FABIAN SOCIETY

WHOSE CAPITAL?

THE CASE FOR BUILDING DEMOCRATIC ACCOUNTABILITY INTO BRITAIN'S PENSION SYSTEM

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About the author

Catherine Howarth is chief executive of ShareAction, a position she has held since 2008. ShareAction is a UK-based charity working to improve corporate behaviour and investment practices through shareholder engagement, public policy advocacy and the mobilisation of pension savers and investors.

Catherine has served on the boards of two of the UK's largest multi-employer pension schemes: TPT Retirement Solutions, where she was elected by scheme members and served on the investment committee, and Nest, where she currently serves as a trustee member and on the customer committee.

She is a member of the Financial Conduct Authority's advisory committee on sustainable finance and previously served on HM Treasury's asset management taskforce, where she co-chaired a working group on stewardship of long-term assets.

Before joining ShareAction, Catherine spent eight years as a community organiser with Citizens UK, where she was hired to launch the UK Living Wage campaign and later became the founding organiser of West London Citizens.

She was awarded an OBE for Services to Sustainability in 2022.

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Liam Byrne MP

Catherine Howarth has delivered a big argument at the right moment.

The challenges which bedevil the British economy are widely understood; a toxic combination of inequality, stagnation and a cost-of-living crisis with poor prospects for growth compared to the Labour government of the 2000s. Our task is to change that, and our pension funds could be a significant part of the solution.

As it happens, their role will be transformed over the next few years. First, the sums saved into the auto-enrolment accounts are about to multiply exponentially. Second, pension funds are expected to invest a much bigger fraction of their assets in the UK rather than abroad. It wasn't so long ago that UK asset managers invested over a fifth of their funds in UK equities. That has now fallen by some estimates to 3 per cent. But reforms like the Mansion House Accord and Sterling 20 could begin to reverse this. Together these shifts could see the stewards of our long-term assets transform their role in the UK economy.

With wise ideas like those set out below, we could begin to tackle what I have called the challenge of 'blind stewards and selfish captains'. Many pension fund managers are in effect blind stewards of our assets because they diversify their funds so widely that they take no active role in the corporate governance of the companies in which they invest. They are passive investors. This allows the captains of our companies to behave in selfish and short-term ways – not least because their tenure is now so short. This hurts the long-term decision-making which the UK economy needs to increase investment, productivity growth, and wages and so maximise long term returns.

Some will worry that more active 'pro-worker, pro-saver' stewardship risks compromising investment returns. That concern deserves to be taken seriously. But the economies marked by lower inequality, stronger institutions and higher levels of trust tend to enjoy more durable growth and greater resilience. Good stewardship is therefore not simply an ethical preference; it is prudent risk management.

By helping companies govern themselves better, long-term investors can reduce the systemic risks that threaten returns across the whole market.

This pamphlet contains a wealth of practical ideas, including stronger member engagement, greater transparency, improved accountability, citizen participation in pension governance and a renewed emphasis on stewardship. Alongside these proposals, we should also revisit the definition of fiduciary duty itself, building on the amendments I tabled to the pension schemes bill to clarify that trustees should be able to consider the long-term interests of beneficiaries alongside the wider health of the economy on which those returns ultimately depend.

Above all, Catherine's pamphlet should start a much bigger conversation. Pension funds are becoming one of the defining institutions of 21st-century Britain. They are the key to us building a new civic capitalism. The question is no longer simply how they deliver the best retirement income, important though that remains. It is how we use this extraordinary reservoir of workers' capital to build a wealth-owning democracy that works for working people throughout their lives: creating better jobs, stronger businesses, healthier communities and greater security, not only in retirement, but in the decades before it as well.

Liam Byrne is the Labour MP for Birmingham Hodge Hill and Solihull North and a member of the Fabian Society's executive committee

1. SUMMARY

Over recent decades, economic power in the UK has shifted away from democratic institutions and towards markets, corporations and financial actors. Governments remain accountable for economic outcomes, but many of the decisions shaping wages, housing, public health, environmental resilience and long-term growth now sit elsewhere.

