Pensions and the Budget 2024

UK investment and value for money

March 2024

The pensions aspects of the 2024 Budget, perhaps unsurprisingly, built upon the government's recent emphasis on (i) encouraging the investment of pension fund assets in UK productive finance; (ii) value for money and improving returns for savers; and (iii) consolidation.

Pension fund investments

The government will bring forward requirements for defined contribution (**DC**) pension schemes to publicly disclose their asset allocation. This will include the allocation of investments in UK equities. The Chancellor's announcement on 2 March on further pension reform suggested that this would be achieved by 2027. The FCA will consult on requirements in the spring and the government is also looking to introduce equivalent requirements for the Local Government Penson Scheme from April 2024.

If these measures do not result in an increase in allocations of UK equities in pension scheme investments, the government will consider taking further action.

The Chancellor also confirmed the government will build on the Mansion House reforms and establish vehicles to make it easier for pension funds to invest in UK growth assets.

Value for money

The upcoming value for money pensions framework will highlight schemes which focus on short-term cost savings over long-term investment outcome. The FCA and Pensions Regulator (**Regulator**) will be given additional regulatory powers to close schemes to new employers and even wind-up schemes which are consistently offering poor value for money. The Chancellor stressed that performance of schemes would be measured on performance overall, rather than just on costs. Proposals on the value for money requirements for contract-based defined contribution schemes will include requiring publication of the default funds' historic net investment returns as well as the breakdown of the UK investments. At the earliest opportunity, legislation will be introduced to apply the value for money framework across the market and provide the Regulator with additional powers.

Lifetime provider

The Budget also confirmed that the government remains committed to looking at a lifetime provider model for DC schemes in the longer term. This is despite the mixed views from the industry on such an approach.

Comment

There is no end in sight to the continued reform we are seeing in the pensions market. It is likely that 2024 and beyond will show a shift in the pensions landscape for all types of pension scheme. The Stephenson Harwood pensions team will keep you updated of the upcoming consultations and regulatory and legislative changes in this area.

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