

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

Pensions UK response

January 2026

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## About Pensions UK

Pensions UK is the voice of pensions in the UK, trusted and heard by the government and the pensions industry. For more than 100 years we've delivered influential thought leadership, practical guidance and research for our members; pro-actively solving the sector's biggest issues and setting the future direction. As a not-for-profit organisation, we exist for the benefit of our members, and to deliver the best possible outcome for savers in the UK, so they can retire in confidence and with dignity.

### *Our membership and reach*

We're the voice of pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest £2 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people's financial futures.

Across our work in strategic and regulatory policy development, advocacy, membership engagement, events and communications, we engage with over 2,500 organisations, with nearly 16,000 contacts within our membership and a further 17,000 in the pensions and financial services industries.

## Executive summary

Pensions UK's response welcomes the Government's intent to strengthen governance, accountability and investment practices within the Local Government Pension Scheme (LGPS). Our response is broadly supportive of several proposed reforms but highlights a range of practical, legal and operational concerns that require further attention to ensure the regulations deliver their intended purpose.

### **Key themes and recommendations**

Regulatory burden and proportionality: The requirement for pools to hold the full suite of FCA permissions is seen as disproportionate, potentially increasing compliance costs without clear benefits. Pensions UK recommends allowing the FCA to determine the necessary permissions pools will need.

Safeguarding local accountability and fiduciary duty: There is significant concern that new powers for the Secretary of State to direct AAs to a pool could undermine local authority, accountability and fiduciary responsibilities. The response urges that such powers be exercised only "in consultation with the AA" and that statutory powers should not override existing shareholder agreements.

Implementation timelines and practicality: Some deadlines, including those for AAs to publish the ISS or transition of assets are seen as impractical. We suggest more flexibility to address real-world, practical constraints.

Investment advice: Pensions UK urges that AAs retain access to independent advice. A balanced approach - combining pool advice with independent checks - is needed to safeguard fiduciary duty and ensure robust governance.

Role and scope of asset pools: Pensions UK expresses concern about the new regulations expanding pools' responsibilities beyond what was originally envisaged. We recommend clarifying that pools should advise on strategic allocation and implementation only.

Governance and oversight: The introduction of roles such as the Senior LGPS Officer and Independent Person is broadly supported. However, we call for flexibility in implementation, especially for smaller funds and single-purpose authorities, and highlight the need for clear guidance on responsibilities.

Knowledge, training, and enforcement: Extending formal knowledge requirements to committee members is useful, but Pensions UK emphasises practical and balanced implementation. We support refreshed frameworks and introducing enforcement measures for compliance and effectiveness.

Independent governance reviews: While recognising the value of strong governance, Pensions UK questions the cost-effectiveness of these reviews, suggesting that existing local pension boards could fulfil this role more efficiently. We encourage authorities to publish action plans in response to review findings to maintain public confidence.

## Response to consultation questions

### Introductory

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

No.

### Investments, funds and borrowing

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

Some of Pensions UK LGPS members would like to highlight that investments directly owned or managed by asset pool companies are not set out in the list of “included” investments under regulation 3. We presume that the Government is aware of this point and it has not added them to the list since it is self-evident that the regulations would apply in such cases. If we are wrong in our assumption, we ask that the Government considers including investment management by asset pool companies within the list.

#### **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?**

Not that we are aware of.

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

No.

### Asset pool companies

#### **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?**

No. Pensions UK is concerned that the proposed requirement for pool companies to hold the full suite of FCA permissions, including ‘dealing in investments as agent’ and ‘managing an authorised Alternative Investment Fund (AIF)’, is disproportionate and may create unnecessary regulatory and cost burdens. The FCA generally discourages firms from maintaining permissions they do not actively use, as this introduces compliance risk without delivering tangible benefits. We recommend that the list of required permissions be reviewed and limited to those essential for the actual activities undertaken by LGPS pools.

On another point, some of our members questioned whether listing the activities in regulation is future proofed (both for future changes in Financial Service regulation given the ongoing initiative to simplify FCA regulatory activities, and that pool operating models may change in the future, changing which permissions

pools might need). An alternative may be to be more explicit about the services Government expects the pool to carry out (and then the FCA will agree which permissions are required).

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

On regulation 9, Pensions UK LGPS members expressed concern that the proposed power for the Secretary of State to issue directions to AAs or pools could undermine local authority, accountability and compromise fiduciary responsibilities. Investment decisions must remain under the control of those charged with safeguarding scheme assets and acting in members' best interests. To avoid eroding governance integrity, any such power should be exercised only 'in consultation with the AA'.