Nowhere is this more relevant than in the pensions system. By passing the 2008 Pensions Act, parliament required employers to enrol eligible workers into workplace pension schemes, thereby quietly creating one of the largest systems of citizen-owned capital in the world. Millions of working people who would never think of themselves as investors now save through pension schemes that collectively control vast pools of capital invested across the domestic and international economy. As significant shareholders, these pension schemes influence corporate behaviour and economic outcomes through their investment decisions, stewardship of assets and shareholder voting rights.

The UK has been undergoing a major new phase of pensions reform, a process that is far from complete. Governments of both parties have driven consolidation into fewer, larger and more powerful pension institutions against a backdrop of growing expectation that UK pension capital should support long-term economic growth and national resilience.

In many respects, this agenda has merit and is overdue. Whilst the evidence is mixed on the superior performance of larger schemes, they do enjoy greater resource and capacity to manage risks, invest cost effectively and act as long-term owners. But important questions remain unanswered: if pension schemes are becoming powerful economic institutions acting on citizens' behalf, how should they be governed, and to whom should they be accountable?

The governance of pension capital has not evolved alongside its growing scale and influence. Pension savers increasingly bear investment risk and live with the consequences of pension investment decisions, yet they have little say over how their capital is governed and put to work.

The argument is emphatically not for political control of pension investments, nor for abandoning the fiduciary discipline of acting solely in members' best interests. Complex institutions managing financial assets require expertise, delegation and long-term judgement. But institutions exercising significant economic power on behalf of citizens also require forms of governance capable of commanding trust.

The governance of defined contribution schemes and master trusts should evolve alongside their growing importance in the economy. The case made here is for stronger mechanisms for member representation and scrutiny; greater transparency around stewardship of assets and investment trade-offs; clearer management of conflicts of interest; and more experimentation with member assemblies and other ways of helping trustees understand the people whose savings they manage.

These proposals are not intended to displace the government's existing pensions reform agenda, but to complete it. The UK has already built a system of mass citizen capital. The question now is whether the governance of that capital will evolve in ways capable of establishing real public trust as pension institutions become increasingly central to the country's economic future.

2. MAKING THIS PRACTICAL

Many of the reforms needed to strengthen pension governance could be introduced incrementally, through a combination of voluntary innovation by schemes themselves, regulatory encouragement and future pensions legislation that is already envisaged by government.

Measures that could make a meaningful difference include:

- Annual accountability forums or hybrid AGMs in which pension trustees and scheme executives answer questions from their members in public.
- Stronger mechanisms for member representation within large defined contribution schemes and master trusts, including greater use of member-nominated trustees and representative panels.
- Structured discussions, such as member assemblies, designed to help trustees understand savers' priorities, concerns and attitudes to long-term trade-offs.
- More accessible reporting explaining how schemes are exercising company voting rights, managing conflicts of interest and approaching difficult investment judgements on members' behalf.
- Legislation clarifying that trustees should consider members' views, long-term systemic risks and broader dimensions of savers' wellbeing where these are relevant to outcomes for members.
- Regulatory support for governance innovation and experimentation within large pension schemes.

Several of these proposals build on ideas already being advanced elsewhere.

The Trades Union Congress, for example, has recently made a strong case for ensuring that member representation remains a core feature of pension governance as schemes consolidate[1]. That is an important contribution.

[1] Trades Union Congress, Member Voice in Pension Scheme Governance: Making Member Representation Work at Scale, 2026

Similarly, a robust debate about the case for legislative reform of scheme fiduciary duties emerged as the Pension Schemes Act 2026 made its way through both Houses of Parliament over 2025 and early 2026.

The proposals made here do not require trustees to hand over investment decisions or depart from their obligation to exercise independent judgement in members' best interests. Their purpose is to strengthen trust in institutions that are becoming ever more powerful within the UK economy and increasingly important to citizens’ long-term welfare.

