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Nikhil Rathi  
Chief Executive  
Financial Conduct Authority  
12 Endeavour Square  
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22 November 2023

Dear Nikhil,

At today's Autumn Statement, we set out a series of measures to improve pension saver returns, increase opportunities for investment and boost growth in the UK's capital markets and high-growth companies. This package progresses the pension reforms set out at Mansion House in July and is informed by the three golden rules: to secure the best possible outcomes for pension savers; to prioritise a strong and diversified gilt market; and to strengthen the UK's competitive position as a leading global financial centre.

We collectively believe there is an opportunity for savers to get better outcomes from their pension arrangements. The time to take action to improve outcomes is now. Any delay would be first and foremost damaging to savers in relation to being able to expect security in retirement. It would also have negative consequences for the UK economy where pension fund investment decisions are driven by an excessive focus on lower costs rather than long-term value for savers, with this value produced through returns from investment in companies and projects which drive economic growth. A strong economy benefits savers through the returns on investment it provides as well as the public services funded through tax receipts.

At Mansion House, the government set out a bold intention to deliver a programme of reforms, following industry consultation, to enable pension funds to provide a better offer to the nation's pension savers. Today, we set out a vision for the pensions market in 2030 that ensures there are suitable retirement options for savers supported by a streamlined pension provider market that is continually challenged to deliver value for every member:

**Providing better saver outcomes;**

- **Higher transparency of individuals' pension provision, investments, and options at retirement**, by successfully implementing the pensions dashboard to show total pension entitlement across a number of schemes and requiring pension scheme trustees to provide solutions to savers on their options for access and consolidation at retirement.
- **Exploration of a Lifetime Provider Model**, enabling individuals to have one pension pot for life, reducing the barriers to engagement and increasing their control over their pension pots

- **A strong emphasis on investing for overall long-term returns**, delivering the best value for members and supported by the implementation of a strong regulatory regime and Value for Money Framework.

**A more consolidated market;**

- **Fewer, larger, well-run, Defined Contribution schemes** delivering value for their members, including automatic consolidation of deferred, small pots and through diversified investment strategies – with consolidation of those that cannot offer this and a greater regulatory focus on member outcomes.
- **More scope for Defined Benefit schemes to invest in productive finance** through a legislative framework for Defined Benefit Superfunds, and new consolidation vehicles.
- **A handful of Local Government Pension Scheme pools**, increasing the scale and opportunity to invest in a larger diversity of high return assets
- **Creating the environment for collective defined contribution schemes**, offering more predictability of income in retirement.

**Enabling pension schemes to invest in a diverse portfolio;**

- **Encouraging alternatives to DB de-risking and buyout**, where schemes are well-funded with a strong employer covenant - making their assets work harder and enabling continued investment in a broad range of assets, through clearer funding standards in Regulations, a Code of practice and guidance, and making it easier to share investment returns between sponsors and scheme members
- **Increasing the standards of investment expertise and trustee skills**, enabling pension funds to create diversified investment strategies and build stronger links with specialist UK investors.
- **Expanding the range of quality investment vehicles**, ensuring a sufficient range of opportunities for pension scheme investment in high-growth UK companies
- **Prioritising a system that ensures long-term value of pension schemes over short-term cost**, supporting employers along with trustees and managers to make decisions that are in the best interests of members when they reach retirement.

This is a long-term agenda and will need all parts of the pensions delivery and regulatory system to operate in alignment with this vision. We recognise the significant work both regulators are already undertaking in this space to drive forward such initiatives as VFM, decumulation, ensuring effective trusteeship, new guidance to trustees and advisers about investing in private markets and the cooperative approach that has been evident in doing so. The future decisions we take will be informed by the vision we set out here.

The Autumn Statement package announced today is the first step to making this vision a reality. We welcome your continued support, working with government on implementing policy initiatives, to achieve this.

Best wishes,



**RT HON JEREMY HUNT MP**  
Chancellor of the Exchequer



**RT HON MEL STRIDE MP**  
Secretary of State for Work and Pensions