



## **LOCAL PENSION COMMITTEE – 3 JULY 2026**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **FIT FOR THE FUTURE UPDATE**

#### **Purpose of the Report**

1. The purpose of this report is to provide the Local Pension Committee (LPC) with updates on:
  - Regulatory developments relating to Fit for the Future (FFTF)
  - Governance arrangements and meetings update relating to LGPS Central (Central).

#### **Policy Framework and Previous Decisions**

2. 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. As of 1 April 2026, this ownership is alongside Cheshire, Derbyshire, Gloucestershire, Hampshire, Norfolk, Nottinghamshire, Oxfordshire, Shropshire, Staffordshire, Suffolk, West Midlands, Wiltshire and Worcestershire Pension Funds.

#### **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.
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 co-owner of the company (shareholder) alongside the other owners; and,
  - As a recipient of investment services (client)
6. 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.
7. On 29 April 2026 the Pension Schemes Bill 2025 completed its passage through Parliament and received Royal Assent becoming the Pension Schemes Act 2026.

### **Fit for the Future Update**

8. On 21 May 2026 Government released the response to the technical consultation from late 2025. The consultation received 90 responses, of which the Fund was one of 64 other Administering Authorities that responded. The response sets out that the following statutory instruments would come into force on 30 June 2026:
  - Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026
  - Local Government Pension Scheme (Amendment) (Governance) Regulations 2026
9. These statutory instruments were not significantly different than the drafts consulted on. Those most relevant to Leicestershire County Council Pension Fund are as follows:
  - The deadline for the first Investment Strategy Statement publication has been extended to 31 March 2027. This will not impact the Fund and fits with its normal scheduling.
  - The Independent Person is no longer required to be appointed as a non-voting Member of the Pension Fund Committee, rather they can be an advisor. The draft terms of reference align with this.
10. Government also set out it would look to update drafted guidance to provide clarification on some areas. This final guidance is awaited. Two key areas where this guidance is awaited is for:
  - The role of the Senior LGPS Officer. Government's intention is that this role will ensure funds are managed appropriately, with senior responsibility across all fund functions. Government have been clear this cannot be the Council's S151

Officer or joined with any other statutory role and must spend the majority of their time on the Pension Fund.

- Appointment of Independent Person. The regulations and associated documents make clear that the independent person is intended to strengthen decision-making and oversight, particularly in a more complex operating environment where:
    - investment implementation is largely delegated to pools
    - funds retain responsibility for strategy and outcomes
    - governance expectations are increasing
11. The regulations do not prescribe how and who can undertake this role. The role is designed to provide objective and impartial challenge over all aspects of the Fund (investments, governance and administration) which is broader than the work previously undertaken by investment advisors.
  12. Draft guidance indicates that the role should provide advice and challenge across areas including investment strategy, governance, and administration for the Local Pension Committee, as well as engage with the Local Pension Board Chair.
  13. Given this breadth, there remains a degree of ambiguity as to how the role should operate in practice, particularly in the context of the evolving LGPS model, where investment advice is increasingly expected to be provided by the asset pool, and where the independent person is envisaged as providing broader oversight and challenge across the full range of Fund activities.
  14. A role description has been drafted in line with how the role is currently understood. Once the role description is finalised, it is proposed that the Fund seek expressions of interest, then progress with an appointment process. Members of the LPC that are interested can be introduced to prospective candidates in advance of formal appointment.
  15. The Fund will await publication of revised statutory guidance from the Secretary of State to progress these roles further. This guidance is expected to provide further clarity on the intended scope, responsibilities, and practical application of the role, enabling the Fund to develop a robust and compliant person specification and recruitment approach.

#### LGPS Central Company Updates

16. All resolutions were agreed by shareholders at the 23 March 2026 Company Meeting. This included:
  - Approval of the Strategic Business Plan 2026-2029 and Budget 2026-27.

- Approval of the Regulatory Capital Statement
- Approval of the Remuneration Framework and Policies for Executive and Non-Executive Directors.
- Approval of remuneration packages.

17. An update on the Budget was provided at the 20 March 2026 LPC meeting.

18. Shareholders for Central have the responsibility in ensuring the budget is reasonable and allows Central to operate safely in line with the Financial Conduct Authority (FCA) guidelines but can hold Central to account to ensure they are providing value for money. The shareholder must be an officer rather than a member, based on legal advice received and reviewed by the legal teams at the County Council and recommendations for this are included in a separate item on this agenda.

### **Recommendation**

The Local Pension Committee are recommended to note the report.

### **Environmental Implications**

19. The Leicestershire LGPS has developed a Net Zero Climate Strategy (NZCS) for the Fund. This outlines the high-level approach the Fund is taking to its view on Climate Risk. This will align with the Fund's Responsible Investment approach as set out in the Principles for Responsible Investment. The Fund is committed to supporting a fair and just transition to net-zero. There are no changes to this approach as a result of this paper.

### **Equality Implications**

20. There are no direct implications arising from the recommendations in this report. The Fund 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. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

## **Human Rights Implications**

21. There are no direct implications arising from the recommendations in this report. The Fund 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. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund’s approach to stewardship and through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper

## **Officers to Contact**

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