

October 2024

**Pensions Bulletin**

**The Pensions Bill**

In the September bulletin I advised you that the Government was urging UK pension schemes to

* Invest more in the UK economy
* Deliver better returns for savers
* Boost growth
* Make every part of Britain better off and
* ‘Unlock the investment potential of the £360 billion Local Government Pension Scheme (LGPS)’ and ‘tackle the £2 billion that is being spent on fees’

Since that Bulletin the Government has announced a 2-phase review of the UK Pension landscape starting with the Pensions Bill as announced in the Kings Speech and ending next May (subject to parliamentary timetable). The two overarching objectives of the review are

* Better returns for pension savers
* Driving pensions into UK assets (citing Canada & Australia as examples)

Phase 1 will look at

* Consolidation of Defined Contribution (DC) pots
* Changes to the Local Government Pensions Bill (LGPS)
* Quickly identifying measures that would require legislation to go into the Pensions Scheme Bill.

Phase 2 will look at the adequacy of retirement incomes

Broadly speaking we welcome the Bill which includes

* Measures to prevent people from losing track of their pension pots through the consolidation of Defined Contribution individual deferred small pension pots
* Ensuring all members are saving into pension schemes that are delivering via a standardised Value for Money framework
* Requiring pension schemes to offer retirement products so people have a pension and not just a savings pot when they stop work
* Consolidating the Defined Benefit (DB) market through commercial Superfunds.
* Reaffirming The Pensions Ombudsman (TPO) as a competent court, removing the need for pension schemes to apply to the courts to enforce TPO decisions.
* Amending the Special Rules for End-of-Life Legislation to extend the definition of terminal illness and allow eligible members to receive a lump sum payment at an earlier stage

However, there are GMB campaign aims missing from it such as

* Supporting Defined Benefit (DB) and Collective Defined Contribution (CDC) Schemes over and above Defined Contribution (DC) Schemes
* Measures to reduce the Gender Pensions Gap
* Developing and implementing credible transition plans that align with the Paris Agreement’s 1.5°C goal.
* Changes to the pensions tax system, especially bringing back the Lifetime Allowance (LTA).
* Improving the Auto Enrolment (AE) scheme and introducing an enhanced AE scheme for the Care sector

(All of the above may be considered in Phase 2)

* A retirement age of 60 for Ambulance Staff
* Pay the WASPI Women

Our most serious concerns are around the potential impact on the LGPS which we put directly to the relevant ministers last month. We clearly stated that the LGPS is not a slush fund to be dipped into to pay for government policy. Its assets must remain in place and be protected in order to meet its liabilities i.e. the pension funds of our members.

We also stressed the importance of

* Involving Trade Unions in the review
* Recognising the democratic role of member nominated trustees
* Supporting local and community projects
* Acknowledging the hitherto poor performance of LGPS pools, their higher costs and lack of transparency and accountability
* Noting the supply side absence of investable products and of any other incentives to invest
* Protecting the fiduciary duty (see below)

Our points were positively listened to and they clearly heard our concerns regarding Scheme Governance and Architecture.

We also received assurances that there was no intention to change the fiduciary duty which requires

LGPS Administering Authorities (AAs) to invest members’ and employers’ contributions in the best interests of scheme members and employers. The phrase “best interests” means “the best financial interests” of scheme members. We consider that any weakening of the duty would likely result in poorer outcomes for members.

We await the next iteration of the bill and will continue to engage throughout the review.

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