

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee
Date: 17 March 2026
Subject: Pensions Bill Update
Report author: Siân Cogley, Pension Fund Manager
Director: Phil Triggs, Director of Treasury and Pensions

SUMMARY

- 1.1 This report outlines the changes to the Local Government Pension Scheme (LGPS) pooling arrangements and governance arising from the Pensions Schemes Bill, draft LGPS regulations, and accompanying statutory guidance and the progress that London Borough of Hammersmith and Fulham Pension Fund has made towards the regulation thus far.
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RECOMMENDATION

- 2.1 The Committee is asked to:
- Note the report outlining the Pensions Schemes Bill changes.
 - Consider the next steps the Pension Fund needs to make to comply with regulation.
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Wards Affected: None.

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council taxpayer.

Financial Impact

None

Legal Implications

None.

3. BACKGROUND

- 3.1 The LGPS is a statutory, funded defined benefit scheme in England and Wales, administered locally within a national regulatory framework. Since 2015, government policy has required LGPS funds to pool investments into a small number of collective structures to deliver scale, stronger governance, and broader asset access.
- 3.2 Early pooling was driven by policy and guidance rather than primary legislation. The Pensions Schemes Bill, alongside draft LGPS regulations and statutory guidance, now places pooling on a clearer statutory basis and significantly strengthens governance requirements.
- 3.3 At the time of this report, the Pensions Schemes Bill is in Committee Stage in the House of Lords and is expected to receive Royal Assent in 2026, with key provisions, including LGPS asset pooling, due to take effect from 1 April 2026, albeit with some risk that Royal Assent could be delayed.

4. Pensions Schemes Bill – Key Provisions Affecting LGPS

- 4.1 The Pensions Schemes Bill introduces enabling powers that allow the Secretary of State to:
 - Mandate participation of LGPS administering authorities in asset pools.
 - Set requirements on the structure, operation, and governance of those pools.
 - Direct the transfer of assets into pooled vehicles, rather than leaving this to voluntary or phased arrangements.
 - Impose compliance and reporting requirements, including enforcement mechanisms where authorities do not meet pooling expectations.
- 4.2 While the Bill does not itself prescribe detailed LGPS rules, it provides the statutory authority needed to support more prescriptive secondary legislation and guidance.

5. Draft LGPS Regulations

- 5.1 The draft LGPS regulations build on the powers in the Bill and represent a shift from encouragement to obligation in relation to pooling.

Key elements include:

- 5.1.1 Mandatory Pooling

- Administering authorities are required to invest assets through their designated LGPS pool, subject to limited and clearly defined exceptions.
- Individual authority investment strategies must be aligned with the pool's investment offerings.

5.1.2 Investment Strategy Statements (ISS)

- Greater emphasis is placed on consistency between an authority's ISS and the pool's Strategic Asset Allocation and product range.
- Authorities are required to pool 100% of assets.

5.1.3 Compliance and Direction

- The Secretary of State may issue directions where an administering authority is failing to comply with pooling requirements.
- Regulations strengthen intervention powers compared with the pre-Bill framework.

6. Statutory Guidance on Pooling and Governance

6.1 Updated statutory guidance provides practical interpretation of the regulations and sets expectations for behaviour and governance standards.

6.2 Role of Administering Authorities

- Retain fiduciary responsibility for setting funding strategy, contribution rates, and high-level investment objectives.
- Are expected to use the pool as the primary vehicle for implementation of investment strategy.
- Must ensure robust oversight of the pool's performance, costs, and risk management.

6.3 Role of LGPS Pools

- Pools are expected to act as the principal investment managers for LGPS assets.
- They must demonstrate strong internal governance, clear decision-making structures, and appropriate skills and capacity.
- Pools are expected to develop a comprehensive and competitive range of investment products to meet member fund needs.

6.4 Governance and Accountability

Clear separation is expected between:

- Strategic decision-making (administering authorities), and
- Operational investment decisions (pools).

