



Pension Schemes Bill, Committee Stage (Commons)

Debate Date: 2 September 2025, Tuesday

Responsible Minister: Rt Hon Liz Kendall MP (Secretary of State for Work and Pensions)

ICAEW welcomes the Government's drive to unlock long term capital for UK growth, and our Accelerating Growth campaign calls for bold action to channel investment into infrastructure, SMEs and net zero projects. The key, however, is pragmatic and responsible management of risk: pension reform must contain proportionate safeguards, grounded in sound governance principles. As specialists in pension governance and investment, chartered accountants are well positioned to support parliamentarians and recommend safeguards that strike the right balance between growth, risk, and long-term sustainability. ICAEW Head of Financial Services, Reuben Wales, warns:

"While it's right to unlock pension capital to support UK growth, this must go hand in hand with safeguarding trustees' fiduciary duties. Long-term investment success and public confidence in the pension system depend on keeping savers' best interests at the heart of every decision."

ICAEW's members are at the heart of UK business, leading or advising over 3 million businesses daily and sitting on 84% of FTSE 100 and 78% of FTSE 250 boards. Their feedback is clear. Reforms that help the UK's economy return to high growth are welcome, but this should not erode pensioners' rights, trustees' independence, and pension reliability. As one ICAEW member working as a Pensions Trustee puts it:

"Mandating how pension funds invest is a worrying prospect. These are not just employer assets. Members have paid in and depend on them. If a scheme fails, or savers perceive losses from riskier investments, it's the savers who lose out, suffering lasting harm to their retirement security. Without a strong pipeline of viable investments and full risk transparency, we risk undermining trust in the entire pensions system. Those seeking higher returns already have other options."

ICAEW's priorities for Committee scrutiny:

- 1. Avoidance of political direction in pension investments**
- 2. Clear guardrails on reserve powers for asset allocation**
- 3. Independent assurance of value for money standards**
- 4. Surplus extraction conditional on robust funding tests**

ICAEW's Priorities for the Pension Schemes Bill (Committee Stage)

Safeguarding the independence of investment decisions

- **ICAEW's view:** Supporting greater UK investment is welcome where it aligns with pension members' best interests. Pooling investment in "Megafund" platforms can help direct capital into SMEs, net-zero and regional ventures. However, we are concerned the Bill, without prudent safeguards, risks politically motivated steering of pension assets, which could compromise returns and erode trust in the system. While overly conservative investment strategies risk underperformance that leaves savers worse off, mandating allocations towards higher-risk or less liquid asset classes encroaches on the ability of fund managers to achieve good and secure outcomes for savers.
- **ICAEW's recommendations for committee consideration:**
 - The Government to make explicit its expectation that trustees' investment decisions should remain free from undue political influence, and be aligned with fiduciary duty.

- Insert a reserve powers safeguard to ensure transparency and oversight and guard against undue risk of capital loss. This is especially important when interacting with higher risk or less-liquid asset classes.
- The Government to commit to enabling frameworks and ensuring an adequate supply of high-quality infrastructure and private/public partnership investment opportunities.
- **Suggested question for the Minister:** *“Given concerns over potential political direction of pension investments, will the Government commit to clear transparency and safeguards on any reserve powers to mandate allocations, ensuring members’ financial interests remain paramount?”*

Ensuring an independently assured value for money requirement

- **ICAEW’s view:** ICAEW supports greater transparency to help savers understand how their pension funds are performing, which is essential for informed retirement planning. However, the Government should learn from Australia’s experience with its Performance Test, which has drawn criticism for driving short-term investment behaviours at the expense of long-term outcomes. Additionally, the Bill’s value-for-money requirement lacks clarity on how it aligns with the FCA’s consumer duty.
- **ICAEW’s recommendations for Committee consideration:**
 - Insert a provision that mandates independent assurance of the value for money framework, drawing from the successful FCA Consumer Duty.
 - Publish guidance alongside the bill to help savers avoid short-termism and promote robust long-term fund performance measurements.
- **Suggested question for the Minister:** *“Will the Government commit to ensuring that the value-for-money standard is independently assured, aligned with existing consumer protection duties, and designed to promote long-term member outcomes?”*

