Paper H: Investment Committee report

Key points to note

The committee received an update from Ministry of Housing, Communities and Local Government (MHCLG) on the Pension Schemes Act 2026 and the Fit for the Future regulations and guidance products. In light of the changes being implemented, changes to the committee's working model and membership were discussed, and this has informed the proposals included as paper D for this Board meeting.

A final Code of Transparency (CoT) compliance report from the Byhiras system was provided to the committee along with an update on the new Cost Transparency and Benchmarking framework and the secretariat's proposals for future cost transparency work.

The committee also discussed the practical guidance on setting responsible investment (RI) policy being developed by the Board and provided feedback to inform the draft.

As the Board's work programme evolves in response to the Fit for the Future reforms, a number of issues now span multiple committees and advisory groups. The secretariat will continue to support appropriate information sharing and coordination between bodies to ensure that related workstreams remain aligned.

An update to the committee workplan has been made and can be found at annex A.

Recommendation

That the Board notes this update and approves the committee workplan at annex A.

Summary

MHCLG update

Rosanna Thomson (RT) confirmed that the Pension Schemes Act 2026 received Royal Assent on 30 April 2026. At the time of the meeting, the regulations had been made and guidance was expected in the coming weeks. Since the meeting, regulations came into force on 30 June 2026 and statutory guidance was published on 29 June 2026.

Email: SABSecretariat@local.gov.uk **Website:** [LGPS Board]

Fit for the Future implementation – Strategic Action Plan

The committee received a paper with proposals for the committee's workplan, method of delivery and membership in light of the large programme of work needed to support scheme practitioners as the Fit for the Future (FFtF) reforms are implemented. A substantive discussion was held on each area, and the secretariat have drafted a paper to the Board on the recommendations for changes to the committee (see paper D).

Update of Board's guidance on MIFID II compliance

The committee received a paper confirming that the secretariat had reviewed the Board's MIFID II opting up templates including discussions with pools, the Financial Conduct Authority (FCA) and MHCLG. The guidance had been held in the archive section of the Board website pending the review. There had been no indication from the discussions that the Board guidance was no longer fit for use and the secretariat recommended that the relevant material be moved from the archive section of the Board website to the live site. The committee welcomed the review and agreed the recommendation.

Fiduciary duty in the LGPS

The committee received a paper containing an update on the Board's work on fiduciary duty. The Board had accepted an invitation to join the Department for Work and Pensions' (DWP) working group on fiduciary duty which would be producing guidance for trustee-based schemes. The paper contained the key points of discussion from the Responsible Investment Advisory Group (RIAG) (see report below). The committee were asked for views on whether additional work was needed by the Board in this space. It was agreed that the Board's position was well established and combined with the wider industry outputs, such as the Law Commission's advice, the Financial Markets Law Committee (FMLC) paper on fiduciary duty and the forthcoming DWP guidance, was sufficient to interpret how fiduciary duty should be applied.

Code of Transparency (CoT) data system

The committee received an update on the rate of template completion including initial compliance data for 2025/26. As the system used to compile the data would be closing down at the end of August, the report was the final batch of data that the secretariat would compile using the system. The nature of the Board's oversight of compliance with the code would evolve going forwards. Information on compliance will be collected from providers on the new Cost Transparency and Benchmarking framework in the first instance, with alternative methods being be explored if needed.

The new Cost Transparency and Benchmarking framework was launched on 11 May 2026 and notices have been published and sent to stakeholders about the shutdown of the Byhiras system and the need to make alternative arrangements for collecting cost data. Plans for secure data destruction and assurance of this had been confirmed with Byhiras.

The new statutory pooling guidance and Investment Strategy Statement (ISS) guidance from MHCLG makes reference to and gives the first explicit endorsement of the COT in investment guidance by the Government. Moving forward, the secretariat will be focused on wider considerations for cost transparency including exploring updating the Cost Transparency Initiative (CTI) templates alongside Pensions UK and the Investment Association (IA).

Responsible Investment Advisory Group (RIAG) Report

The committee noted the report from the RIAG chair which gave an update of the last meeting on 8 June 2026. Rachel Howcroft (RH) from MHCLG gave an update to the group. Some changes were being made to the wording in the responsible investment section of the new statutory guidance, but this was mainly to better align the wording with the government's policy intent and did not represent a shift in government position. Action to implement the Labour Party manifesto commitment requiring all pension schemes to undertake climate risk and transition planning remained on the government agenda for the LGPS, but timings could not be confirmed.

The group had a discussion on further actions the Board could take to support funds on dealing with lobbying. The Government's response to the Board letter on investment in conflict zones (dated 13 October 2025) was received from Local Government Minister, Alison McGovern MP on 12 May 2026. The group said the lines between legitimate lobbying and undue pressure were crossed with some campaigns. It also echoed the Board's disappointment that the letter from the Minister did not elaborate on circumstances where it might be appropriate to take into account international law. It was agreed that an item on training for pension board and committee members and on TPR's revision of their toolkit be brought to the next meeting.

The group received a paper with an update on the practical guidance on setting responsible investment (RI) policy being developed by the Board and were asked for any additional feedback to that given by the working group feeding into the draft. The means by which member views should be sought and taken into account were discussed, including through the presence of representatives on pension committees. The group agreed to share examples or case studies of how member views had been tested, and this would be taken into account by the secretariat in drafting the guidance.

