



Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Pensions Sub-Committee	10 September 2019		n/a

Delete as appropriate		Non-exempt
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SUBJECT: TPR DRAFT GUIDES TO TRUSTEES ON SETTING OBJECTIVES FOR PROVIDERS OF INVESTMENT CONSULTANCY

1. Synopsis

- 1.1 This is an information report to consider guidance from The Pension Regulator (TPR) in response to the Competition and Markets Authority (CMA) investigation into the investment consultancy market. The guidance aims to provide trustees with practical information and key matters to consider when setting objectives for your provider of investment consultancy services and monitoring performance.

2. Recommendations

- 2.1 To consider practical case study guidance for setting objectives for investment consultancy provided by TPR
- 2.2 To note that the legal requirement for trustees of occupational pensions (including LGPS) to set objectives comes into effect from 10 December 2019
- 2.3 To note that this guidance is part of a consultation by the TPR

3. Background

- 3.1 The Pensions Regulator (TPR) is the UK regulator of occupational pension schemes. They are a non-departmental public body established under the Pensions Act 2004. Their

sponsoring body is the Department for Work and Pensions (DWP) and Parliament sets the legislative and regulatory framework within which they work.

- 3.1.1 Following an investigation into the investment consultancy and fiduciary management market, the Competition and Markets Authority (CMA) has introduced new duties for trustees and managers of occupational pension schemes, which will take effect from 10 December 2019.
- 3.1.2 The DWP is currently consulting on bringing these new duties into pensions legislation, after which TPR will be tasked with regulating compliance with the requirements. The CMA made recommendations in its final report for TPR to produce guidance to support trustees in complying with these new duties. TPR consultation is in respect of the guidance they have produced to support those recommendations covering tendering for fiduciary management and investment consultancy and setting objectives for providers of investment consultancy. The link to the full consultancy document is <https://www.thepensionsregulator.gov.uk/en/document-library/consultations/draft-guidance-consultation-in-response-to-cma-recommendation>
- 3.1.3 It appears that the only Remedy applicable to the LGPS is the requirement for Administering Authorities to set strategic objectives for their IC provider. Whilst we await the MHCLG guidance and legislation, the TPR's consultation on guidance contains roles of an investment consultant and a case study of a pension fund setting objectives and agreeing a performance monitoring scorecard.
- 3.1.4 A copy of the relevant parts of the case study is attached as Appendix 1 for information. This is an example that intends to help members begin to think of the advice, activities, special projects, relationship and communications with their investment consultants and how they would measure performance. The objectives set in the case study include the following:
1. Demonstration of value added.
 2. Delivery of specialist processes.
 3. Proactivity of advice.
 4. Support with scheme management and compliance.
 5. Relationship and service standards.
 6. Support with additional matters arising.
- 3.2 Members are asked to consider the TPR guidance part covering setting and monitoring objectives for investment consultants attached as Appendix 1 and discuss their views that should help to formulate ideas of how and what they value and will measure to be compliant with the pension order by the CMA.

4. Implications

4.1 Financial implications

None applicable to this report. Financial implications will be included in each report to the Pensions Sub-Committee as necessary.

4.2 Legal Implications

None applicable to this report.

4.3 **Environmental Implications**
None applicable to this report. .

4.4 **Resident impact assessment**

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment has not been carried out since the recommendations in this report seek responses to a consultation paper from the Pension Regulator.

5. Conclusion and reasons for recommendations

5.1 Members are asked to consider the relevant parts of the TPR guidance and discuss their views that can be used to formulate their objectives setting for investment consultancy.

Background papers:

None

Final report clearance:

Signed by:

Corporate Director of Resources

Date

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