- Enhanced transparency requirements, including reporting on costs, performance, and responsible investment.
- Stronger expectations around risk management, internal controls, and conflicts of interest.

7. Implications for Governance Structures

7.1 For Administering Authorities

- Reduced direct control over day-to-day investment decisions.
- Increased emphasis on contract management, oversight, and assurance.
- Need for member and officer training to reflect a more strategic, less hands-on role.

7.2 For Pools

- Greater scrutiny from both scheme employers and central government.
- Increased responsibility and potential liability as assets transition fully into pooled vehicles.
- Requirement to professionalise governance arrangements and demonstrate value for money.

8. Key Issues and Risks

8.1 As funds begin to implement the changes stated in the Pensions Schemes Bill, there are several key issues and risks that need to be taken into account:

- Alignment risk: Ensuring that pool offerings genuinely meet the diverse needs of individual funds.
- Accountability: Maintaining clear lines of responsibility despite more complex governance structures.
- Transition risk: Managing asset transfers without unnecessary cost or disruption.
- Local democratic input: Balancing statutory pooling requirements with the role of locally elected members.

9. Conclusion

9.1 Overall, these reforms mark a decisive change within the LGPS landscape and funds across the country will need to adapt to changing responsibilities such as:

- From voluntary to mandatory pooling of assets
- Governance responsibilities are more clearly defined but more demanding for both funds and pools.
- Administering authorities retain strategic responsibility but must operate within a tighter national framework.

9.2 Successful implementation will depend on strong relationships between funds and pools, supported by transparent and effective governance.

10. Next Steps for Consideration (Pensions Investment Team Actions)

Proposal	Proposed Action for London Borough of Hammersmith and Fulham (LBHF) Pension Fund
Funds must conduct independent governance reviews aligned with valuation cycles (every three years). The first review must cover the period ending 31 March 2027 and be completed by 31 March 2028. Reviews should assess compliance and be published. The Secretary of State can direct a review if issues are identified.	Develop a governance strategy to meet completion date
Prepare and publish a governance strategy, training strategy, and conflict of interest policy. These must be reviewed at least once per valuation period (and after material changes) and align with statutory guidance.	Alongside the governance strategy look to formalise the pre-committee meeting training sessions as a set strategy. A separate Conflicts of Interest Policy will need to be drafted and approved by the Pension Fund Committee, reliance on the Council's policy is no longer sufficient.
An administration policy that must outline administration processes, be reviewed at least once per valuation period, and comply with guidance.	LBHF Head of Pensions to refresh the existing Administration Policy in line with new guidance. There are several administration changes that will be covered by the Head of Pensions in a separate update at a later date.
Where pension functions are delegated to an officer, AAs must appoint a dedicated senior LGPS officer by 1 October 2026 (and within six months of any vacancy thereafter). This role oversees scheme administration and investments, operates per statutory guidance, and cannot be combined with roles like the section 151 officer (chief financial officer), head of paid service, or monitoring officer to avoid conflicts. The officer must have the appropriate qualifications and experience.	Senior officers at LBHF to nominate officer.
An independent (non-voting) person must be appointed to pension committees or to advise the senior officer by 1 October 2026. This ensures objective oversight.	LBHF Pension Fund has appointed an Independent Advisor (Sam Gervaise-Jones)
A requirement that asset pool companies (LCIV) provide proper advice to AAs on the content of their investment strategy, and requires AAs to consider that advice before formulating their investment strategy.	LBHF Pension Fund to agree a grace period with ISIO as a transitional arrangement to the new way of working with the LCIV's appointed advisor (Mercer).

<p>All fund investment assets to be pooled into asset pool companies (LCIV) by 31 March 2026.</p>	<p>LBHF Pension Fund is currently working with officers across London and LCIV to finalise the Investment Management Agreement (IMA) and accompanying schedules, which allows LCIV oversight of the fund's assets. This is due to be signed by 31 March 26.</p>