Paper C: Fit for the Future - Government response, regulations and guidance

Key points to note

The Pension Schemes Act has received Royal Assent and the Government has now published its response to the consultation, the associated regulations and statutory guidance. This largely marks the end of the Fit for the Future policy development phase, and we are now shifting into a policy implementation phase.
In due course, these new arrangements will become "business as usual" but the secretariat believe that the Board still has a significant role to play in helping these changes to bed down.

Recommendation

That the Board notes these developments and considers the proposed programme of implementation support and guidance development.

Background

On 21 May the Government published its response to the technical consultation that was issued on 20 November last year. The associated guidance (on governance, Investment Strategy Statement, and pooling arrangements) was published on 29 June.

This process of evolving each committee's workplan to reflect these changes has already started. We are also considering what changes to committee membership are appropriate and there is a separate paper on that.

Next steps

While we are not expecting further statutory guidance from the Government, there remain a number of areas where practical implementation guidance is needed. The working assumption is that this guidance would be developed by SAB rather than issued by Government. statutory guidance. Each is a substantial item and once the requirements of the guidance by Government and funds is clearer, we can incorporate these into our existing workplans. These areas are:

- conflicts of interest policy
- knowledge and understanding
- training strategy

There will be different timescales for the development of these products, and some will also require CIPFA involvement. Further detail of the anticipated timeframes for production will be provided through the CRC. Discussions are still ongoing with MHCLG in relation to the form and content of guidance on the newly obligatory administration strategy and the broader governance strategy (which will need to take into account any policy changes arising from the separation of pension fund audit from that of the host authority). There is likely to be some overlap with the work of the CMBDA Committee, particularly where implementation guidance has implications for pension administration, governance and wider fund operations.

On the investment side, we will continue to work with key stakeholders to build on the model established by the Ministry in regulations and guidance to identify common principles for oversight of pools, including exploring existing models and what lessons can be learnt from outside the scheme.

We will also work with key stakeholders to determine reporting principles for pools, both publicly and to partner funds - including performance monitoring standards and value for money assessments.

Another priority is to explore the process by which developing relationships with strategic authorities can help to identify local investment opportunities and how to assess these in line with LGPS fiduciary duty.

The report from the Investment committee includes recommendations to establish working groups to provide SAB guidance on:

- Fund oversight of pools
- Pool reporting
- Local Investment

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