

The Society of Pension Professionals (SPP) response to the Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation

1. Introduction

- 1.1. The SPP's January 2025 response¹ to the previous consultation on this subject made clear our concerns with much of what was being proposed and we are pleased to see there has been some movement on these.
- 1.2. We recognise that there is now very little opportunity for further refinement but very much hope the below constructive comments prove helpful in ensuring that government policy intentions are met as best as possible and that unintended consequences are minimised.

2. Executive summary

- 2.1. **The provisions of Regulation 11(2) that relate to an authority's high-level financial objectives, provide a basic framework for funding and are reasonable in the context of the primary funding considerations authorities would be expecting to consider as part of Actuarial Valuation discussions.** However, the Regulation does not help in how Funds are expected to reconcile the return characteristics alongside contribution stability requirements of Regulation 11(2)(b), and the obligation to consider local economic priorities set out in Regulation 11(3).
- 2.2. **In relation to publishing an AA's investment strategy, a deadline of 30th September 2026 is a challenging but achievable deadline.**
- 2.3. **With regard to the wording of Regulation 13(1) the SPP believes that the wording used in Question 10 is much clearer than the wording used in the regulation itself and should therefore be adopted.**
- 2.4. **In relation to Regulation 14, the SPP does believe that it is appropriate to link the three-yearly review of the investment strategy to the triennial valuation given this is what happens in practice anyway.**
- 2.5. **The term "exceptional circumstances" is currently not defined in the draft guidance issued to officers in December 2025.** If this is not defined it will potentially give AA's the flexibility to determine when it is appropriate to seek the additional advice.
- 2.6. **Regulations 10-15 infer that a Fund's investment strategy is set by the AA once every 3 years alongside the actuarial valuation and is not reviewed or revised in the interim period.** Whilst the investment strategy is designed to be appropriate for the medium / long term it should not be a set and forget approach in the intervening 3 year period.
- 2.7. **Focusing only on stable primary rates does not ensure stability for employers where there are surplus funds to be managed or deficits to be recovered, and the investment strategy is critical to this.**

¹ SPP response to the LGPS consultation, Fit for the future, January 2025:

<https://the-spp.co.uk/wp-content/uploads/SPP-response-Local-Government-Pension-Scheme-Fit-for-the-future-FINAL-13.01.25.pdf?v=7425>

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3. Consultation response

Question 1. Do you have any comments on the drafting of regulations 1 and 2?

3.1. The SPP has no comments on the drafting of regulations 1 and 2.

Question 2. Are there any further types of investment that should be included in Regulation 3, or any that are no longer considered relevant?

3.2. The SPP has nothing to add here.

Question 3. 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?

3.3. There does not appear to be but of course, there may be unexpected scenarios.

Question 4. Do you have any other comments on Regulations 3-6?

3.4. The SPP does not have any comments on Regulations 3-6.

Question 5. 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?

3.5. The SPP has nothing to add here.

Question 6. Do you have any other comments on Regulations 7-9?

3.6. We note that Regulation 7.2 stipulates that an Administering Authority (AA) may only participate in one asset pool company at any time. While this may promote administrative simplicity, we are concerned that this restriction could inadvertently limit the ability of AAs to access specialised investment offered by multiple pools.

3.7. For clarity, we seek confirmation that this regulation does not preclude an asset pool company (in which an AA participates) from collaborating with or holding assets via another pool company. Preserving flexibility for inter-pool cooperation would ensure that AAs retain access to diversified strategies while complying with the "one pool" rule.

3.8. Regulation 9(1) requires AAs to either "participate" or "stop" participation in a pool company, with pool companies mandated to "take steps" to enforce this. The phrase "take steps" may introduce some ambiguity regarding the enforceability of these obligations. To strengthen accountability, we recommend aligning the language with clearer, outcome-focused terminology (e.g., "must ensure compliance" or "shall enforce"). This would reduce the risk of inconsistent implementation across pool companies and AAs.

Question 7. 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?

3.9. The provisions of Regulation 11(2) provide a basic framework for funding. Funding strategy and investment strategy are inextricably linked. Currently, the fund actuary and investment adviser, together with the individual LGPS fund, work collaboratively to achieve consistency. Therefore, the provisions are reasonable in the context of the primary funding considerations authorities would be expecting to consider as part of Actuarial Valuation discussions.