Furthermore, the power, in its current drafting, could override existing legal arrangements in shareholder agreements, which typically require unanimous agreement from all partner funds to admit a new member. There are concerns about how this direction would interact with these agreements, noting that if not all partner funds agreed to admit a new member, the direction would effectively override their legal rights, creating a conflict between statutory powers and contractual terms. Pensions UK members strongly believe that a direction to a pool to accept an authority should include reference to being subject to current shareholder agreements.

## **Investment strategy**

### **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?**

Yes.

### **8. In relation to Regulation 12, does a deadline of 30th September 2026 allow sufficient time for AAs to publish an investment strategy in line with the new requirements?**

Pensions UK LGPS members have pointed out that this deadline is challenging for AAs facing elections, needing to train new committees or joining new pools. Our members have described the timeline as unrealistic, especially when approval processes may only allow for two meetings before the deadline. Our members have also added that consulting with stakeholders, such as employees, can take additional months, further complicating the timeline.

Due to this, and given that most AAs have already set their strategic asset allocation for the current triennial period, Pensions UK is proposing that new requirements should be implemented alongside the next triennial cycle, allowing current advisors to work with pools during the transition.

**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?**

We assume this question refers to regulation 12(4) and not regulation 12(3). If so, Local Pension Boards should be included in the consultation.

**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?**

Yes, if guidance clarifies what constitutes the ‘reasonable steps’ which a pool company has to take to implement an authority’s investment strategy, since it is very important to the success of the new regime that the roles and responsibilities of partner funds and pools are as clear as possible. Guidance on what constitutes giving ‘proper consideration’ to local investment opportunities is also needed.

**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?**

Yes.

**12. 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?**

On regulation 10, Pensions UK members believe the requirement for AAs to take investment advice primarily from the pool is too restrictive and risks undermining fiduciary duty standards. While pools play a vital role, they may not yet have the full capacity or breadth of expertise to advise across all asset classes. Authorities must retain the ability to seek independent advice where necessary to act in members’ best interests. Furthermore, limiting external oversight to once every three years is inadequate; regular independent scrutiny - at least annually - should be mandated to ensure quality and impartiality. We recommend revising Regulation 10 to allow a balanced approach that combines pool advice with independent checks, supported by clear accountability provisions.

Private schemes such as USS and Railpen demonstrate best practice by combining internal advisory capability with external specialist input, ensuring robust governance and accountability. A balanced approach - where pools provide core advice on pooled assets while authorities retain discretion for strategic decisions - would safeguard member interests without undermining the objectives of pooling.

A solution could be to change the wording in regulation 10(3) from ‘exceptional’ to “where the AA is of the view that in order to meet its statutory responsibilities

additional advice is required". AAs should then be prepared to justify and respond to any challenge to the approach they have taken and this should be a condition for ad hoc arrangements, where advice would then be taken from an appropriately qualified/experienced/authorised firm or individual.

We are also concerned that the proposed regulations significantly expand the role of pools beyond what was originally envisaged in the Fit for the Future consultation. Previously, pools were expected to advise on strategic asset allocation, while AAs retained responsibility for sourcing investment opportunities. Pools also historically focused on due diligence and execution. The new provisions, including those in Part 11 on responsible investment and local investment, appear to require pools to advise on allocations to local investments and potentially identify or develop opportunities. This risks blurring governance responsibilities. We recommend clarifying that pools' role should remain advisory on strategic allocation and implementation, without shifting sourcing responsibilities away from AAs.

## Asset management

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

Considering that all AAs in England and Wales currently have their assets being managed by a pool, a 21-day period is unrealistic, particularly when dealing with highly illiquid holdings. Some assets, such as those in certain international markets, may also be subject to regulatory restrictions that prevent timely movement - for example, we are aware of a pool which holds assets in India affected by Securities and Exchange Board of India (SEBI) policies which cannot be transferred at all within such a short timeframe.

A further concern with imposing a strict 21-day deadline for asset transitions is the risk of market abuse. If large-scale asset sales are required within a short timeframe, there is potential for bad actors to exploit the situation, taking advantage of forced sales and creating opportunities for market manipulation or unfair trading practices.

Last, but not least, there is a concern that this timeline could conflict with the fiduciary duty of those responsible for managing LGPS assets. For the reasons mentioned above, the sale of assets could undermine the ability to fulfil fiduciary obligations. Pensions UK requests that any transition period must allow sufficient flexibility for all parties to act in accordance with their fiduciary responsibilities and protect the long-term interests of LGPS members.

