

# LGPS Newsletter

Welcome to the November edition of our newsletter. We hope you enjoy reading this month's issue.

28 November 2025

## Industry developments

### Fit for the future – technical consultation

On 20 November, the Ministry of Housing, Communities and Local Government (MHCLG) published a technical consultation seeking views on two draft statutory instruments:

1. Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026
2. Local Government Pension Scheme (Amendment) Regulations 2026

These draft regulations are intended to implement the proposals set out in the original Fit for the future consultation that ran from November 2024 to January 2025. The first set of regulations relating to the pooling and local investment chapters of the original consultation, while the second set of regulations giving effect to the proposals in the governance chapter. Draft statutory guidance to support the implementation of both sets of regulations is now likely to be issued in the new year.

Both sets of draft regulations are summarised in more detail below.

### Draft governance regulations

Although the governance regulations and guidance will need to be considered together to fully understand the new requirements and prepare for how you will meet them, the draft regulations do clarify some key points, which are set out below.

#### Independent governance review

Firstly, LGPS Administering Authorities will need to carry out the independent review of their governance arrangements at least once every three years, and the draft Regulations now confirm that they must arrange for the first review to be carried out by 31 March 2028. Alternatively, the Secretary of State will have the power to direct an Administering Authority to arrange for an independent person to carry out an ad hoc governance review at a specific time at the Authority's expense.

#### LGPS Senior Officer

Secondly, regarding the Senior Officer role, the draft Regulations set out that all Administering Authorities will need to have a single named LGPS Senior Officer who is responsible across all pension functions of the authority, and that the first appointment to this position must be made

by 1 October 2026, with subsequent appointments to be made within six months of the previous appointment ending. The draft Regulations also confirm that the appointed Senior Officer cannot be the Fund's Section 151 Officer, the Fund's Monitoring Officer, or a head of paid service for the Fund.

### Appointment of an independent person

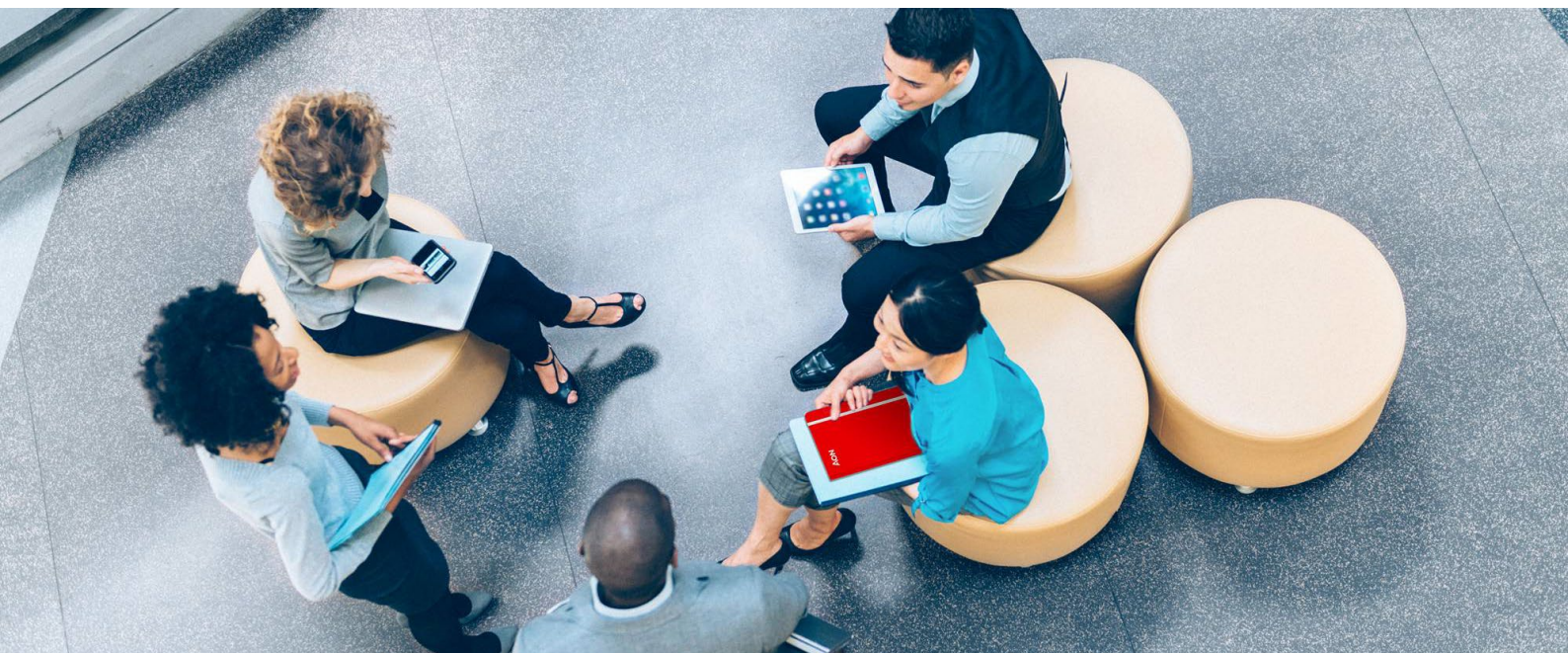
Thirdly, the draft Regulations set out that Administering Authorities will need to appoint an independent person to sit on their Pension Committee (or equivalent), with non-voting rights but there to advise on investment strategy, governance and administration, and confirm that the first appointment of an independent person must be made by 1 October 2026, also with subsequent appointments to be made within six months of the previous appointment ending. Alternatively, if the functions of the Fund are delegated to the Senior Officer, then similarly an independent person must be appointed to support that Officer.

