



LOCAL PENSION BOARD - 29 APRIL 2026

FIT FOR THE FUTURE UPDATE

REPORT OF DIRECTOR OF CORPORATE RESOURCES

Purpose of report

1. The purpose of this report is to provide the Local Pension Board (LPB) with an update on progress on regulatory change in the Local Government Pension Scheme (LGPS).

Policy Framework and Previous Decisions

2. The Leicestershire County Council Pension Fund (the Fund) is an equal owner of LGPS Central (Central), which is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds. The Fund is an equal shareholder of Central alongside Cheshire Pension Fund, Derbyshire Pension Fund, Gloucestershire Pension Fund, Hampshire Pension Fund, Norfolk Pension Fund, Nottinghamshire Pension Fund, Oxfordshire Pension Fund, Shropshire County Pension Fund, Staffordshire Pension Fund, Suffolk County Council, West Midlands Pension Fund, Wiltshire Pension Fund and Worcestershire Pension Fund.

Background

3. 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. In March 2026 ownership of the pool expanded in response to the 'Fit for the Future' proposals which saw some pooling companies cease to exist.

4. 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.
5. 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)
6. These interests are currently 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, as well as legal documents such as a fiduciary management agreement, shareholder agreement and cost sharing agreements among others.

Fit for the Future Regulations and Guidance

7. Over the past year significant legislative and regulatory changes to the Local Government Pension Scheme (LGPS) have been under consultation and review, which were due to take effect from 1 April 2026, subject to the passage of the Pension Schemes Bill through Parliament.
8. At the time of writing, the Government had not yet issued the final regulations, nor provided an update on the anticipated timescales for the Pension Schemes Bill to receive Royal Assent.
9. Government wrote to all LGPS funds on the 1 April 2026 setting out some adjustments of key implementation milestones to ensure these can be delivered safely and effectively. Most relevant to the Fund are set out below:
 - the deadline for publication of the first investment strategy is expected to be extended to 31 March 2027.
 - the period within which a fund's assets must be under pool management following first participation in a pool is expected to be extended to three months, subject to such further transitional periods as the asset pool company may agree on a case-by-case basis.
 - the deadline for LGPS administering authorities to appoint an LGPS senior officer and Independent Person is expected to be changed to 6 months

from the date the regulations come into force, this was previously set as 30 September 2026.

- The Government intends for regulations to require the Independent Person to support the Committee and the Senior LGPS officer. They will no longer be required to be a non-voting member of the Committee.

10. Officers will need to consider any implications arising from the Government response to the technical consultation and guidance that will be published following royal assent of the pension schemes bill, deadline unknown.

LGPS Central

11. While recognising Government provided extensions to timescales, LGPS Central has confirmed that it has met the 1 April implementation date. This includes the onboarding of six new partner funds from both Brunel and ACCESS pools. At the same time, it has completed a full governance review, updated its target operating model, and legal framework to reflect Fit for the Future, including the transition of all partner funds to fiduciary management agreements.

12. The Company has established advisory and client portfolio management functions, bringing together experienced professionals from across the investment and consulting sectors and procured an asset & liability modelling solution.

13. The Company is working in partnership with partner funds to support the implementation of their investment strategies. A phased delivery plan is now in effect across the pool, ensuring legacy investment assets are transitioned efficiently and services are transferred from existing providers in a controlled and proportionate manner, with active risk management and delivery of value for money central to the approach. These discussions will continue with officers and the Local Pension Committee.

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. The following have been reviewed in line with arrangements as currently drafted in guidance.

- a. Existing governance arrangements related to the Fund's training strategy, conflicts of interest policy, administration strategy have been reviewed in line with draft guidance.

- b. 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.
- c. Committee approved the updated Investment Strategy Statement in March 2026. This will be reviewed as part of the normal cycle once guidance is published.
- d. Risk Register Update

26. The following will need to await final guidance before next steps can be taken.

- e. Development of a governance strategy (though many aspects are currently covered within other documents)
- f. Review and update the Local Pension Committee, Investment Subcommittee and Local Pension Board Terms of Reference.
- g. Prepare for appointment of an independent advisor to the Local Pension Committee.
- h. Prepare for the appointment of a Senior LGPS Officer.
- i. Any other requirements within final government guidance.

Resource Implications

27. It is noted that while pooling has delivered substantial benefits so far these proposals have accelerated the transfer of assets and oversight 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

28. It is recommended that the Local Pension Board note the report.

Background papers

31 January 2025 Local Pension Committee: Fit for the Future Consultation response

<https://democracy.leics.gov.uk/ieListDocuments.aspx?MIId=7986241>

Equality Implications

29. 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

30. 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.

Officer to Contact

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