

Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation

Hymans Robertson LLP is pleased to submit our response to the [Local Government Pension Scheme in England and Wales: Fit for the Future – technical consultation](#). Hymans Robertson LLP has a significant legacy in the Local Government Pension Scheme (LGPS), providing independent actuarial, investment, benefits and risk consulting services, as well as data and technology solutions to our clients.

Q1: Do you have any comments on the drafting of regulations 1 and 2?

Will these come into effect on 1 April 2026 if the Pension Schemes Act has not ascended by that date?

Q2: Are there any further types of investment that should be included in Regulation 3, or any that are no longer considered relevant?

These appear to be the same as the 2016 regulations. We are not aware of anything new that needs to be included within these regulations.

Q3: Is there any scenario where an authority would still need to borrow to meet the type of commitment outlined in Regulation 5(2)(b) once all assets are pooled?

We believe that fund officers will be better placed to provide views on this area than ourselves.

Q4: Do you have any other comments on Regulations 3-6?

These appear to be the same as the 2016 regulations. We are not aware of anything new that needs to be included within these regulations.

Q5: Are the activities listed in the schedule ones that all LGPS asset pools would reasonably be expected to need in order to carry out the activities expected of them?

We believe the schedule goes further than was originally set out in the consultation and does not acknowledge that there are and will be different pooling structures that meet the needs of administering authorities and partner funds. In particular:

- d) Establishing, operating or winding up a collective investment scheme**
- g) Managing an authorised Alternative Investment Fund ("AIF")**
- h) Managing an unauthorised AIF**

The above items in the schedule may require material investment and ongoing resource and systems cost for newer asset pool companies, and longer timescales to implement.

These functions are not essential for government aims in respect of:

1. asset pool companies having control of investment strategy implementation
2. achieving scale benefits (like other outsourced functions such as depositary and custody, this can be achieved through leveraging the scale of the outsourced provider – it would be inefficient for asset pool companies to incur the cost of getting depositary and custody permissions so why require this for fund structure operator function); or
3. moving towards in-house investment management (major investment houses routinely outsource this function eg CBRE outsources the operation of its LLP structure in respect of property mandates)

Q6: Do you have any other comments on Regulations 7-9?

With regard to Regulation 7, and as responded to in later questions, to meet the requirements of this legislation, the deadlines of 21 days and 28 days for pools to be managing a fund's assets and for funds to move pools, respectively, appear wholly unachievable and problematic.

With regard to Regulation 8, what will happen if any pool has not obtained permissions from the FCA to undertake the regulated activities? Will this be acceptable as long as strong progress has been demonstrated? What provisions are in place for this eventuality?

Similarly, we note in Regulation 9 that the requirement is on each AA to ensure that their pool is complying with the relevant requirements. To what degree are AAs expected to go to fulfil this and would taking confirmation from their pool be enough?

With regard to Regulation 9, it is a positive development that government need to consult a range of interested parties first. However, will there be rules around timescales and will the government be required to take feedback into account and action, or will it be possible for government to disregard feedback and proceed as originally intended?

Q7: Do you agree that the requirements in Regulation 11(2), for the financial objectives in the investment strategy statement to be consistent with the funding strategy statement and to have regard to the requirement to maintain consistent primary employer contribution rates, are helpful?

Yes, although this is in practice how AAs operate already.

Q8: In relation to regulation 12, does a deadline of 30th September 2026 allow sufficient time to allow AAs to publish an investment strategy in line with the new requirements?

It appears that an AA can meet these requirements by publishing their investment strategy by 30 September 2026, as long as it has been set since 1 October 2025. 12 months to undertake a strategy review, and 18 months from the previous actuarial valuation date, appears reasonable. However, there are some further clarifications needed:

- Many funds have already reviewed and set their investment strategies since the 31 March 2025 valuation date, prior to 1 October 2025. Do these now need to be redone?
- Is the expectation that the pools will be providing strategy reviews from 1 April 2026 to meet the 30 September 2026 deadline? This appears extremely unlikely, with this being a very short timescale and many pools are only just setting up their advisory functions now.