### Other requirements

Finally, the draft Regulations confirm a number of other points that were also known and expected, such as:

- Preparing and publishing a Pension Administration Strategy will now become mandatory rather than optional and must be reviewed at least every three years and act in accordance with statutory guidance.
- The legal requirement to have appropriate knowledge and understanding for the role is being extended to cover Committee / Sub-Committee members and Officers who have some Fund functions delegated to them (rather than just to Pension Board members at present)
- The Pension Fund Annual Report can contain links to the various documents it needs to include, rather than being required to contain the documents themselves in full.
- Administering Authorities must prepare and publish a governance strategy, training strategy and a conflicts of interest policy. These may be combined into a single document or published separately.

As a reminder, we offer a free, no obligation meeting to discuss how your fund is doing against the set of new requirements, help identify the key areas where some action is required and consider how to implement the changes. Click the link here to arrange this meeting, or please reach out to your usual Aon contact.



## Draft investment regulations

As mentioned above, MHCLG has also published draft investment regulations, which will replace the LGPS (Management and Investment of Funds) Regulations 2016 that funds have become accustomed to. The fundamentals around investment definitions, borrowing limits and banking arrangements remain broadly unchanged, but the new regulations mark a substantial shift in relation to pooling and governance.

### Mandatory asset pooling

The 2016 Regulations encouraged administering authorities to pool investments, leaving much to local discretion and strategic consideration. Under the new regulations pooling will be mandatory, and each authority must invest via a single "asset pool company," and must not join multiple pools at once. This introduces statutory enforcement and clear compliance measures.

### Asset pool companies

Previously, administering authorities retained direct management of assets and the role of any pooled vehicle or shared service remained flexible. The new regulations position asset pool companies as central managers, decision makers and strategic partners. Authorities are required to transfer all assets to the pool company promptly and when practicable, indicating a pragmatic adjustment from the originally proposed deadline of March 2026. Authorities are expected to work in partnership, with the asset pool company delivering strategic objectives and reporting directly on governance and performance.

