

Investment Committee Meeting
23 February 2026, 11.00am to 1.00pm
Room 6.5, 18 Smith Square, London and
Microsoft Teams

Paper B: Scheme Advisory Board (SAB) Governance structure changes post Fit for the Future

Key points to note

The secretariat has further discussed the plans for a new Pooling Steering Group with the Board, pool representatives and MHCLG representatives. There is clear support for setting up a group and a good deal of consensus on its purpose. We are proposing that the group initially be established with a clear focus on topics around implementation of the Fit for the Future (FFTF) changes and a carefully selected membership to enable this. The focus and membership of the Investment Committee will also need to change to adapt to the FFTF changes.

Recommendation

That the committee discusses the emerging proposals for changes to the Scheme Advisory Board's governance structure following the *Fit for the Future* structural changes and provides feedback on the suggested changes to the committee's scope, name and membership.

Background

At the Board meeting held on 21 July 2025, the Board asked the secretariat to explore ways to develop a more formalised relationship between the Board, its committees and groups and the pools. The aim was to ensure that the full range of perspectives could be reflected in the Board's discussions and to support collaborative thinking on issues as they arise. The secretariat subsequently presented a proposal for a new Pooling Steering Group to the Investment Committee at its meeting on 10 November 2025. The committee's comments were reported back to the Board on 24 November 2025, and the secretariat were instructed to engage with the pools to determine how best to achieve the Board's aims.

Considerations

The Board reviewed the comments of the committee and concluded that more time should be taken to scope out the right governance structure going forward. It was

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agreed that new ways of working would be needed to sufficiently meet the needs of funds and fulfil its statutory duties post Fit for the Future which represents a major change in the scheme's operating model. The Board maintains that a new group presents an optimal opportunity to establish closer links between the pools and the wide range of representative groups the Board works with to identify priority issues, as well as opportunities for collaborative and strategic working on these.

At the instruction of the Board, the secretariat held a discussion with representatives from the six pools on 23 January 2026. At that meeting, the key themes were:

- It was important to establish a forum in which all of the six pools could participate equally
- Any additional group would need to have a clear purpose that was distinct from other groups or committees within the Board's structure
- The membership and terms of reference of the group should follow that purpose. It was felt that most issues would benefit from pool, fund and adviser voices being represented, although there were some topics (like the Code of Transparency) which would be more in the pools' province than funds'
- The secretariat's proposal might need some revision to achieve these aims.

Feedback from this meeting was subsequently discussed with the Chair of the Board, Cllr Roger Phillips. The outcomes from that were:

- We shouldn't let "the best be the enemy of the good". It was important to bring all of the pools within our structures, with a clear purpose and a recognition that whatever structure was decided upon would need to be reviewed and possibly refined as the changing relationship between funds and pools settles in
- There was a need for a more comprehensive review and reshaping of the entire investment arm of the Board's governance structure and to that end have also had discussions with the Responsible Investment Advisory Group (RIAG) when it last met on 9 February 2026.

The secretariat would therefore invite the Investment Committee's view on a proposal to establish a group that initially has a clear, limited focus on topics around implementation of the Fit for the Future (FFTF) changes and a carefully selected membership (including representatives from each pool) to review this. Depending on how this group functions, we will either broaden out its remit or else use the learning from it to establish a more definitive governance solution.

The secretariat's recommendation is also that RIAG is retained within the evolved

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structure to harness the depth of expertise from its members and provide opportunities for wider industry discussions, horizon scanning and identification of best practice examples that can be implemented with the LGPS.

With regards to the Investment Committee, this review also creates the opportunity to shape the committee's remit and scope to better respond to the changes arising from the Fit for the Future proposals. The secretariat's initial thoughts that a stronger focus is placed on discussions around investment strategy which would better utilise the expertise of the committee. Early thoughts are that the new pooling group would look more closely at issues that may arise from the implementation of the proposals over the next 12 to 18 months. Further review is likely to be taken in the future to ensure that the structure in place and focus of each group remains responsive to the identified needs of the scheme.

There is also the possibility of establishing working groups under this committee to look at issues that require in depth discussions from a specific group of stakeholders. Examples of this include a Pool Annual Report working group which we anticipate will need focussed discussion between pool representatives and fund officers to produce outputs that are fit for purpose.

The secretariat have successfully used smaller groups to support the work of the Compliance and Reporting Committee, and we will also investigate ways in which this could support the work of the Investment Committee. Before doing so, the secretariat will undertake a mapping exercise to determine the existing groups in the scheme that already support funds and pools to mitigate the risk of duplication in the scheme (across investment, administration and governance themes).

The various discussions that have been had over the last few months have solidified the conclusion that the underlying aim of a governance structure that better supports the scheme and enables a closer working relationship with the pools is supported by all parties. The secretariat will continue to develop the proposals in line with the feedback we have received.

At this stage, the committee's views are invited to feed into the updated proposal and forward plan that will be taken to the board on 23 March

2026. Should this be approved by the Board, the secretariat will move to the next stage of this process which will include any changes to membership, naming and scope and remit as required.

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