

# TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 14

## TEESSIDE PENSION FUND COMMITTEE REPORT

3 FEBRUARY 2026

DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE

Government Consultation - LGPS: Fit for the Future – technical consultation

### 1 PURPOSE OF THE REPORT

- 1.1 To inform the Committee of the consultation issued by the Government the Local Government Pension Scheme in England and Wales: Fit for the Future – technical consultation, outline some key points from that consultation and how the Teesside Fund could be impacted and the timetable and process for responding to the consultation, and
- 1.2 To inform Members of the consultation response made on behalf of the Fund by the Head of Pensions Governance and Investments (in consultation with the Chair and Vice Chair).

### 2 RECOMMENDATION

- 2.1 That Members note this report.

### 3 FINANCIAL IMPLICATIONS

- 3.1 The increase in governance and training requirements placed on Funds included in the consultation will increase the cost of administering the scheme.

### 4 BACKGROUND

- 4.1 On 20 November, the Ministry of Housing, Communities and Local Government (MHCLG) opened a technical consultation relating to two “draft statutory instruments” relating to Fit for the Future reforms for the LGPS in England and Wales. They asked for feedback across 29 questions on two new sets of draft regulations, with a 6-week deadline of 2 January 2026.
- 4.2 The Fit for the Future consultation launched on 14 November 2024 and brought about sweeping reforms to how the LGPS in England and Wales invest assets and are governed. A number of these are in the process of being put into primary legislation through the Pension Schemes Bill, which also covers a much wider range of reforms covering the full spectrum of pension schemes in the UK. MHCLG are also working on regulations and guidance specific to the LGPS to implement these reforms. It’s expected that there will be a number of

consultations launched before the 1 April 2026 deadline for these reforms to come into effect (subject to passage of the pensions Scheme Bill through Parliament).

- 4.3 This consultation was on two sets of draft regulations implementing the LGPS Fit for the Future reforms. MHCLG asked for feedback on these, focussed on whether they're fit for purpose and do the job that government want. There are a range of different types of questions across the 29 asked, ranging in scope from strictly whether the wording of the regulations is sufficient to meet the government's aims, through to open questions asking for any comments respondents may have. While the consultation itself provides a summary of the key points they're asking questions on, the devil is in the detail within the draft regulations, which can be difficult to follow and are open to interpretation.
- 4.4 The consultation was split into two sections. The first covered 23 questions regarding the draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026, which will replace the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and give legal effect to the proposals set out in the Pooling and Local Investment chapters of the 'Fit for the Future' consultation. The second section asked six questions tackling the draft Local Government Pension Scheme (Amendment) Regulations 2026, which tackle the governance section of Fit for the Future.

## **5. GOVERNMENT CONSULTATION**

- 5.1 On 20 November 2025, MHCLG launched a consultation on changes to the LGPS in England and Wales. The proposals relate to two draft statutory instruments relating to Fit for the Future reforms for the LGPS England and Wales
- 5.2 Links to all documents are on this page:

[Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation - GOV.UK](#)

- 5.3 The Government published draft regulations for comment covering Pooling, Management and Investment of Funds and governance arrangements for administering the LGPS.

Links to the separate documents are as follows:

**LGPS Consultation** – [Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation - GOV.UK](#)

**Pooling, Management and Investment of Funds** - [The Local Government Pension Scheme \(Pooling, Management and Investment of Funds\) Regulations 2026](#)

**The Local Government Pension Scheme (Amendment) Regulations 2026**  
– [The Local Government Pension Scheme \(Amendment\) Regulations 2026](#)

5.4 The consultation ran until 2 January 2026.

### **The Local Government Pensions Scheme (Pooling, Management and Investment of Funds) Regulations 2026**

5.5 The regulations put into place the Pooling and Local Investment chapters of the 'Fit for the Future' consultation. They aim to:

