

POLICY BRIEFING NOTE:

Pensions review – Phase 1: LGPS Terms of Reference

On 16 August, the [Terms of Reference for Phase 1](#) of the new Government's Pensions Review were released. Despite being unlikely bedfellows, the phase will focus on defined contribution schemes and the LGPS in England and Wales. The initial findings will be reported later this year and ahead of the introduction of the Pension Schemes Bill.

The joint Treasury and Pensions Minister, Emma Reynolds, has been appointed to lead the review, but will work closely with MHCLG Minister, Jim McMahon.

Aims of the review

The overall aims of the review are to “boost investment, increase saver returns and tackle waste in the pensions system”. This first phase of the review will focus on “investment” and flag areas for policy development. Two of these are directed at the LGPS:

- Tackling fragmentation and inefficiency, through consolidation and improved governance;
- Encouraging further pension investment into UK assets to boost growth across the country.

In developing its recommendations, the review will have regard to various guidance, including the following areas most relevant to the LGPS:

1. Improving the affordability and sustainability of the LGPS in the interest of members, employers and local taxpayers.
2. The role of pension funds in capital and financial markets to boost returns and UK growth.
3. Any implications for wider Government financial stability policy objectives such as with respect to the gilt market.
4. Fiscal impacts, which will need to be considered in the context of the public finances.

External engagement with the review

The terms of reference point to the importance of “co-creation” with industry and the LGPS. It promises to “consult widely” and seek views from “employers, trade unions, the pensions industry, financial services, local government and consumer voices.”

Second phase

The second phase will start later this year with a focus on improving pension outcomes alongside investment, including assessing retirement adequacy. It's not clear whether the LGPS is in scope for phase 2.

Comment

Given the undeniable success of the LGPS delivering in alignment with local government, it's disappointing that the premise of the Pensions Review is tackling "fragmentation and inefficiency".

However, considering the costs and structure of the LGPS, this review is perhaps only a means to an end. The new Government's key focus is measures to boost UK growth. For the LGPS, this begins and ends with more investment in UK-based "productive assets", and at pace.

Get in touch

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