Democratic societies routinely combine expertise inside institutions with public accountability, representation and scrutiny. Pension governance should evolve in similar ways.

3. THE DEMOCRATIC GAP

Across the UK, there is a growing sense that the economy is no longer delivering what it once promised.

For many households, the years since the financial crisis have brought a stubborn combination of weak earnings growth, rising housing costs, strained public services and growing economic insecurity. Living standards have stagnated for much of the population even as the value of financial assets has risen strongly. Many people now doubt they will enjoy the same degree of security or opportunity as previous generations.

This unease is often described as a crisis of politics. In reality, it reflects something broader: a widening gap between where democratic accountability formally sits and where economic power is exercised. Citizens continue to vote, governments continue to change hands at elections, and democratic institutions formally remain intact. Yet many of the decisions that shape people's lives most profoundly now sit elsewhere: in markets, multinational companies and financial institutions.

The result is a growing gap between what people expect democracy to deliver and what they experience in everyday life. People feel that choices affecting their lives are being taken somewhere else, through systems that are remote, complex and difficult to influence. They may vote, complain and adapt as best they can, but institutions exercising economic power seem insulated from meaningful public voice.

This is not simply the product of poor leadership or institutional failure. Over recent decades, democratic states quite consciously delegated growing areas of economic governance to markets and market-based institutions. Much of this happened for understandable reasons: to encourage private investment, contain short-term political pressures, and improve efficiency. Independent central banks, privatised utilities, trade agreements, corporate governance regimes and pension systems were all intended, at least in part, to insulate important economic decisions from day-to-day political pressure. Each individual step appeared rational. Together, they reshaped the landscape of power.

As a result, governments increasingly operate within subtle and not-so-subtle constraints. Election campaigns promise transformation; governments deliver trade-offs and market-sensitive reform; citizens experience frustration and powerlessness; politicians experience narrowing room for manoeuvre. Institutions continue to function, but with weakened legitimacy.

Alongside this delegation of economic power, another important shift has taken place. The growth of pension saving has given millions of people a direct economic stake in the ownership of financial assets on an unprecedented scale. Yet this expansion of mass ownership has not been matched by the development of governance arrangements that give those new owners meaningful voice or accountability. Instead, the rights and responsibilities associated with that capital are exercised by pension schemes, asset managers and other financial intermediaries, often at considerable distance from the people whose money is ultimately at stake. The decisions these institutions make – about where capital flows, which risks matter and how companies are held to account – can shape the quality of work, access to housing, environmental resilience, public health and the distribution of economic security.

For several decades, shareholder value maximisation provided the dominant organising principle for this system. The assumption was simple: if companies and investors focused primarily on maximising financial returns, broad prosperity would follow.

In a period when ownership of capital remained relatively concentrated, and when many workers were protected by stronger wage growth, more stable employment and defined benefit pensions — often accompanied by stronger forms of member representation within pension governance itself — this settlement appeared more politically sustainable than it now does. Those conditions no longer hold.

Ownership of capital is now far more widely distributed through pension saving, particularly following the introduction of automatic enrolment. More than 23 million people now save through workplace pensions in the UK, compared with around 10 million before automatic enrolment. At the same time, investment risk has shifted away from employers and the state onto individual savers. Millions of citizens are now tied more closely than ever to financial markets through their workplace pensions. For many people, this has created a new economic reality: weak wage growth and economic insecurity during working life combined with growing dependence on capital market returns in retirement.

People experience the economy in several ways at once: as workers earning wages, as consumers buying goods and services, as taxpayers funding public systems, and as long-term investors through their pension savings.

Yet the institutions governing the economy often continue to treat these interests as though they belonged to entirely separate groups. This creates increasingly visible tensions. Business models that generate attractive financial returns may simultaneously contribute to weak wage growth, pressure on public services, environmental degradation or long-term economic fragility. When companies do not absorb the full costs they create, those costs reappear elsewhere: in rising healthcare bills, in-work benefits, environmental clean-up and pressure on public finances.

