

Rt Hon. Rachel Reeves MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Dear Chancellor,

### **Pensions industry welcomes Mansion House reforms**

I am writing to you on behalf of the Pensions and Lifetime Savings Association (PLSA) and 14 pensions industry signatories who between them manage over £400 billion AUM, to welcome the proposals set out in the Mansion House reforms. The PLSA is the voice of workplace pensions and savings, and our mission is to help everyone achieve a better income in retirement.

The UK has a well-established, sophisticated, and large pension sector: it is a great UK success story. As long-term owners of capital many pension funds are well placed to invest over the long-term and indeed UK pension schemes' domestic holdings are already significant. Today, UK pension funds invest almost £1 trillion in the UK through a mixture of UK shares, corporate bonds, government debt, and other asset classes. Growing the UK economy is rightly a priority for the Government and as an industry we are working hard to do more to support this goal. A strong UK is better for retirement outcomes.

The PLSA has undertaken work to identify mechanisms to increase pension fund investment in the UK. In our [\*\*pensions and growth report\*\*](#) from June 2023 we identified six [\*\*policy, regulatory and fiscal measures\*\*](#). Of course, at the core of schemes' responsibilities is the need to ensure their investments meet the needs of scheme members in line with their fiduciary duty.

As well as supporting growth, consolidation has the potential to achieve better outcomes for savers through economies of scale and greater negotiating power. We support consolidation when it is done in the interests of members and represents value for money.

The PLSA, and the signatories of this letter, believe that the Pension Review and the Mansion House reforms set a positive direction for the future of the UK pensions sector.

### **LGPS**

The Local Government Pension Scheme (LGPS) is a unique participant in the UK pensions market. With assets totalling more than £425 billion, the LGPS is the largest funded DB pension scheme in the UK and one of the biggest in the world. Since pooling was first announced, most funds have completed the transition of the great majority of their assets, which has resulted in cost savings and new UK investment opportunities. Yet much of the opportunity remains.

We support the completion of the transfer of remaining assets and the articulation of the LGPS Pool model, supported by setting clear and realistic timelines to achieve this goal. A lot of good work is already in place across the LGPS, and administering authorities and pools should take care further work is done in a pragmatic way which maintains value and does not incur unnecessary investment losses or costs.

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The PLSA has long called for the implementation of the recommendations from the Scheme Advisory Board's Good Governance Project to develop a common standard on governance and foster effective relationships between pensions funds and asset pools, so we are very pleased to see these proposals taken forward, as well as measures that support more investment into local areas.

We also know that PLSA LGPS members are exceptionally committed to the regions they serve and welcome the opportunity for local investment.

## **DC**

The majority of UK workers now save into a DC pension arrangement thanks to Automatic Enrolment (AE). AE is a success story and enjoys widespread support across all political parties, the pension industry, and among the general public. Thanks to AE, 19.4 million people who had not previously saved into a pension scheme are now setting money aside for their retirement.

The PLSA supports the Government's regulatory initiatives aimed at improving value for money and encouraging consolidation in the DC workplace market. The level of the Government's 'minimum size' for default funds, how they are provided, and the timeline for reaching it, will be central to the success of the proposals.

The PLSA's response to the [Pensions Investment Review Call for Evidence](#) highlights some of the complex and regulatory barriers to consolidation. Working with industry to overcome these, as well as supporting the wider programme of change, such as the introduction of pensions dashboards, will be key to driving success in this area.

Moreover, as the industry eagerly anticipates part two of the Pensions Review, we hope to see further measures brought forward that look at the long-standing issue of pensions adequacy, that set out a roadmap to address the level and scope of current AE contribution rates. We would also welcome further clarification on Government ambitions for the future of DB schemes, especially around the treatment of open schemes, surplus sharing and consolidation measures in this area.

Finally, this Government has made a strong commitment to tackling climate change - and the financial sector has a prominent role to play in the transition to net zero. Although not included in the Mansion House reforms, the recent consultation published on the green taxonomy, and commitments to push forward ESG ratings regulation and introduce transition plans for the financial services sector, we believe, also present an opportunity to align growth reforms with the Government's climate ambitions.

The Government's Pension Review and the proposals set out in the Mansion House speech are an important step forward in ensuring that savers have a good retirement and the pension system can maximise the potential of its scale. The sector is already seeing positive results from changes to the regulatory regime, and we look forward to working with Government more closely as we see these proposals emerge in the Pensions Schemes Bill next year. We would welcome the opportunity to meet with you in the near future to discuss how the PLSA and our members can support the Government during the review process.

Yours sincerely,

**Julian Mund**

**Chief Executive, Pensions and Lifetime Savings Association**

**Emma Douglas**  
**Chair, Pensions and Lifetime Savings Association**

**Andy Bord**  
**CEO, Railpen**

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**Executive Director of Pensions, West Midlands Pension Fund**

**Rachel Elwell**

**CEO, Border to Coast Pensions Partnership**

**Richard Law-Deeks**

**CEO, LGPS Central**