

Local Government Pension Scheme

Scheme Advisory Board

Jim McMahon MP
Minister of State
Ministry of Housing, Communities and Local Government
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Please reply to joanne.donnelly@local.gov.uk

Dear Jim,

Local Government Pension Scheme Advisory Board

On behalf of the Local Government Pension Scheme Advisory Board, I would like to welcome you to your role as Local Government Minister. I understand that part of your responsibilities includes the Local Government Pension Scheme in England and Wales (LGPS). The scheme covers around 6.5 million members, including many of the lowest paid employees in the public sector, and is responsible for managing some £354 billion in assets.

I know from our time together on the LGA's workforce board that you have a deep understanding of the workings of local government; and I'd welcome the opportunity to meet with you to discuss the LGPS going forward. I appreciate that your remit runs much more broadly than the LGPS, but an early meeting would give us the chance to discuss the many opportunities and challenges facing the scheme.

The Advisory Board, which I have had the honour of chairing since 2016, was established under the Public Service Pensions Act 2013 to advise Ministers on the desirability of making changes to the scheme. The Board also advises LGPS administering authorities on improvements to scheme investment, governance and administration. Since its creation, the Board has grown to become an essential part of the scheme's governance and administration landscape. We have taken the initiative in areas such as improving governance and undertaking the first detailed analysis of the gender pensions gap in the public sector.

I would welcome an opportunity to explain and gain your support for the work we have been pioneering to better understand, and remedy, the gender pensions gap. The Board will also be piloting new initiatives to better track opt-outs from the scheme and create recruitment materials that explain the importance of pension saving to those who are likely to need it most. There are some barriers to this at present which your support could potentially unblock.

Equally important is the day-to-day stewardship of the scheme, and before the election was called we had already done a lot of work with your officials on some practical measures that were needed to modernise the scheme – for example to reflect recent case law on survivor benefits and implement best governance practice in line with the Board's Good Governance recommendations. The detailed work has

Scheme Advisory Board Secretariat

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Scheme Advisory Board

already been done on these issues and I would strongly urge you to give early approval to press ahead with these initiatives. I would also mention that the LGPS has been waiting some time now for a clear indication of the direction in relation to climate risk reporting, which has now been in place for large private sector pension schemes for a couple of years.

Noting that Labour's Plan for Financial Services, published in January 2024, included a proposal to evaluate the different models for pooling, LGPS funds would also strongly welcome an indication of whether you intend to keep the target set by the previous government for all assets to be transferred to the existing pools by 1 April 2025. If you intend to hold them to that target, with its associated "comply or explain" regime, then early confirmation of that would be greatly appreciated, ideally before summer recess.

I also anticipate that you will want to continue the ongoing discussion about how LGPS funds can invest in ways that support economic growth, controlling costs for employers whilst still delivering the necessary returns for members, which is of course our core purpose as a pension scheme.

As you can see, there is a very full agenda and I look forward to working with you and your officials to maintain a successful and sustainable pension scheme. I hope that we can continue to build on the excellent working relationship we enjoyed with your predecessors who, irrespective of party affiliation, all recognised the importance of the LGPS in providing security to those working so hard to deliver our local public services.

Previous Local Government Ministers have joined the Board at one of its meetings and I very much hope that you will be able to do the same in future. Ministers found it a good opportunity to have constructive engagement on LGPS issues with all the relevant stakeholders in the room.

I very much hope that you will find it possible to do likewise and a good opportunity might be the Board meeting on 25 November 2024, which will be held at the LGA's office in Smith Square (with dial in facilities for those who need them).

I look forward to your response and to working with you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roger', followed by a long horizontal flourish line.

Cllr Roger Phillips
Chair of the Board