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Briefing note

Pensions Schemes Act 2026: LGPS Investment Governance

Background

The Pensions Schemes Act 2026 received Royal Assent on 29 April 2026 and is now law. The Act introduces significant changes to the way public sector pension scheme investments are governed. The government has also issued the necessary secondary legislation and statutory guidance, providing additional clarity over requirements and deadlines. Most changes will take effect over the next 6 to 12 months, so Funds can expect a busy period as they update their governance arrangements.

This briefing note is intended to help LGPS Officers and Committee members understand what the new legislation and regulations mean in practical terms, and what they should focus on in the short to medium term.

Priority actions: We recommend LGPS Officers and Committee members use the points outlined below to plan governance work, allocate responsibility and focus effort ahead of the relevant deadlines.

1. **Review the ISS** – Allow enough time to review and, where needed, update the Fund's Investment Strategy Statement (ISS). If the ISS has been updated recently, check whether it already meets the new requirements. If it does, further work may not be needed in the near term.
2. **Review existing responsible investment objectives** – Identify core, non-negotiable principles. Engage with partner Funds and the pool to agree common RI priorities that can be implemented through pooled stewardship arrangements.
3. **Identify assets that may need transitional arrangements** – Identify assets that cannot be realised quickly, or only with a significant penalty. Agree transitional arrangements with the pool before the asset transfer deadline.
4. **Engage with the pool on governance** – Be active participants in shaping pool governance arrangements now. It will be harder to influence arrangements once they are fully embedded.
5. **Check annual report and accounts disclosures** – Check whether the governance strategy, training strategy and conflict of interest policy meet the new requirements. These documents will only need to be made publicly available when the next annual report and accounts are published, but the duty to produce them comes into force immediately.
6. **Prepare for new role appointments** – Start preparing longlists and shortlists for the Senior LGPS Officer and Independent Person roles. Define assessment criteria, including expectations around investment knowledge and experience.
7. **Review stakeholder consultation framework** – Review and update existing policy documents. Ensure member and employer records are up to date.

Reviewing the ISS

Under the new legislation, the pools will be taking over the management of all Fund assets in England and Wales. Scotland is not in scope for this part of the Act, so Scottish LGPS Funds will continue to manage their investments directly, although cooperation is encouraged.

In England and Wales, the role of Funds will change from one of direct management of investments to one of overall objective setting and oversight of their respective pool.

Funds will need to review and very likely update their Investment Strategy Statement (ISS) as a result. Current wording in the ISS will need to be adapted to reflect the fact that Funds are no longer in charge of implementing their investment strategy.

Funds will also need to set new objectives for expected returns, risk, cashflow and local investment. In some cases, such as local investment, Funds will need to explain their approach in more detail. As they do this, Funds should work closely with their pool to ensure objectives are clear, practical and that they can be delivered.

Many Funds will already have started, or completed, this work following last year's valuation. If a Fund updated its ISS after 1 October 2025 and that ISS meets the new requirements, it should not need another review until the next statutory review is due, unless there is a significant change in investment strategy.

Reviewing RI objectives

The Act will change how Funds put their responsible investment (RI) commitments into practice. As with Fund assets, the pool will implement partner Funds' stewardship policies. Funds will no longer exercise voting rights directly, and the opportunities for direct engagement will be limited.

The government's statutory guidance is clear: one aim of pooling is to avoid over-customisation. Funds should work with their partner Funds to find common ground on RI objectives, while being clear about the principles that matter most to them.

This means reviewing existing RI objectives now and identifying any core principles the Fund is not prepared to compromise on.

Preparing for the transfer of assets to the pool

Although pools will ultimately manage all Fund assets, many Funds are likely to retain ownership of some investments in the short to medium term. This is particularly likely for assets that are difficult or costly to realise, such as illiquid investments, which may need to run off over time.

Funds should agree transitional arrangements for these assets with their pool before the asset transfer deadline. Any transitional arrangements must be validated by the pool.

Funds should identify such assets and engage with their respective pool as a matter of priority, so any issue can be resolved in good time.

Pool governance will be critical

Pools will implement Funds' investment strategy and will also shape that strategy through their advice. Ultimate responsibility for paying benefits remains with the Funds. Pools will not be responsible for any funding shortfall caused by asset underperformance.

Funds therefore need governance arrangements that allow them to hold their pool to account in a meaningful way. Funds should also consider the potential conflict that arises when a pool advises on an investment strategy that it will then implement.

The pool's governance arrangements will be central to managing these risks and ensuring Fund objectives are met. As shareholders, Funds can and should examine those arrangements carefully and, where possible, help shape them. Key areas to consider include:

- how Funds communicate their objectives and priorities, including on RI matters, and how pools consider these in decision-making
- what data the pool will share, and how often
- how potential issues or disagreements will be handled

Annual report & accounts disclosures

Funds will need governance strategy, training strategy and conflict of interest policy documents, if they do not already have them.

We expect most Funds to already have a conflict of interest policy. Some may also have governance or training strategies in place. Where they do not, Funds may be able to adapt existing investment governance or training policies relatively easily.

The duty to produce these documents comes into force on 30 June 2026. Funds will need to include the relevant content in their annual report and accounts when these are next due for publication. This gives Funds some time to prepare, but note the underlying requirement applies immediately.

To make this easier, Funds should keep a clear and comprehensive record of their governance arrangements.

Other governance changes

Funds will need to appoint candidates to two new roles introduced by the Act: Senior LGPS Officer and Independent Person. These appointments must be made by 30 December 2026, six months after the new regulations come into force on 30 June 2026.

Funds should identify suitable candidates and decide whether to make permanent appointments right away or use temporary appointments to give themselves more time to find the right long-term candidate.

The new legislation also introduces an enhanced duty to seek the views of key stakeholders, including members, employers and strategic authorities where applicable, on investment and stewardship matters.

Funds should already have processes in place to consult. However, this is a timely opportunity to review these procedures and check they are comprehensive and remain fit for purpose. With consulting activity expected to increase in scale and scope, Funds should keep member (including deferred members and pensioners) and employer records up to date so they can target the right audience.