### Investment Strategy Statements

The 2016 Regulations required regular publication and review of an Investment Strategy Statement (ISS), with details on risk, diversification, responsible investment, and pooling. The new regulations expand these requirements significantly, including advice provided by the asset pool company in its formation.

The ISS must now include an explicit section on local investments, including target ranges and alignment with local economic growth plans. Asset allocation decisions can now be delegated to the asset pool company, while the responsible investment section must set out social, environmental, and governance priorities in more detail.

### Oversight and Secretary of State powers

Powers that allowed the Secretary of State to issue directions where guidance was not being followed have been extended to include both the administering authorities and the asset pool companies themselves. The Secretary of State can require compliance with pooling and other statutory guidance, and can direct a pool company to manage assets, make changes, or implement specific strategy if an authority falls short of its duties.

### Other requirements

Annual reports must now cover progress against local investment objectives, with administering authorities expected to explain both their pooling arrangements and any local investment activity. Transitional arrangements mean that statements prepared under the current regulations (up to October 2025) remain valid if they meet the new, more detailed requirements.

The move to this new regime marks a significant change. Administering authorities should ensure they understand the implications, especially for local investment aspirations, governance, and compliance, and begin preparing for the new requirements. If you need support with interpreting the new regulations, reviewing pooling arrangements, updating your investment strategy, delegations or governance policies, please reach out to your usual Aon contact.

## UK Budget 2025

The Chancellor published her second Budget on 26 November, which included an important change to pension salary sacrifice arrangements, and other tax and legislative changes that will impact the pensions and savings sector.

The most significant announcement from a pensions perspective is the proposal to limit National Insurance (NI) relief on pension contributions made through salary sacrifice arrangements. From April 2029, only salary sacrifice contributions up to £2,000 a year will be eligible for relief from both employer and employee NI. Any salary sacrifice contributions above that amount will be subject to NI "in the usual way" but will still benefit from income tax relief. HM Treasury has issued initial guidance on the proposals.

The Government's figures suggest that the tax relief obtained through salary sacrifice for pension contributions was set to increase significantly in the coming years, mainly to the benefit of higher earners. This change aims to limit that impact and protect lower earners. However, the figures also assume there will be some behavioural changes that will partly offset the increase in tax revenues.

Although main LGPS contributions are not made through salary sacrifice and will therefore not be impacted by these changes, some scheme employers may offer shared cost AVCs through a salary sacrifice arrangement that may be impacted by the £2,000 limit come April 2029. Members do not pay tax or NI contributions on the AVCs paid through this type of arrangement, while employers also benefit by paying lower NI contributions.

## TPR data guidance

The importance of data quality was underscored by new guidance from TPR issued on 18 November, which highlights how essential good-quality data is in scheme governance, operational efficiency and positive member outcomes. The guidance consolidates all previous data-related guidance into one place – setting out clearer expectations and providing best practice examples to help schemes achieve better data management capability.

In its connected market oversight report, TPR's key message was that member data should be treated as a "strategic asset", after reviews revealed inconsistent approaches to data management across schemes. The report also revealed that some schemes still have work to do to get their member data in shape for pensions dashboards, warning that some schemes are still at risk of falling short of their dashboard duties.

To help schemes meet TPR's updated data quality guidance, PASA has introduced two useful resources: a guidance document that explores TPR's six key data dimensions with practical advice and examples for assessing and improving member data quality, and a Data Improvement Plan template that provides a flexible framework for planning and documenting data improvement activities tailored to each scheme's needs. More information on this is covered in our next article below.



## Recent PASA guidance

Over the last few weeks, the Pensions Administration Standards Association (PASA) have issued two interesting new pieces of guidance.

### Use of AI in pensions administration

In October, PASA's Data Working Group published guidance for schemes in relation to the use of artificial intelligence (AI) in pensions. The guidance calls out that clean data continues to be of paramount importance when considering the use of new technologies but also noted the role that AI can play in helping schemes and funds enhance their administration functions. These include the use of AI assisted chatbots, predictive member analytics, PDF/scanned file scrubbing and intelligent knowledge management.

