



LOCAL PENSION COMMITTEE – 30 JANUARY 2026
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
UPDATE ON FIT FOR THE FUTURE AND LGPS CENTRAL POOLING

Purpose of the Report

1. The purpose of this report is to provide the Local Pension Committee (LPC) with ongoing regulatory developments with regard to pooling and LGPS Central.
2. Representatives from LGPS Central will provide an update at the meeting which will cover ongoing developments with pooling.

Policy Framework and Previous Decisions

3. The Leicestershire County Council Pension Fund (the Fund) is an equal owner of Central, which is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds. The Fund owns Central alongside Cheshire, Derbyshire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire Pension Funds. As set out in the Investment Strategy Statement (ISS) it is the Fund's intention to invest its assets through Central as and when suitable pool investment solutions become available.

Background

4. In 2016 the Local Government Pension Scheme Regulations 2016 came into force. These regulations mandate that the separate LGPS funds in England and Wales combine their assets into a small number of investment pools. To meet the requirements of these regulations Leicestershire County Council, alongside the other seven co-owners helped develop LGPS Central Limited, which they each jointly own.
5. By leveraging the scale of the underlying partner funds Central aims to reduce costs, enhance investment returns, and expand the range of available asset classes, all for the benefit of local government pensioners, employees and employers.
6. The Fund is a stakeholder in Central from two different perspectives:

- a. A co-owner of the company (shareholder) alongside the other owners; and,
- b. As a recipient of investment services (client)

7. These interests are managed through the Shareholders' Forum and the Joint Committee as well as Leicestershire Pension Fund's Funding Strategy Statement (FSS), Investment Statement Strategy (ISS) and Conflict of Interest Policy.

Government draft regulations and guidance

- 8. On 20 November 2025, the government published the LGPS: Fit for the Future – technical consultation. This consultation, which concluded on 2 January 2026, sought views on two draft statutory instruments:

'Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026'
- 9. The proposed regulations seek to effect into law proposals regarding pooling and investment management, including:
 - Participation in one asset pool company which has appropriate Financial Conduct Authority regulatory permissions.
 - Transfer management of all assets to the Pool with implementation of the investment strategy being the responsibility of the Pool.
 - The Pool providing investment advice on a Fund's investment strategy. Setting investment strategy (including headline strategic asset allocation (SAA)) remains the responsibility of the Fund's Pension Committee and this must include financial and risk objectives, priorities and preference for responsible investment, policy on voting rights and local investment objectives.
 - Co-operation with relevant Strategic Authorities to identify and develop opportunities for local investment, with option to delegate this to the Pool.
- 10. The draft regulations further make clear the new powers for the Secretary of State to direct funds to Pools, direct a fund to make changes to its investment strategy if it has failed to comply with guidance, and to direct the Pool to carry out certain investment management activities where it has failed to comply with guidance and which is detrimental to one or more partner funds or the Scheme as a whole. Prior to any direction, the Secretary of State must consult with relevant parties.

The Local Government Pension Scheme (Amendment) Regulations 2026

- 11. The proposed regulations seek to effect into law proposals on governance requirements for LGPS Funds, including:

- Regulatory requirement to appoint a Senior LGPS Officer, including requirements that the role is independent and separate to the statutory officer functions of the administering authority (no later than 1 October 2026).
- Confirmation of the statutory requirement to appoint independent persons to the pension committee, to advise on investment strategy, governance and administration (no later than 1 October 2026).
- Requirement to have a governance strategy, training strategy and conflict management policy, covering members of committees (to bring them aligned with existing statutory requirements on Board members) and officers and reviewed at least every three years.
- Requirement to have a Pensions Administration Strategy, prepared in line with guidance and reviewed and updated at least every three years.
- Requirement to commission (and publish outcomes of) an Independent Governance Review, aligned to the triennial cycle, covering the period from 1 April 2025 and conducted by a 'suitable person'. This person is described as independent of both the Administering Authority and Secretary of State and with sufficient knowledge.
- A new power for the Secretary of State to direct an Administering Authority (AA) to arrange for a suitable person to carry out an ad hoc governance review at the authority's expense.

12. On 5 December 2025 the Committee delegated a response to the technical consultation to the Director of Corporate Resources in conjunction with the Chairman of the Local Pension Committee by the 2 January 2025 which was subsequently submitted.