### **15. Do you have any other comments on Regulation 16?**

Our members have highlighted that not in all cases will the ownership of assets be passed from the AAs to the pools. For example, the ownership of certain legacy private assets will remain with the AAs to avoid unnecessary costs, but the

control will be passed to the asset pools by means of ‘discretionary management’ agreements. We understand the value of encouraging rapid asset transition in most cases, so we ask that you provide an either / or option related to either ‘holding’ or ‘controlling’ of the asset. We are aware that the underlying legislation in the Pension Schemes Bill refers to ‘management’ as being buying, selling or holding, so we request for the Government to consider whether it would be possible for an amendment to the Bill to make it clear that management also refers to controlling of assets.

In regard to regulation 16 (2), our members have suggested replacing the term ‘practicable’ with ‘reasonable’ in the legislation, as ‘practicable’ sets an excessively high bar and is difficult to demonstrate in practice. Transition management services must consider market conditions and liquidity, which can vary throughout the year and may make immediate asset transfers inadvisable. In some cases, transition may take several months, especially if assets do not align with the new pool fund structure and require additional market transactions. Using ‘reasonable’ instead of ‘practicable’ would provide greater flexibility and ensure that transitions are managed in a way that reflects real-world constraints and protects scheme interests.

## Local investments

### **16. Do you have any comments on Regulation 17?**

While we support the principle of encouraging local investment, the proposed wording goes beyond collaboration and appears to require both pools and AAs to identify and develop opportunities. This risks blurring governance responsibilities and expanding pools’ role beyond their intended remit of implementation and due diligence. Any requirement must be consistent with fiduciary duty and should not imply lower return expectations, or prioritisation, of local projects at the expense of members’ interests. We recommend clarifying that local investment should remain subject to the same risk and return criteria as other investments and that pools should not be mandated to originate or develop projects.

## Guidance and directions

### **17. 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?**

Pensions UK members raised concerns that government could use the powers in Regulation 19 to direct investments into specific asset classes, such as passive or UK equities, even if that is not the stated purpose. There is a danger of leaving such powers open to interpretation, noting that while current officials may not

intend to use them inappropriately, future governments could exploit them, especially if they believe certain investment approaches are preferable.

Regulation 19 also raises concerns about its potential to undermine the fiduciary duty of AAs and asset pool companies by enabling political directions that could transfer control of the LGPS to national politicians. Such powers risk overriding local decision-making and fiduciary responsibilities, which are essential for protecting scheme members' interests. Political oversight and decision-making should remain at the local level, where those responsible are best placed to act in accordance with their fiduciary obligations and understand the needs of their members.

Our members agreed that if the power cannot be removed then it should only be used as a backstop - activated only if shareholders are unable to resolve issues themselves, and ideally, shareholders should be able to request intervention if necessary.

### **Consequential amendments, revocations and transitional provisions**

#### **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?**

Not that we are aware of.

#### **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?**

No. The requirement for AAs to exit a pool within 28 days after signing a shareholder agreement raises similar concerns to those outlined in response to question 14. It is essential that transition periods allow sufficient flexibility for authorities to act prudently, protect scheme members' interests and ensure that asset movements are managed in accordance with real-world constraints.

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

According to regulation 22, for pools that are ceasing to exist, AAs would be required to exit within 28 days after signing a shareholder agreement, often while transferring assets through various methods. However, the regulations do not address what happens to the asset pool company itself - such as the process for relinquishing FCA authorisations, entering liquidation or managing the continued need for shareholders during these transitions. This lack of clarity could result in complications, including the handling of any excess assets remaining after the process.

We recommend that the regulations clearly define a pool closure event and provide a carve-out allowing AAs to remain shareholders during this period. If this approach is not adopted, consideration should be given to extending the timeframe - such as allowing authorities to remain until the pool company has been dissolved, rather than imposing a strict 28-day limit. The current short

timescale risks undermining fiduciary duty, as it may not allow sufficient time for authorities to develop transition plans that are both feasible and aligned with their responsibilities to scheme members.

### 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?**

Not that we are aware of.

**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?**

No.

### 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?**

Yes.

### 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?**

We support the introduction of a statutory Senior LGPS Officer role as a positive step towards strengthening accountability and governance within AAs. The explicit restriction that this role must not be combined with the Section 151 Officer or Monitoring Officer is essential to maintain independence and avoid conflicts of interest. However, implementation will require constitutional changes and formal appointment by the Head of Paid Service, which should be clearly reflected in guidance.

