense and account for their practices? We argue that these 'vocabularies' and 'time perspectives' in themselves need to be treated as an object of study within management and corporate governance research. It would be intersecting to explore this in more detail in future, as well as the linguistic behaviour of interviewees using Mills' (1940) theory of language and sociological psychology. In this study we had access to what we consider to be 'key informants' in the pensions field who have allowed us to theorize about pension fund behaviour vis-à-vis equity investments. Future inquiry should test the wider representativeness of these assumptions.

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Appendix A Data Collection

Phase 1	Using the sorting tools in the Pension Funds Online database, 2,866 UK pension funds were identified by their share of UK ownership, starting from the minimum value of £1 million + ∞. The population range is generated according to fund size in terms of capital value, the highest being over £37 billion and the lowest being just over £2 million. From this list, Top 100 occupational and local authority pension funds were then selected for the second screening phase.
Phase 2	The Top 100 pension funds were analyzed and cross-compared, to establish the characteristics such as pension fund type, amount of assets under management, allocation to equity, mode of investment management, and maturity. After examining these characteristics it became evident that there was enough diversity within these funds to reflect the different characteristics and the completeness of the range of the responses. The sample represents both local authority and occupational pension funds, with assets under management ranging from £30 billion to just under £1 billion, and total membership ranging from 239,144 to just over 10,000.

Appendix B List of Respondents

Position	Type of Organization	Assets under management (£bn)	Industry sector
Executive member of LAPFF/Trustee	Local authority fund LAPFF	£3.9 £95	Local Government
Chief Executive Officer	Occupational fund	£7.0	Chemicals and Allied Products
Trustee	Local authority fund	£3.9	Local Government
Chief Executive Officer	Occupational fund	£22.6	Energy and Utilities
Chief Executive Officer/ Trustee	Occupational fund	£13.8	Energy and Utilities
Trustee	Occupational fund	£1	Energy and Utilities
Chief Executive Officer	Occupational	£5.1	Retail and Wholesale Trade
Treasurer	Local authority fund	£3.9	Local Government
Corporate Governance Counsel	Occupational fund	£15.9	Tourism and Travel
Trustee	Occupational fund	£1	Energy and Utilities
Chief Executive Officer	Occupational fund	£1	Telecommunications
Trustee/Executive Director	Occupational fund	£3.4	Industry-wide
Manager, Pensions Investment	Corporate	N/A	Energy and Utilities
Chief Executive Officer	Occupational fund	£2.4	Media
Chie Executive Officer	Occupational fund	£11.9	Energy and Utilities
Chief Investment Officer	Occupational fund	£30.1	Education
Pensions Policy Manager	Occupational fund	£30.1	Education
Chief Executive Officer	Occupational fund	£3.4	Industry-wide
Trustee	Local authority fund	£4.3	Local Government
Chairman of Trustees	Occupational fund	£12.7	Energy and Utilities
Pensions Secretary	Occupational fund	£2.3	Energy and Utilities
Co-Head of Responsible Investment	Occupational fund	£30.1	Education
Chief Investment Officer	Local authority fund	£7.9	Local Government
Chief Executive Officer	Local authority fund	£4.3	Local Government
Trustee	Occupational	N/A	Education
Pension Fund Manager	Local authority fund	£2.3	Local Government
Investment Director	Asset management	£12.1	Finance
Actuary/Retirement Consultant	Investment consulting	N/A	Investment Consulting
Chief Investment Manager/Former CIO of local authority fund	Asset management	£1.5	Finance
Investment Manager	Asset management	£37	Finance
Actuary	Investment Consulting	N/A	Investment Consulting
Client Relationship Executive	Asset management	£300	Finance
Senior Consultant/Chairman/Non-Executive Director	Investment Consulting NAPF BESTrustees The Pensions Regulator	N/A	
Fund Manager	Asset Management	£4	Finance
Partner	Law firm	N/A	Legal

Appendix C Table 2 Selected Supporting Quotations

Nr.	***Role***	***Quotation***	***Pension Fund Size/Type***
1	*Trustee*	*'…The responsibility of each member of the pension fund committee is quite clear…they are there to get the best return into the fund. The primary fiduciary responsibility is to maximise return – that's what they are there for'*	*Over £3 billion / Occupational*
2	*Trustee*	*'I don't see that we have any agenda to influence or change the direction of policies of any of the companies that we invest in, so it is a paradox, isn't it? On the one hand we declare that we have an active, activism policy because that means that we can tick the box as far as reviewing our Myners performance is concerned and on the other hand, although we say have that policy, in terms of where it is taking us, and what is going to achieve [emphasis added] for us…. I am struggling to see that we've got any goals for it to change the behaviour of the target company in any way'*	*Over £1 billion/* *Occupational*
3	*CIO*	*'The bottom line is, the most important feature for a pension fund – that is my job – is to make as high a return as possible… we are not an ethical fund, so I am not going to make a social judgement about what we should and should not be investing in… if I find an extremely good commodity manager who doesn't give a toss about how you vote – I would still invest with that manager… I get on with investing in areas that are going to give me good return.'*	*Over £8 billion/* *Local Authority*
4	*Chairman of Trustees*	*'We are very much passive financial owners- that is how we would see ourselves. It is about getting a benchmark return'.*	*Over £12 billion/* *Occupational*

