

Governance reform - a catalyst for stronger administration?

The latest LGPS governance reforms signal a growing recognition that governance, administration and member outcomes are fundamentally interconnected. As pension funds navigate an increasingly complex and evolving landscape, the quality of administration is emerging as a key measure of effective governance and scheme success. That evolution is evident in the Fit for the Future reforms, which introduced a more formal and structured approach to oversight and accountability. The creation of the Senior LGPS Officer role, appointment of Independent Persons and the introduction of independent governance reviews reinforce this direction of travel. Rather than introducing an entirely new approach, these measures build on a governance journey that has been steadily developing across the pensions industry for many years.

Many funds will recognise elements of this progression already. The Pensions Regulator's increased focus on effective systems of governance and internal controls, alongside the growing emphasis on robust governance frameworks and evidence-based decision-making, has contributed to steadily rising expectations across the sector. The latest reforms bring greater clarity and structure to those expectations – a codification - while also reinforcing the importance of maintaining strong administrative foundations. One of the most significant themes emerging from the reforms is the changing role of administration within pension funds. Traditionally viewed as an operational function responsible for processing transactions, maintaining member records and paying benefits, administration is now increasingly recognised as a strategic capability. While these responsibilities remain essential, the quality and effectiveness of administration has expanded considerably.

Every major priority facing funds today relies upon effective administration. High-quality data is essential for pensions dashboards, while meaningful member communications depend on accurate records and robust processes. Governance decisions require reliable management information, and benefit delivery remains one of the most visible indicators of scheme performance. As schemes mature and member expectations continue to evolve, administration has become a central enabler of effective governance, regulatory compliance and positive members outcomes.

Independent governance reviews are perhaps the clearest example of this shift. Understandably, many funds are focused on the practical requirements of the reviews and how they will be conducted. However, their real value may lie in the opportunity they provide for a more holistic assessment of governance effectiveness. By creating a structured framework for examining governance arrangements, reviews enable funds to examine how decision making controls, processes and operational delivery work together to help identify strengths as well as opportunities for further development.

More importantly, reviews should not be viewed in isolation. Integrated governance reviews should draw on many of the areas that funds are already strengthening, including compliance with the General Code, administration and training strategies, data quality improvement programmes and governance frameworks. As a result, preparation for governance reviews is unlikely to be a standalone exercise undertaken in the months leading up to a review. Instead, it is more likely to be the cumulative result of work that is already underway.

This is where early preparation becomes particularly important. While some of the regulatory deadlines may still be some distance away, many of the capabilities that underpin good governance will take time to develop and embed. Reviewing governance documentation and strengthening internal controls can all help build more robust governance framework. Equally, documenting decisions and demonstrating evidence of oversight can be just as important as the decisions themselves. The increasing focus on knowledge and understanding also reflects this wider trend. Pension governance has become increasingly complex, with committees and officers expected to

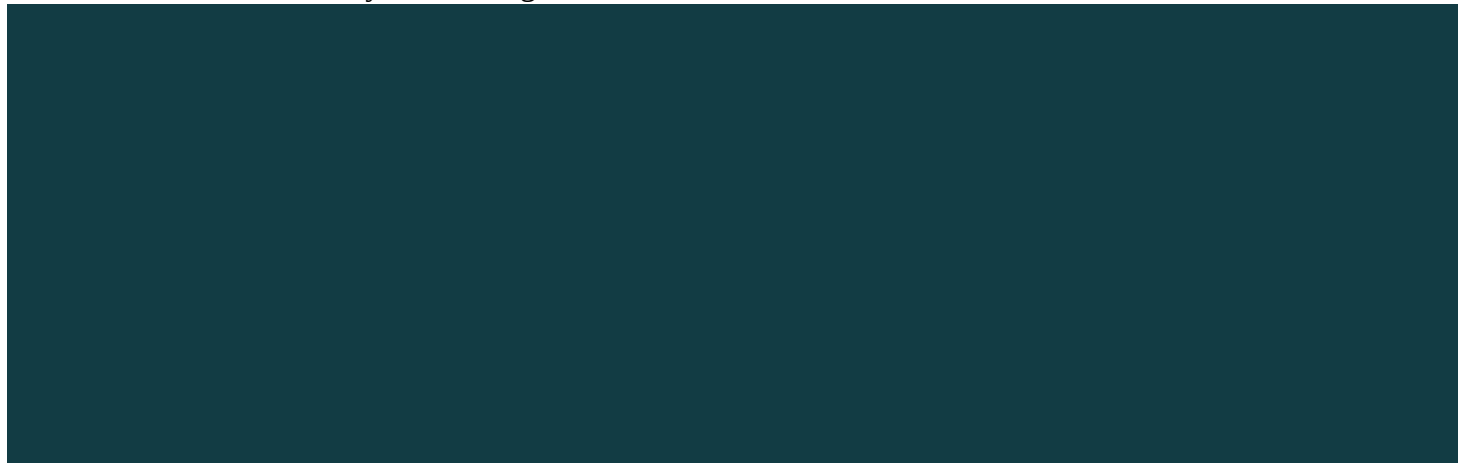
oversee a wider range of technical, operational and strategic responsibilities. Investing in development will help support those individuals to navigate this complexity, leading to better-informed discussions and more effective fund decision-making.

Perhaps the most encouraging aspect of these reforms is the opportunity this provides to elevate the profile of administration within governance discussions. Historically, administration was often considered only after funding, investment and legal matters had been addressed. That hierarchy is now shifting. Issues such as data quality, member experience, service delivery and operational resilience are increasingly recognised as fundamental governance considerations in their own right – part of the critical infrastructure

As governance frameworks continue to evolve, the most successful funds will be those that view the reforms not simply as a regulatory obligation, but as an opportunity to strengthen the foundations that support member outcomes. In this environment, good governance and good administration are increasingly inseparable, - a clear indication of how far the role of administration has evolved.

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