HYMANS ROBERTSON

Key priorities for the LGPS in 2026

Robert McInroy
Head of LGPS Client Consulting

The LGPS enters 2026 from a position of real strength. Funding health, governance standards and broader societal impact all continue to advance meaningfully.

The most visible example is the reduction in employer contributions in England and Wales, with annual aggregate savings from current levels expected to exceed £2bn. Progress may not have been as fast or uniform as some hoped, but there is a positive trajectory towards a new level of lower and stable contributions.

This success lays bare the risk from waves of political intervention and sweeping reforms through 2025 from central government - where the benefits for the scheme are still far from clear.

After a year of debate and rising frustration across the LGPS, 2026 marks a shift from talking about reform to implementing. That task is made tougher by the lack of consensus built on direction, timing or priorities - and by the sense that government expectations can be summarised as: *everything, immediately*. But this isn't the first time LGPS funds have been left to figure out the practicalities themselves.

A focus of 2026 will be managing the volatile and uncertain economic outlook: evolving strategy, strengthening risk management, and ensuring decisions remain focussed on the long-term success of the scheme for members, employers and taxpayers.

In Scotland, the 2026 valuation arrives with funds continuing to look financially strong. They are arguably a cycle ahead of England and Wales in terms of surpluses and contribution reductions, and further strategy refinement will be the focus. More widely, consideration is being given to how the best elements of reforms south of the border can be adopted - while side-stepping the avoidable pain.

Against this backdrop - and focusing on the core functions of the LGPS - we share our thoughts on what funds may prioritise this year.

Investment

Iain Campbell
Head of LGPS Investment

Pooling in England & Wales:

How could funds focus on anything else? We're fast approaching the 1 April deadline, with the pools set to serve a significantly expanded role for funds. Governance and oversight will be imperative in the future to ensure such large providers are building, operating and performing as you need them to.

Actions: Consider whether your governance structures remain fit for the new world. Do you have the information required and decision-making powers in place? How will you tell whether your pool is delivering what you need? What will happen at a fund level, and what happens collectively with your partner funds? What are the options for further collaboration between partner funds and how should this evolve?

Strategy reviews in Scotland:

The actuarial valuations arrive this year, offering a prime opportunity to consider whether investment strategies are optimal. As funds are expected to remain in strong funding positions, time will be needed to consider the options on how that may affect investment strategies.

Actions: A second valuation cycle of very strong funding levels may increase confidence to take more action. Investment strategy reviews cannot be taken in isolation without considering contribution rate options. Cashflow generation may also become more important as funds mature and if contributions do fall.

Strategy reviews in England & Wales:

Funds are in the process of completing their 2025 actuarial valuations. Strategy reviews have been completed or are ongoing, with a focus on ensuring things are clear and in good shape for when the pools take over implementation. New draft regulations appear to say that investment strategies need to have been set since 1 October 2025 to meet the new regulations. In addition, they need to be set out within the 9 asset classes in the government's table and have considered the priorities of the local strategic authorities.

Actions: For those who have not yet completed them, ensure your strategy reviews are completed in line with the new regulations. A key part of this will be the setting of beliefs, priorities and preferences to ensure the pools are fully informed in their implementation of your strategy. For those who completed their reviews before 1 October 2025, an update in line with the new regulations may be required.

Actuarial

Robert Bilton
Head of LGPS Actuarial

Delivering the valuations:

In England & Wales, the first quarter of the year will be dedicated to finalising employer contribution rates, the updated Funding Strategy Statement and documenting the output in the final valuation report. Meanwhile, 2026 in Scotland is a valuation year, with the outputs affecting the contribution rates that will be paid by employers. The priority will be delivering on valuation plans, reassessing the funding strategy in today's conditions, and engaging Committees and employers on the results.

Actions: For England & Wales, don't lose momentum in the New Year. Proactively chase any outstanding employer responses to get the valuation finalised well in advance of 31 March 2026. Clearly document the FSS consultation for sign-off by Committee and the audit trail around the whole valuation exercise (before it becomes a distant memory!). For Scotland, exploring different combinations of funding and investment strategies in Q1 will allow time to fully consider all the options. Undertake cleansing to ensure consistency across membership, cashflow, and employer data. Assumptions can be reviewed and set before the valuation results, allowing more time to focus on the factors that influence each assumption.

Managing change:

Especially in England & Wales, 2026 could see a significant amount of structural change on the funding side. Local Government Reorganisation (LGR) & Devolution will see changes to the employer make-up of some funds, potentially impacting funding positions and contribution rates. And recent consultations on Councillor access to the LGPS, 'Deemed Employer' status and Academy consolidation could impact existing funding strategies, policies and procedures.

Actions: Communicating to all stakeholders and understanding the impact of these changes is an important first step. Set aside time at training events, Committee meetings and/or employer forums to discuss these changes or prepare a summary document. Ensure that any communications are tailored to each audience's specifics. Scenario testing, such as assessing the funding impact of different LGR proposals, will deepen understanding and put you on the front foot if (when) change does happen.

Monitoring funding risks:

Few would argue that attention is needed to consider the more uncertain and volatile economic, geo-political and regulatory environment. The challenge is heightened by changes affecting funds, employer groups or even individual employers in different ways. The goal is to maintain strong funding positions and continue to lower contributions in a managed way.

