

# Sixty second summary

## 21st Century Trusteeship – ignore at your peril!

While it's not immediately obvious from the name, we look at why the Pensions Regulator's (tPR's) 21st Century Trusteeship Campaign should be front of mind for all those involved in running LGPS funds.

### What is "21st Century Trusteeship"?

Towards the end of last year tPR launched its 21st Century Trusteeship campaign with the stated aim of driving up standards of governance in pension schemes and ensuring better outcomes for scheme members.

The campaign is the latest move from tPR as it looks to set out what it wants from you and your funds, and states its intention to be bolder about enforcing those standards where people are failing to meet them.

Under the 21st Century Trusteeship banner, tPR will issue a series of communications to make it absolutely clear to those responsible for managing pension schemes what the expected standards look like – see [tPR's website](#).

*"[21st Century Trusteeship] delivers our message in terms of being clearer, quicker and tougher with trustees and with that comes the possibility that if they don't meet those expectations, that we will take enforcement action against them<sup>1</sup>."*

### Why you shouldn't ignore this

We know there are a wide range of views out there about the effectiveness and usefulness of tPR's involvement in the LGPS to date. It is also true that some of the terminology used in this campaign might feel more appropriate for the private sector. However, it takes a brave person involved in the running of a LGPS fund to choose to ignore this campaign. The stick is that the Regulator has stated that they see 21st Century Trusteeship as being fully applicable to the public sector (and tPR look likely to increasingly bare more teeth!). The carrot is that the aims of the programme are worthwhile – few will put up their hands to admit to having a badly run pension fund, which is what this is all about (whether you are talking about "trustees" or "pension committee and/or Local Pension Board members").

### What will the campaign focus on?

The following topics will form the core of the 21st Century Trusteeship Programme:

- Good governance fundamentals
- Clear roles and responsibilities
- Clear purpose and strategy
- Competence and integrity
- Upskilling and training
- Managing advisers and providers
- Managing conflicts of interest
- Managing risk
- Meetings and decision-making
- Value for members

<sup>1</sup> Anthony Raymond, Acting Executive Director of Regulator Policy.

No one could dispute that these are all principles that are fundamental to a well-run LGPS fund. To date the Regulator has provided guidance on the first 3 topics.

## Episodes 1 to 3

**Good governance fundamentals** – none of the tPR commentary & guidance will be particularly surprising to those of you involved in this area. Every LGPS fund should be doing the fundamentals and able to evidence that they are doing so to tPR at any point in time. By doing the basics well, you increase your Fund's chances of staying off their radar.

**Clear roles and responsibilities** – These are a bit different in the LGPS world, but the principles are the same. You all need to be able to easily evidence that there is clarity on roles, responsibilities, decision-making, governance structures and processes; thereby giving the best chance that you will get good outcomes.

**Clear purpose and strategy** - it's not rocket science, but the guidance here is about having a clear strategy and a business planning process that supports it. This is likely to be a big area of focus for tPR when funds appear on their radar.

## What can I do?

From the above, you might be thinking it is time to "get your ducks in a row":

- Check that not only are you happy with all these governance aspects, but that you can also evidence them to external eyes. Dust down your effectiveness reviews, the roles and responsibilities document, etc. and check they are both (i) up to date and (ii) being adhered to.
- Start considering how well you are covered for Episodes 4 to 10. For example on 5, are you comfortable about your Committee and Board's Knowledge & Understanding, is the current training plan really working?
- See how you stack up against the three month checklist that is included – that should flag up any immediate red flags.
- Think about how your Governance arrangements might look to tPR and the outside world. Is there anything that you would feel uncomfortable justifying?

It should be apparent that this campaign is highly relevant to those involved in the LGPS. If there is any area that you feel exposed to, or any area that you would like you more detail on, then please contact a member of our Governance team.

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