Crucially, these outcomes do not necessarily reflect bad actors or deliberate irresponsibility. They reflect a system in which economic decisions are often evaluated narrowly through the lens of financial performance, while broader consequences are treated as external to the investment process itself.

This helps explain why many citizens feel that economic activity is constantly happening around them, yet rarely under their influence. Power has not disappeared from democratic societies. But it has shifted, concentrated and become organised through institutions whose legitimacy and accountability have not evolved at the same pace as their influence. In the occupational DC market alone, fewer than fifty trustees now oversee more than half of all assets.

4. PENSION CAPITAL AND ECONOMIC POWER

Of all the institutions through which economic power is now exercised, few are more important to everyday life in the UK than the pensions system.

For most people, pensions appear as a line on a payslip and a balance on a statement. They are filed somewhere in the mental cupboard marked "later". This is understandable. Retirement is often distant, the system is complicated, and the language of pensions and investment is alien. Indeed, the whole point of automatic enrolment was to make saving feel effortless.

Yet the UK's workplace and personal pension schemes collectively manage assets running into the trillions of pounds, making them among the most significant long-term owners of capital in the economy and one of the largest pools of organised economic power in the country.

This gives pension funds a distinctive position in modern capitalism. Unlike most investment institutions, pension schemes exist solely to serve identifiable beneficiaries. Participation in the pension system is now close to universal across much of the eligible workforce, supported through public policy, regulation and significant tax subsidy. Pension saving is therefore not simply a private financial arrangement. It forms part of the UK's broader social settlement around work, retirement and economic security.

Pension schemes are also inherently long-term institutions. Their investment horizons stretch across decades. Retirement outcomes depend not only on quarterly market performance but on the resilience of the economy and society people will eventually retire into. This is important because pension investment decisions are not socially neutral, even when they are presented as purely technical or financial. Choices about which risks matter, which externalities are recognised and which trade-offs are considered material already influence economic and social outcomes, whether or not those choices are described in explicitly political terms.

In practice, pension funds shape outcomes across the economy through the companies they invest in, the mandates they give asset managers, the stewardship priorities they pursue and the risks they choose to recognise or ignore. Decisions taken in pursuit of apparently prudent financial returns shape wages, public health, environmental standards and long-term economic resilience across the wider economy — not only in Britain, but across the global markets in which pension savers are invested.

These tensions are often most visible where costs generated by profitable business activity are displaced elsewhere in society. In public health, for example, highly profitable sectors can generate substantial long-term costs that are ultimately borne collectively through healthcare systems, welfare expenditure and reduced economic participation. Pension savers may benefit financially from investments in commercially successful firms while simultaneously bearing wider costs as consumers, taxpayers and citizens. The point is not that pension trustees in any way endorse poor health outcomes. It is that investment decisions often drive the conditions within which those outcomes become more or less likely, whether that influence is acknowledged or not.

A similar tension can arise in labour markets. Individual businesses may have strong commercial reasons to automate tasks, substitute technology for labour or restructure their workforces in pursuit of efficiency and productivity gains. Across the economy, such changes may ultimately raise productivity and living standards. But they may also impose significant costs on particular groups of workers through job displacement, periods of unemployment, downward pressure on wages or the need for retraining and adaptation. From the perspective of an individual company, labour may appear primarily as a cost to be managed. From the perspective of long-term savers, many of whom may themselves be affected by these transitions, the picture is more complicated.

Questions around domestic investment reveal a related tension. Trustees are rightly resistant to political direction of their capital allocation decisions. They generally seek broad diversification across global markets. But people's retirement outcomes also depend on the long-term strength of the economy they live in and will retire into: its productivity, infrastructure, fiscal capacity and resilience. The issue is not whether pension schemes should become instruments of industrial policy. It is whether the long-term health of the domestic economy should be treated as relevant to members' interests. Reasonable people will differ on where particular boundaries should sit. But disagreement does not remove the need for organisations stewarding citizens' savings to explain how such judgements are being made.