Actions: LGPS funds will need to have an up-to-date view on how they monitor and manage these risks.. Map out the funding risks, including their severity and identify how and when you will monitor. Consider how to regularly report updates on the risks to Committee and have an agreed action plan for key risks. Review your fund's risk register to ensure it is consistent with the risks identified.

Governance, Administration and Projects

Kate Dickson
Principal Governance, Administration and Projects Consultant

Administration - The new BAU?

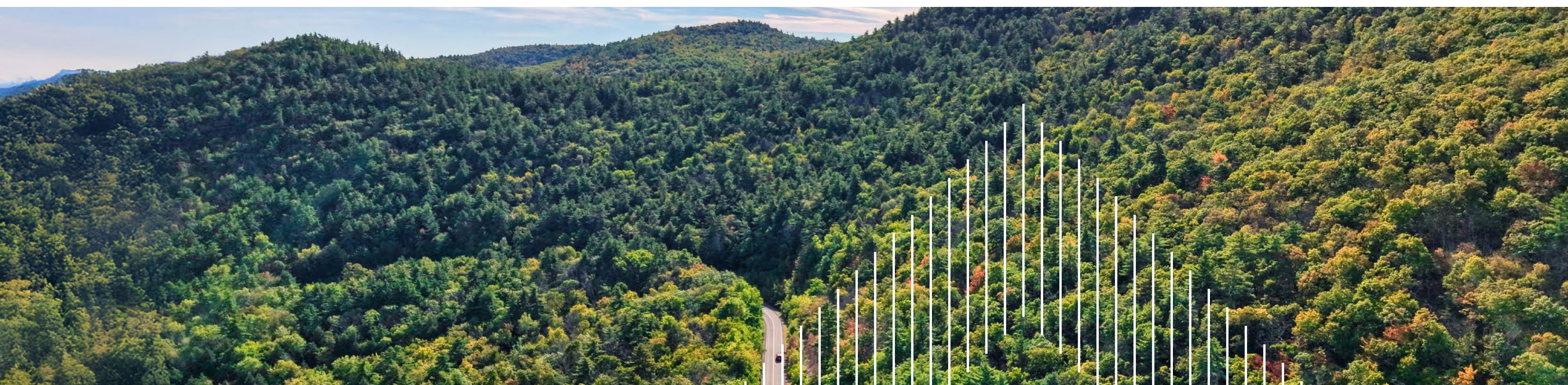
2025 was a bumper year for consultations and we expect the planned changes to fall into implementation in 2026. Of course, some established headline administration issues remain, such as Pension Dashboard, McCloud and, in England, the impact of LGR. We expect this will require funds to look at team structures and staff skills to make sure they can deal with these changes as efficiently and effectively as possible. Some funds will also have longer term strategic plans to look at changes to service delivery to meet the needs of the members who, of course, remain the top priority. This may well include a deeper dive into technological enhancements and the benefit these could bring to all stakeholders. The relentless rise in demands isn't slowing. Officers must be asking: if this is the new business as usual, are we set up to deliver what is required?

Actions: Funds should be considering the key action points to set themselves up to 'be ready'. Will these require additional support to be successful? Is training or upskilling needed and how can the resources already in place be best used? Will any procurement be necessary? This should all feed into planning (see final priority below).

Governance – the good, the bad and the ugly

The government has finally released draft regulations and guidance on the Good Governance recommendations for funds in England and Wales. Perhaps the most resource intense, if the government stick to the challenging timescales they have outlined, will be the introduction and appointment of a Senior Officer and the Independent Advisor. Then there is the introduction of more stringent training requirements for Committee members, including regular monitoring against training plans and assessment. None of these things are straightforward and will require Officer time and attention.

Actions: Many funds will already be prepared for these requirements, so 2026 will be about building on the planning already done or dusting down and reinvigorating previous plans. Like administration, funds should consider any additional support required and factor this into timescales, especially the procurement of the Independent Advisor. Consideration and preparation of areas likely to be covered by the independent governance review should be thought through.



Project and change management – planning and prioritisation is even more essential then ever

All the changes we've talked about above need to be prioritised, planned and managed, most likely via the usual business planning cycle. A key focus is resourcing, which is already pushed to the limit. Funds should consider ways to ensure processes are streamlined to create capacity. Progress on the areas identified above will need to be reported – to Committees, Boards and government, so there will be scrutiny on decision making processes and the management of risk. Change can impact in different ways. The 'Fit for the Future' recommendations mean roles and responsibilities of Committees and Senior Fund Officers will be modified and the impact of this on individuals cannot be underestimated. Communication and strong leadership will be essential.

Actions: Funds should consider adopting the 'best practice' elements of project and change management – a clear prioritisation, planning and implementation process, robust reporting and evidence-based decisions. This approach to setting prioritised requirements of individual Officers, with clear timescales, will help set a fund up for success over the next year and beyond.

Contact

If you would like to discuss any of these areas further, please get in touch with your usual Hymans Roberston consultant or any of the authors listed below.

Robert McInroy
Head of LGPS Client Consulting
robert.mcinroy@hymans.co.uk

Iain Campbell
Head of LGPS Investment
iain.campbell@hymans.co.uk

Robert Bilton
Head of LGPS Actuarial
robert.bilton@hymans.co.uk

Kate Dickson
Principal Governance, Administration and Projects Consultant
kate.dickson@hymans.co.uk