

# Investment Committee

## Hybrid Meeting – 11 November 2024

### Item 6 – Paper D

#### Update on Pensions Review and Autumn Budget

##### The Pensions Review

1. The Board Chair and Secretariat have been engaging with the [Pensions Review](#) which was launched in July. The review is led by Emma Reynolds MP, who is the first joint DWP/HMT Pensions Minister. Together with Jo Donnelly, Cllr Phillips has had introductory meetings with both Emma Reynolds and Jim McMahon, the Local Government Minister.
2. A [Terms of Reference](#) for Phase One of the Review was published on 16 August, stating that it would look at “*tackling fragmentation and inefficiency in the LGPS through consolidation and improved governance*” as well as DC consolidation and “*encouraging further pension investment into UK assets to boost growth across the country*”. Since then, a Call for Evidence has been published (with respondents given just three weeks to reply) and the Board provided a [response](#). Many other LGPS stakeholders (funds, pools and trade unions) also put in submissions.
3. The Board’s response was clear in its view that pools have delivered significant cost savings already and facilitated access to asset classes such as infrastructure and housing. They are also playing an increasing role in due diligence to support local investing and providing additional expertise in the field of climate risk management. The Board also highlighted in its response that the Scheme being based in local government is important to scheme members and employers.
4. Because of this the Board would argue that what “consolidation” should mean in this context is focussing on delivery of the current project and identifying best practice from across the different pool models and experiences. That would include governance, approach to investment and the need for member representation.
5. The Board does not believe that “consolidation” should have as an objective a reduction in the number of funds or pools. That would be a distraction and could actually lead to inertia around the Government’s main aim to increase the level of assets pooled. Given the huge amount of effort required to engineer voluntary fund mergers, the Board feels that forced mergers or consolidation should be avoided at all costs.
6. An announcement on the initial findings of Phase 1 of the Pensions Review is expected before the end of the year. Beyond that announcement, we anticipate that further action will be needed to deliver the revised policy direction. That may mean clauses on LGPS

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being included in the Pension Schemes Bill when it is published in the New Year. We also expect MHCLG to consult in the New Year on any changes it proposes to make to the 2016 LGPS Investment Regulations and associated statutory guidance.

7. Although there is not yet a timetable for Phase Two of the Review, the Board believes that there are likely to be several issues that the Board will want to engage in. For example, it is expected that Phase Two will be looking at the gender pensions gap, and potentially other pension gaps that other research has shown to exist (e.g. around ethnicity). There will also be chances to make representations about how the pensions system more generally works for scheme members who are typically low-paid and often part-time workers.
8. At its meeting two weeks ago, the Cost Management, Benefit Design and Administration Committee (CMBDA) decided to recommend that a small working group be set up by the Board to consider how best to engage with and respond to Phase 2 of the Pensions Review.

## **Autumn Budget**

9. Although there were no new LGPS-specific announcements in the Autumn Budget on 30 October, the overall spending limits for local government were set for the coming year. The Chancellor announced a 10.2% real terms increase in revenue support provided through the Local Government Settlement and a real-terms increase of around 3.2% in 2025-26 in total core spending power (which allows for council tax increases and retained business rates).
10. Despite this, many administering authorities are still likely to face financial pressures, and the Secretariat is aware that this has been affecting the ability to manage pensions services, despite the cost being met from the ringfenced pension fund and not the General Fund used for other local authority services.
11. The Board is therefore considering writing to all LGPS funds in England and Wales to encourage them to implement the Good Governance recommendation to “ensure their [pension] committee is included in the business planning process. Both the committee and LGPS senior officer [which was another recommendation in the report] must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year” and “that the fund’s budget is set and managed separately from the expenditure of the host authority and therefore no direct impact on the fund’s activities following any decision relevant only to the host authority’s budget.”.

## **Recommendation – For this Committee to note this update**

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