5	*CEO*	*Yes we are a big pension fund, but the sponsor is even bigger, so the security of our sponsor, the good will of the sponsor is very important…because the resources are in-house, it would require the company to be 100% happy with what we are doing, so what we are doing would not in any way impinge on [name] reputation …it's quite a deterrent for us…because we don't want the risk of pension fund requiring of other people to do things that we know we can't do as a company ourselves…I think that there is a serious issue here in making progress with corporate governance…We are very careful, we have to be clear about what we are not doing and why we are not doing it.'*	*Over £13 billion/ Occupational*
6	*CEO*	*'[Corporate reputation] is definitely important and having the good will of the company…the money is important …there is an interdependence there, which [the pension fund] has to respect'*	*Over £13 billion/ Occupational*
7	*Pensions Secretary*	*'…it would be very embarrassing to come out and do something completely different from the company'*	*Over £2 billion/ Occupational*
8	*CEO*	*'…is that most people have grown up in a world in which you could be reasonably confident that the company, which originally founded a pension fund will be around to support it through the years...What we are seeing now is…significantly declining longevity of corporate sponsors…Most trustees and pension fund members who'd grown up in era of relative certainty find it difficult to adjust to the fact that the biggest issue that faces trustees isn't the investments it's the covenant.'*	*Over £7 billion/ Occupational*
9	*Chairman of Trustees*	*'There has to be a relationship between the trustees and the sponsoring company and in the world where everything is in surplus that is not an issue. When there is a deficit there is obviously a strain on your valuation…so that provides a certain amount of*	*Over £12 billion/ Industry-wide*

		tension between the companies that are not exactly flowing over with money these days'	
10	*CEO*	*'Despite the fact that we now live considerably longer than in 1969, the total level of contributions is significantly less than it was in 1969 so we are now trying to produce pensions for people who are going to live longer by paying less money – now you don't need to be a genius to see that you are not going to get the same kind of pensions.'*	*Over £20 billion/ Occupational*
11	*Trustee*	*'Although we are a maturing pension fund, because we sit within the sponsor where the covenant is exceptionally strong... we can afford to take risks and we expect to be rewarded for these risks in the longer- term'*	*Over 13 billion/ Occupational*
12	*Trustee*	*'During the years that I have been serving as a trustee, this is the first time that the group had to cope with managing a deficit. Prior to that, year after year, the trustees had the task of dealing with the surplus'.*	*Over 10 billion/ Industry-wide*
13	*Chairman of Trustees*	*'Pensions having been for many years a rather boring subject because they were in surplus and the only thing you had to do is to turn up for meetings once per quarter, make sure that the pensions were being paid. Of course that all turned completely on its head as we are now in huge deficits'.*	*Over 10 billion/ Industry-wide*
14	*CEO*	*'People who are running pensions investments have got more problems to face…you have got a battery of people to advise you on everything - you got investment advisers, you've got fund managers, you've got actuaries, you've got performance measurers, you've got lawyers, accountants, auditors – so whatever is that you need to know as a chief executive of a pension scheme, you know there is somebody to tell you'.*	*Over £30 billion/ Occupational*

15	*CEO*	*'As the environment in which pensions operate becomes more complicated, then people who are running it have got more problems to face and therefore they are likely to need more advice from more, a wider range of experts, so it probably is the case that there is more parties. There is certainly, for example, there is wider range of investment products, which probably why there are range of fund managers. I mean there are more people involved in the process'.*	*Over £30 billion/* *Occupational*
16	*CEO*	*'20 years ago there were more in-house managers. I think one thing that has changed in the last ten years that a pension fund would typically give its money to one manager to manage the whole pot of investments. In the old days the trustees could connect much easier with corporations because they had one manager to deal with. Now they've got sets of consultants, they probably got ten different managers, and each of those managers has got a different mandate and a different benchmark in some cases and so the trustees are a bit more detached from the corporations'.*	*Over £20 billion/* *Occupational*
17	*CIO*	*'If you roll back 15 years people would just have been in balanced fund management and they would have had one or two managers and it is challenging because there is all these new products coming along all the time that trustees do not really understand'.*	*Over £3 billion/* *Occupational*
18	*CEO*	*'…in the old days the trustees could connect much easier with the company because they had one manager to deal with. Now, if it is a big pension fund, the trustees got ten different managers and each of these managers has got a different mandate and a different benchmark and so the trustees are more detached from the corporations –that is particularly so for big pension funds'*	*Investment Fund Management House*
19	*CEO*	*'What we delegate to our fund managers is 'make us money, provide good returns' and what we select our fund managers on are people who can pick the right stocks…we ask them to vote and they vote and that means they can tick the corporate governance box,*	*Over £11 billion/* *Occupational*