The point is not that pension funds should attempt to manage the economy directly or encroach on the role of democratic government. Nor is it that every investment decision should be evaluated primarily through social objectives. Pension trustees are fiduciaries, exercising delegated judgement rather than having a democratic mandate. But fiduciary responsibility does not require treating wider economic consequences as independent of members’ interests. Pension savers do not encounter the economy solely through their investment returns. Their retirement security is shaped by the strength of the economy they live in and will retire into, the resilience of public institutions, the quality of infrastructure and housing, and the health and earning capacity of the wider population.

This is particularly important for large pension schemes with investments spread across many sectors and markets. For such institutions, risks that appear external at the level of an individual company may ultimately reappear elsewhere in the portfolio or wider economy over time. What appears rational behaviour from the perspective of a single investment can prove damaging at the level that ultimately matters to long-term savers: the health and resilience of the economic system as a whole.

Importantly, this argument does not depend on support for any particular industrial strategy, domestic investment target or political programme. Pension schemes should not become instruments of government direction. Trustees must retain independence and exercise their judgement solely in the interests of members.

The issue is narrower, but may be increasingly difficult to avoid: pension investment decisions already involve judgements about long-term risks, trade-offs and economic priorities. The question is whether those judgements are exercised within governance structures capable of commanding legitimacy and trust from the people whose capital is at stake.

The food system provides a useful illustration. Diet-related ill health now places enormous pressure on the economy through rising NHS costs, reduced workforce participation and lower productivity. At the time of writing, the government is preparing proposals intended to improve the food environment and reduce diet-related ill health. Food manufacturers, retailers, investors, consumer groups and public health organisations are already debating how ambitious those reforms should be. For some, stronger mandatory standards for food businesses would increase costs or constrain commercial freedom. For others, they would encourage healthier innovation, reduce long-term pressure on the NHS, improve workforce participation and strengthen the resilience of the wider economy.

Pension savers have an interest in commercially successful food companies, but they also have an interest in a healthy workforce, sustainable public finances and an economy capable of generating long-term prosperity. Trustees may therefore conclude that the design of markets shaping food production and consumption is relevant to members' long-term interests, even though reasonable people may disagree about the appropriate policy response. Increasingly, this is what system stewardship means for pension schemes: not simply engaging individual companies, but helping shape the wider rules, incentives and institutions within which companies compete.

The governance question here is whether institutions exercising judgement on behalf of millions of long-term savers should be expected to explain how they have understood members' interests, weighed competing evidence and reached their conclusions. Greater accountability to members would not predetermine the outcome. Trustees should remain responsible for exercising independent judgement, and trustees of different schemes may quite legitimately reach different conclusions. But pension schemes that have to explain their reasoning, engage with informed challenge and reflect on members' perspectives are more likely to reach well informed judgements on complex questions like this one than schemes operating largely behind closed doors.

Over time, institutions that work in this way are likely to become better at making difficult decisions and weighing up complex trade-offs. That may prove as valuable as any individual decision. Questions of this kind are likely to become more common rather than less. Whether the issue is food, climate, artificial intelligence, housing or labour markets, large pension schemes will increasingly find themselves exercising judgement about the long-term conditions on which members' prosperity and retirement outcomes depend.

Accountability to members should not be understood as an alternative to the expertise of trustees. In practice, it is one of the conditions that allows experts to earn trust for the decisions they make for others. Across democratic societies, institutions in different domains routinely combine delegated authority with mechanisms through which that authority is scrutinised, challenged and explained. Judges publish their reasoning while remaining independent. Central banks explain monetary policy without surrendering interest-rate decisions to public opinion. Company directors answer questions from shareholders while retaining responsibility for corporate strategy. In each case, accountability to stakeholders does not replace professional judgement. It shapes the conditions in which that judgement is exercised.

Pension trusteeship should be understood in the same way. Trustees should continue to exercise independent judgement. The question posed here is whether people and institutions exercising extensive economic power on behalf of millions of citizens should be expected to explain, justify and periodically test that judgement through meaningful interaction with those they serve.

