

LGPS governance: Final statutory guidance published

Key changes in requirements for LGPS funds

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For professional clients only

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Why bring you this?

Final statutory guidance on LGPS governance arising from the Local Government Pension Scheme (LGPS) (Amendment) (Governance) Regulations 2026 was issued on 29 June 2026 by the Ministry of Housing, Communities and Local Government (MHCLG). This Spotlight highlights the key changes compared with the earlier draft of the statutory guidance.

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At a glance...

While the overall structure remains consistent with the draft, the final version introduces some helpful clarifications on requirements for key roles in the administering authority (AA), as well as some updates to the requirements for how independent governance reviews (IGRs) are to be carried out.

This Spotlight sets out:

- A concise overview of the headline changes in the final guidance.
- A more detailed update on the requirements that have been clarified in the final guidance, and the practical implications for you as LGPS administering authorities.
- How Aon can support you in complying with the new requirements.

Overview of the final statutory guidance

The final guidance broadly confirms the direction set out in the draft.

There are some clarifications on the requirements of the role of the LGPS senior officer, and on the definition of 'independence' for the independent person.

The scope of the Independent Governance Review (IGR) has been updated, and requirements for documentation around knowledge and understanding requirements and have been tightened.

Key deadlines of **31 December 2026** for the appointment of the LGPS senior officer and independent person, and **31 March 2028** for the completion of the first independent governance review are as expected.

If you have already started to plan for the changes based on the draft guidance, then it is our view that the final guidance does not introduce any fundamental changes that are likely to require a wholesale rethink of current action plans, but may require some minor amendments to be made.

Further guidance covering conflicts of interest and knowledge and understanding are expected in the autumn, and lower-priority guidance covering the Pensions Administration Strategy will follow later.



What's changed?

Below we outline the main areas where the final guidance differs from the draft, and what that may mean in practice.

We provide the paragraph reference from the final guidance next to each point in *italics.*

Knowledge and understanding – further clarity on requirements and accountability

Key changes:

- Requirements are expanded to cover co-opted members and any substitute members *(2.10)*
- Including an understanding that the role is non-political in the expectations of committee members *(2.18)*
- Enhanced monitoring and reporting requirements *(2.33):*
  - Ensuring the Pension Committee Terms of Reference includes requirements and actions on non-compliance with knowledge and understanding requirements.
  - Ensuring meeting papers include links to related training.
  - Members need to be aware they are responsible for ensuring their training records are accurate and shared with the AA annually.
  - A stronger emphasis on taking action where poor attendance of training is identified.
- Clarification that if full induction training in the required timescales is not possible, it should be prioritised based on the key decisions in the first meeting *(2.34).*
- Training resources need to be set out in the Training Strategy *(2.36).*

What this means for funds

We are supportive of these enhancements which should help ensure funds have a documented formal, auditable training regime, that can clearly evidence how knowledge and understanding supports decision-making.

The guidance should give funds a good foundation to update relevant documentation, including the council constitution, committee terms of reference and training strategy.

LGPS senior officer – expanded responsibilities

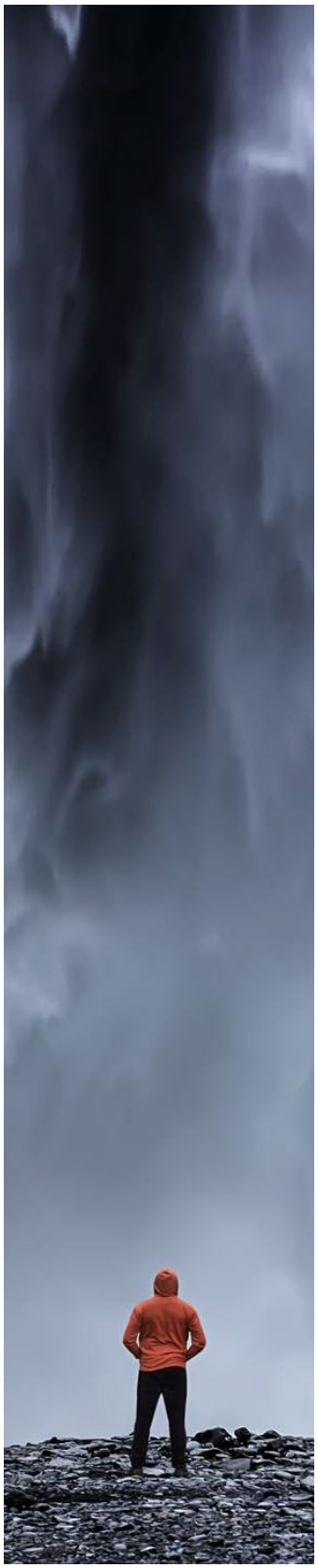
Key changes:

- Additional responsibilities *(3.2):*
  - Responsibility for key performance indicators (KPIs) and ensuring high-quality service to scheme members.
  - Responsibility for robust monitoring and review of employer risk, participation in the fund and importance of clear, timely communications with employers.
  - Responsibility for the LGPS workforce and safeguarding the fund from being impacted by policies implemented by the administering authority.
- Expanded responsibilities *(3.2):*
  - Monitoring the pool's performance in implementing of the investment strategy and whether the collective pool oversight process is meeting the requirements of the administering authority.
  - Responsibility for effective contract management, managing suppliers and holding them to account for performance.
- Clarification that the LGPS senior officer should have a direct relationship with the Pension Board Chair, as well as the Independent Person *(3.4).*
- Where an administering authority operates a shared service with other administering authorities they may appoint a joint LGPS senior Officer to serve both administering authorities *(3.15).*

What this means for funds

We welcome these clarifications to include some key responsibilities of the role, which reflect what many funds' equivalent of the LGPS senior officer is already doing in practice.

