

Governance question responses – Fit for the Future (2nd consultation)

<p>Question 1</p> <p>Do you have any comments on the drafting of regulations 1 and 2?</p>	<p>No comments</p>
<p>Question 2</p> <p>Are there any further types of investment that should be included in Regulation 3, or any that are no longer considered relevant?</p>	<p>We are happy regulation 3 covers applicable investments</p>
<p>Question 3</p> <p>Is there any scenario where an authority would still need to borrow to meet the type of commitment outlined in Regulation 5(2)(b) once all assets are pooled?</p>	<p>The Fund do not consider that it will be necessary to borrow and Funding/cashflow decisions will be reviewed with the Pooling company</p>
<p>Question 4</p> <p>Do you have any other comments on Regulations 3-6?</p>	<p>No further comments</p>
<p>Question 5</p> <p>Are the activities listed in the schedule ones that all LGPS asset pools would reasonably be expected to need in order to carry out the activities expected of them?</p>	<p>The scheduled activities appear appropriate, but Pools will be better placed to respond directly</p>
<p>Question 6</p> <p>Do you have any other comments on Regulations 7-9?</p>	<p>Regulation 9(1)(c) has potential to impact the Funds fiduciary duty. The pools shareholders agreement will set out the terms for admittance of new parties we believe that existing shareholders should agree to any new party in consultation with the Secretary of State.</p>
<p>Question 7</p>	<p>We agree that it is relevant that the ISS should be consistent with the Funding strategy statement in order to try and</p>

<p>Do you agree that the requirements in Regulation 11(2), for the financial objectives in the investment strategy statement to be consistent with the funding strategy statement and to have regard to the requirement to maintain consistent primary employer contribution rates, are helpful?</p>	<p>maintain consistent primary employer contributions. This is in line with the FSS guidance.</p>
<p>Question 8</p> <p>In relation to regulation 12, does a deadline of 30th September 2026 allow sufficient time to allow AAs to publish an investment strategy in line with the new requirements?</p>	<p>We are comfortable that an ISS can be published in line with the deadline of 30th September 2026.</p>
<p>Question 9</p> <p>Are there any other persons (including organisations) in addition to those currently listed in Regulation 12(3) that all AAs should always be required to consult on the contents of their investment strategy?</p>	<p>We intend to share the ISS with the local Pensions Board as well as part of the planned consultation.</p>
<p>Question 10</p> <p>Is the wording of Regulation 13(1) sufficiently clear that the responsibility for implementing the investment strategy is fully on the asset pool company, while giving sufficient scope for flexibility where market conditions or other factors make it impracticable to fully realise all the aims of the investment strategy?</p>	<p>From an administering Authority perspective, the regulation is clear.</p> <p>The regulation allows sufficient flexibility for the long term nature of private market commitments.</p>
<p>Question 11</p> <p>In relation to Regulation 14, do you agree it is appropriate to link the three-yearly review of the investment strategy to the triennial valuation?</p>	<p>We agree that it is sound governance to review the ISS following the triannual valuation results and are happy that the regulation has sufficient flexibility for interim review if required.</p>

<p>Question 12</p> <p>Is 18 months from the valuation date an appropriate timescale for AAs to review, revise, and publish their investment strategy?</p>	<p>Based on our current timescales this is an appropriate timescale</p>
<p>Question 13</p> <p>Do you have any other comments on Regulations 10-15?</p>	<p>Regulation 10 We believe the Fund should be able to take advice if and when it feels it will add value, rather than just in exceptional circumstances. We believe that independent advice taken for reassurance purposes is valid.</p> <p>Regulation 11 We are concerned that the move away from the language in the 2016 Regulations in respect of ESG considerations may impact the legal advice obtained on behalf of Funds by SAB and directly impacts Funds Fiduciary duties</p> <p>Regulation 15 We would like to see safeguards in place limiting when the direction power can be used including the option for any Fund to explain any alleged breach.</p>
<p>Question 14</p> <p>Is 21 days an appropriate time period for an asset pool company to be managing AA assets?</p>	<p>We consider the 21 day period to be too short to allow both parties in the necessary circumstances to undertake appropriate legal advice and due diligence</p>
<p>Question 15</p> <p>Do you have any other comments on Regulation 16?</p>	<p>We are happy that 16(3) recognises that it will not be practical or cost effective for the Pool to transfer all assets on day 1 and that appropriate transitional arrangements need to be agreed by the company. We would like this to have been strengthened so that arrangements had to be consulted on with the partner fund. Whilst we believe this will happen in practice it is not part of the regulations.</p>
<p>Question 16</p>	<p>Local investment will be considered as part of the New ISS and we are working with the Pooling company on the most</p>

