

## **Investment Guidance**

### **The Pensions Regulator (PR)**

#### **RPC rating: fit for purpose**

#### **Description of proposal**

The Pension Regulator has issued new investment guidance to support the trustee boards of private sector defined benefit (DB) or 'hybrid benefits' pension schemes.

#### **Impacts of proposal**

There are approximately 6,263 DB and hybrid schemes in scope.

However, as professional trustees often sit on multiple trustee boards and some trustees will have existing knowledge or are already adhering to good practice related to investment guidance; the regulator has estimated that only 2,150 trustees will need to familiarise with the guidance. This includes 1,271 lay trustees and 879 professional trustees.

The regulator assumes that only lay trustees would require training. Based on survey evidence, the regulator estimates that 310 lay trustees would take up advisor-based training, resulting in a one-off cost of £171,000. The regulator estimates that 295 lay trustees will engage in training free to trustees (e.g. regulator toolkits, webinars etc.); assuming that this will take half a day per trustee, this would imply a total cost of £33,000.

Based on survey evidence, the regulator assumes that the remaining 666 lay trustees would not engage in training and would only familiarise themselves with the regulations by reading the guidance. The regulator further assumes that all professional trustees would familiarise themselves with the regulations by reading the guidance. This leads to an estimated total cost of £132,000 for familiarisation through reading the guidance.

This results in a total one-off familiarisation cost of £336,000.

Based on survey evidence, the regulator assumes that one third of trustees will re-engage with the guidance each year. The refresh activities are in-house or based on re-reading the material. The regulator estimates a recurring cost of £58,000 per annum after year 1 for lay and professional trustees.

The regulator also anticipates substantial benefits in terms of improved investment governance. The regulator argues that the academic evidence suggest that “if all assets moved from being poorly managed to well managed the annual improvement to investments could amount to around £20 billion per year”. It argues that although the exact level of benefit from improved investment governance that can be attributed to the guidance cannot be quantified, based on this evidence, it would more than offset the gross cost from familiarisation and refresher activities.

### **Quality of submission**

The regulator has presented a proportionate analysis of the costs and benefits of the proposal.

To improve the analysis, the regulator should consider the cost of training lay trustees after year 1, as survey evidence indicates that only a third would familiarise per year, however it is possible that the remaining might choose to familiarise in later years. The regulator should also consider whether there would be any cost to training providers from the ‘free’ training for trustees.

The regulator should provide more robust quantitative or qualitative evidence to demonstrate how the guidance would improve investment governance, as this has been used by the regulator to justify offsetting the cost of this policy.

Overall as these issues would not affect the EANDCB, the RPC is able to validate the EANDCB presented.

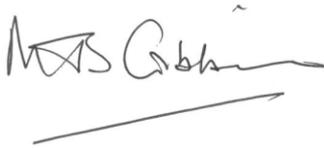
### **Departmental assessment**

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.0 million
Business net present value	£0.0 million
Societal net present value	£0.0 million

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## RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated <sup>1</sup>	£0.0 million
Business Impact Target (BIT) Score <sup>1</sup>	£0.0 million
Small and micro business assessment	Not required



**Michael Gibbons CBE**, Chairman

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<sup>1</sup> For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.