

LONDON BOROUGH OF CROYDON

REPORT:	PENSION BOARD	
DATE OF DECISION	17 OCTOBER 2024	
REPORT TITLE:	Pensions Investment Review: Call for Evidence	
CORPORATE DIRECTOR / DIRECTOR:	Jane West, Corporate Director of Resources (Section 151 Officer)	
LEAD OFFICER:	Matthew Hallett – Head of Pensions and Treasury;	
CONTAINS EXEMPT INFORMATION?	NO	
WARDS AFFECTED:	N/A	

1. SUMMARY OF REPORT

- 1.1 This report advises the Board of the Call for Evidence recently published by the Government in respect of matters currently being considered in respect of the Local Government Pension Scheme and pensions provision more generally.

2. RECOMMENDATION

The Pension Board is recommended:

- 2.1 to note the contents of this report including the response (Appendix A).

3. REASON FOR RECOMMENDATION

- 3.1 It is best practice for the Pension Board to be advised of matters currently being considered by the Government which are relevant to the Fund.

4. BACKGROUND AND DETAILS

- 4.1 On 4 September 2024 the Chancellor of the Exchequer launched a pensions review with “A Call for Evidence” summarised as follows:

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

The Government have stated that the review will focus on defined contribution workplace

schemes and a single defined benefits scheme, the Local Government Pension Scheme.

4.2 The “Call for Evidence,” which lasted for a period of three weeks, comprised a series of questions. However, the Government state that these questions will be followed by stakeholder engagement via meetings and workshops with more targeted questions and invitations for further submissions including unpublished analysis or reports relevant to the original questions.

4.3 In introduction to the questions the Government state:

Asset pooling policy in the Local Government Pension Scheme in England & Wales (LGPS) was consulted on in 2023. 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.

4.4 The questions are as follows:

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?*

- 4.5** In view of the short timescale allowed for responses to the questions it has not been possible for officers formally to consult either the Committee or the Board and the Head of Pensions and Treasury has drafted the attached response (Appendix A) and sent it to the Government. In the introduction he explains some of the major principles behind his response as follows:

The London Borough of Croydon is the Administering Authority for one of the 87 Local Government Pension Scheme (LGPS) funds. The call for evidence covers both the LGPS and the DC market. Where we feel questions are relevant only to the DC market we have decided not to provide any response and have indicated that the question is outside the scope of our response. The London Borough of Croydon broadly supports the responses given by the London CIV and the Society of London Treasurers (SLT) and has in fact used the majority of the SLT response in formulating our own.

- 4.6** The Board are invited to note the contents of this report including the response attached as Appendix A.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1** N/A

6. CONSULTATION

- 6.1** No consultation outside the formal process is required.

7. IMPLICATIONS

7.1 There are no implications arising from this report other than those already mentioned.

8. **APPENDICES**

8.1 Appendix A – Response to Call for Evidence (Pensions Review)

9. **BACKGROUND DOCUMENTS**

9.1 None