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Speech

Speech at the Pension and Lifetime Savings Association Conference 2025

Minister for Pensions Torsten Bell Speaks at the Pension and Lifetime Savings Association Conference 2025 in Edinburgh.

From: **Department for Work and Pensions (/government/organisations/department-for-work-pensions)** and **Torsten Bell MP (/government/people/torsten-bell)**

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Thank you to the PLSA for the invitation to speak…

…and for bringing us all to Edinburgh…

…the city my first boss in politics, Alistair Darling, represented and loved.

It is always a pleasure to come…

…well almost always.

Because it can trigger traumatic flashbacks.

One stands out.

Of a pre-dawn drive across from Glasgow back in 2014…

…to accompany Alistair to the Andrew Marr show on the Sunday just days before the referendum.

It's not a great distance, nor is the traffic bad at 5am…

….but it felt like an eternity given the weight of events.

Events that could have had seismic repercussions for the whole UK…

…and for this city's pensions, and financial services, industry.

Whenever I hear partisans of Manchester and Birmingham compete over which is the UK's second city…

…I gently remind them that, when it comes to productivity, there's no contest: it's Edinburgh.

I was also here last August for a rather more light-hearted kind of trauma.

I was due to speak at the brilliant book festival…

…and had plenty of time spare ahead of a 7pm event.

Or at least I would have done, if it actually had a 7pm start…

I was ambling under the castle when my team rang.

There had been a mix-up and the event started at 6.

It was 5.45.

This was an event on a big, serious, topic: the UK's economic stagnation.

But rather than pondering that I now had a rather more practical question…

…how fast can a newly elected MP walk, or run, up the hills of this city while retaining a shred of dignity in transit and upon arrival.

Quite fast it turns out is the answer…

…although opinions differ on much dignity was retained.

This is all a long way of saying particularly thank you to the PLSA for organising today…

…and sparing us any short notice changes to the schedule.

So we can give pensions the unflustered attention it deserves.

Today I want to step back to focus on the big picture…

…of where our priorities must be as our defined contribution saving landscape matures…

…and defined benefit schemes see their funding positions changed materially.

On the former my big argument is we have to pay more attention to returns for savers…

…rather than just to costs, or savings rates – important as both those are.

Celebrating the success of auto-enrolment can no longer be a substitute for answering the harder question:

What does the best landscape for those savings to be managed in look like?

Both to maximise returns for savers…

…and to ensure those savers live in a country that is investing and growing again after a long decade of economic stagnation

Now, our view is that scale does matter.

We want fewer, bigger, better pension schemes.

That is already the direction of travel – for a whole host of reasons.

We are merely providing extra wind into the consolidation processes' sails.

Of course, some smaller schemes deliver great value for money.

But for the market as a whole, and savers on average, consolidation is desirable.

Larger schemes are better placed to invest in more productive asset classes.

This is a diversification as important as that of geography, which rightly gets so much attention.

Scale also helps reduce costs – and increases bargaining power.

That both can help provide the headroom for building investment capability…

…or just better returns for members.

Around the world we also see that scale matters for the nature of ownership.

Only large pension schemes can provide active, engaged ownership…

… of the kind that presses management not just on short term returns today but on whether they can deliver over the long term.

Now, scale of course is an enabler of change, and it is very far from a silver bullet.

One part of interlocking reforms.

Including reforms to focus more on value, and less narrowly on cost or price.

I'm grateful for the support there has been for the proposed value for money framework.

It will help focus minds.

Employers including any in the room today will have no excuse for ignoring what matters most to their employees.

But we also need to focus on value in debates and, to be frank, in sales pitches.

Now why do I focus on enabling productive investment?

Because we do so little of it.

DC pension funds allocate 3% to infrastructure and 0.5% to private equity.

That compares to an 11% infrastructure allocation in Canada, and 5% to private equity in Australia.

Every percentage point counts, or part of a percentage point matter when this investment can deliver not only returns for savers…

…but also contribute to economic growth.

and if you want a simple summary of the government's economic strategy this is it:

It's time for Britain to start investing in its future again.

Again, this shift to investing in a wider range of assets is again one we are encouraging rather than instigating.

Many of you have told me about changes you are already delivering…

…building new capacities or partnering with others.

I want to acknowledge the work going on across the industry to realise this shift.

And from learning from parts of the industry that have been doing this for decades.

I particularly want to welcome the ambition to go further through voluntary commitments.

This work is ongoing, under the leadership of the PLSA, City of London and the ABI…

I want to thank them all for it…

… I look forward to seeing the results in the coming weeks…

…and will weigh them heavily as we finalise the Investment Review that Zoe talked about.

Now everyone in this room, given you've signed up and I suspect will be here for three days, loves talking about pensions.

But we all know, higher investment is about far more than pension reform.

That's why we encourage you to focus on how the overall strategy, how the pensions reform sit within that wider argument.

It also requires a supply of investable propositions, not just the existence of capital.