While LGPS officers may be considering how AI can be used to streamline and evolve operational activities within their Fund, Lloyd's Banking Group have recently shared their analysis into the use of AI by scheme members. Their report highlighted that 28 million (67%) UK adults are now turning to AI to help manage their money, with 37% and 39% having turned to AI for support in investment research and future financial planning respectively.

PASA have called out that the implementation and use of AI in pensions is not without its risks and challenges, and that these need to be managed carefully. Funds will need to understand AI capabilities and limitations, ensure that data privacy and security measures are effective and mitigate data bias and discrimination, among other considerations.

AI is expected to have a transformational impact on pension administration functions, and how schemes engage with their members, and how, ultimately, members engage with their pensions. But schemes and funds must ensure that AI has positive outcomes for all stakeholders, and effectively manage key risks, both familiar and unfamiliar, that come with it.

### Delivering effective digital transformation

In their publication in November, PASA's Digital Admin Working Group published new practical guidance to support scheme in the development of their digital transformation strategy.

PASA reiterate that for pension schemes, placing members at the heart of schemes' digital transformation is no longer optional. Member expectations are rising, and there is mounting pressure to shift the digital journey perspective to a member orientated approach. PASA's guidance puts the needs of savers firmly at the core of every technological decision, emphasising that the goal should be seamless, accessible, and value-driven service delivery for scheme members.

Understanding that every scheme is at different stages of its digital journey, PASA identifies key characteristics and challenges at three levels of digital maturity. The guidance called for less advanced schemes to prioritise digitisation and data security, while those further down their digital journey should focus on automating and enhancing member interactions, and would benefit from advanced, integrated technologies and developing a culture of ongoing innovation.

The publication outlines best practice by recommending that schemes form cross-functional teams to define requirements, keep member needs at the centre of all decisions, deliver a seamless experience across multiple communication channels, and partner closely with software providers to develop scalable digital solutions.

This publication is the first in a three-part series, with future instalments set to provide detailed strategies and planning templates.

## What we've been talking to clients about

### Pensions dashboards

Friday 31 October 2025 marked a significant milestone for the pensions dashboard project as it was the scheduled 'connect by' date for public service pension schemes. While most LGPS funds are now successfully connected, this is merely the start of the journey. As we enter the next phase of preparations, greater emphasis will be on activities such as data cleansing, backlog clearance and engaging with members to ensure the best user experience and limit the impact on service delivery when dashboards eventually become available to the public.

Although the exact date when dashboards will go live to the public remains unconfirmed, engaging with members about upcoming changes should be part of your preparations. For example, if dashboards were to launch in early 2027, an announcement would be needed before autumn 2026, so to be ready to communicate with members when that happens, planning should be well underway in mid-2026.

A webinar will be held by TPR on 3 December 2025 at 2:30pm to help prepare schemes for their dashboard duties. You can register for the webinar here.

If you require any support with your dashboard preparations, including addressing backlogs, data cleansing or communicating with members, please get in touch with Craig Payne, Ben Challinor, Jennie Green, or Luke Webster, who will be happy to share insights into how we have supported other authorities and how we could work in partnership with you.

### 2025 Actuarial Valuations

Our actuarial team has been busy working through valuation results this month, in addition to presenting at Annual Employer Meetings and supporting Fund officers in discussions with pension fund committees. A new area we've also been supporting on however has been with dealing with responses from employers and their advisors to Funding Strategy Statement consultations and/or initial employer results.