Our view is that with this level of responsibility it is likely that carrying out the role effectively will require the vast majority, if not all of an individual's time. We comment on this below in relation to some of the independent person changes.



Independent Person (IP) – clarity on the role and who can do it

Key changes:

- The IP will no longer be required to be a (non-voting) member of the Committee, but will support the LGPS Senior Officer and the pensions committee *(4.1).*
- An expansion to the duties *(4.6):*
  - To help monitor and assess performance against targets set in LGPS strategies, including administrative performance and the pool's implementation of the investment strategy, and help monitor whether the collective pool oversight process is meeting the requirements of the administering authority.
- The requirement for the IP to support the Pension Board Chair has been removed.
- Tighter independence requirements, including restrictions for advisers supporting the AA on pension matters over the last 2 valuation cycles *(4.11).*
- The need to reflect the restrictions to ensure independence in the conflicts of interest policy *(4.12).*
- In relation to IPs carrying out other roles, as long as it is in accordance with conflicts of interest policies:
  - An Independent Pension Board Chair can carry out the IP role for their own fund, or another fund *(4.14).*
  - An LGPS senior officer for one fund can be the IP for another fund *(4.15).*
- A named individual working for a firm can be an IP, with support from their firm *(4.17).*
- The recommendation for contracts to last no longer than three years has been removed.

What this means for funds

We welcome the additional flexibility for who can carry out the IP role, which has expanded the potential pool who to include many who have a wealth of LGPS experience and can add value to the role. We think it is still important to consider the potential added value those with wider pensions experience outside the LGPS could also bring.

Some of the tightened restrictions around providing other services may make it less likely for individuals within long-standing LGPS advisory firms to be able to support the LGPS in these roles.

What is clear is that if administering authorities do decide to find an IP who is either an LGPS senior officer or an independent board chair, there will need to be robust appointment processes and conflict of interest management, and clear requirements around the time commitment required. It may be difficult to manage the challenge around potential conflicts for those carrying out such roles for other funds within the same investment pool, for example (where geographically these may otherwise be the most likely candidates to support).

We also envisage that it may be challenging for an LGPS senior officer of one fund to be able to demonstrate that they have sufficient time to carry out the IP role for another fund, given the level of fund-specific knowledge that the role may require and the potential for conflicts of interest.

Independent Governance Reviews – further information on who is able to conduct an IGR and updated scope

Key changes:

- Clarification that where an AA is directed to carry out an ad-hoc IGR, the Secretary of State will not direct who the AA should commission to conduct the review *(5.9).*
- Further clarification on the restrictions on who can conduct the IGR to ensure independence *(5.12 and 5.13).*
- Clarifications on the minimum scope:
  - Remuneration and fee policy removed *(5.17).*
  - Policies required by relevant legislation, regulations and statutory guidance *(5.18).*
  - More detail provided on the ESOG requirements *(5.24).*
  - Minor changes regarding leadership requirements *(5.25).*
  - Ensuring communications with members are timely as well as accurate, clear, concise, relevant and in plain English *(5.34).*
  - Under employer communications, removal of requirements relating to promoting understanding of pensions rights *(5.35).*
  - A new section included in the IGR on reviewing contract management *(5.36).*
- Amendment of the formal ratings framework (including gold with green, amber and red) *(5.37).*
- Clarification on the requirements to report breaches where instances of non-compliance with legal obligations are found *(5.38)* and that the Pension Board (along with the Pension Committee) should also review the implementation of the action plan *(5.41).*

What this means for funds

Most funds will have been waiting for final guidance before beginning work on the IGR, so it is likely to be relatively simple to incorporate the updated requirements into any IGR scope.

There may be a challenge for some funds to find a preferred reviewer, if they tend to use a range of advisers for different services and/or have changed providers within the IGR period. We hope there is still sufficient flexibility and available providers for funds to appoint suitable assessors to carry out this exercise and support ongoing improvement of their governance.

How Aon can help

Overall, we see the final guidance as providing greater clarity of expectations relating to the key governance roles and IGR process. While many funds will already be well aligned with the direction of travel, there will be specific areas where action is now required to ensure full compliance and good practice.

We are already supporting a number of LGPS funds in preparing for and responding to the good governance agenda. Following publication of the final guidance, we can help you with:

- Targeted 'what's changed' briefing for officers, committee and board members.
- Gap analysis comparing your current arrangements to the final statutory requirements and best practice expectations.
- Support in designing and implementing action plans and updated governance documentation.

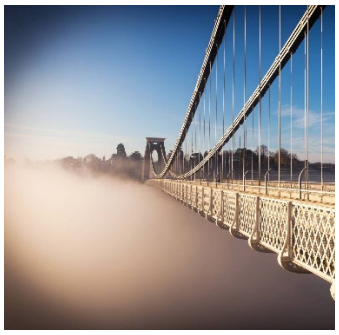




Good Governance services

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Good governance and the LGPS: Helping you prepare



Independent Governance Reviews

If you want to read more about how we can deliver your independent governance review, please click the link below:

Independent Governance Review (IGR) services



Free Good Governance meeting

If you would like a free meeting with our LGPS Good Governance team to discuss the implications of the final guidance for your fund, please get in touch with your usual Aon contact or click the link below:

Request your free Good Governance meeting here

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