There are other significant concerns amongst Pensions UK LGPS members on this role. Clarity is needed on whether this position must be held as a sole responsibility or if it could be combined with other duties, such as treasury or insurance, which is particularly relevant for smaller funds and London boroughs where staff often have multiple roles. There are also questions on whether one senior officer could serve more than one fund in shared service arrangements.

Additionally, Pensions UK is concerned about placing full responsibility for resourcing and management solely on the senior LGPS officer which may be problematic, since the AA retains control over resources and HR processes. Government should consider if the responsibility for ensuring the pension fund is properly resourced should also rest with the AA, since it will be pointless for the senior LGPS officer to have the responsibility for hiring without any authority on the matter, especially given the constraints faced by smaller funds.

Finally, there is a need for a carve-out for single purpose pension authorities and the Environment Agency, as the specified requirements do not apply to the latter due to its distinct regulatory regime. For the former, the stipulation that the senior officer cannot be the chief or head of paid service is not appropriate and needs to be revised.

### 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?**

While we support the intent behind introducing an independent person requirement for pension committees, our members have significant concerns about the practicality of the proposed October 2026 deadline. The current market for qualified independent persons is limited, and the short timeframe may make it difficult for authorities to identify and appoint suitable candidates. We recommend extending the deadline to ensure that appointments can be made thoughtfully and without compromising on quality.

Additionally, we urge the Government to provide greater flexibility in how the independent person requirement is implemented. There is uncertainty about whether the role should be filled by an individual or a firm, and whether multiple specialists might be needed to cover the breadth of expertise required across investment, governance, and administration. Being overly prescriptive could complicate governance unnecessarily, so allowing for different models would be beneficial.

We also note that the draft regulations appear to have softened some requirements compared to earlier consultations, which is welcome. However, further clarification is needed on whether the role is intended to support both the committee and the senior officer or if these are separate positions. The current wording is unclear, especially for funds with split delegations between committee and officer.

It is also important to note that single purpose pension authorities already have professional boards in place, which provide robust governance and oversight. As such, these authorities do not require the appointment of independent persons, and the regulations should reflect this distinction to avoid unnecessary duplication.

## 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?**

We support extending formal knowledge and understanding assessments to Pensions Committee members, as this will strengthen governance and help ensure informed decision-making. However, implementation must be practical and proportionate. Moving from collective to individual assessments introduces significant administrative complexity, particularly given the high turnover of elected members. We recommend aligning the approach with existing CIPFA frameworks and allowing flexibility in how assessments are conducted, so that authorities can maintain robust training plans without creating unnecessary burden.

Furthermore, Pensions UK members believe the current knowledge and skills framework is outdated and overly detailed. It should be refreshed to reflect the new powers and responsibilities of committees, ensuring relevance to evolving roles and avoiding unnecessary depth in areas such as procurement, for example.

A key practical challenge is that, even with a robust training strategy, the absence of an enforcement mechanism undermines its effectiveness. Without clear authority for AAs to remove committee or board members who do not comply with training requirements, the strategy cannot deliver its intended impact. Current local powers are insufficient and inconsistent, leaving risks unaddressed for both elected and non-elected members.

We recommend the regulations are updated to include explicit authority for AAs to remove non-compliant members, subject to consultation, supported by a national enforcement mechanism. This would ensure consistency and strengthen governance across all funds.

## 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?**

Yes.

## 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?**

Pensions UK and its members recognise the importance of strong governance but have concerns about the introduction of independent governance reviews as currently proposed. These reviews are expected to increase both costs and administrative workload for funds, particularly as most funds already demonstrate strong governance. The requirement to hire external auditors or consultants for these reviews could be expensive and may not deliver clear, tangible benefits.

It was also noted that local pension boards were originally established to provide independent oversight and are statutory bodies separate from fund management. Given this, it is unclear why these boards are not being tasked with conducting governance reviews, as this could be a more efficient and cost-effective approach.

Furthermore, members highlighted that compliance with the Single Code of Practice should already ensure good governance, suggesting that additional reviews may be redundant. To avoid duplication and streamline requirements, we recommend that governance reviews be better aligned with The Pensions Regulator's (TPR) combined code. Integration with existing frameworks would help reduce unnecessary burdens and ensure that governance standards remain robust without imposing excessive costs.

Considering the role and purpose of the governance review in supporting and aiding continuous improvement, we suggest that alongside the independent governance review independent report, AAs are encouraged to publish their response and action plans, in order to demonstrate how any observations and recommendations either have or will be addressed, and the timescales for this, in order to maintain public confidence and reassure stakeholders.

**For further information, please be in touch with**  
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