Across the board we are working to grow that pipeline and to make it more visible.

In June we will set out our 10-year infrastructure strategy.

The British Growth Partnership is there to help bring VC investment opportunities to pension funds.

Our work with local and regional government will highlight investable propositions right across geographies.

Investment propositions will also need to be visible in another sense…

…they actually need to get built.

We have already got back in the habit of swiftly granting permissions for the likes of solar farms and reservoirs.

Permissions which previously policy makers seem to have decided Britain could do without.

And today we've introduced the Planning Bill to make sure we do get homes and infrastructure built.

If we're going to invest once again…

…we have to make it possible to build it once again.

Now in many ways, elements of our approach build on the success of the Local Government Pension Scheme.

At £400bn it is not just one of the world's largest schemes in the world…

…but one of the fastest growing, projected to reach £1 trillion by 2040.

Now given that, we must reflect on what is working well, and what more we can do.

One clear objective is reducing fragmentation.

Minimum standards for asset pooling are an important step…

…and again there is lots of progress underway.

Thank you to those who have prepared pool transition proposals, all of which we have now received.

A great deal of time and energy has clearly gone into them.

We put the onus on the LGPS to come forward with creative and collaborative plans.

And we are now considering if the proposals have met that ask.

You have all asked for clarity as quickly as possible and I'm delighted to be meeting each and every pool in the coming weeks.

And because it is important that concrete progress is made…

…I am today confirming that we will plan to stick to the timeline of March 2026.

The pooling project began 10 years ago.

By this time next year, our world class LGPS will be made up of large pools of professionally managed capital…

…accountable to Authorities via robust governance structures…

…and delivering for members and their communities.

On the Investment Review more generally, it will be finalised in the coming weeks.

The final report will be all the better for the consultation responses we have received.

It – and the wider changes promised in the Kings Speech - will form the basis of the Pensions Bill…

…which I aim to introduce before the summer recess.

That Bill brings me to the £1.2 trillion in DB schemes and the incredibly important role these schemes have to play.

We know that the market is already innovating.

Hence our commitment to legislate for a permanent regime for Superfunds.

Today's £160bn of surplus is a good 'problem' to have.

Infinitely preferable to the previous problem: perma-deficits.

Surplus flexibilities will allow more well-funded DB schemes to release resources back to business and scheme members.

Where it is safe to do so.

And where trustees agree.

They are best placed to determine, in consultation with employers, the appropriate use of any surplus in their scheme.

As an aside, some may want to examine the position of members with non-indexed pre-1997 accruals when considering the use of any surplus.

I look forward to sharing more details with you in the response to our Options for DB schemes consultation this Spring.

And we are considering proposals to allow the Pension Protection Fund greater flexibility to reduce the levy it collects from pension schemes, when it is not required.

I recognise this can all sound like…. a lot.

Especially given wider changes – dashboards and the rest.

There are limits on any organisations ability to deliver.

I take those constraints very seriously.

Not everything that could be legislated for will be legislated for in the forthcoming Bill for exactly that reason.

And we owe it to you to provide a clear roadmap of how these changes fit together.

Now I want to end on the big picture, before my talk of capacity constraints exhausts your capacity to feign interest.

It’s helpful to consider how “the pension problem” has changed.

Not over recent months which is too often the focus but recent decades.

Now here’s an overly simplistic view, but still a useful one, is as follows.

The 1990s pension problem was this:

How do we run pension schemes, and regulate them, to cope with the danger that some employers go bust – leaving employees without the pensions they were promised?

That is a problem regulation, and more recently a good dose of luck, helped answer.

The problem of the 2000s was different:

How do we deal with the disaster that swathes of people no longer build up any pension savings, never mind any firm pension promises?

Again, policy provided an answer in the form of automatic enrolment.

In both cases solutions were found and that should give us confidence for our own challenges today.

But in both cases we took too long to find them.

Innovation in face of a chronic problem, rather than a crisis is not easy….

…for policy makers, or anyone else working in this area

What is today's problem?

The consensus is just to say adequacy, due to insufficient savings.

I agree, the levels of contribution is an issue but I'd put the problem slightly differently.

Today's problem is how do we deliver higher returns for savers, so they can have a decent standard of living in retirement without asking any more than is necessary of their standard of living in the here and now.

Or asking them to become a pensions expert – which is your job.

Getting absolutely the best value for savers is the priority to any wider debate on savings levels.

That's why phase 1 of the pensions review on the landscape, and the pensions Bill that will help reduce costs in the system and put decumulation on a firmer footing, must come before phase 2 on adequacy.

The damage done by poor returns – including during decumulation - maybe feels less binary and catastrophic than the risk of Maxwell style broken promises…

…but it's a mistake to underestimate its impact on savers, which can in some cases be just as great.

So that is today's exam question.

We are making good progress.

And I look forward to answering it…

…with all of you over the months and years to come.

Thank you very much

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