

Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation

Introduction

How to respond

About You

1 Name

What is your name?:
Andrew Lister

2 What is your email address or telephone number?

What is your email address?:
andrew_lister@middlesbrough.gov.uk

3 Are you responding on behalf of an organisation?

Yes

Organisation type

4 What type of organisation are you responding on behalf of?

LGPS administering authority (pension fund)

5 What is the name of your organisation?

Name of organisation:
Middlesbrough Council

Section A - Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations

Do you wish to answer questions about the Pooling, Management and Investment of Funds regulations?

Yes

Part 1 – Introductory (Regulations 1 and 2)

1 Do you have any comments on the drafting of regulations 1 and 2?

Do you have any comments on the drafting of regulations 1 and 2?:

No

Part 2 – Investments, funds and borrowing (Regulations 3-6)

2 Are there any further types of investment that should be included in Regulation 3, or any that are no longer considered relevant?

Are there any further types of investment that should be included in Regulation 3, or any that are no longer considered relevant?:

No

3 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?

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?:

While rarely utilised, it would be helpful for Funds to have the flexibility to have borrowing powers (on a clear and time defined basis).

4 Do you have any other comments on Regulations 3- 6?

Do you have any other comments on Regulations 3- 6?:

No

Part 3 – Asset pool companies (Regulations 7-9)

5 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?

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?:

Yes

6 Do you have any other comments on Regulations 7-9?

Do you have any other comments on Regulations 7-9?:

With regard to Regulation 7, and as responded to in later questions, to meet the requirements of this legislation, the deadlines of 21 days and 28 days for pools to be managing a fund's assets and for funds to move pools, respectively, appear wholly unachievable and problematic.

For Regulation 8, while the activities stated appear to be reasonable, we would question whether listing these in the regulations is future proofed (both for future changes in Financial Service regulation given the ongoing initiative to simplify FCA regulatory activities, and that our operating models may change in the future, changing which permissions we need). An alternative may be to be more explicit about the services you expect the pool to carry out (and then the FCA will agree which permissions are required).

Regulation 9 – a direction to a pool to accept an authority should perhaps include reference to this being subject to any Regulatory provisions. This may be the intent behind 9(2)(c) but it could put FCA-regulated pools in a very difficult position if the FCA was not supportive of further expansion (for whatever reason). It also runs the risk of impacting the rights of existing shareholders; we would welcome an amendment that explicitly provides a level of protection for existing shareholders, e.g. with shareholder consent consistent with its shareholder agreement.

Part 4 – Investment Strategy (Regulations 10-15)

7 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?

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?:

Yes

8 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?

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?:

While this would be helpful, given the scale of activity required it might be helpful for the deadline to be extended to 31 March 2027. This is particularly pertinent given it remains unclear when the Act and associated Regulations and Guidance will be finalised and implemented. A challenge for the LGPS will be that all Funds will be attempting to undertake the same activity in a short space of time whilst relying on the same finite pool of advisor capacity.

9 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?

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?:

No. We note the current regulations include “and any other relevant stakeholders”. It would be helpful to retain this as part of 12(4).

10 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?

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? :

Yes

11 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?

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?:

Yes

12 Is 18 months from the valuation date an appropriate timescale for AAs to review, revise, and publish their investment strategy?

Is 18 months from the valuation date an appropriate timescale for AAs to review, revise, and publish their investment strategy? :

Yes

13 Do you have any other comments on Regulations 10-15?

Do you have any other comments on Regulations 10-15?:

We would question whether 11(3) – requiring the authority to “have regard to the local economic priorities of the relevant strategic authority” - creates a dependency that might delay progress of ISS's.

Given the need to capture local growth plans is the retention of the restriction outlined in 11(6) appropriate?

Part 5 – Asset Management (Regulation 16)

14 Is 21 days an appropriate time period for an asset pool company to be managing AA assets?

Is 21 days an appropriate time period for an asset pool company to be managing AA assets? :

No. This is incredibly tight given the legal process required to achieve this. A 3-month window would be more appropriate. Nonetheless we welcome the flexibility contained Para 2 & 3.

15 Do you have any other comments on Regulation 16?

Do you have any other comments on Regulation 16?:

Regulation 16 states that assets should be “held and managed by the asset pool company”. As the pool company may not hold the assets (e.g. legacy private markets will continue to be held by the AA but managed by the pool). As such it should state assets should be “held or managed” by the pool.

We welcome the flexibility provided in 16 (2) and 16 (3).

Part 6 – Local Investments (Regulation 17)

16 Do you have any comments on Regulation 17?

Do you have any comments on Regulation 17? :

No

Part 7 – Guidance and Directions (Regulations 18 and 19)

17 Do you agree with the list of issues that the Secretary of State can issue guidance about in Regulation 18?

Do you agree with the list of issues that the Secretary of State can issue guidance about in Regulation 18?:

Yes

18 Do you have any other comments about Regulations 18 or 19?

Do you have any other comments about Regulations 18 or 19?:

No

Part 8 – Consequential amendments, revocations and transitional provisions (Regulations 20-22)

19 Is there anything in the 2016 regulations that needs to be replicated here in some form to allow the scheme to operate as intended?

Is there anything in the 2016 regulations that needs to be replicated here in some form to allow the scheme to operate as intended?:

No

20 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?

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? :

No. While we appreciate the desire for a time limited period, 28 days is insufficient and not reasonable. As with our comments above, we would propose a period of three months.

It would be helpful to have a similar framing as is proposed for Regulation 16, paragraphs 2 & 3.

21 Do you have any other comments about Regulations 20-22?

Do you have any other comments about Regulations 20-22?:

No

Overarching questions

22 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?

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?:

No

23 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?

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?:

No

Section B - Local Government Pension Scheme (Amendment) Regulations 2026

Do you wish to answer questions about the Local Government Pension Scheme (Amendment) Regulations?

Yes

Part 9 - Governance strategy, training strategy and conflict of interest strategy

24 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?

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?:

Yes

Part 10 - Senior LGPS officer

25 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?

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?:

Yes.

Part 11 – Independent person

26 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?

Question 26 – 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? :

Given the scope of support required (across Governance, Administration and Investments, it may be appropriate to appoint more than one Independent Person. As such, amend (and other subsequent references):

(5) If an administering authority delegates its functions, or part of its functions, under these regulations to a committee or sub-committee of the authority, it must appoint an independent person as a non-voting member of that committee or sub-committee to advise on investment strategy, governance and administration.

to:

(5) If an administering authority delegates its functions, or part of its functions, under these regulations to a committee or sub-committee of the authority, it must appoint an independent person(s) as a non-voting member of that committee or sub-committee to advise on investment strategy, governance and administration.

The October deadline for appointment of a LGPS Senior Officer and Independent Person(s) may be challenging given the need for an appropriate recruitment process and because Funds will all be procuring the same advisors from the same finite pool of capacity at the same time. A deadline of 31 March 2027 would be welcomed.

Part 12 - Knowledge and understanding

27 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?

Do you agree that new Regulation 53B delivers the government’s intent for the knowledge and understanding requirements in line with the Fit for the Future consultation and response?:

Yes

Part 13 - Administration strategy

28 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?

Do you agree that new Regulation 53A delivers the government’s intent for the administration strategy in line with the Fit for the Future consultation and response?:

Yes

Part 14 - Independent governance reviews

29 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?

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?:

Yes. While we welcome strong governance in the LGPS, we’d welcome further discussion on how this can be delivered in a robust, sustainable and cost-effective manner.

About this consultation

Personal data