3.10. However, the Regulation does not help in how Funds are expected to reconcile the return characteristics alongside contribution stability requirements of Regulation 11(2)(b), and the obligation to consider local economic priorities set out in Regulation 11(3).

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- 3.11. This question is at the heart of “fiduciary duty” as applicable to LGPS Funds, and indeed in Integrated Risk Management more widely. Guidance and regulation should aim to provide further clarity on what reasonable compromise looks like between the requirements of Regulation 11(2)(b) and Regulation 11(3).
- 3.12. We also recommend that the government produce clear guidance on balancing local economic priorities with fiduciary duties and risk-adjusted returns. Large schemes with national employer bases need assurance that local investment requirements do not compromise overall funding objectives or introduce concentration risk.

Question 8. 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?

- 3.13. The investment strategy for a scheme should be a matter of continuous review as part of the scheme’s governance process, revolving around the triennial actuarial valuations.
- 3.14. The investment strategy needs to have been agreed in good time in advance of a valuation so that the actuary is able to take this into account in their assessment of the assets and liabilities of the scheme and to determine the employer contribution rates arising from the valuation.

It is likely to need consultations with the principal and other employers to ensure all employers are aware of the Administering Authority’s (AA’s) plans.

- 3.15. Valuation results are typically known or agreed within 12 months of the valuation date, so the 2025 valuation results should be known by March 2026, for the AA to start considering the investment and funding strategies for the next valuation due in 2028.
- 3.16. As long as the detailed revised requirements are known in good time, a target date of 30 September 2026 appears a challenging but achievable timescale, with the ongoing review of investment strategy already following a well-worn governance pathway for managing the overall funding of the scheme.

Question 9. 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?

- 3.17. The SPP has nothing to add here.

Question 10. 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?

- 3.18. The SPP believes that the wording used in this question is much clearer than the wording used in the regulation itself and should therefore be adopted instead.

Question 11. 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?

- 3.19. We do believe that it is appropriate to link the three-yearly review of the investment strategy to the triennial valuation given this is what happens in practice anyway.

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Question 12. Is 18 months from the valuation date an appropriate timescale for AAs to review, revise, and publish their investment strategy?

3.20. The investment strategy for a scheme should be a matter of continuous review as part of the scheme's governance process, revolving around the triennial actuarial valuations. The investment strategy needs to have been agreed in good time in advance of a valuation so that the actuary is able to take this into account in their assessment of the assets and liabilities of the scheme and to determine the employer contribution rates arising from the valuation. It is likely to need consultations with the principal and other employers to ensure all employers are aware of the AA's plans.

3.21. Valuation results are typically known or agreed within 12 months of the valuation date, so the 2025 valuation results should be known by March 2026, for the AA to start considering the investment and funding strategies for the next valuation due in 2028. A target date of 18 months after the valuation date (half way in the triennial valuation cycle) appears a reasonable, but challenging, timescale, with a well-worn governance pathway for managing the overall funding of the scheme.

Question 13. Do you have any other comments on Regulations 10-15?

3.22. As drafted, Regulation 10 (3) allows AAs to take supplementary investment strategy advice from a suitably qualified independent person in "exceptional circumstances" to be set out in Secretary of State guidance.

3.23. This term "exceptional circumstances" is currently not defined in the draft guidance issued to officers in December 2025. If this is not defined it will potentially give AA's the flexibility to determine when it is appropriate to seek the additional advice. It is also worth noting that the impact assessment published with the consultation states that "*Funds may wish to take supplementary advice as well, which is not limited by these proposals.*" This feels a little contradictory to the tone of the Regulation as drafted.

3.24. In our view, where AAs are expected to monitor strategy on an ongoing basis and may reasonably want an independent view and expertise, this doesn't feel like "exceptional" but AAs are not going to be prevented from getting this advice if needed. We would therefore suggest the Regulation and /or statutory guidance clarifies that reasonable use of independent supplementary advice is compatible with the policy intent.

3.25. Regulations 10-15 infer that a Fund's investment strategy is set by the AA once every 3 years alongside the actuarial valuation and is not reviewed or revised in the interim period. Whilst the investment strategy is designed to be appropriate for the medium / long term it should not be a set and forget approach in the intervening 3 year period.

