

Industry warns against government intervention in LGPS investments

By Louise Farrand | November 24, 2023

Government plans to redirect LGPS assets into private equity – while the industry warns against political interventions in investment strategy

The government has confirmed its deadline for consolidating Local Government Pension Schemes (LGPS) into larger pools by March 2025.

The autumn statement said: "The government is also establishing a March 2025 deadline for the accelerated consolidation of LGPS assets into pools and setting a direction towards fewer pools exceeding £50 billion of assets under management."

Nigel Peaple, the PLSA's director of policy and advocacy voiced its concerns about the "rapid timeline" although conceded it was helpful that consolidation will proceed on a comply or explain basis.

The government also confirmed that LGPS guidance will be revised to implement a 10% allocation ambition to investments in private equity. The autumn statement estimates this will unlock around £30 billion, although it was not immediately clear how that number was calculated.

It is also likely that LGPS schemes will be among those encouraged to invest in what the government terms "the UK's most innovative companies" in sectors like science and technology, via an investment vehicle which is currently being developed.

The pensions industry warned that government intervention into pension schemes sets a dangerous precedent. Consultancy Cartwright warned: "The dictation of asset allocations by government is, in our view, unwise. Investment decisions are best left to those who understand each unique scheme."

If the Labour party is elected at the next general election, they are likely to continue the current government's direction on pensions policy. Shadow chancellor Rachel Reeves has floated reforms which would redirect people's retirement savings into growing UK businesses and has claimed that her reforms could increase the size of the average pension pot by £37,000.

Again, experts warned against government intervention. Chris Rule, CEO of Local Pensions Partnership Investments, a fund manager which manages LGPS assets, said: "It's encouraging that the LGPS, and the broader UK pensions sector, is being acknowledged across the political spectrum for the important role it plays in supporting the development of a sustainable economy for the UK."

"However, as an LGPS investment pool managing £24 billion of pension fund assets, our fiduciary responsibility is to our client funds and their pension beneficiaries."

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