Agenda Item 8

LOCAL PENSION BOARD - 29 JULY 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. Government issued the final guidance to the regulations at the end of June, with the regulations coming into force on the 1 July 2026. Key requirements are set out below.

   Senior LGPS Officer

9. The regulations require every administering authority appoint a Senior LGPS Officer by 31 December 2026. The role is required to have responsibility across the Fund's functions, and provide strategic leadership across administration, investment management, governance and compliance alongside resourcing and operational effectiveness.

10. The role is intended to be a senior leadership position within the administering authority, Leicestershire County Council. It is also clear that the Senior LGPS Officer cannot be the Council's S151 Officer, Monitoring Officer or Head of Paid Service, alongside dedicating the overwhelming majority of their time and capacity to their LGPS responsibilities.

Independent Person

11. The regulations also require that the Fund appoints an Independent Person by the 31 December 2026.

12. The role is intended to provide objective, independent support to the Local Pension Committee and Senior LGPS Officer and enhance governance effectiveness across the Fund.

13. Guidance on the role describes the role as a source of independent expertise, challenge and support which is not a decision-making role. This must be across investment, administration and governance areas. It is expected that they must hold a qualification from the Pensions Management Institute, or be a member of, and accredited by, the Association of Professional Pension Trustees.

14. The Fund is currently seeking applications for this role, and appointment will be made in consultation with the Chairman of the Local Pension Committee, with appropriate engagement from Committee members.

Independent Governance Review

15. The regulations and guidance also require funds to undertake an independent governance review triennially, the first must be completed and submitted to Government by 31 March 2028.

16. The purpose of the review is to provide an objective assessment of whether the Fund's governance arrangements are operating effectively and in accordance with the legislative and regulatory requirements. This includes ensuring an administering authority has policies required by all relevant legislation, regulations and statutory guidance.

17. This will include reviewing the requirement for the Fund to maintain and publish a Governance Strategy, setting out the Fund's governance framework and decision-making arrangements.

18. The review must be undertaken by a suitably qualified, independent person or organisation that can provide objective assurance on the Fund's governance arrangements.

Next Steps

19. Officers are reviewing the guidance and relevant documents and will:

    a. Ensure appropriate polices are in place.

b. Prepare for appointment of an independent advisor to the Local Pension Committee.

c. Prepare for the appointment of a Senior LGPS Officer.

d. Prepare for undertaking an independent governance review and ensure compliance with guidance.

Resource Implications

20. It is noted that while pooling has delivered substantial benefits so far these the new regulations and guidance have accelerated the transfer of assets and oversight responsibilities to Pools. Officers will address potential resource implications as part of working through the guidance to consider how this may impact Fund resources.

Recommendations

21. 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?MId=7986 241

Equality Implications

26. 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

27. 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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