

Government to remove LGPS investment power from Pension Schemes Bill

By [Nick Reeve](#) | 4 September 2025

The government has proposed to remove a paragraph in the Pension Schemes Bill that would have given it the power to direct investments by Local Government Pension Scheme (LGPS) asset pools.

The sub-clause in the current draft of the Pension Schemes Bill outlines a provision to enable “the Secretary of State, in prescribed circumstances, to give a direction to an asset pool company... requiring it to take, or not to take, a specified decision in carrying out any specified investment management activities”.

This is separate from the investment mandation clause directed at private sector defined contribution pension schemes, which remains in place despite strong lobbying from pensions industry trade bodies.

During a parliamentary committee meeting about the bill today (4 September), Conservative MP and shadow economic secretary Mark Garnier said his party was concerned that the “broad power” of the clause could mean certain investments being mandated by the government.

“Pools should be investing in line with the investment approach set out by their underlying asset

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The Pension Schemes Bill is being scrutinised by MPs over the next few weeks.

An amendment published this week and tabled by pensions minister Torsten Bell proposes to delete the sentence. In an accompanying explanatory statement, Bell said it was “not considered necessary”.

A spokesperson for the Department for Work and Pensions told *Pensions Expert* that the government “respects the longstanding independence of the LGPS and the fiduciary responsibilities of the funds and pool companies”.

“It is not the government’s intention to intervene in individual investment decisions by the pools,” the spokesperson added.

The news follows recent comments from Reform leader Nigel Farage suggesting that struggling utilities company Thames Water should be taken over in part by UK pension funds. The company is already indirectly part-owned by the Universities Superannuation Scheme.

Councillor Roger Phillips, chair of the LGPS Scheme Advisory Board, was questioned on Farage’s comments and investment mandation in general at a parliamentary committee meeting related to the Pension Schemes Bill earlier this week.



Councillor Roger Phillips of the LGPS Scheme Advisory Board giving evidence to MPs earlier this week.

He said: “I think there is general concern within the sector when language like that is used, because we are talking about a considerable sum of money that belongs to 6.7 million pensioners. You therefore have to treat that with utter respect. You have a fiduciary duty to look after that money and ensure that the investment is wisely made.

“The fiduciary duty of the funds and pools is there – the funds own the pools – so there will be concern if somebody wants to politicise it. That is a very dangerous road to go down.

“When it comes to UK investment, the LGPS is already investing in the UK in a very big way. This is not a case where you use a stick and say, ‘You’ve got to invest in the United Kingdom’. It is about identifying risk, return, and sometimes conflicts of interest.

“Certainly, we should be investing where it is sensible to do so for the benefit of our pensioners and for the least obligation to our employers as well. That should be clearly understood by everyone.”