

PENSIONS COMMITTEE

09 December 2025

Subject Heading:	Fit for the Future Update
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Policy context:	The draft LGPS Regulations are set to take effect on 1 April 2026, subject to the passage of the Pensions Schemes Bill through Parliament.
Financial summary:	Transition costs not yet known.

The subject matter of this report deals with the following Council Objectives

People - Supporting our residents to stay safe and well	<input checked="" type="checkbox"/>
Place - A great place to live, work and enjoy	<input checked="" type="checkbox"/>
Resources - Enabling a resident-focused and resilient Council	<input checked="" type="checkbox"/>

SUMMARY

This report provides the Pensions Committee with an update on implementing the *Fit for the Future* proposals following the government's Pension Investment Review published on 29 May 2025. On 20 November 2025, the Government published the LGPS: Fit for the Future – technical consultation for 6 weeks to 2 January 2026.

As of 30 September 2025, approximately 40% of the Pension Fund's assets were directly invested with the London CIV. This report provides an update on the asset transition plan to pool the remaining 60% of assets, thereby ensuring compliance from 1 April 2026, subject to the passage of the Pensions Schemes Bill through Parliament. Currently, 26% of these are already under pool management, this would formalise the management agreement of those assets.

RECOMMENDATIONS

That the Committee:

1. Delegate authority to the Strategic Director of Resources in consultation with the Chair of the Committee to oversee the finalisation and approval of the Investment Management Agreement (IMA) with the London CIV and associated asset transition plans, to comply with the LGPS regulations.

REPORT DETAIL

1. Background

- 1.1. Over the past year, the Government has set out to reform the Local Government Pension Scheme (LGPS) as part of the Pension Investment Review. This was initiated with a Call for Evidence in September 2024, followed by the *LGPS: Fit for the Future* consultation which was published in November 2024.
- 1.2. The government published its Final Report on 29 May 2025, confirming that all core proposals will be implemented through primary and secondary legislation. The Government formally introduced the Pension Schemes Bill in the House of Commons on 5 June 2025, which is now in the parliamentary debate stage, with Royal Assent anticipated in 2026.
- 1.3. On 20 November 2025, the Government published the LGPS: Fit for the Future – technical consultation. This consultation seeks views on 2 draft statutory instruments:
 - the ‘Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026’
 - the Local Government Pension Scheme (Amendment) Regulations 2026
- 1.4. This consultation will last for 6 weeks from 20 November 2025 to 2 January 2026.
- 1.5. The ‘Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 will replace the current 2016 LGPS Regulations and give legal effect to the proposals set out in the Pooling and Local Investment chapters of the ‘Fit for the Future’ consultation. They will:
 - require administering authorities (AAs) to delegate the implementation of their investment strategy to their asset pool
 - require AAs to take principal investment advice from their pool

- require all assets to be controlled and managed by the relevant asset pool
 - provide backstop powers for the Secretary of State to direct AAs to participate in specific pools, and for specific pools to facilitate participation
 - establish minimum standards for pools, including FCA authorisation and capacity to manage local investments
 - require compliance from 1 April 2026, subject to passage of the Pension Schemes Bill through Parliament and with limited flexibility in specific cases
- 1.6. The Local Government Pension Scheme (Amendment) Regulations 2026 will implement the proposals in the Governance chapter of the consultation. They will require compliance from 1 April 2026, subject to passage of the Pension Schemes Bill through Parliament and with lead in periods for specific requirements.
- 1.7. The Government's response to the Fit for the Future consultation can be accessed online on the following link [Local Government Pension Scheme \(England and Wales\): Fit for the future – government response - GOV.UK](#)

2. Current Position

- 2.1. LB Havering Pension Fund has made good progress towards pooling and is currently invested in the following London CIV directly managed sub-funds, comprising of approximately 40% of the Fund at 30 September 2025.
- LCIV Absolute Return
 - LCIV Renewable Infrastructure
 - LCIV Global Alpha Growth Paris Aligned
 - LCIV Passive Equities Progressive Paris-Aligned.
- 2.2. Approximately, 26% of assets which includes listed equity investments with LGIM and CBRE were considered under pooled management. The remaining 34% of assets are currently invested in off-pool assets.