- Require Administering Authorities (AAs) to participate in a pool, and only one pool. A 28-day leeway would be given to participate in two pools at once, if a fund was moving pools. The regulations also set out that the government will have powers to force participation in a pool, both by forcing a fund to join a specific pool and by requiring that pool to accept them.
- Require AAs to delegate the implementation of their investment strategy to their asset pool and for pools to have the abilities to properly implement their funds' investment strategies.
- Require AAs to take principal investment advice from their pool and that pools must have the ability to provide "proper advice" and include a list of what would constitute investment strategy. It also clarifies that, as previously set out in the response to the Fit for the Future consultation, second opinions on investment strategy may only be sought in exceptional circumstances, which will be defined in guidance. An additional point that funds must "have regard to the local economic priorities" of their local strategic authority when setting their high-level investment strategy is also included.
- Set out requirements as to the contents of an investment strategy, which update previous regulations to include the fund's "high-level financial objectives", a "high level investment strategy", and consistency with the authority's Funding Strategy Statement (including having regard to maintain as consistent a primary employer contribution rate as possible).
- Require that investment strategy reviews must be undertaken within 18 months of the actuarial valuation date and that the first investment strategy under the new regulations must be published in an Investment Strategy Statement (ISS) by 30 September 2026. A list of parties who must first be consulted on the ISS before publication is also provided, with more detail to be provided in the guidance.
- Require pools to take "all reasonable steps" to implement a fund's investment strategy. It's expected that guidance will set out what would class as "reasonable steps".
- Require all assets to be controlled and managed by the relevant asset pool. Funds are also required that within 21 days of first participating in a pool, management of a fund's assets must have transferred to the pool, and the pool is able to implement the fund's strategy.
- Establish minimum standards for pools, including FCA authorisation and capacity to manage local investments. Government will also have the power to step in and issue directions to pools where they feel investments are being managed in a way that is

detrimental to one, some or all funds within a pool or the Scheme as a whole. However, a list of parties is provided who must first be consulted prior to directions being given.

- Require compliance from 1 April 2026, subject to passage of the Pension Schemes Bill through Parliament and with limited flexibility in specific cases.

## **The Local Government Pension Scheme (Amendment) Regulations 2026**

5.6 The regulations put into place the Governance chapter of the 'Fit for the Future' consultation. The main points are summarised below.

### **Governance strategy, training strategy and conflict of interest strategy**

5.7 Regulation 55A requires AAs to prepare and publish a governance strategy, a training strategy, and a conflict of interests policy. These may be separate or combined.

5.8 The governance strategy will be similar to the existing governance compliance statement but with two additions. Firstly, where there are no scheme member or employer representative (either voting or non-voting) on the pension committee the administering authority must state how their views are taken into account. The second new requirement is the appointment of an independent advisor.

5.9 All three strategies must be published and reviewed at least every three years.

### **Senior LGPS officer**

5.10 Regulation 53A will require each AA to appoint a senior LGPS officer by 1 October 2026. Any subsequent appointments must be made within 6 months of the previous senior LGPS officer's appointment ending.

5.11 This is a statutory role and the senior LGPS officer must ensure that the fund is "appropriately managed and resourced in respect of all matters relating to the Scheme (such as administration, investment and governance)". The senior LGPS officer cannot be any individual who has another statutory local government role i.e. the section 151 officer, monitoring officer or head of paid service. Guidance will provide more details of how the role will work.

### **Independent person**

5.12 Regulation 53A will require each AA to appoint an independent person as a non-voting member of their committee by 1 October 2026. Any subsequent appointments must be made within 6 months of the previous independent person's appointment ending. The role involves advising on investment strategy, governance and administration. Guidance will provide more details of how the role will work.

### **Knowledge and understanding**

5.13 Regulation 55B requires that committee members and officers carrying out a delegated function must be conversant with the rules of the Scheme and any document recording policy about the administration of the Scheme. They also must have knowledge and

understanding of the law relating to pensions. The level of knowledge and understanding required is that which allows “that person to properly exercise their functions”. These requirements are broadly the same as those that apply to pension board members under the Pensions Act 2004.

The main difference between committee/officer requirements and those of pension board members is that the former have “a reasonable period of time” (undefined) to acquire their knowledge.

### **Administration strategy**

- 5.14 Regulation 59 will require AAs to prepare an administration strategy which must be reviewed every three years.

### **Independent governance reviews**

- 5.15 Regulation 117 will require each AA to undergo an independent governance review at its own cost. The first review must take place by 31 March 2028 and then again within every three-year period from that date. The Secretary of State has the power to require an independent governance review at any time.
- 5.16 The review must be carried out by a “suitable person”, defined as someone who;
- a. is independent of both the Secretary of State and the AA, and
  - b. in the reasonable opinion of the AA has sufficient knowledge and understanding of the rules of the Scheme to enable them to properly conduct the review.
- 5.17 Following the review, a report must be prepared and issued to the Secretary of State and the AA, who must publish it.
- 5.18 Guidance will provide details of the independent governance review process.

## **6. CONSULTATION RESPONSE**

- 6.1 The Fund’s response to the consultation is attached as an Appendix.

## **7. NEXT STEPS**

- 71 MHCLG will produce a consultation response which will be reported back to Committee.

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