The effects of accountability are often subtle rather than dramatic. People and institutions that know they may be asked to explain decisions, justify competing trade-offs and respond to informed challenge tend to deliberate differently. They seek broader evidence, test assumptions more rigorously and articulate their reasoning more clearly. Better decisions are never guaranteed. But over time, institutions across many fields that work in this way become wiser. They accumulate experience, expose blind spots and earn trust. Institutions rarely become more effective simply because new people make decisions. They become more effective because the way decisions are made changes.

The same principle should apply to pension governance. Trustees should continue to exercise independent fiduciary judgement rather than acting as delegates for fluctuating member opinion. But institutions managing the long-term savings of millions of citizens should not operate, as many largely do today, at a distance from the people they serve. The purpose of reform would not be to transfer decision-making authority away from trustees. Its purpose would be to help trustees make better decisions by ensuring they understand the people they act for, explain difficult decisions openly, and build the long-term trust on which the wider system depends.

Retaining trustees' decision-making authority matters because pension savers in the same scheme will not always agree with one another. Moreover, trustees should not simply follow majority opinion. Questions relating to climate transition, technological change, public health, domestic investment or geopolitical risk all generate legitimate disagreement. Better governance cannot eliminate those tensions. It can, however, ensure that difficult judgements are exercised transparently, informed by a richer understanding of members' interests and perspectives. What the system needs are forms of accountability appropriate to institutions exercising such significant economic power on behalf of other people.

At present, there is a striking imbalance between the scale of pension power and the weakness of pension saver voice. Most savers exercise almost no meaningful influence over how their capital is governed or how ownership rights are exercised on their behalf. Decisions about stewardship priorities, investment strategy, voting at company annual general meetings and the management of long-term trade-offs sit with investment professionals operating, typically, at great distance from scheme members. Expertise and fiduciary judgement remain essential. But as pension institutions grow larger and more influential, technocratic authority alone is unlikely to provide a sufficient basis for long-term public trust.

This democratic gap is becoming harder to ignore as the UK moves toward greater consolidation of pension assets into fewer, larger and more powerful institutions.

5. COMPLETING THE REFORM AGENDA

The UK is already redesigning its pension system. Through consolidation and renewed emphasis on productive finance, pension schemes are being asked to play a larger role in shaping the country's long-term economic future.

UK policymakers have looked repeatedly to countries such as Australia, Canada and the Netherlands for lessons about scale, investment capability and long-term ownership. Those comparisons have helped shape the UK's programme of pension consolidation. Much less attention has been paid to the governance arrangements that underpin successful pensions institutions in these countries. Many of the world's largest pension funds combine professional investment management with forms of member or employer representation on their boards. Many also incorporate more structured accountability to members than is found in today's UK defined contribution market. If the UK wishes to draw from international experience, it should learn lessons about governance as well as investment.

The UK pension system has never operated through a single governance model. Older defined benefit schemes, particularly those shaped by industrial relations traditions, included member-nominated trustees and stronger forms of member representation. By contrast, the large master trusts and contract-based arrangements now consolidating into a relatively small number of very large institutions, were designed primarily to deliver efficiency, scale and regulatory oversight, rather than member representation or accountability.

The transition from defined benefit to defined contribution pensions altered not simply who bears risk, but the nature of the relationship between pension schemes and their members. Under defined benefit arrangements, trustees were governing schemes in which employers ultimately carried much of the financial risk associated with the pension promise. Under defined contribution arrangements, which dominate the auto-enrolment landscape, millions of individuals bear investment risk directly through schemes that exercise extensive ownership rights on their behalf. Scheme governance has not adapted to that change in where investment risk is located.

The result is not a system without governance, but one in which oversight and challenge is heavily concentrated within regulatory structures. Those structures will continue to be important and necessary. Indeed, existing arrangements already provide some important safeguards. Trustees owe fiduciary duties to members, The Pensions Regulator evaluates schemes, and members have routes of complaint to The Pensions Ombudsman. All of this offers protection to pension savers. The argument here is not that these elements of governance are absent, but that institutions exercising unprecedented economic influence on behalf of millions of defined contribution savers now require additional forms of accountability and engagement better suited to their new scale and role.

