Pensions

Bell fights back as pensions industry unites against investment mandation

By Nick Reeve | 3 September 2025

Pensions minister Torsten Bell has argued that the proposed reserve power to mandate investments, contained in the Pension Schemes Bill, is necessary because of a "collective action problem" across the industry.

Industry representatives giving evidence to the committee this week took the opportunity to call for the investment mandation element of the Pension Schemes Bill to be either reined in or removed entirely.

The Pensions Management Institute (PMI) and the Society of Pension Professionals (SPP) this week issued a united call for the mandation clause to be removed. The PMI's chief strategy officer Helen Forrest Hall and SPP president Sophia Singleton explained to MPs that there was widespread concern about potential government interference in investment strategies.

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> *Helen Forrest Hall, PMI*

Sophia Singleton (top) and Helen Forrest Hall giving evidence to the Pension Schemes Bill committee this week.

Forrest Hall added: “We believe the reserve power sets a dangerous precedent in terms of political interference with trustees’ fiduciary duty. The considerations of each individual pension scheme are a matter for the trustees to take into account their members’ experience and what will drive the best outcomes for those members.”

She pointed to “significant progress” already made with regards to pension schemes diversifying their investment portfolios and allocating to UK assets, but warned there was a “serious risk” of the mandation power “cutting across that well-founded fiduciary duty”, as well as disrupting long-term decision-making.

Singleton added: “Schemes need to deploy capital when the opportunities arise and [at] the right time. Otherwise, we risk distorting the market, and that is a real concern that we have, because that could deliver poor outcomes for savers.”

The SPP president added that there was also uncertainty around who would be legally responsible for underperformance of an asset when the government had directed a scheme to invest in it.

“There’s a lack of clarity of what trustees should take into account when investing for the long term – it makes it very difficult for them to carry out their fiduciary duty.”

Sophia Singleton, SPP

“We believe that just the threat of this power is the worst of all worlds,” Singleton said. “There’s a lack of clarity of what trustees should do and what they should take into account when investing for the long term – it makes it very difficult for them to carry out their fiduciary duty.”

In response, however, Bell argued that the pensions industry was “failing to deliver” against the Mansion House Compact, signed in 2023 by 11 providers and led by then-chancellor Jeremy Hunt.

“When you speak to the industry, particularly in private, they are very clear that there is a risk of a collective action problem.”

Torsten Bell, pensions minister

When facing questions from the committee at a later session, Bell contended: “When you speak to the industry, particularly in private, they are very clear that there is a risk of a collective action problem.

"They signed up, under previous chancellors, to commitments, but they have not been delivering… because of the risk of being undercut by somebody else that isn't making that change, because of the nature of a market too focused on cost and not enough on value."

The minister claimed there was "consensus right across the industry" supporting the need for change.

The PMI and the SPP both believe that the investment mandation power represents "a fundamental shift in the UK pensions framework – one that risks undermining trustee independence, distorting investment strategy, and eroding member confidence", according to a statement released before their representatives met MPs.

FCA to oversee mandation through Value for Money framework

Any potential power to mandate certain types of investment would form part of the planned Value for Money framework, which is being developed by the Financial Conduct Authority (FCA).

Charlotte Clark, FCA

Charlotte Clark, the FCA's director of cross-cutting policy and strategy, told MPs that how the power would work and any connected processes would be subject to consultation.

She said: "How would we monitor it, from now until 2035, we would do that in conjunction with the industry, making sure that what we were asking for was information that they could readily provide, and that we felt confident that we could make a good assessment around that."

Clark also outlined to MPs that there were exemptions to the mandation rule that would allow trustees to put forward a case that investing in private markets was not in the financial interests of members. However, she emphasised that this would require careful development and could be difficult to implement.

During the question of Clark and the Pensions Regulator's Patrick Coyne, Bell indicated that the government's intention was to create a "comply or explain" regime.

'Trustee discretion' essential, Pensions UK argues

Earlier in the day, Zoe Alexander, director of policy and advocacy at Pensions UK, reiterated the trade body's opposition to the mandation clause as currently worded.

Zoe Alexander, Pensions UK

She called for the sunset clause – which will currently see the mandation power expire if not used by 31 December 2035 – to be brought forward to the end of 2032 to reduce potential political risk.

From a trustee's perspective, Alexander explained, the existence of the investment mandation power "doesn't feel like a comfortable position to be in".

"The longer the power lies in the statute book, the longer there is that risk hanging over those trustees that they may be required to invest in particular ways," she said.

She added that uncertainty over the political makeup of the next government brought additional "unpredictability" to long-term decision-making.

"This is not a position that we take because we don't agree that schemes should be investing more in the UK. It is to do with trustees' discretion to make decisions about where to invest."

Zoe Alexander, Pensions UK

Through the Mansion House Accord, "the market and the government have together set out what we think 'good' looks like", Alexander told MPs.

"If we agree on that, let's put that in the bill and make it clear that that is the extent of the power," she added.

Alexander continued: "We absolutely support the general direction of policy, and our members are committed to investing more in the UK. They are doing a huge amount of work on that, and are already invested heavily in the UK, particularly if you look at areas such as the LGPS.

"This is not a position that we take because we don't agree that schemes should be investing more in the UK. It is to do with trustees' discretion to make decisions about where to invest."