

City of London Corporation Committee Report

Committee(s): Pensions Committee Local Government Pensions Board	Dated: 07 July 2025 21 July 2025
Subject: Government Response - Fit for the Future Consultation	Public report: For Discussion
This proposal: • provides statutory duties • provides business enabling functions	
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	No
Report of:	The Chamberlain
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Summary

The Government released the '*Local Government Pension Scheme (England and Wales): Fit for the Future Consultation*' on the 14 November 2024. The consultation sought views on proposals relating to investments of the Local Government Pension Scheme (LGPS) and covered the areas of minimum standards for asset pooling, local and regional investment and governance. The consultation was open for 9 weeks from 14 November 2024 to 16 January 2025 and Officers responded during this period. The Government published their response on 29 May 2025 and this report sets out the proposals to meet the three areas (Pooling, Local Investment and Governance) which were consulted on.

Recommendations

Members are asked to note this report.

Main Report

Background

1. In July 2024, the government launched a landmark Pensions Review of workplace defined contribution pensions schemes and the LGPS. The Pensions Review's objectives for the LGPS were to consider how tackling fragmentation and inefficiency could unlock the investment potential of the scheme, including through asset consolidation and enhanced governance, while strengthening the focus on local investment.

2. On 14 November 2024 the government launched its consultation on proposals to reform the LGPS and put it on a clearer, firmer trajectory to scale and consolidation.

LGPS Consultation: Fit for the Future

3. At the Pensions Committee held on 3 December 2024, a paper was circulated summarising the consultation and its proposals. Members can find the paper [here](#).
4. As a reminder the Consultation sought views on the following three areas:
 - i. Reforming the LGPS asset pools by mandating certain 'minimum standards' deemed necessary for an optimal and consistent model in line with international best practice.
 - ii. Boosting LGPS investment in their localities and regions in the UK.
 - iii. Strengthening the governance of both LGPS Administering Authorities (AAs) and LGPS pools, building on the recommendations of the Scheme Advisory Board (SAB) in their 2021 Good Governance Review.
5. There was a total of 30 questions and the full consultation document can be found [here](#).
6. The response to the consultation was submitted on the 16 January 2025 following liaison with the London CIV and other administering authorities (AAs). The formal response was circulated to Members of the Pensions Committee and Local Government Pensions Board on 20 January 2025.

Consultation Response

7. The Government published their response on 29 May 2025. In total, the Government received 220 responses including from all 86 AAs and 8 pools, as well as scheme members, trade unions, advisors, industry representatives, and campaign groups. The full response can be found [here](#).
8. Following the consultation, the Government will be implementing the proposals as set out below.

Area 1: Pooling

- i. Requirement on AAs to delegate the implementation of their investment strategy to their pool. The investment strategy set by AAs may include a high-level strategic asset allocation (SAA) that is no more detailed than the template which government intends to publish in guidance (Appendix 1).
- ii. Requirement on AAs to take their principal investment advice from the pool.
- iii. Requirement for pools to be established as investment management companies authorised and regulated by the FCA, with the expertise and capacity to implement investment strategies.
- iv. Requirement for AAs to transfer all assets to the management of their pool.

Area 2: Local Investment

- i. Requirement on AAs to set out their approach to local investment, including a target range for investment, in their Investment Strategy Statement, and

to have regard to local growth plans and local economic priorities in setting their investment strategy.¹

- ii. Requirement on AAs to work with relevant Strategic Authorities (Combined Authorities, Mayoral Combined Authorities, Combined County Authorities, and the Greater London Authority) or Corporate Joint Committees to identify suitable local investment opportunities.
- iii. Requirement for the pools to develop the capability to carry out due diligence on local investment opportunities, take the final decision on whether to invest and manage those investments.
- iv. Requirement on AAs to include in their Annual Report a report on the extent and impact of their local investments.

