Pension Fund Committee
8 September 2026
LGPS ‘Fit for the Future’ Reforms
For Decision

Local Councillor(s): All

Senior Leadership Team:
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Executive summary (maximum of 500 words)

The government’s Local Government Pension Scheme (LGPS) ‘Fit for the Future’ reforms are intended to strengthen governance arrangements, improve investment outcomes and deliver efficiencies through greater scale and consistency across the LGPS, and to unlock investment potential for UK growth.

The Pensions Schemes Bill received Royal Assent 29 April 2026 and is now enacted as the Pension Schemes Act 2026. Supporting secondary legislation (regulations) and guidance specific to the LGPS also came into force 30 June 2026. This report provides an overview of the new LGPS regulations and associated guidance.

There are two sets of new LGPS regulations:
1 the LGPS (Amendment) Regulations 2026 (Appendix 1) and;
2 the LGPS (Pooling, Management and Investment of Funds) Regulations 2026 (Appendix 2).

The Amendment Regulations focus on strengthening governance through the requirements for a LGPS Senior Officer role, an independent person, enhanced knowledge requirements and periodic independent governance reviews.

The Pooling and Investments Regulations mandate full participation in Financial Conduct Authority (FCA) authorised asset pool companies and transfer responsibility for investment management to those pool companies. Administering authorities retain responsibility for strategic direction, principally through the Investment Strategy Statement (ISS), with operational delivery undertaken by the pool company.

In addition, the Ministry of Housing, Communities and Local Government (MHCLG) has published statutory guidance covering:

1. LGPS Fund Governance
2. Preparing and maintaining an LGPS Investment Strategy Statement
3. LGPS Asset Pooling

The guidance reiterates that an LGPS administering authority's primary obligation is to act in the best financial interests of their pension fund. When setting their investment strategy all factors, including Environmental, Social and Governance (ESG) factors, that are financially material to the performance of the pension fund's investments should be considered. Non-financial considerations may also be taken into account where this would not involve risk of significant financial detriment and there is good reason to think this would be supported by scheme members.

Recommendation(s):

That the Committee notes the key points in the LGPS reforms and the implications for the future governance and investment management of the Dorset County Pension Fund.

Reason for the recommendation(s):

To ensure the Committee understands the key points in the LGPS reforms and is able to oversee appropriate implementation and compliance to the governance arrangements and investment management of the Dorset County Pension Fund.

1. Governance Changes (LGPS Amendment Regulations 2026)

1.1 LGPS Senior Officer

The regulations require administering authorities (AA) to appoint a single officer with responsibility across all pension functions including investment, funding, administration and governance.

The associated guidance clarifies that the LGPS Senior Officer will be responsible for ensuring strategies are prepared, implemented and compliant, ensuring adequate resourcing, managing risk and supporting both the Pension Committee and Local Pension Board.

1.2 Independent Person

The regulations require AAs to appoint a person who is independent of both the Secretary of State and the AA (“Independent Person”) to support the LGPS Senior Officer and the pension fund committee in respect of investment strategy, governance and administration matters.

The associated guidance clarifies that the Independent Person should provide expert scrutiny, challenge advice, contribute to strategy development and remain independent of the administering authority. AAs can either appoint an individual or they can procure the service from a firm such as a professional trustee firm. If the latter route is followed, there should be a named individual, but they may be supported by other experts at the firm (similar to Dorset’s current arrangements for independent investment advice). Independent persons are not required to be authorised by the Financial Conduct Authority (FCA) to provide advice or to hold liabilities insurance.

1.3 Knowledge and training

The regulations require AAs to maintain a training strategy and ensure relevant individuals (committee members, local pension board members and officers) have appropriate knowledge and understanding.

The associated guidance requires formal training needs analysis, individual training plans, monitoring of attendance and reporting through governance processes.

1.4 Independent governance reviews

The regulations require AAs to commission periodic independent governance reviews, with the first by March 2028.

