PRESS RELEASE

Pensions for Purpose responds to UK pension schemes bill 2025

11 June 2025, LONDON: Pensions for Purpose, a leading sustainable and impact investing membership organisation connecting asset owners, managers and advisers, has welcomed aspects of the UK Government's pension schemes bill 2025, but raised concerns issues – particularly adequacy and fiduciary duty reform – remain unaddressed.

The investment industry organisation recognises the bill as a step towards modernising the pensions landscape, through reforms aimed at improving scale, governance and access to private markets. However, it warns these structural changes risk falling short unless they are matched by deeper reforms that ensure all pension savers, including all generations and those from underrepresented or financially vulnerable groups, can retire into a world worth living in.

Charlotte O'Leary, CEO at Pensions for Purpose, said: "This is a step in the right direction, which we welcome. However, as the UK faces a convergence of intergenerational inequality, climate risk and financial insecurity, pension reform must be bold, inclusive and future-facing. Pensions for Purpose calls on the Government to ensure the next stage of reform tackles adequacy head-on and embeds sustainability into the legal duties that guide every pension decision. We will continue working with our member Community and engaging in the forthcoming consultations on adequacy and fiduciary reform."

Laasya Shekaran, Director at Pensions for Purpose, said: "We're pleased to see the UK Government take meaningful steps towards improving scale, governance and investment opportunities across the pensions landscape. However, to secure better outcomes for all savers, this momentum must be matched by action on adequacy and reforms that embed long-term sustainability into fiduciary duty."

Areas of support

Pensions for Purpose welcomes several elements of the bill that align with its mission to improve member outcomes and promote sustainable, long-term investment:

- **Defined contribution (DC):** we support the consolidation of DC schemes, where it improves governance, cost efficiency and access to a wider range of investments, including impact opportunities. However, scale alone does not guarantee better outcomes. It is important consolidation does not stifle innovation, reduce diversity of high-quality investment options or define value too narrowly. Being representative and inclusive of the members is vital.

- **Default fund reform:** we back proposals to reduce the number of default arrangements, provided all default funds meet robust sustainability standards. These should include alignment with net-zero targets and a commitment to avoid significant harm to the UN sustainable development goals (SDGs).

- **Local government pensions scheme (LGPS) pooling:** we are broadly supportive of pooling within the LGPS to unlock economies of scale and enhance the ability to invest locally and for impact. That said, we urge the government to revisit the March 2026 deadline, which risks rushed implementation and avoidable inefficiencies.

- **Surplus reform in defined benefit (DB) schemes:** we welcome reforms that allow surplus extraction under a low-dependency funding basis, as long as member interests remain central. Trustee boards must retain a clear focus on delivering benefits to savers and include member-nominated representation to ensure accountability.

- **Reserve power to mandate investment:** we recognise from our own research that UK pension funds have low levels of private investment, particularly when benchmarked against global peers. This presents challenges for sustainable investment, innovation and growth. In 2021, we co-authored a paper with the Impact Investing Institute and The Good Economy, making the case for a 5% LGPS allocation to place-based impact investment in underinvested regions of the UK.

We are encouraged to see LGPS funds and pools setting up mandates that deliver the twin goal of positive impact on people and planet alongside a market-rate, risk-adjusted return. We therefore support efforts to direct investment where the need is greatest.

However, this should be driven by a long-term, member-aligned perspective, free from political overreach. Government should focus on enabling this investment through improved market infrastructure and a stronger pipeline of opportunities.

Areas for consideration

While Pensions for Purpose is supportive of aspects of the bill, there are important areas where we believe the proposals fall short. These omissions and risks must be addressed to ensure a fair, future-fit pensions system which delivers for all members.

- **Pension adequacy:** we are concerned the bill does not address adequacy – the most pressing issue in the UK pensions system. Too many savers, particularly women and marginalised groups, are not on track to be able to retire fully. Pension contributions remain low, while living costs rise and home ownership declines. These interconnected risks are compounding generation by generation. We urge the Government to make adequacy the central focus of the next phase of the Pensions Review.

- **Fiduciary duty:** we continue to call for reform to fiduciary responsibilities to make explicit that trustees can and should consider long-term environmental, social and systemic risks in their decision-making. Without greater clarity, trustees may remain hesitant to act fully in members' long-term best interests – particularly in relation to sustainability and impact exposing them to the risk of case litigation, already seen in other Commonwealth countries, for favouring older over younger members on decisions such as climate.

- **Lack of adviser regulation:** we are disappointed by insufficient action to regulate investment consultants, particularly on climate-risk modelling. Flawed assumptions in widely used economic models can expose schemes to unaccounted risks. Stronger oversight and better modelling standards are urgently needed to protect savers' outcomes.

Pensions for Purpose is engaging with its members, policymakers and other industry stakeholders to ensure the next phase of reform addresses adequacy and embeds sustainability into the heart of pension governance.

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NOTES FOR EDITORS

About Pensions for Purpose

Pensions for Purpose exists as a bridge between asset managers, pension funds and their professional advisers, to encourage the flow of capital towards impact investment. Our aim is to empower pension funds to seek positive impact opportunities and mitigate negative impact risks. We guide pension funds and other institutional investors on their journey through the spectrum of capital towards embracing impact investing as a philosophy. We have been growing our Community of over 465 organisational members and 1,550 individuals since 2017 bringing together stakeholders to promote understanding of ESG, sustainable and impact investment.

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