Q9: Are there any other persons (including organisations) in addition to those currently listed in Regulation 12(3) that all AAs should always be required to consult on the contents of their investment strategy?

We assume the question means to refer to Regulation 12(4), rather than 12(3).

We are not aware of further entities that should be consulted. We presume there would not be any requirement to action feedback.

Q10: Is the wording of Regulation 13(1) sufficiently clear that the responsibility for implementing the investment strategy is fully on the asset pool company, while giving sufficient scope for flexibility where market conditions or other factors make it impracticable to fully realise all the aims of the investment strategy?

The wording is currently too vague. It is unclear and open to interpretation as to what would be classed as “reasonable steps” for a pool to take. This provides material scope for AA beliefs, priorities and preferences to be disregarded in order to achieve scale. This could lead to issues within the pools where AAs are frustrated to have not had particular issues reflected in their strategy. Whilst the pools are somewhat protected by the wording of these regulations, it ignores the fact that the AAs are shareholders who can take action against their asset pool if they are particularly unsatisfied at the implementation of their strategy.

To help alleviate this, there should be a requirement to evidence how benefits of increased scale were achieved by not implementing a fund’s specific request.

Q11: In relation to Regulation 14, do you agree it is appropriate to link the three-yearly review of the investment strategy to the triennial valuation?

This is largely how the market works currently. Large scale strategy reviews and asset-liability modelling projects are used to explore whether any changes are required to the current investment strategy to ensure it is optimal against the latest position in areas such as funding, cashflow and market conditions. However, many AAs also undertake smaller scale annual strategy health-checks to ensure they remain on track – will these still be permitted under the terminology of “from time to time”?

Q12: Is 18 months from the valuation date an appropriate timescale for AAs to review, revise, and publish their investment strategy?

Under normal circumstances, this would be an appropriate timescale to complete an investment strategy review. However, under the new regime, with the pools newly providing reviews, this may become a challenge. This is of particular risk in the early years of this approach, as new teams, systems and processes are tested for the first time. The levels of resource required are still unknown, as are the timescales to complete the work and ensure that it can be properly tested, challenged and approved through each AA’s governance procedures.

Q13: Do you have any other comments on Regulations 10-15?

Regulation 10 – We note that AAs can only take investment advice on their investment strategy from an independent person in exceptional circumstances, and that these exceptional circumstances will be defined in guidance. Given the vast range of advice AAs will be newly taking from their asset pools, with the asset pools’ only building their capabilities in these areas now, many AAs hold concerns that officers and pension committees will not be fulfilling their duties in not procuring external advice from established and reputable sources with successful track records in these areas. Permitting this for an interim period would also allow time for the pools to build out robust services in those areas and build fund confidence in pools providing advice for the first time.

Regulation 11(1) appears to state that the only issue on which AAs can state priorities and preferences is Responsible Investment (RI). In practice, AAs have long stated these on a wide range of areas and were largely intending to do so to inform their pool of their preferred implementation routes. Whilst the final decision remains with the pool on whether to implement them, AAs should not have the range of topics, on which they can set priorities and preferences, limited to just RI.

Regulation 11(3) – what would constitute an AA “having regard to” their relevant strategic authority’s local economic priorities? Allowing the need for local investment to influence the strategic asset allocation could quite

easily challenge fiduciary duty. And what are the implications for an AA that doesn't yet have a relevant strategic authority or one with defined economic priorities?

Q14: Is 21 days an appropriate time period for an asset pool company to be managing AA assets?

The regulation states that within 21 days of 1 April 2026 or an AA first participating in a pool, the AA's assets must be held and managed by the pool. We understand that an authority is classed as "participating in" a pool when it becomes a shareholder or contracts as a client. We also understand that "management" of assets is defined as a long list of asset management activities listed in 8(1) of the Pension Schemes Bill, and that whilst assets will not necessarily need to be held by the asset pools or invested in pool-designed funds, the pools will need to have decision-making powers over those assets without the need for permission from the AA.