3. Asset Transition Plan Update

- 3.1. Officers have engaged with London CIV over the past several months to agree the high-level asset transition plan to ensure that all assets are pooled by 31 March 2026. These discussions are still ongoing and expected to be completed in January 2026.
- 3.2. In finalising the plan, the following pooling options will be considered:

- Where an existing, broadly comparable, solution exists, consider transferring investment to London CIV managed fund.
- Where a solution does not exist, engagement with London CIV to consider appropriate pooling solution.

4. Investment Management Agreement

- 4.1. London CIV has identified that in some cases an Investment Management Agreement (IMA) may be required to achieve the transfer of assets by the government's deadline. An IMA is a formal contract between London CIV and each Partner Fund that establishes the terms under which London CIV will assume investment management responsibilities for the Partner Fund's off-pool investments.
- 4.2. To comply with the Government's Fit for the Future asset pooling agenda, all off-pool and deemed pooled holdings will need to be transferred to London CIV by 31 March 2026. The IMA is the contractual mechanism that enables this pooling and ensures compliance with statutory requirements. Without an IMA in place, the Fund cannot legally transition assets to London CIV or comply with draft regulations.
- 4.3. The IMA will set out the operational and governance framework for investment strategy implementation and management of off-pool assets. It will include a core document, which will be the same for all Partner Funds and four schedules which will be individual to each Partner Fund. These include:
 - i. **Investor Details** - Details about Havering Pension Fund as an investor
 - ii. **Investment Strategy** - How the Fund's strategic asset allocation and objectives will be implemented within LCIV.
 - iii. **Fees** - The structure for fees for operating the pooled arrangements.
 - iv. **Asset listing** – A detailed record of the transferring asset holdings and their values at an agreed date.
- 4.4. The Fund will need to seek legal advice on the IMA wording to ensure that arrangements are in accordance with government legislation. Therefore, the committee is being requested to delegate the review, finalisation and signing of the IMA to the Strategic Director of Resources, in consultation with the Chair of the Pensions Committee.

5. Implications of IMA arrangements

- 5.1. Under the current LGPS (Management and Investment of Funds) Regulations 2016, Havering Pension Fund appoints and manages its own investment managers directly, retaining full discretion over mandates and operational decisions.
- 5.2. However, under the new proposed draft LGPS Regulations, the IMA would facilitate the oversight and management responsibilities to the London CIV. As such, London CIV will become the legal investment manager for all of

Havering Pension Fund's assets, whilst taking responsibility for the day-to-day investment management of the Fund's assets. The Pension Fund will retain its responsibility for setting the investment strategy.

- 5.3. The Pension Committee will continue to play an important role in the strategic direction of the Pension Fund, ensuring strong governance by establishing clear objectives for its investment pool and regularly monitoring investment performance.

6. Changes to Shareholder Agreement

- 6.1. As part of the *Fit for the Future* considerations, all pools were required to submit business plans for how they would implement the government's proposals. ACCESS and Brunel's business plans were deemed to not meet the government's vision for the LGPS. Therefore, the government required the 21 Partner Funds in those pools to inform the government which of the other asset pools they would join, setting a deadline for 30 September 2025.
- 6.2. Buckinghamshire Pension Fund (BPF) approached the London CIV in September 2025 and expressed a preference to join the pool.
- 6.3. Subsequently, London CIV prepared a business case which was shared with all current 32 Partner Funds receiving unanimous agreement in principle. Officers are in favour of BPF joining the London CIV as it is expected further economies of scale can be achieved.
- 6.4. The full business case is available to members on request.

IMPLICATIONS AND RISKS

Financial implications and risks:

The IMA will cover the transfer of the Royal London portfolio as well as the private debt companies. The cost of transitioning these assets is not yet known however, we would be keen to avoid any fire sale. The timing of the transition will also be carefully managed to both minimise costs and ensure the operational capacity within their team.

Legal implications and risks:

Legislation is not yet ready. There are no further legal implications other than those mentioned within the body of the report.

Human Resources implications and risks:

There are no immediate HR implications.

Equalities implications and risks:

An EHIA (Equality and Health Impact Assessment) has not been completed and is not required for this decision. The Council seeks to ensure equality, inclusion, and dignity for all. There are no equalities and social inclusion implications and risks associated with this decision.