The complexity of pensions and the expertise required to manage them are real but should not be seen as an argument against accountability to members. Citizens are not expected to be engineers to hold legitimate views about transport infrastructure, nor medical specialists to participate in democratic debate about healthcare. Democratic societies routinely combine expertise with public scrutiny and representative oversight. Pension governance should evolve in similar ways.

Another objection is that most pension savers are busy, disengaged and understandably unfamiliar with investment governance. Participation will always be uneven, and members will often disagree. But these realities do not remove the challenge of legitimacy created when institutions exercise significant economic power in people's names. Democratic accountability has never depended on universal participation or expert knowledge. It depends on ensuring that those who exercise authority on behalf of others remain open to scrutiny, explanation and informed challenge.

Pension governance should not aspire to an impossible standard of universal participation. Few democratic institutions achieve that. The question is whether meaningful participation is possible for those who wish to engage, and whether those exercising authority know they may be called upon to explain and justify their decisions.

Four broad principles follow from this argument.

First, today’s defined contribution pension system needs stronger mechanisms for representation and scrutiny. If pension schemes exist to serve their members, then members require credible means through which to question, challenge and influence the institutions acting on their behalf. As pension schemes become larger and more economically significant, governance structures operating entirely at a distance from savers will become increasingly difficult to justify. A prolonged market downturn could alter public attitudes towards pension schemes and their leaders quite decisively, particularly if members lack established routes through which to question or engage them.

Second, the system should enshrine and protect fiduciary independence and institutional integrity. Pension schemes must not become instruments of political direction. Equally, however, institutions managing auto-enrolled, tax-advantaged savings should not operate amidst unresolved conflicts of interest or weak alignment between decision-makers and the people whose capital is at stake.

Third, a broader understanding of members’ interests needs to be recognised and enshrined in law. Retirement outcomes depend not only on portfolio performance, but on the long-term resilience of the wider economy and society people retire into. Recognising this in law will not eliminate difficult trade-offs between the interests of different savers but it would enhance trustees’ ability to make balanced decisions that better serve the needs of diverse scheme members. The system needs governance arrangements capable of engaging seriously with those tensions rather than treating them as irrelevant or pretending they do not exist.

All pension schemes must remain focused on members’ financial interests and retirement outcomes. Some savers will understand that obligation principally in terms of maximising financial returns. But it does not necessarily imply a narrow focus on short-term asset performance alone. Large, diversified pension schemes are exposed to system-level risks — including weak economic growth, environmental instability and deteriorating public health — that can affect long-term portfolio performance across markets as a whole. Questions about the wider consequences of investment decisions may therefore be entirely relevant to members' financial interests. Trustees should have greater latitude in law to interpret and protect their members’ interests.

Pension savers will not always agree with one another. Younger and older members, higher and lower earners, people in different sectors and communities may reasonably hold different views about risk, stewardship priorities and long-term investment trade-offs. Questions relating to climate transition, defence, public health or domestic investment can all generate legitimate disagreement. Complex institutions routinely operate amidst competing priorities and contested judgements. Pension schemes are no exception. The task is not to eliminate disagreement, but to ensure that difficult decisions are made transparently and through processes that people see as fair and credible, even where unanimity is impossible.

Fourth, schemes should preserve trustee discretion while making its exercise accountable to members. Consider a scheme reaching a decision about how to vote on a contentious shareholder resolution relating to public health, climate transition or workforce practices.

Greater accountability to members would not require trustees to poll members before voting or to surrender their independent judgement. It would, however, encourage scheme decision makers to understand members' views and priorities, explain the trade-offs considered in deciding how to vote, and account publicly for the reasoning behind the voting decision. Authority should remain where it belongs with trustees but accountability would enhance the environment in which that authority is exercised. It is for trustees to stand behind explanations to members, even where voting decisions have been delegated to fund managers. The quality and legitimacy of trustees' authority will actually be strengthened through explanation, scrutiny and continuing dialogue with stakeholders, including members.