This valuation cycle has yielded some of the biggest improvements in funding levels and reductions in contribution rates in recent memory. Whilst asset returns have been below expectations, our expected future returns on assets have increased relative to the 2022 valuation (increasing discount rates), but long-term CPI inflation expectations are down compared with the 2022 valuation and views on future longevity improvements have also reduced. Combined this has led to material improvements in funding positions for many funds and reductions in theoretical



total contribution rates. We've been discussing with Funds how they want to deal with this improved position, which generally involves setting the right balance between giving reductions to employers and increasing prudence in the funding strategy. We have observed that this uncommon situation of significant improvements has led to a wider range of contribution outcomes for Funds we advise than at previous valuations – more material fund surpluses do allow a wider range of reasonable approaches compared to previous valuations. We have been supporting Funds in making these decisions and it will be interesting to see how these results compare to other Funds in the LGPS when the information is publicly available in due course.

In the meantime, we'll continue working through employer results with the Funds we advise, with a view to getting the vast majority completed before the festive break and supporting in that engagement. With a few exceptions, the general message has been positive from employers who are pleased with the reductions in contributions they are seeing, particularly in a time where balancing the books is hard for many LGPS employers. In terms of what's next, now much of the decision-making is complete, preparations for climate change risk modelling and gender pension gap reporting are under way. Looking ahead, Funds may want to consider looking at their investment strategy to potentially "lock-in" some of this improvement, but also to reconsider their cashflow position in the wake of reduced contributions from employers. Please contact your usual Aon consultant for more information on this.

## Recent events

### Pension Manager's Conference

As tradition dictates, November saw many of us from the LGPS community descend upon Torquay for the annual Pension Managers' Conference.

Always a highlight of the calendar, this year's event didn't disappoint with sessions covering all the key areas of interest and many current hot topics. A couple of highlights are covered below.

Aside from all the serious business around running the scheme effectively, the event always provides a welcome opportunity to catch up with LGPS friends and acquaintances and offers a reminder of what a close knit and supportive community we are all part of. We're already looking forward to next year!

### Data challenge

Our very own Craig Payne delivered two workshops on the ongoing data challenge within the LGPS and the importance of a good data strategy and improvement plan. The workshop provided an opportunity for attendees to work together in groups to develop the outline of a data improvement roadmap to help tackle a list of the typical challenges being faced by LGPS administering authorities.

If anyone who attended the workshop would like to discuss the themes and outcomes in more detail, or if you missed the session and would like to know more about what was discussed, please do get in touch with Craig.




### Scheme Advisory Board update

It was great to hear an update from Scheme Advisory Board (SAB) Chair Councillor Roger Phillips on the current work of the Scheme Advisory Board and to get an insight into the working relationship he and the SAB have with the ever-changing government ministers.

It was particularly encouraging to hear Councillor Phillips reiterate support and encouragement for pension fund functions to be considered exempt from any wider financial challenges affecting administering authorities, such as in relation to recruitment and pay structures.

### Valuation update

Sam Ogborne also participated in the valuation panel session discussing all the key themes and hot takes from this valuation cycle.



# Upcoming events

## London Pension Officers Group

We're delighted to be hosting the London Pension Officers Group at our London office in the Leadenhall Building on 28 November. The meeting will include a session from Chris Emmerson on cyber security.

If your local POG would like to be hosted at one of our regional offices and/or would like to include a session on a specific topic from one of our experts, please get in touch with your usual contact.



## Aon Pension Conference Series 2026

Registration is now open for the 2026 Aon Pension Conference Series. This series of events will once again offer opportunities to connect with fellow industry professionals and explore the evolving landscape of pensions. As always, the agenda will feature practical insights and interactive sessions to help you navigate key developments.

The conference dates and locations are shown in the table below. Click here to register.

| Date | Region | Venue |
|---|---|---|
| 24-Feb | North | The Edwardian Hotel, Manchester |
| 3-Mar | South West | Delta by Marriot City Centre, Bristol |
| 11-Mar | Midlands | Birmingham Conference & Events Centre |
| 17-Mar | Scotland | Kimpton Charlotte Square, Edinburgh |
| 24-Mar | South East | Convene 155 Bishopsgate, London |




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