13. Furthermore, on 8 December 2025, the Scheme Advisory Board (SAB) released three draft guidance documents for closed consultation, seeking feedback from AAs by 12 January 2026. The draft guidance covers asset pooling, preparing and maintaining an Investment Strategy Statement (ISS) and fund governance. Fund officers have also responded to, both responses largely reflect key points related to:

- The Fund's fiduciary duty, and ensuring that requirements do not risk undermining that duty by limiting AAs' ability to seek external advice, and a suggestion that AAs may adjust their investment strategies to align with pooling objectives.
- That Government is not overly prescriptive in the approach to governance, recognising Fund's have different structures and practices which may best suit their scale and size.

Next steps for the Fund

14. To ensure the Fund is in a position to comply with the proposals as they currently stand, the Fund will need to consider the following pieces of work. These will be progressed as appropriate until final guidance and regulations are in place:

- a. Review of existing governance arrangements, including a training strategy, conflicts of interest policy, administration strategy, and development of a governance strategy.
- b. Review and update the Local Pension Committee, Investment Subcommittee and Local Pension Board Terms of Reference.
- c. Prepare for appointment of an independent advisor to the Local Pension Committee.
- d. Prepare for the appointment of a Senior LGPS Officer.
- e. Continue to work with LGPS Central on the plan and legal agreements for transitioning the management of the Fund's remaining assets to the pooling company as set out in the client update.
- f. Seek approval of an updated ISS and SAA which includes the allocation to the nine permitted asset class buckets.
- g. Any other requirements within final government guidance.

LGPS Central

Client Update

15. Officers have engaged with LGPS Central over the past several months on a high-level transition plan and is being supported by appropriate legal documentation consideration such as the equivalent of an Investment Management Agreement which will establish the terms under which LGPS Central will assume investment management responsibilities for the partner funds legacy investments. Partner Funds are reviewing the updated documents collectively with the support of external legal advice.

16. As part of the transfer, LGPS Central will become responsible for all day to day investment management of the Fund's assets, including manager selection and implementation decisions relating to the Fund's strategic asset allocation and investment beliefs. The Fund will retain its responsibility for setting the ISS and SAA, as set out elsewhere on the agenda.

17. The Local Pension Committee will continue to play an important role in the strategic direction of the Fund, ensuring strong governance by establishing clear objectives for its asset pool and regularly monitoring performance. Consideration will be given to the use of the Investment Sub-Committee

throughout the year. It is expected, given the significant change and transitions to be undertaken, that it may be best used in a transitional capacity to consider past and future LGPS Central actions to provide additional oversight.

18. LGPS Central representatives will be provide an update on ongoing developments with pooling at the meeting.

Shareholder Update

19. Officers attended a Partner Fund summit on 15 December 2025. This included existing partner funds and proposed new partner funds that have indicated their intention to join LGPS Central (Gloucestershire, Hampshire, Norfolk, Oxfordshire, Suffolk, Wiltshire and Isle of Wight). This summit allowed for discussion on how to make pooling work well and into the future. Session highlights included governance, collaboration, delivering for clients and local investment.
20. LGPS Central has circulated its draft strategic business plan for 2026-29 and budget for 2026-27 for review. Partner Funds have commenced the review process which will be carried out both collectively and on an individual basis. Initial discussions have also been had at shareholder level, alongside an update on new partner funds and fit for the future requirements more broadly.
21. Officers are engaging on legal documents, including the Inter Authority Agreement, which sets out the partner funds' agreement to cooperate in the pooling of investments, and the Shareholders' Agreement, which sets out the expectations of shareholders relating to the ownership and operation of LGPS Central Limited, are currently being reviewed and updated to reflect the new pooling environment and the forthcoming increase in the number of partner funds within the LGPS Central Pool. Partner funds are reviewing the updated documents collectively with the support of external legal advice.

Resource Implications

22. It is noted that while pooling has delivered substantial benefits so far these proposals will accelerate the transfer of assets and responsibilities to pools. Officers will address potential resource implications as part of working through the awaited guidance to consider how this may impact Fund resources.

Recommendations

23. It is recommended that the Local Pension Committee note the report.

Background papers

- 31 January 2025 Local Pension Committee: Fit for the Future Consultation response <https://democracy.leics.gov.uk/ieListDocuments.aspx?MId=7986>

Equality Implications

There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty.

Human Rights Implications

There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty.

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