

Cost Management, Benefit Design and Administration Committee (CMBDA)

HYBRID MEETING – 28th October 2024

ITEM 7 – PAPER C

Update on 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 have put in submissions.
3. The Board’s response highlighted fund consolidation as being a distraction that could potentially lead to inertia around the Government’s aim to increase the level of pooling. It also urged that forced mergers or consolidation should be avoided at all costs. There is also significant service delivery risk to scheme members and employers which is compounded if there is no willingness to engage. Where voluntary mergers have happened, these have taken years of collaboration and cooperation both before and after the transfer of functions from one fund to another. The Board also highlighted in its response that the Scheme being based in local government is important to scheme members and employers. Particularly in terms of accountability, democracy and accessibility.
4. To ensure that decisions were evidence-based, and confident about LGPS funds’ strong record of delivering a good service, the Board proposed in its response the commissioning of a study of administrative effectiveness and efficiency. It suggested that it should include not just LGPS funds, but including other comparable schemes, e.g. other public sector schemes, Railpen or the Universities Superannuation Scheme (USS).

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5. Although not directly related to the Pensions Review, the Committee will also be aware that there is the Autumn Budget on 30 October. That will set the overall spending for local government in the coming year. Many administering authorities are facing severe financial pressures, and the Secretariat is aware that this is increasingly 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.
6. The Committee is asked to recommend to the Board to write 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.”.
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 this Committee and 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. Given the close overlap between Phase Two and the work of this Committee, it is recommended that a small working group be set up to consider how best to engage with and respond to this part of the Pensions Review.

Recommendation – For this Committee to recommend that the Board writes to LGPS funds as set out in paragraph 6.

Recommendation 2 – For a small working group to be set up to consider how best to engage with Phase Two of the Pensions Review.