Trustees' professional judgement and independence is an asset to members. But as pension schemes assume ever greater economic significance, decisions taken on behalf of millions of savers cannot rely solely on technocratic authority or institutional habit. Building long-term trust in the UK's pension system depends on difficult judgements being explained clearly and on governance structures better adapted to institutions of this scale and significance.

Early experiments already suggest that pension savers are more capable of engaging seriously with investment questions and trade-offs than industry assumptions imply. In the spring of 2026, Nest convened a members' assembly made up of fifty savers selected to represent the membership as a whole. After four days of structured learning and deliberation, the members produced 37 recommendations for the Nest board. These were ranked by the participating members to reveal where members' support was most pronounced or least strong. Recommendations spanned stewardship, infrastructure, public health, clean energy, technology and member voice.

Nest's members' assembly demonstrated not only that informed participation by savers in an extended discussion of pension investment is possible, but that members' top priorities may differ from those often assumed. Of the assembly's 37 recommendations, the top-ranked one called on Nest to use its institutional voice more confidently in public policy debates affecting members' interests. The next two asked for the assembly itself to be reconvened, with public reporting on progress in responding to the recommendations, and for assemblies of members to become a regular feature of Nest's governance. Rather than seeking to replace trustee judgement, participants in the process asked for stronger institutional leadership combined with ongoing accountability and member participation.

The exercise did not eliminate disagreement or complexity. It showed that ordinary pension savers are capable of engaging thoughtfully with difficult questions of stewardship and governance, and that people with pension savings value transparency, accountability and long-term judgement over simple answers to complex investment questions.

In practice, these four principles point towards reforms that are evolutionary rather than revolutionary: stronger member representation within large defined contribution schemes and master trusts; annual accountability forums and hybrid AGMs; clearer rights for members to question stewardship and investment decisions; greater transparency around conflicts of interest and long-term trade-offs; and more experimentation with deliberative processes such as member assemblies and representative forums capable of surfacing ideas and informing trustee judgement.

The government's existing pensions reform agenda does not require a fundamentally new direction so much as completion. As pension schemes in the UK grow larger and more influential, they need to stay connected to the people whose savings they manage. This is not a hypothetical concern. The concentration of authority is already striking. Recent research estimates that fewer than fifty trustees now oversee more than half of all occupational defined contribution pension assets in the UK, through the trustee boards of just seven Master Trusts[2]. As government policy continues to drive scheme consolidation, questions about how those institutions are governed become correspondingly more important.

Many of the objections historically raised against widening democratic participation – that ordinary people lacked expertise, interest, time or independence of judgement - sound strikingly familiar today in the context of our pensions system. Yet democratic institutions evolved not because participation was easy, but because legitimacy matters. The extension of voting rights, the recognition of trade unions, and the creation of social insurance all required sustained pressure from those whose interests were poorly served by existing arrangements. There is little reason to expect the evolution of pension governance to be entirely different.

As pension schemes continue to grow in scale and influence, pressure for closer alignment between pension scheme power and pension savers' interests is likely to emerge not only through policy debate, but increasingly from citizens themselves, seeking to engage the institutions that hold their

[2] Lane Clark & Peacock (LCP), Pensions Powerbrokers 2: The DC Generation (London: LCP, April 2026)

savings and through the democratic system that ultimately shapes the rules within which those institutions operate.

At a time when faith in institutions is generally fragile, the answer proposed is neither market fatalism nor politicised control of investment decisions. It is to extend principles of representation, scrutiny and institutional accountability prudently into a system that already manages citizens' collective capital and shapes the conditions of their everyday lives.

Done well, this offers more than better pension governance, important though that is. It offers the possibility of a more credible settlement between citizens, markets and the state: one in which capitalism remains dynamic, democracy remains meaningful, and neither is asked to do the work of the other alone.