		but it is box ticking…And if they don't like the way the company is being run, they will do what we all can do, which is sell it'	
20	*Pensions Lawyer*	*'I think there is a huge burden of over-regulation. There was supposed to be this process of simplification in pensions law. The Finance Act 2004, which is probably the biggest change since 1972 has done anything but simplified it because there is a whole raft of regulation which is very difficult for a lay person to understand - things you have to do to fund the scheme and invest in the assets and therefore we are paying a lot more, particularly to consultants'.*	*Law Firm*
21	*Pensions Policy Manager*	*'It's very much like tick-box, because the trustees under the Statement of the Investment Principles are required to say what their attitude is in general… but the financial crisis has exposed a deeper problem, which is that you can't do corporate governance though tick-boxing, it is very superficial'.*	*Over £30 billion/* *Industry- wide*
22	*Pensions Policy Manager*	*'The Pension's Act 2004 has created the Pensions Regulator, who has created a whole host of regulations about the way schemes should behave, mainly to control risk, trying to improve the overall governance of pension schemes, that has come as quite significant cost in terms of resources….for many pensions that was a bridge too far'.*	*Over £30 billion/* *Industry- wide*
23	*Trustee*	*'[Engagement] is actually good business…there is evidence that it does add value to your shares… as much as 8% to the company value...It probably adds 20%, which is a lot'.*	*Over 7 billion/* *Local Authority*

24	*Chairman of Trustees*	*'…to me it is part of my socialist principles….that is where I come from, it is for the greater good. I think that is why I got involved in politics, I always believed in social justice.'*	*Over £3 billion/* *Local Authority*
25	*CIO*	*'As an organization we have a good history of trying to do these things [engagement] well as a company itself. Indeed, the pensions team sits within our corporate governance department which includes the legal team and senior remuneration and so on. I think we have got the resources and we have set out to operate at a high standard in the engagement area'.*	*£ 4 billion/* *Occupational*
26	*CEO*	*'…we are heavily in a public domain and everything we do is funded through the council tax, we have real high standards of public accountability and we believe that it should run through our investments…so we make our managers vote, we make them report back to us on how they voted and the number of times they voted…it tends to be the appointment of the chief executive, the appointment of various executive directors to the board, the remuneration packages, the mergers, the rights issues…'*	*Over £2 billion/* *Local Authority*
27	*Investment Manager/* *Former Pension Fund Executive*	*'The industry is getting more interested in engagement. If you looked back 10 or 20 years – most fund managers, most pensions trustees weren't really that bothered, they were just looking at the investment performance. I think there is much more awareness, there is more pressure, more responsibility, there is more governance and I think pension funds generally understand and take their responsibilities more seriously in this area'*	*Investment management*
28	*CEO*	*'The whole industry has moved so much in the past ten years. Stewardship is on the consultants' radar screen now, they are beginning to provide tools and ways of people to come together, it is coming into fund manager research a bit more, there are things*	*Over £14 billion/* *Occupational*

		like RI metrics where fund managers can get themselves benchmarked against other norms - that simply would not exist ten years ago.'	
29	*CIO*	*'Over time our view of responsible investment and corporate governance has changed beyond all recognition. We are now one of the leaders in the field of responsible investment and activism on governance. We also tend to lead the way and are regarded as a sounding board in terms of the way people approach the debates about responsible investments, sustainability and corporate governance'.*	*Over £4 billion/* *Local Authority*
30	*CIO*	*'We actually have a five year performance cycle. But there are always pressures on people to perform on a yearly basis and most people I've seen in the City are on the three-monthly basis, so even if I say to our fund manager: 'don't worry we won't judge you in less than 5 years', they would get quite concerned if they had a bad year and they need to do something about it and that sometimes creates unnecessary activity but activity is no guarantee of out-performance. It is simple for me because I can't see any shorter term than 5 years – it gives me longer time to get things right'.*	*Over £30 billion/* *Industry-wide*