21 days appears an excessively short period of time, both from the perspective of AAs and asset pools, particularly given how new many parts of this process are to pools and funds.

For AAs not moving pools, this will mean the pools taking control of the management of their remaining assets, moving them into pool-designed funds where possible and having oversight of the remaining assets. This represents the task of suddenly being responsible for the management of a very large increase in assets of c. £200bn. Meeting the regulation 16 requirement in the specified timescale is dependent on asset pool companies having in place capability to perform this function in respect of all assets including legacy ones (i.e. all of the systems, processes and necessary experienced resources which the FCA would insist upon in granting necessary permissions). This might make 31 March plus 21 days impractical for some asset pool companies. Whilst preparations have been ongoing for a number of months now, only adding a further 21 days after the 1 April deadline could lead to significant challenges and seems an unnecessary deadline.

For AAs that are moving pools, the process of transferring the management of assets to a new pool is largely untested. However, we understand from the processes currently ongoing of the 21 AAs moving from the Brunel and ACCESS pools to their new asset pools that this is incredibly difficult, complex and time-consuming.

The risk of setting such short timescales is that very important decisions and processes are rushed and safeguards are missed. Six to twelve months would seem far more appropriate to mitigate and manage these risks.

Q15: Do you have any other comments on Regulation 16?

It appears that (2) and (3) provide backstop provisions that assets do not need to be transferred to a pool within the otherwise required timescales where it is impractical to do so. This appears sensible but guidance or definitions around what would qualify under these circumstances would be helpful.

Q16: Do you have any comments on Regulation 17?

We believe further clarity is needed on the following questions:

- What are the implications for AA that doesn't yet have a relevant strategic authority?
- What are the definitions of "co-operate" and "develop"?
- The ability to identify and develop appropriate local investment opportunities may be challenging for existing resources, either as individual AAs or for their pool if delegated. If AAs are able to delegate this role to pools, does this not also require regulations to require pools to build out the capability to undertake this work?

- Will pools be allowed to delegate this role to external parties, such as investment managers?

Q17: Do you agree with the list of issues that the Secretary of State can issue guidance about in Regulation 18?

Regulation 18 is incredibly broad, providing a very wide range of areas that government can set guidance on. Of particular concern is the ability to issue guidance regarding an authority's role in setting their own investment strategy, something that is pointed out as being incredibly important in AAs' ability to fulfil their fiduciary duty. Greater detail should be provided on the circumstances and areas in which guidance can be drafted on these topics. Similarly, some areas, such as asset management, already have significant regulatory controls – why would government need further powers here?

Q18: Do you have any other comments about Regulations 18 or 19?

Within regulation 19, the circumstances in which government would deem it required to issue direction to a pool should also be set out. As shareholders, partner funds will have the ability to ensure their asset pools are being managed effectively through proper governance and oversight, and by ensuring appropriate conflict escalation and resolution processes are in place. Might there be circumstances where government issues direction when partner funds are happy with the management of their pool, for example for political reasons?

Q19: Is there anything in the 2016 regulations that needs to be replicated here in some form to allow the scheme to operate as intended?

We do not believe so.

Q20: Is 28 days an appropriate length of time to allow an AA to participate in both its 'old' and 'new' pool to allow transitional processes to take place?

28 days is a very short amount of time to move pools and does not reflect the high-risk, complex, costly and time-consuming tasks involved in completing this process.

In the case of the 21 AAs needing to move to new asset pools, they are having to undertake the very complex task of unwinding their current pool structures which we understand is highly unlikely to complete within 28 days of 1 April 2026.

This may be an easier task in future if a single or a small number of funds are moving pools, where the pool they are leaving will continue to exist. However, under this scenario 28 days remains an extremely short period of time to complete the necessary work.

