



**LOCAL PENSION COMMITTEE – 31 JANUARY 2025**  
**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**  
**FIT FOR THE FUTURE CONSULTATION RESPONSE**

**Purpose of the Report**

1. The purpose of this report is to outline to the Local Pension Committee (LPC) the Fund's appended response to the consultation paper issued by the Ministry of Housing, Communities and Local Government titled "Local Government Pension Scheme (LGPS): Fit for the future" following the Committee's views on 29 November 2024.

**Policy Framework and Previous Decisions**

2. On the 20 July 2024 the Chancellor launched Phase One of the Pensions Review. The government then issued a call for evidence on the 4 September which closed on the 25 September. Leicestershire County Council Pension Fund's (the Fund) response to this is attached. The government published the findings of Phase One of the Review on the 14 November which are available online: <https://www.gov.uk/government/publications/pensions-investment-review-interim-report>
3. On the 14 November the Chancellor announced [the fit for the future consultation](#) on significant proposals related to the LGPS. Given timescales a high-level report was taken to the 29 November LPC meeting where delegation was given to the Director of Corporate Resources in consultation with the Chairman of the LPC to respond ahead of the 16 January 2025 deadline.

**Background**

4. The focus of the Pensions Review for the LGPS was to look at how tackling fragmentation and inefficiency of funds can unlock the investment potential of the scheme.

**Consultation response**

5. The Fund's response is appended. As set out previously to the Committee, at a high level these proposals can be seen positively, in that they look to further existing ambitions and the progress achieved to date through pooling. However, the response also reiterates the importance of achieving appropriate risk

adjusted investment returns in line with its fiduciary duty to employers and scheme members.

6. The response was drafted having regard to the comments previously made by the Committee and also discussions with LGPS Central Limited (Central) and partner funds, and consideration of the potential impacts and consequences of the proposals. The response looks to suggest how these potential concerns could be resolved, and how largely they can be managed through close working with the pool and partner funds, and processes developing over time. This response was agreed by the Director of Corporate Resources in consultation with the Chairman of the LPC in line with the delegation given at LPC on the 29 November 2024.
7. All partner funds and Central have individually responded to the consultation. As was to be expected the responses are a mix of commonalities and differences that reflect each respondent's priorities and experience of pooling.

### **Next Steps**

8. LGPS administering authorities and asset pools have to submit proposals on how they will implement the proposals to Government by 1 March 2025. The Fund is working with Central and partner funds on these proposals through a series of workshops ahead of the Central Shareholder Forum meeting due to be held in February 2025.
9. It is not yet clear what the Government intends to put in place in terms of primary legislation, secondary legislation or guidance. It is expected that any primary legislation required to implement outcomes of the consultation will be included in the upcoming Pension Schemes Bill to be introduced in 2025. Officers will provide updates to the Committee and Board as required.
10. Recognising the increasing role of Central as stewards of the Fund's pooled assets, initial consideration has been given to how the Committee should continue to have appropriate oversight of Central and underlying investments. Going forwards Central have been invited to all meetings from June onwards. This will include attendance by the Chief Executive Officer, and rotation of the Head of Public Markets and Head of Private Markets, as well as regularly scheduled attendance for other matters, such as part of the Climate Risk Management Reports in November.

### **Resource Implications**

11. It is noted that while pooling has delivered substantial benefits so far, progress has been slower than originally envisaged. The Government has strongly indicated that it will take further action if needed to accelerate the transfer of assets and responsibilities to pools.

12. Officers will address potential resourcing considerations and changes to the operation of the Pension Committee and Board as part of the consultation outcomes.

### **Recommendation**

13. The Committee is recommended to note the report and the response to the “Local Government Pension Scheme (LGPS): Fit for the future consultation as set out in the Appendix to this report.

### **Equality Implications**

14. The Government had undertaken an initial equality impact assessment and do not believe the proposals affect any particular groups with protected characteristics adversely as there will be no change to member contributions or benefits as a result. The Government states there may be an indirect benefit to protected groups who live in disadvantaged areas which benefit from local investments.

### **Human Rights Implications**

15. There are no human rights implications arising from this report.

### **Environmental Implications**

16. The Fund has agreed a Net Zero Climate Strategy (NZCS). This outlines the high-level approach the Fund is taking to its view on Climate Risk. The consultation proposes that funds retain responsibility for setting a high-level investment strategy including environmental, social and governance matters and responsible investment. It is likely the Fund will need to continue to work closely with Central and Partner Funds on these matters.

### **Appendix**

Fit for the Future response.

### **Background Papers**

1 December 2023 – Local Pension Committee – [Pooling Consultation: Next Steps on Investment and LGPS Central Meetings Update](#)

24 May 2021 – Local Pension Board – [Good Governance Phase 3 – Progress Report](#)

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