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Open call for evidence

Pensions Investment Review: Call for Evidence

From: **HM Treasury (/government/organisations/hm-treasury)**, **Department for Work and Pensions (/government/organisations/department-for-work-pensions)** and **Ministry of Housing, Communities and Local Government (/government/organisations/ministry-of-housing-communities-local-government)**

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Summary

A Call for Evidence has been published inviting input, data and information from interested parties to inform the first phase of the Pensions Investment Review. This first phase aims to boost investment, increase pension pots and tackle waste in the pensions system.

This call for evidence closes at
11:59pm on 25 September 2024

Call for evidence description

The Chancellor has launched a landmark pensions review to boost investment, increase saver returns and tackle waste in the pensions system. The Chancellor has appointed the Minister for Pensions to lead the review. The review will focus on defined contribution workplace schemes and the Local Government Pension Scheme.

In its initial stages the review will be considering evidence on a range of questions including those listed below. These will guide our stakeholder engagement with more targeted questions being considered with particular stakeholder groups.

The review intends to engage extensively with stakeholders via meetings and workshops but would also welcome written submissions through the survey link provided from relevant organisations and individuals on these topics.

We also invite stakeholders with existing data or unpublished analysis or reports relevant to the questions below to consider sharing these with the review.

Asset pooling policy in the Local Government Pension Scheme in England & Wales (LGPS) was consulted on in 2023[1]. In addition to the below request for evidence, the review will engage extensively on next steps with regard to LGPS consolidation, with funds, pools and representative groups including the LGA and trade unions. With regard to investing in the UK, the questions set out below are applied to both DC and LGPS funds, and where relevant stakeholders should feel free to make submissions focused solely on the LGPS or solely on DC. Apart from the LGPS, the rest of the DB market is out of scope of this review.

Scale and consolidation

1. What are the potential advantages, and any risks, for UK pension savers and UK economic growth from a more consolidated future DC market consisting of a higher concentration of savers and assets in schemes or providers with scale?
2. What should the role of Single Employer Trusts be in a more consolidated future DC market?
3. What should the relative role of master trusts and GPPs be in the future pensions landscape? How do the roles and responsibilities of trustees and IGCs compare? Which players in a market with more scale are more likely to adopt new investment strategies that include exposure to UK productive assets? Are master trusts (with a fiduciary duty to their members) or GPPs more likely to pursue diversified portfolios and deliver both higher investment in UK productive finance assets and better saver outcomes?
4. What are the barriers to commercial or regulation-driven consolidation in the DC market, including competitive and legal factors?
5. To what extent has LGPS asset pooling been successful, including specific models of pooling, with respect to delivering improved long-term risk-adjusted returns and capacity to invest in a wider range of asset classes?

Costs vs Value

1. What are the respective roles and relative influence of employers, advisers, trustees/IGCs and pension providers in setting costs in the workplace DC market, and the impact of intense price competition on asset allocation?
2. Is there a case for Government interventions, aimed at employers or other participants in the market, designed to encourage pension schemes to increase their investment budgets in order to seek higher investment returns from a wider range of asset classes?

Investing in the UK

1. What is the potential for a more consolidated LGPS and workplace DC market, combined with an increased focus on net investment returns (rather than costs), to increase net investment in UK asset classes such as unlisted and listed

equity and infrastructure, and the potential impacts of such an increase on UK growth?

2. What are the main factors behind changing patterns of UK pension fund investment in UK asset classes (including UK-listed equities), such as past and predicted asset price performance and cost factors?
3. Is there a case for establishing additional incentives or requirements aimed at raising the portfolio allocations of DC and LGPS funds to UK assets or particular UK asset classes, taking into account the priorities of the review to improve saver outcomes and boost UK growth? In addition, for the LGPS, there are options to support and incentivise investment in local communities contributing to local and regional growth. What are the options for those incentives and requirements and what are their relative merits and predicted effectiveness?

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[1] https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/local-government-pension-scheme-england-and-wales-next-steps-on-investments (https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/local-government-pension-scheme-england-and-wales-next-steps-on-investments)

Please provide your response to this call for evidence at the following survey link. Answers are limited to 500 words per question.

Existing data or unpublished analysis may be submitted to pensions.review@hmtreasury.gov.uk

Ways to respond

Respond online (https://www.smartsurvey.co.uk/s/PensionsReview/)

or

Email to:

pensions.review@hmtreasury.gov.uk

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