Area 3: Fund Governance

- i. Requirement to appoint a Senior LGPS Officer with overall delegated responsibility for the management and administration of the Scheme.
 - ii. Requirement to prepare and publish an Administration Strategy.
 - iii. Changes to the way in which strategies on governance and training, funding, administration and investments are published.
 - iv. Requirement for pension committee Members, the Senior Officer, and Officers to have the appropriate level of knowledge and understanding for their roles, with requirements for pension committee members and local pension board members aligned.
 - v. Requirement for AAs to set out within their government and Training Strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge requirements within a reasonable period from appointment.
 - vi. Requirement for AAs to participate in an independent governance review and, if applicable, produce an improvement plan to address any issues identified.
9. Following the consideration of the consultation responses, the Government has also decided the following.

Area 1: Pooling

- i. The Government will require that all LGPS investments, listed and unlisted, are transferred to the management of the pool. This means that the pool has full oversight of the assets and will make all investment decisions. It will be the responsibility of the pool to determine how the investment strategies of its partner AAs are implemented.

Area 2: Local Investment

- i. Pools will be required to report annually on total local investments made on behalf of their AAs and their impact.

¹ The Government have clarified in their response to the Consultation that 'local investment' should be defined as broadly local or regional to the AA or pool.

Area 3: Fund Governance

- i. Require an independent governance review to take place once in every three-year period rather than every two years. This will align the reviews with the valuation cycle.
- ii. Require AAs to have an independent advisor without voting rights, rather than an independent Member of the committee.
- iii. Require AAs to prepare strategies on governance, knowledge and training, and administration, and publish these either as separate strategies or as a single document. The knowledge and training strategy will be required to include a conflicts of interest policy.

Pension Scheme Bill

10. On the 5 June 2025, the Government introduced the Pension Scheme Bill. The Bill covers a number of different areas including the implementation of some of the above requirements for the LGPS. Members can find the Bill as it was first introduced [here](#). Officers anticipate the Bill to receive royal assent ahead of the 31 March 2026 deadline for the transition of all LGPS assets to the 'management' of the Pool. The Bill defines 'Management' as *"buying, selling or holding assets; setting asset allocation; establishing and managing pooled investment vehicles; selecting investments; acting as a responsible investor (including by acting as a shareholder in an investee company); deciding whether to develop or use internal investment management capability or external investment managers; managing cash flow."*

Conclusion

11. As part of the Government's landmark Pensions Review of workplace defined contribution pensions schemes and the LGPS, the Government will be putting into legislation reforms for the LGPS to "put it on a clearer, firmer trajectory to scale and consolidation".

Appendices

- Appendix 1 – MHCLG template Strategic Asset Allocation and AA/ Pools roles and responsibilities

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MHCLG template Strategic Asset Allocation and AA/ Pools roles and responsibilities

Roles and responsibilities of the Administering Authority vs the Pool

Figure 1: The division of responsibilities between administering authority and pool

	Task	Impact on overall investment outcome of the fund	AA Role	Pool role	Definitions
Strategy	Investment objectives	High  Low	Decide	Advise	Return objectives, risk tolerances, investment preferences, constraints and limitations, and the approaches to local investment and responsible investment.
	Strategic asset allocation		Decide (optional)	Advise/ Decide	Long-term, stable allocation based on overall investment objectives and risk tolerance
Implementation	Tactical asset allocation		Monitor	Decide	Adjustments to the asset mix, such as in respect of geographic allocation, consistent with the asset allocation strategy.
	Investment manager selection		Monitor	Decide	Appointment of external (or in-house) managers of specific investment mandates
	Stock selection		Monitor	Decide	Choosing individual investment opportunities based on detailed analysis of the opportunity
	Investment stewardship		Monitor	Decide	Engagement with the invested companies in line with Investment Objectives.
	Cashflow management		Monitor	Decide	Management of the disinvestment (or investment of contributions) in collaboration with administrators and Fund Actuary

Template Strategic Asset Allocation

Figure 3: Template SAA to be published in guidance

Asset class	Strategic asset allocation (%)	Tolerance range (±%)
Listed equity		
Private equity		
Private credit		
Property / Real estate		
Infrastructure		
Other alternatives		
Credit (i)		
UK Government bonds		
Investment cash		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.