Safeguarding pension surplus extraction

- **ICAEW’s view:** The main purpose of defined benefit (DB) pension scheme assets, including any associated surplus, should always be to ensure members receive the pensions they were promised. While recent surpluses are a welcome development, they should be viewed in the context of broader macroeconomic conditions, particularly the prevailing interest rate environment. It is important to recognise that many DB schemes have operated in deficit for much of the past two decades, highlighting the need for prudent financial management and long-term sustainability when considering pension surpluses.
- **ICAEW’s recommendations for Committee consideration:**
 - Insert a provision that requires surplus extraction to pass a robust funding adequacy test, including board-level sign-off and third-party assurance.
 - Publish unambiguous guidance about what constitutes ‘adequate funding’ to avoid confusion.
- **Suggested question for Minister:** *“Will the Minister confirm that any proposal to redeploy or redistribute DB surpluses will be conditional on an independently verified funding test that fully safeguards members’ future pension entitlements?”*

ICAEW’s review of the Financial Services Growth and Competitiveness Strategy

With ICAEW having been cited in the Professional & Business Services Sector Plan, we are pleased to see our feedback also reflected in the Financial Services Strategy.

ICAEW has over 200,000 members and students, working in more than three million businesses across every sector of the economy. As a key voice of business, we know how important it is for the Government to set an overall direction for the UK economy and we welcome the publication of the Financial Services Strategy.

In our submission to the Financial Services Growth and Competitiveness Strategy consultation, we called for action on regulation that would bolster the UK’s status as a global leader in financial services.

- The FS Strategy and Mansion House speech demonstrated that Government has listened to the financial services sector and will be making changes to deliver better, simpler and more proportionate regulation. We welcome the Strategy’s steps to refine regulatory overlap and make regulators more service-minded, as well as measures to stimulate growth by opening up capital markets and financing.

We would caution that deregulation must be careful and considered, with the new Industrial Strategy and Leeds Reforms set to be key in forming the basis for the country's growth plans.

- Having called for improvements to the Senior Managers & Certification Regime (SM&CR) in our submission, we welcome the published Strategy's commitment to these and other regulatory reforms that will speed up agile decision making, provided that these reforms are undertaken in a way that maintains trust in financial institutions.
- Financial services is our world-leading sector and we must avoid complacency if the UK is to remain the destination of choice for global finance. Regulatory overlap and a well-meaning but overly cautious approach have risked holding back growth. We are encouraged by the corrective ambition set out in the Strategy but would like to see further details and a clear plan for delivery.

To retain the confidence of the sector, the Government needs to continue to focus on growth, and must categorically refrain from increasing business taxes in the Autumn Budget. As our **Business Confidence Monitor** shows, business tax increases are an anti-growth measure.

Accelerating Growth: ICAEW's work

To help maintain the momentum behind pro-growth, pro-business policies following the publication of the Financial Services Growth and Competitiveness Strategy, ICAEW has also launched its **Accelerating Growth campaign**. Accelerating Growth focuses on several key policy areas, including making regulation fit for enterprise and attracting investment to drive UK growth.

The campaign builds on insights from our members who lead, guide and advise over 3 million businesses daily, to identify five growth superchargers which will open the path to higher levels of sustained growth:

1. **Long-term investment for UK growth:** Our members structure funds, manage investments and float on capital markets. A stable policy environment, free from unexpected changes in tax and business policy, enables businesses to plan and invest with greater confidence and certainty.
2. **Smarter technology to power business:** Our members guide firms through digital transformation and help entrepreneurs build strong financial foundations. Digital uptake boosts productivity – but many SMEs lack capacity to implement it. Novel technologies go through several stages en route to application. Policies must target across the waypoints on the innovation journey, not focus on one firm or stage. Risk sharing through new public initiatives can crowd-in private investment at an earlier stage.
3. **Skills for a changing economy:** Our members deliver apprenticeships, co-design training programmes and advise employers on workforce development. They are integral to closing the UK's skills gap for higher skill levels. Global shortages are exacerbated by policy decisions. Regulation deters hiring in the UK and prevents the import of talent, while apprenticeships are not as effective as they could be in training domestic workers. L7 apprenticeships should be extended, not curtailed.
4. **Regulation fit for enterprise:** A heavy, inconsistent regulatory burden – often designed without business input – holds firms back. As intermediaries between government and business, our members translate regulation into practice, advise on compliance, and shape policy. A pro-growth step-change in regulatory approaches is needed. Regulators should not be risk-averse by default.
5. **Local potential:** London-centric policy cannot meet the diverse needs of UK regions. Businesses are formed in all parts of the UK, but support is unequal. The "unashamedly place-based" Industrial Strategy recognises the untapped growth potential of UK regions.