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<p>Do you have any comments on Regulation 17?</p>	<p>appropriate model for implementation and criteria</p>
<p>Question 17</p> <p>Do you agree with the list of issues that the Secretary of State can issue guidance about in Regulation 18?</p>	<p>Yes</p>
<p>Question 18</p> <p>Do you have any other comments about Regulations 18 or 19?</p>	<p>No Further Comments</p>
<p>Question 19</p> <p>Is there anything in the 2016 regulations that needs to be replicated here in some form to allow the scheme to operate as intended?</p>	<p>We agree with the Scheme Advisory Board that the procedural points at sub paragraphs 4-6 of regulation 8 in the 2016 guidance should be included in the new regulations.</p>
<p>Question 20</p> <p>Is 28 days an appropriate length of time to allow an AA to participate in both its 'old' and 'new' pool to allow transitional processes to take place?</p>	<p>Whilst this does not apply to this Fund 28 days appears to be a relatively short time frame depending upon circumstances of any transition given the complexities in transferring certain asset classes.</p>
<p>Question 21</p> <p>Do you have any other comments about Regulations 20-22?</p>	<p>No further comments</p>
<p>Question 22</p> <p>Is there anything else that should be included in these Regulations to allow them to deliver their intended impact? Are there any additional provisions in the 2016 Regulations that need to be replicated here in some way?</p>	<p>Nothing further to add</p>

<p>Question 23</p> <p>The government collected views on whether the reforms would benefit or disadvantage protected groups when consulting on the Fit for the Future policy proposals in autumn 2024. Is there anything in these regulations that you think will disproportionately impact groups with protected characteristics relative to other groups?</p>	<p>There is nothing in the regulations that would appear to disproportionately impact protected groups</p>
<p>Question 24</p> <p>Do you agree that new Regulation 55A delivers the government’s intent for the governance strategy, training strategy and conflict of interest policy, in line with the Fit for the Future consultation and response?</p>	<p>Yes, however, guidance on conflicts of interest policy and governance strategy will be needed to ensure consistency. Many AAs already record delegation and representation details in their governance compliance statements, so adapting to the new requirements should be manageable, especially since the governance compliance statement is no longer needed.</p>
<p>Question 25</p> <p>Do you agree that new Regulation 53A delivers the government’s intent for the senior LGPS officer in line with the Fit for the Future consultation and response?</p>	<p>Yes, the guidance states that the Pension Fund’s budget should be fully separate from the Local Authority’s budget and exempt from its resource or budget restrictions. We would like to request for this to explicitly cover pay and recruitment of pension fund staff, ensuring local authority hiring freezes do not affect pension fund resources.</p>
<p>Question 26</p> <p>Do you agree that new Regulation 53A delivers the government’s intent for the independent person in line with the Fit for the Future consultation and response?</p>	<p>Yes, however it is noted that the draft Regulations do not mention any statutory guidance for this role, and the only stipulations are that the independent person must “advise on investment strategy, governance and administration.”</p> <p>The intention appears to be to transition existing independent advisor roles into this new Independent Person (IP) position. However, many current advisors serve specifically as investment advisors, while the guidance indicates that the IP is intended to have a broader role, making these investment specialists potentially unsuitable. Since</p>

	<p>it seems implied that the IP role must be fulfilled by a single individual—without the option of splitting or sharing responsibilities—it may be very challenging to find someone with sufficient expertise across all required subjects within the necessary timeframe.</p>
<p>Question 27</p> <p>Do you agree that new Regulation 55B delivers the government’s intent for the knowledge and understanding requirements in line with the Fit for the Future consultation and response?</p>	<p>Yes. The draft guidance raises expectations for Committee members' knowledge, making it an individual legal requirement rather than a collective one. The new training strategy must outline how AAs will need to be updated as related guidance develops. Key challenges include demonstrating how knowledge requirements are met during decision-making, ensuring new members receive induction within three months, and addressing two new competency areas—risk management and key skills and behaviours—which may require additional training and different skills for Chairs.</p>
<p>Question 28</p> <p>Do you agree that Regulation 59 delivers the government’s intent for the administration strategy in line with the Fit for the Future consultation and response?</p>	<p>Yes, most AAs will already have an Administration strategy, a check will need to be made that it is in line with the new guidance when this is available.</p>
<p>Question 29</p> <p>Do you agree that new Regulation 117 delivers the government’s intent for the independent governance reviews in line with the Fit for the Future consultation and response?</p>	<p>Yes, however there are some concerns over, who can be used to deliver these reviews, A ‘suitable person’ to conduct the review must be independent of both the Secretary of State (SoS) and the AA, with appropriate qualifications or experience. Independence means not being engaged with the AA during the review. However, requiring a separate reviewer—rather than an existing governance advisor familiar with the fund—may be inefficient. Excluding specialists who regularly advise on governance seems counterproductive, especially since the scope and requirement to publish the report should</p>

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	<p>address concerns over impartiality. Clarification is needed on whether a new IGR contract is necessary in these cases. While draft guidance suggests using National LGPS Frameworks for appointments, this is optional. The guidance sets minimum standards for IGR, but each Fund may include additional criteria.</p>
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