3.26. We would expect that AA's will want to, as they currently do, continuously monitor their investment strategy to ensure that it remains flexible and appropriate to adapt to:

- Prevailing market conditions
- Consideration of emerging opportunities
- Changing circumstances of participating employers
- The evolving responsible investment environment
- Anything on evolving cashflow requirements?

3.27. To ensure that investment strategies remain appropriate we expect that investment advice will be required more frequently than is inferred by regulations 10-15.

3.28. In relation to Regulation 11(2), whilst the 2013 Regulations do only mention the "desirability" of stable primary (future service) rates, it is important to note that AAs will be looking to ensure, where possible, stable total contributions for employers, as that is likely the employers' primary concern.

3.29. Focusing only on stable primary rates does not ensure stability for employers where there are surplus funds to be managed or deficits to be recovered, and the investment strategy is critical to this.

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Question 14. Is 21 days an appropriate time period for an asset pool company to be managing AA assets?

3.30. Yes, not least because where this is not reasonably practicable, the asset pool company is responsible for determining when, and under what arrangements, an asset should be transferred. This avoids any prevarication from the AA but allows any legitimate concerns to be managed.

Question 15. Do you have any other comments on Regulation 16?

3.31. The SPP has no comments on Regulation 16.

Question 16. Do you have any comments on Regulation 17?

3.32. The SPP has no comments on Regulation 17.

Question 17. Do you agree with the list of issues that the Secretary of State can issue guidance about in Regulation 18?

3.33. The SPP has nothing to add on the guidance.

Question 18. Do you have any other comments about Regulations 18 or 19?

3.34. The SPP has no further comments on Regulations 18 and 19.

Question 19. Is there anything in the 2016 regulations that needs to be replicated here in some form to allow the scheme to operate as intended?

3.35. The SPP has nothing to add here.

Question 20. 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?

3.36. Yes, this seems to be appropriate.

Question 21. Do you have any other comments about Regulations 20-22?

3.37. The SPP has no comments on Regulations 20-22.

Question 22. 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?

3.38. There is nothing that our members have highlighted as needing to be included in these Regulations to allow them to deliver their intended impact and there do not appear to be any additional provisions in the 2016 Regulations that need to be replicated here in some way.

Question 23. 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?

3.39. There does not appear to be anything in these regulations that we think will disproportionately impact groups with protected characteristics relative to other groups.

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General comments in relation to Question 24-Question 29

- 3.40. The SPP welcomes the introduction of governance enhancements under the proposed regulations, which align with best practices to strengthen accountability, transparency, and expertise within LGPS AAs.
- 3.41. However, we note that the current proposals risk appearing "light-touch" when compared to the more rigorous governance frameworks typically seen in trust-based pension environments. Without clearer minimum standards, there is a danger of inconsistent implementation across authorities, undermining the goal of universal high-quality governance.
- 3.42. To address this, we recommend empowering the Scheme Advisory Board (SAB) to establish and periodically update baseline governance standards, which could then be referenced in regulations. This would harmonise expectations, ensure alignment with evolving best practices, and reduce the risk of uneven application.
- 3.43. We also highlight that the draft regulations leave the implications of non-compliance undefined. To provide certainty and ensure the measures achieve their intended outcomes, the final regulations should clarify enforcement mechanisms, including consequences for failing to meet governance requirements.
- 3.44. While we acknowledge the intention for the Secretary of State to issue detailed guidance informed by LGA working groups, we urge the inclusion of practical examples of key documents (e.g. governance strategies and conflict-of-interest frameworks) within this guidance. The SAB could play a valuable role in curating such resources, drawing on its expertise to ensure they are both robust and operationally practical for AAs.
- 3.45. Mandatory pooling is arguably beneficial for efficiency purposes but we encourage the government to ensure that regulations permit access to specialist mandates and innovative strategies through inter-pool collaboration or sub-advisory arrangements. This flexibility is essential for large schemes that require bespoke solutions for liability-driven investment and ESG integration.
- 3.46. Finally, we also note that Regulation 55(A) (6) omits the term "authority" following the word "administering".

4. About The Society of Pension Professionals

- 4.1. The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.
- 4.2. The breadth of our members is a unique strength for the SPP and includes actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists, delivering a wide range of services.

5. Further information

- 5.1. For more information about this consultation response please contact the SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.
- 5.2. To find out more about the SPP please visit the SPP web site: <https://the-spp.co.uk/>
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