Again, the risk of setting such short timescales is that crucial decisions and processes are rushed and safeguards are missed. Six to twelve months would seem far more appropriate to mitigate and manage these risks.

Q21: Do you have any other comments about Regulations 20-22?

No further comments.

Q22: Is there anything else that should be included in these Regulations to allow them to deliver their intended impact? Are there any additional provisions in the 2016 Regulations that need to be replicated here in some way?

We see nothing regarding the ability of AAs to oversee the operations and performance of their asset pools and hold their pools to account. We note that they are covered in guidance; however the importance of AAs being able

to adequately monitor their only asset manager, who are taking on a wide range of significant roles for the first time, warrants inclusion in the regulations.

Q23: The government collected views on whether the reforms would benefit or disadvantage protected groups when consulting on the Fit for the Future policy proposals in autumn 2024. Is there anything in these regulations that you think will disproportionately impact groups with protected characteristics relative to other groups?

No.

Q24: Do you agree that new Regulation 55A delivers the government's intent for the governance strategy, training strategy and conflict of interest policy, in line with the Fit for the Future consultation and response?

Yes, it appears to cover the government's intent for each of the documents. In relation to the conflicts of interests policy, we would expect that local pension board members would be covered by this and believe, for completeness, they should therefore be listed in regulation 55(5)(a) as individuals to whom the conflicts of interest policy applies.

Note that the word "authority" needs to be added after "administering" in regulation 55A(6).

Q25: Do you agree that new Regulation 53A delivers the government's intent for the senior LGPS officer in line with the Fit for the Future consultation and response?

We agree that the regulation provides the skeleton outline of the role but more detailed guidance will be welcome.

Q26: Do you agree that new Regulation 53A delivers the government's intent for the independent person in line with the Fit for the Future consultation and response?

The regulations require that an independent person must be appointed where the administering authority delegates functions to a committee or sub-committee (53A(5)) and where it delegates functions to the senior LGPS officer (53A(6)). Currently some administering authorities delegate such functions to the s151 officer. While the expectation may be that some functions are delegated to the senior LGPS officer, this is not required by the regulations. That would seem to allow for a situation where an authority delegates all LGPS functions to the s151 officer and so is not required to appoint an independent person.

If the definition of independent person is the same as consulted on previously, we believe there is a real risk that there will be insufficient individuals available to fill 86 posts by 1 October 2026. LGPS funds will be placed in the position of breaching the legislation or appointing individuals with insufficient skills to properly fulfil the role.

Q27: Do you agree that new Regulation 55B delivers the government's intent for the knowledge and understanding requirements in line with the Fit for the Future consultation and response?

Proposed Regulation 55B does mirror the expectations of Pension Boards as laid out in s.248A of the Pensions Act 2004. It applies to Committee and Sub-Committee members, along with officers who carry out delegated functions for the administering authority. We note that in many cases this will include the s151 officer.

Q28: Do you agree that Regulation 59 delivers the government's intent for the administration strategy in line with the Fit for the Future consultation and response?

We agree.

Q29: Do you agree that new Regulation 117 delivers the government's intent for the independent governance reviews in line with the Fit for the Future consultation and response?

The regulations provide the framework for the timing of reviews, but the detail will need to be provided by guidance.

We have concerns that the intention of the legislation may not be met for purely practical reasons. The first reviews must be carried out between 1 April 2026 and 31 March 2028. It is unrealistic to expect funds to initiate governance reviews immediately. It will take time to find suitable reviewers, go through procurement processes and make the necessary appointments. Administering authorities are also likely to want some time to prepare for the reviews. Even if the first administering authorities take six months to start the review process, which seems highly optimistic, that will mean 86 governance reviews happening in an 18-month period. Allowing for breaks over Christmas that leaves an expectation of around a governance review a week to meet the 2028 deadline.

We have reservations that there are enough individuals or firms who meet the independent requirement to supply such a demand. What will be the consequences for administering authorities who make all reasonable efforts to commission an independent governance review but who are unable to find a suitable reviewer?