

LGPS guidance: fund governance



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The government has published three pieces of statutory guidance on the implementation of the Fit for the Future reforms. These cover pooling, the investment strategy statement (ISS) and governance. The guidance provides long-awaited detail on how funds and pools should be implementing the reforms. We provide a summary of the [governance guidance](#) below (which contains some important changes from the consultation draft).

Knowledge and understanding

The core requirement that LGPS Pension Committee members must have a level of knowledge and understanding such that they can “*exercise their specific delegated responsibility on behalf of the administering authority*” has not changed in the final guidance document. The guidance confirms:

- The minimum knowledge and understanding requirements for LGPS stakeholders. With particular emphasis on the LGPS Pension Committee’s ‘high bar’ requirements which will be an individual, not collective, requirement.
- The need for induction training for new committee and board members within 3 months of joining or before their first meeting.
- The importance of the role of the Senior LGPS Officer who “*must have authority within the organisation*” and ensure the delivery of the fund’s training strategy.
- The requirement to properly resource training in order ensure those responsible for the management, decision making, governance and delivery of the LGPS acquire and maintain the necessary knowledge and understanding.
- The 9 core technical areas where knowledge and understanding should be achieved.
- The importance of demonstrating, recording and reporting each fund’s knowledge and understanding requirements.

Comparison with the draft guidance

This section is certainly not a rewrite from the draft guidance. However, what we see in the final guidance are:

- Stronger expectations for committee members and substitutes e.g. all members of a pension committee are expected to have the **required** knowledge and understanding relating to their LGPS duties and

responsibilities. 'Required' was previously **appropriate** in the draft guidance. A subtle change in wording but a stronger compliance-oriented requirement.

- More statutory precision in this final guidance document, with clearer references to specific legislative provisions.
- More emphasis on accountability, especially through training records, annual reporting, committee papers and terms of reference.
- Practical changes in relation to the induction training requirements. Shifting from an absolute "*must ensure*" to a more realistic "*should attempt to ensure*", with prioritisation where timing is difficult.
- Greater links to CIPFA, SAB and TPR expectations. The guidance document is more clearly within the wider governance framework that LGPS funds must be cognisant of in relation to their training requirements.

LGPS senior officer

The guidance confirms the core elements of this new role and the function it is expected to undertake within administering authorities, which are largely as originally proposed. The LGPS senior officer must:

- Provide overall leadership and accountability for the pension fund, with senior responsibility across all LGPS functions, including investment, funding, administration, governance and communications.
- Oversee the effective operation and compliance of the fund with legal and regulatory requirements, including ensuring that fund strategies and policies are effectively implemented.
- Act as the fund's senior representative within the administering authority and is expected to be at a grade that will be part of the authority's senior leadership team.
- Draw up the fund's budget and agree this with the pensions committee. The senior officer and committee must be satisfied with the resource and budget allocated, and budget-setting should be entirely separate from that of the wider local authority.
- Be appointed within 6 months of the regulations coming into force (i.e. by 31 December 2026).

It is also confirmed that the LGPS senior officer's position does not interfere with the section 151 officer's ultimate responsibility for the administration of the authority's financial affairs. There are no prescribed criteria for professional competencies for LGPS senior officers, although they must be able to operate at a senior level within the authority and have appropriate knowledge of the Scheme.

Comparison with the draft guidance

Much of the final guidance builds heavily on the draft, with few substantive differences. The key changes are as follows:

- On pool governance, the wording in the guidance has been softened. It is no longer expected that the LGPS senior officer must be the shareholder or client representative. However, it's expected they will ensure that the administering authority is participating appropriately in pool governance structures.
- Some of the wording has been removed in the final guidance about how to ensure there is a clear divide in decision-making between the section 151 officer and LGPS senior officer on certain topics (e.g. on things like management of service provider contracts). We expect these complexities will remain and will still need to be considered locally.

- The final guidance clarifies that, where two or more administering authorities operate a shared service arrangement, they can share a LGPS senior officer. At a single purpose pensions authority, the LGPS senior officer must be the Head of Paid Service.

Independent person

The guidance reiterates much of what was widely expected for this role. The core elements are:

- Each LGPS administering authority must appoint an independent person to support the LGPS senior officer and pension committee and provide an independent perspective on fund matters.
- The role should be undertaken by an individual with significant pensions knowledge and experience, who is independent of the fund's advisers to avoid conflicts of interest.
- The role must be fulfilled by a single named individual engaged under contract and must be appointed within six months of the regulations coming into force (by 31 December 2026).

Comparison with the draft guidance

In certain areas the government has refined or clarified its position:

- The provision in the draft guidance that the independent person should not be appointed on a contract of more than three years has been removed. However, it is still expected that, in line with the UK corporate governance code, the same person being in post for more than 9 years could impair, or be seen to impair, their independence.
- In addition to the firm of the independent person not currently providing paid pensions advice to the fund, they also cannot have advised the fund during the prior valuation cycle.
- Subject to having the necessary capacity, a LGPS senior officer may be the independent person for another fund, and the chair of a local pension board can be the independent person for a fund (including their own).
- It's clarified that the role of the independent person covers all administration matters, which is expanded from the draft guidance (it only referred to scrutiny of 'administrative performance').
- The statement in the draft guidance that the independent person should support the chair of the Local Pension Board has been removed and there is no comment on the interaction between the Local Pension Board and the independent person.

