

POLICY BRIEFING NOTE:

Government response to technical consultation on Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026



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The response to the technical consultation on the 2026 Regulations has at last been published. This provides clarity on the regulations that will implement the Fit for the Future reforms. We provide a summary of the differences between the original draft regulations and the final confirmed position below, many of which were signposted in the MHCLG letter sent to funds on 1 April. We now await the key details in the guidance, which is expected by end June 2026.

Implementation timescales and deadlines

Summary

Some timelines have been relaxed to reflect sector capacity and practical constraints.

Draft proposals

- Regulations expected to come into force **1 April 2026**.
- First Investment Strategy Statement (ISS) required by **30 September 2026**.
- Asset transfers to pools required within **21 days** of participation.
- Administering authorities allowed **28 days** to be in two pools during transitions.

Final position

- Regulations now come into force **30 June 2026**.
- First ISS deadline extended to **31 March 2027** (but after that, the deadline remains at 18 months after the actuarial valuation date).
- Asset transfers must occur within **3 months** of participation, with flexibility for further transitional periods.
- Transition window expanded to **3 months**, with an additional exemption for authorities winding down old pools.

FCA authorisation requirements

Summary

A simplification and reframing of requirements, providing some flexibility and reducing administrative burden.

Draft proposals

- Pools required to hold **specific list of detailed FCA permissions**.
- Administering authorities required to take “appropriate steps” to ensure their pool held these authorisations.

Final position

- The government **removed the detailed list** of required permissions. Pools must instead be either a **full-scope UK AIFM**, or a **MiFID investment firm**, before managing LGPS assets.
- All pools must become **full-scope AIFMs by 30 September 2027**.
- Administering authorities **no longer** have a regulatory duty to ensure their pool is authorised; this will be addressed in guidance.

Direction powers

Summary

More transparent and constrained use of direction powers for the Secretary of State.

Draft proposals

- Broad powers to direct authorities to join or leave pools, with limited procedural safeguards.

Final position

- Additional safeguards added:
 - Secretary of State needs to be satisfied that directions are in the interests of members/employers, other authorities in the pool, or the scheme as a whole.
 - Secretary of State may conduct enquiries and authorities must comply with information requests.
- Clarification that participation limits do not prevent pools investing in each other’s vehicles.

Investment strategy statement requirements

Summary

More emphasis on long-term financial sustainability; reduced duplication.

Draft proposals

- Investment strategy statement must:
 - be consistent with the funding strategy
 - have regard to maintaining consistent primary employer contribution rates
 - include a high-level local investment objective.

Final position

- Government removed the explicit requirement to consider stable employer contribution rates (as this is already in the funding strategy).
- Added explicit requirements to consider the long-term cost efficiency and fund solvency.
- Deadline for first ISS extended to 31 March 2027 (as noted above).

Consultation requirements

Summary

No regulatory expansion, but guidance will encourage broader engagement.

Draft proposals

- Mandatory consultees included scheme members, employers and relevant strategic authorities. Some respondents sought a broader list.

Final position

- Government retained the same mandatory consultees and declined to add actuaries, local pension boards, or asset pools to the mandatory list, though guidance will recommend consulting them.

Borrowing and liquidity

Summary

Minor regulatory changes; more reliance on guidance.

Draft proposals

- Borrowing allowed only for paying benefits or meeting investment commitments during asset-allocation changes.
- Some ambiguity around liquidity management and derivative-related leverage.

Final position

- Borrowing exemption retained (recognising exceptional circumstances).
- Regulation amended to include MoD reserve forces' contributions.
- Liquidity and derivative leverage issues to be addressed in guidance, not regulation.

Governance reforms

Summary

Slightly adjusted timing; policy intent unchanged.

Draft proposals

- Requirements for a senior LGPS officer and an independent person to be appointed by 1 October 2026, as well as governance, training and conflict-of-interest strategies.

Final position

- Appointments must be made within 6 months of regulations coming into force (ie by 31 December 2026).
- No major structural changes to the governance proposals.
- The government also noted it is confident that all administering authorities will be able to find suitable reviewers to conduct independent governance reviews within the timescales set out.