December 2023(2)

Pensions Bulletin

The Chancellor's Autumn Statement
The Government Response to the Local Government Pension Scheme Consultation

Last Wednesday the Chancellor of the Exchequer made his **Autumn statement** which included a number of pensions related announcements as below.

- The Government confirmed its commitment to the Triple Lock and so state pensions will be increased in line with average earnings i.e. 8.5%. This will raise the New State Pension to over £221 per week from April 2024.
- The Department of Work and Pensions (DWP) will consult on launching a 'public consolidator vehicle' run by the Pensions Protection Fund (PPF) aimed at smaller Defined Benefit (DB) schemes that are "unattractive to commercial providers." This could open the PPF as an investment vehicle for such schemes.
- HM Treasury will consult on ways to
    - reduce the barriers to returning fund surpluses to sponsors,
    - enable DB schemes to opt for "100% PPF coverage" in return for paying a higher levy,
    - introduce mechanisms to protect members.
- A small number of authorised Defined Contribution schemes to act as consolidators for DC pots under £1,000.
- The Government will support the Pensions Regulator's (TPR's) plans to implement a register of trustees and to update the trustee toolkit.
- An Autumn 2023 Finance Bill will legislate for the removal of the Lifetime Allowance (LTA) altogether.
- The Government proposes placing duties on occupational Defined Contribution (DC) pensions trustees to offer better services to savers when they access their pension assets. This may include Additional Voluntary Contributions (AVCs) arrangements within a DB scheme.
- The Government will further explore legislation around establishing Collective Defined Contribution (CDC) schemes and how this may be developed further to allow employers to establish different types of CDC schemes.
- There will be a call for evidence on a new 'Lifetime Provider Model' to simplify the DC pensions market and allow individuals to have "one pension pot for life."

Alongside the Chancellor's Autumn Statement, the response to **'The next steps on investments for the LGPS'** consultation was published on November 22nd 2023.

The consultation largely adopts the measures the government originally consulted on, with the main points from the consultation (in paragraph 9) set out as follows:

- "After having considered the responses, the government will now implement the proposals that we set out in the consultation to accelerate and expand pooling and increase investment in levelling up and in private equity.
- We will:
    - set out…that funds should transfer all assets to their pool by 31st March 2025, and set out in their ISS assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled

- revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation
- implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy
- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark
- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling
- amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan
- revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity."

GMB is extremely disappointed that the government response takes no account whatsoever of the responses to the consultation which overwhelmingly opposed the drift towards greater pooling size, criticised increased management fees, spoke against investment in government policy outwith the fiduciary duty and identified a dangerous lack of rationale for investing in private equity.

So much for a listening government!

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