Independent Governance Reviews (IGRs)

The final Fit for the Future guidance includes several changes to the proposed approach for these reviews. Overall, the changes clarify the assessment criteria, the circumstances in which ad hoc reviews may be required, the meaning of independence for assessors and the rating framework that should be applied. However, the guidance gives limited detail on practical implementation. It does not explain how assessors should consider each area, nor does it require standard questions or a set template for the IGR report.

Comparison with the draft guidance

Assessment criteria

- The guidance no longer requires assessors to consider whether funds have a remuneration and fee policy.
- The pensions committee, LGPS senior officer and leadership section has been streamlined. It no longer includes wording about seeking to ensure that all scheme members, representatives and beneficiaries

benefit from good governance. This appears to reflect the view that the wider governance assessment should address that outcome.

- The meetings and decision-making section no longer require assessors to consider the extent to which an administering authority can influence or direct other parties, such as scheme employers, where their decisions may materially affect the scheme or supporting business. This may reflect feedback that the intended scope of this requirement was unclear.
- The guidance adds further areas for assessment, including:
 - the communications strategy.
 - the funding strategy statement.
 - the procedure for reporting breaches.
- There are additional expectations on contract management that did not appear in the draft guidance. This covers understanding contract conditions, associated risks and the transition to new service providers.

Ad hoc reviews

- The guidance clarifies that the Secretary of State will not specify who an administering authority must commission to carry out an ad hoc review.
- The guidance also confirms that more than one ad hoc review may be requested within the same valuation period.

Independence of the assessor

- The guidance strengthens the wording on how the Secretary of State will assess the independence of an IGR assessor. It states that the assessor:
 - must not have been engaged in any capacity relating to the pension function during the period covered by the review.
 - must not be employed by, or acting on behalf of, a specific legal entity that has delivered services to the administering authority in any capacity relating to the pension function.
- The guidance also clarifies that being part of a wider corporate group does not, on its own, compromise independence where the legal entity employing the reviewer has not been involved in the relevant activities.

Rating framework and recommendations

- The rating framework has been revised and is now as follows;
 - GOLD RATING: meets legal requirements, statutory guidance, and displays excellent practice as set out in the guidance, including excellent monitoring and implementation of all policies and procedures as intended
 - GREEN RATING: meets legal requirements, statutory guidance, and displays effective governance to monitor the implementation of legally required policies and procedures as intended
 - AMBER RATING: requires improvement as it does not appear to meet legal requirements or statutory guidance in some areas, but operation of the fund is still proceeding effectively
 - RED RATING: requires improvement as it does not appear to meet legal requirements or display appropriate governance and monitoring, and operation of the fund is ineffective and/or serious

weaknesses have been identified. A ‘RED’ rating does not necessarily mean the fund will be subject to intervention from MHCLG

Timeline for funds of key events

Planning will be a crucial next step as timescales are tight. The following timeline captures the main tasks. Please speak to your Hymans consultant if you need any support.

Date	Actions
30 June 2026	<p>As soon as possible after this date: Prepare and publish, following consultation:</p> <ul style="list-style-type: none"> • Governance strategy • Training strategy • Conflicts of interest policy • Administration strategy <p>Within 3 months (or prior to first meeting if earlier): Complete comprehensive induction training with Committee and Board members</p>
31 December 2026	<p>By this date: Appoint LGPS senior officer Appoint independent person</p>
31 March 2028	<p>By this date: Commission and complete first Independent Governance Review (“IGR”) Send IGR report to administering authority and Secretary of State</p> <p>Within 6 months of receiving IGR report: Develop and publish action plan</p> <p>Within 12 months of receiving IGR report: Committee and board to review progress of action plan</p>
Ongoing	<p>Annually: Have an annual training cycle in operation, including:</p> <ul style="list-style-type: none"> • Training updates and delivery • Knowledge assessments • Annual reporting on training <p>Each valuation cycle: Complete and publish IGR review Carry out review of policies:</p> <ul style="list-style-type: none"> • Governance strategy

Date	Actions
	<ul style="list-style-type: none">• Training strategy• Conflicts of interest policy• Administration strategy Review independence and tenure of the independent person
Ad hoc	<p><u>If directed by Secretary of State to undertake an ad hoc IGR review</u></p> <p>Within 3 months of direction: IGR must be commissioned</p> <p>Within 6 months of direction: Fieldwork on IGR initiated</p> <p><u>If LGPS senior officer or independent person leaves post</u></p> <p>Within 6 months of last day of service in post: Appoint replacement(s) to the relevant role(s)</p>

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