

Proposed amendment to the Pension Schemes Bill 2025

To move the following new clause:

“Clarification of pension scheme investment duties

- (1) Section 36 of the Pensions Act 1995 is amended by inserting the following after subsection (9) of that section:
 - “(10) Regulations under subsection (1) coming into force no more than one year after the date on which Royal Assent is received must provide:
 - (a) that when interpreting the best interest or sole interests of members and beneficiaries for the purposes of this section and the regulations, the trustees of a trust scheme may (amongst other matters) take the following into account:
 - (i) system-level considerations;
 - (ii) the reasonably foreseeable impacts over the appropriate time horizon of the assets or organisations in which the trust scheme invests upon prescribed matters, including upon members’ and beneficiaries’ standards of living; and
 - (iii) the views of members and beneficiaries;
 - (b) that investment powers or discretions must be exercised in a manner that considers and manages the matters specified in subsection (10)(a)(i) and (ii) where they are financially material; and
 - (c) a prescribed definition of the term “appropriate time horizon” for these purposes.
 - (11) For the purposes of this section, “system-level considerations” means, over the appropriate time horizon, risks and opportunities relevant to the scheme that:
 - (a) cannot be fully managed through diversification alone; and
 - (b) arise from circumstances at the level of one or more economic sectors, financial markets or economies, including but not limited to those relating to environmental or social matters.
 - (12) In complying with requirements imposed by this section and regulations, a trustee or manager must have regard to guidance prepared from time to time by the Secretary of State.”
- (2) The Financial Conduct Authority must make general rules with effects corresponding to the provisions of subsection (1) for providers of pension schemes to which Part 7A of the Financial Services and Markets Act 2000 (as amended by this Act) applies.

- (3) The Secretary of State must make regulations with effects corresponding to the provisions of subsection (1) for scheme managers of the Local Government Pension Scheme.
- (4) The rules and regulations under subsections (2) and (3) must come into force no later than the date on which regulations pursuant to section 36(10) of the Pensions Act 1995 (as amended by this Act) come into force.

Explanatory statement

This clause gives the Secretary of State a duty to make regulations clarifying certain aspects of the investment duties of occupational pension schemes, including the consideration and management of system-level risks and opportunities and the ability to take account of other matters (including impacts of investee firms, scheme beneficiaries' standards of living and beneficiaries' views). It also imposes duties on the FCA and the Secretary of State to make corresponding rules and regulations for workplace personal pension schemes and the Local Government Pension Scheme respectively.