The associated guidance requires such reviews to assess compliance, governance effectiveness, publish findings and produce an action plan for improvement.

2. Investment Management Changes (Pooling and Investments Regulations 2026)

2.1 Participation in an investment pool

The regulations require AAs to participate in a single FCA-authorised asset pool company and that all LGPS pension fund assets must be managed by this pool company.

The associated guidance requires AAs to undertake due diligence on FCA authorisation, governance and ongoing monitoring of pool performance. It confirms that pool companies are responsible for all implementation decisions including manager selection, tactical asset allocation and investment stewardship, and that AAs must not manage investments directly.

2.2 Division of responsibilities between AAs and pool companies

The regulations require AAs to formulate an investment strategy, after taking advice from their pool company, and pool companies to "take all reasonable steps" to implement this strategy.

The associated guidance makes clear that authorities should not select investment managers, individual investments or undertake tactical asset allocation, as these are the responsibility of the pool.

2.3 Investment advice

The regulations require AAs to take their principal investment advice from their pool company.

The associated guidance states that use of external advisers should be limited to exceptional circumstances only.

2.4 Investment Strategy Statement (ISS)

The regulations require AAs to prepare and maintain an ISS setting out objectives for return, risk, cashflow, local investment and responsible investment.

The associated guidance requires the ISS to align with the Funding Strategy Statement, be developed with pool company advice, include strategic asset allocation and be reviewed following each actuarial valuation cycle.

The guidance reiterates that an AA's "primary obligation is to act in the best financial interests of the fund" and "in setting their investment strategy AAs should consider all factors, including Environmental, Social and Governance (ESG) factors, that are financially material to the performance of their investments. AAs may also take non-financial considerations into account provided that doing so would not involve risk of significant financial detriment to the fund and that they have good reason to think that scheme members would support their decision."

3. Implementation of changes

3.1 Officers are in the process of developing plans to meet the required changes to governance arrangements including the appointment of a Senior LGPS Officer role and an independent person and enhancing training arrangements. The government has confirmed that AAs must appoint an LGPS Senior Officer and Independent Person within six months of the regulations coming into force, 31 December 2026.

3.2 The requirement to ensure all assets are managed by a single FCA regulated pool company has been met with the transition from Brunel Pension Partnership to LPPI. Officers are working with LPPI to formulate a draft ISS in accordance with the requirements of the regulations and guidance for consideration by the Committee. The government has confirmed that the publication of the first ISS under the new regulations will be required by 31 March 2027.

3.3 All existing pension fund strategies and policies will need to be reviewed, then amended and approved where necessary, to ensure that they are compliant and consistent with the new regulations and associated guidance.

4. Legal considerations

4.1 The new regulations will introduce statutory duties on administering authorities, including requirements relating to governance, pooling and investment strategy, with which the Council must comply.

5. Financial implications

5.1 Implementation of the regulations may result in additional governance and oversight costs. However, the pooling framework is expected to deliver longer-term efficiencies and improved value for money through economies of scale.

6. Natural environment, climate & ecology implications

6.1 The regulations will require administering authorities to set responsible investment objectives, including Environmental, Social and Governance (ESG) considerations, within their Investment Strategy Statement (ISS).

7. Well-being and health implications

7.1 None identified.

8. Other implications

8.1 None identified.

9. Risk implications

9.1 Failure to comply with the regulations or associated statutory guidance may result in increased scrutiny from regulators and potential intervention by the Secretary of State.

10. Equalities

10.1 There are no direct equalities implications arising from this report.

11. Appendices

Appendix 1: The LGPS (Amendment) Regulations 2026

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2026

Appendix 2: The LGPS (Pooling, Management and Investment of Funds) Regulations 2026

The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026

12. Background papers

- Pension Schemes Act 2026
- Local Government Pension Scheme: fund governance - GOV.UK
- Local Government Pension Scheme: preparing and maintaining an Investment Strategy Statement - GOV.UK
- Local Government Pension Scheme: asset pooling - GOV.UK

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