

January 2025

Independent Governance Group response to Local Government Pension Scheme (England and Wales): Fit for the future

Introduction

Independent Governance Group (IGG) specialises in providing professional pension trusteeship, scheme secretarial, pensions managerial and governance services.

We are one of the UK's largest providers of governance services, with 490+ appointments to schemes of all types and sizes, ranging in asset size from the low millions through to multi-billion pound funds, including both DB and DC master trusts. In total, the assets we hold across all of our appointments exceeds £320bn.

IGG has over 230 employees based across offices in London, Bristol, Manchester and Edinburgh. An employee communications agency, Like Minds, and a firm of oversight and selection specialists, IC Select, complete the IGG family of brands.

We are a prominent member of the Association of Professional Pension Trustees (APPT) and the Pensions Management Institute (PMI). Members of the firm play a leading role in the APPT, including a role as Chair of the APPT, and PMI committees and all Trustee Directors, as well as other senior members of the team, are either fully-accredited as professional trustees or working towards accreditation.

We have provided responses to the relevant questions in Section 4 of the consultation: Governance of funds and pools.

As the Government finalises its response to this consultation, we would welcome the opportunity to discuss our response in detail with officials.

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Responses to questions

<p>Question 18: Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?</p>	<p>We agree that the governance standards required of LGPS should be as robust as that of private sector schemes. The size, both of membership and AUM of LGPS, means that they should be treated no differently to the largest and most significant private sector schemes. All decision makers in relation to LGPS should be required to meet high standards of governance and knowledge and understanding.</p> <p>Research carried out by The Pensions Regulator¹ has consistently shown that in the private sector, schemes with a professional trustee appointed to their board are likely to have higher standards of governance in place.</p>
<p>Question 19: Do you agree that administering authorities should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?</p>	<p>Yes. This is good practice and the public interest of LGPS means it is entirely appropriate for key documents such as the governance and training strategy and, in particular, conflicts of interest policy to be publicly available.</p> <p>Measurement against these strategies should form part of the proposed governance reviews.</p>
<p>Question 20: Do you agree with the proposals regarding the appointment of a senior LGPS officer?</p>	<p>Given the size and significance of LGPS, it is right that there should be someone whose substantive role is to lead the LGPS function. This is analogous to the Pensions Manager role in private schemes. The person carrying out this role would themselves need to have a significant level of pensions knowledge and understanding, or at the very least would need expert support. An alternative approach could be that AA's outsource the Pension Manager role and/or the wider governance function to a specialist provider. Outsourcing the function, with appropriate accountabilities, will deliver robust</p>

¹ <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/defined-benefit-schemes-survey-research-report-2023.ashx>
<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/dc-trust-based-pension-schemes-research-report-2022.ashx>

	<p>governance and also ensure that wider industry knowledge, experience and the latest best practice is brought to the benefit of the AA and LGPS members.</p>
<p>Question 21: Do you agree that administering authorities should be required to prepare and publish an administration strategy?</p>	<p>Yes. The strategy should be accurate and realistic, reflecting the capacity and constraints of the administration industry. It should also include the strategy for investment in administration, including Pensions Dashboards and a robust plan for responding to and rectifying any administration failures.</p> <p>Measurement against the strategy should form part of the proposed governance reviews.</p>
<p>Question 22: Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?</p>	<p>The public interest of LGPS means it is entirely appropriate for these key documents to be made publicly available.</p>
<p>Question 23: Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?</p>	<p>Independent governance reviews are an important component of a high quality governance strategy and an area where IGG has significant experience.</p> <p>The Own Risk Assessment requirements set out in the Pensions Regulator’s general code provide a good framework for a review of scheme governance, consistent with practices being developed and implemented in the private sector.</p> <p>We would observe that the proposals for an internal peer network to conduct governance reviews may not be truly independent, and may lack the skills required to conduct a review against the requirements of the Pensions Regulator; and optically may bring the robustness and transparency of the review into doubt. We would suggest that experienced independent firms such as IGG would be well placed to support LGPS with this kind of review. This approach would also ensure consistency</p>

	<p>across administering authorities, particularly where the ORA standards are used as a framework.</p> <p>Given the significant role of the Pension Board, consideration should be given to extending the governance review requirement to the Board as well as the Committee.</p>
<p>Question 24: Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?</p>	<p>Yes. The decisions made in LGPS, as with private sector schemes, are complex. Committee members need the skills, knowledge and ability to challenge and scrutinise advice received on investment decisions, as well as more broadly in respect of member communications, administration services etc.</p>
<p>Question 25: Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?</p>	<p>Yes.</p>
<p>Question 26: What are your views on whether to require administering authorities to appoint an independent person as adviser or member of the pension committee, or other ways to achieve the aim?</p>	<p>We agree with this proposal. The decisions made in LGPS, as with private sector schemes are complex. Committee members need the skills, knowledge and ability to challenge and scrutinise advice received on investment decisions, as well as more broadly in respect of member communications, administration services etc.</p> <p>Firms such as IGG, which offer both accredited professional trusteeship, as well as broader governance support services are well placed to provide such independent expertise to ensure that the pensions committee benefit from input from experienced professional pension trustees, and knowledge and experience of the highest standards of governance,</p>

	<p>including ensuring that administering authorities get good value for money from the LGPS service providers.</p> <p>Given the significant role of the Pension Board, consideration should be given to extending this requirement to the Board as well as the Committee.</p>
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