



PENSIONS COMMITTEE

17 March 2026

Subject Heading:

Fit for the Future Update

ELT Lead:

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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
- Place - A great place to live, work and enjoy
- Resources - Enabling a resident-focused and resilient Council

SUMMARY

This report provides the Pensions Committee with a summary of the key legislative and regulatory changes to the Local Government Pension Scheme (LGPS) effective from 1 April 2026, subject to the passage of the Pension Schemes Bill through Parliament.

As of 31 December 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, which seeks to transfer the management of the remaining 60% of assets, thereby ensuring compliance with the upcoming regulatory requirements.

RECOMMENDATIONS

That the Committee:

1. Note the contents of the report regarding the proposed legislative and regulatory changes to the Local Government Pension Scheme, subject to the passage of the Pension Schemes Bill, and the associated progress in transitioning assets to the London CIV, in line with the Fund's asset transition plan.
2. Note that a further report will be brought to the Pensions Committee when the new legislation has been finalised.

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. On 5 June 2025, the government formally introduced the Pension Schemes Bill in the House of Commons. It progressed to the House of Lords in December 2025, with Royal Assent expected in early 2026.
- 1.3. On 20 November 2025, the Government published the *LGPS: Fit for the Future – technical consultation*. This consultation, which concluded on 2 January 2026, sought views on two 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. The Committee received an update on the legal implications of the proposed draft legislation at its meeting held on 9 December 2025.
- 1.5. A response to the consultation was submitted in December 2025 by the Strategic Director of Resources on behalf of the London Borough of Havering, in its role as the Administering Authority of the Havering Pension Fund.

- 1.6. On 8 December 2025, the Scheme Advisory Board (SAB) released three draft guidance documents for closed consultation, seeking feedback from administering authorities by 12 January 2026. The draft guidance covers asset pooling, preparing and maintaining an Investment Strategy Statement (ISS) and fund governance.
- 1.7. As at the time of writing, the Government had not yet issued a response to either consultation, nor provided an update on the anticipated timescales for the Pension Schemes Bill to receive Royal Assent.

2. Transition Plan Update

- 2.1. As of 31 December 2025, approximately 40% of the Pension Fund's assets were directly invested through London CIV. Approximately, 26.5% of assets which include listed equity investments with LGIM and CBRE were considered under pooled management. The remaining 33.5% of assets are currently invested in off-pool assets.
- 2.2. Officers have engaged with London CIV over recent months to agree a high-level asset transition plan to ensure that all assets are pooled in accordance with the Government's timelines. These discussions have largely concluded, with focus now turning to the finalisation and execution of the Investment Management Agreement between London CIV and Havering Pension Fund.
- 2.3. Furthermore, officer have considered the decision to replace the existing Royal London Asset Management (RLAM) Index-Linked Gilts (ILG) segregated mandate, representing a 5% allocation of the Fund, with the L&G All Stocks Index-Linked Gilts Index Fund. Subject to implementation, the transition is expected to complete by the end of March and is anticipated to significantly reduce management fees, resulting in estimated annual savings of around £95k.

3. Investment Management Agreement

- 3.1. 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.
- 3.2. In accordance with the draft regulations, all off-pool and deemed pooled holdings will need to be transferred to London CIV in line with the Government's deadline. 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 transfer investment management responsibility of all assets to London CIV or meet regulatory requirements.

4. Prospective Timeline

- 4.1. In conjunction with the jointly procured legal review of the core IMA document by London CIV partner funds which was finalised in February 2026, officers are also seeking legal advice on the IMA wording to ensure compliance with the new regulations.

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 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. Fit for the Future: Fund Governance Requirements

- 6.1. As part of the triennial actuarial review, the Pension Fund has undertaken a review of its Investment Strategy Statement (ISS), which is being presented to this meeting for consideration. Once approved, the updated ISS will meet the requirement in the draft regulations and guidance to publish an ISS within 18 months of the valuation date.
- 6.2. Subject to the passage of the Pension Schemes Bill through Parliament, the Fund will need to undertake a review of its governance processes to ensure compliance with the forthcoming regulatory requirements. This will include:
 - the appointment of the LGPS Senior Officer by 30 September 2026
 - the appointment of the Independent Person by 30 September 2026
 - a review of the Fund's governance and training strategies.
- 6.3. While officers have started to develop initial thinking on how the various governance workstreams will be taken forward, it is anticipated that this work will be formally undertaken once the final regulations have been published and the Pension Schemes Bill has received Royal Assent.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications and risk arising from this report.

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.

BACKGROUND PAPERS

9 December 2025 Pensions Committee Report - [Fit for the Future – Update](#)