

## ITEM 7

### London Borough of Enfield

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| <b>REPORT TO;</b>   | <b>Local Pension Board 4<sup>th</sup> October 2018</b>                       |
| <b>SUBJECT:</b>     | <b>The Pensions Regulator's 21<sup>st</sup> Century Trusteeship Campaign</b> |
| <b>LEAD OFFICER</b> | <b>Paul Reddaway</b>   |

#### 1. RECOMMENDATIONS

1.1 Members of the Board are asked to note the contents of this report.

#### 1. RECOMMENDATION

#### 2. EXECUTIVE SUMMARY

2.1 This report considers the key themes of the Pension Regulator's discussion paper on 21st Century Trusteeship and governance. In order to drive up standards of governance and administration the Regulator intends to focus on targeted education and setting out what is expected from adopting higher standards.

#### 3 DETAIL

3.1 During 2016 the Pension Regulator's office published a discussion paper on 21st Century Trusteeship and governance. This looked at standards among trustees could be raised to improve the way that pension schemes are managed. The Regulator also carried out research showing that many pension schemes aren't meeting the governance standards that are expected. This is dealt with by a report elsewhere on this agenda. Consequently the Regulator has decided to launch a programme to raise the standards of governance across all pension schemes.

3.2 The 2016 discussion paper considered a number of key themes, which included:

- **Board effectiveness and the importance of diversity:** To be effective, boards need a diverse mix of trustees who bring a balance of skills and experiences, professional backgrounds and interests.
- **The role of the chair:** Chairs of trustees were said to play a vital role in setting the approach to governance and scheme management. Their role required good leadership, communication, negotiation and people management and mentoring skills in addition to pensions knowledge.
- **Meeting Trustee Knowledge and Understanding (TKU) standards and the role of training and development:** An interest and desire to take on the role of trustee was seen as the most important quality. Basic understanding of how pensions work was considered crucial but detailed knowledge was seen as less important than personal attributes.

- **Managing conflict of interests:** Some professional trustees explained that they can be under pressure to prioritise the employer's interest, although their professional integrity ensured that they acted impartially.
- **Engagement with key governance activities and working with third parties.**
- **Administration and investment governance:** Trustee boards described a wide range of approaches to key governance activities such as administration and investments.
- **Working with advisers:** Nine in ten schemes employed advisers but one in ten schemes reported they could rarely or never afford to appoint advisers – those tended to be small schemes. • Trustees rarely disagreed with advisers although many scrutinised advice in detail. However, not all lay trustees were confident in their ability to challenge professional advisers.

3.3 The Regulator has now published a response to this discussion paper. This response is appended to this report.

3.4 This response sets out the approach that the Regulator intends to drive up standards of governance and administration, and the competence of those managing schemes, including public service schemes, going forwards. Firstly, more targeted education and tools to raise the standards of trustees; then by setting out clearly what is meant in practice by the higher standards already expected of professional trustees and the specific qualities and skills expected from chairs; and finally tougher enforcement against trustees who fail to meet the required standards.

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**BACKGROUND PAPERS:** None

**APPENDICES:** Appendix A: 21<sup>st</sup> Century Trusteeship & Governance Discussion paper response, the Pensions Regulator, December 2016.