The group received a paper including an update the Board's addition to the Department for Work and Pensions' working group on fiduciary duty and a restatement of the Board's position on fiduciary duty. The key points raised were that:

- Though the DWP's guidance will not directly be applicable to the LGPS, it will be an authoritative statement of government's view of the issue and so funds will need to have regard to it, once in existence
- There were questions asked around whether the guidance ought to apply directly to the LGPS (e.g. through an amendment to the Investment Regulations or adoption in the coming statutory guidance)
- It will be important for the definition established within this guidance to not create widely divergent definitions of fiduciary duty across the pensions sector
- The guidance should establish general principles that extend across the sector to ensure that there is flexibility to apply in different contexts
- The LGPS's work in understanding and applying the fiduciary duty in our particular context is currently more advanced than with other occupational schemes and there is an opportunity to contribute learnings from LGPS to the DWP's working group
- Clarity on when the environmental, social and governance (ESG) risks have to be taken account because they are financially material could be useful; and this could be provided via the DWP guidance
- Guidance could also set out how ESG risks can crystallise as financial implications when improperly managed and how this can be safeguarded against
- The guidance would hopefully add to and not detract from the approach in the Law Commission and 2016 ISS guidance, which emphasised that there were two tests for when non-financial considerations could be applied by trustees

In response to the report, the committee expressed support for trialling innovative methods of gaining member views such as deliberative democracy approaches.

Committee Workplan

The committee agreed additions to the committee workplan; the updates can be found at annex A of this paper for the Board’s approval.

Email: SABSecretariat@local.gov.uk **Website:** LGPS Board

Annex A - Investment Committee workplan update

Workstream	**Details**	**Action for next committee**	**Status and forward timings**
Code of Transparency	Work with the National LGPS Framework team to develop a framework for funds to procure investment cost data monitoring and benchmarking services Revise Code to launch alongside the framework.	Confirm the completion of the project including secure destruction of data from the Byhiras system. Bring updated FAQs to the committee for review.	The Code has been revised and published along with updated FAQs. Further updates to the FAQs will be needed now the framework has launched. The new framework for Cost Transparency and Benchmarking Services launched on 11 May 2026. Preparations are being made for the end of the contract with Byhiras in August 2026.
Cost Transparency and review of CTI templates	Discuss updates needed to the Cost Transparency Initiative CTI) templates. Consider methods of continuing Board oversight of compliance in addition to the expected data reports from	Bring an update on discussions with Pensions UK of CTI template revision and confirm forward timings for project completion.	Discussions have been held with Pensions UK about updating the CTI templates. It was agreed that further work be undertaken in the autumn to assess updates needed. The new Investment Strategy Statement (ISS) Guidance and Pooling Guidance makes reference to the Code of Transparency in addition

Workstream	Details	Action for next committee	Status and forward timings
	providers on the new framework. Explore how cost information is utilised to form part of value for money assessments.		to existing references in the Annual Report Guidance.
Fit for the Future implementation	Work with the Ministry of Housing Communities and Local Government (MHCLG) to ensure the draft Bill is implementable by funds and pools, minimising the risk of unintended consequences. Establish a closer, formalised link between the pools and the Board Support the development of guidance needed for the implementation of reforms.	Identify areas to support funds with as the Fit for the Future proposals and associated guidance and legislation continues to be rolled out. Make recommendations to the Board on any additional guidance or events needed to supplement and support funds.	The Pension Schemes Act received Royal Assent on 30 April 2026. New pooling arrangements were required to be in place from 1 April 2026. The government response to the technical consultation was issued on 21 May 2026 and the regulations came into force on 30 June 2026. Statutory guidance was published on 29 June 2026. The governance arrangements for the SAB going forward remain under discussion. The Board approved the inclusion of representatives from all six asset pooling companies at 22 June 2026 committee meeting, further revisions in membership will be approved on a rolling basis whilst longer term arrangements for the

Workstream	Details	Action for next committee	Status and forward timings
			formalisation of closer links between the pools and the Board are being considered. Changes to committee's ToR will need to be made; these will be considered as part of the Board's governance structure review and will be brought to the committee once additional changes to the committee's membership have been trialled. Following discussion at the last committee meeting, working groups will be set up in support of the implementation of the reforms and their priority level. The priorities are: • Fund oversight of pools • Reporting • Local Investment An additional directive has been provided to the RIAG to explore the responsible investment areas of the reforms. Working groups with areas of overlap between this committee and the other

Workstream	Details	Action for next committee	Status and forward timings
			Board committees will be reported on and aligned as needed.
Fiduciary oversight of pools	Work with key stakeholders to build on the new statutory guidance to identify common principles for fiduciary oversight of pools including any models that can be created and existing models that can be built upon. Establish working group to support this.	Recruit officers to working group. Provide update to the committee on working group's first meeting including recommendation on working group's output(s) and Terms of Reference for approval.	TBD
Reporting	Work with key stakeholders to determine reporting principles for pools, both publicly and to partner funds - including performance monitoring standards and value for money assessments. Establish working group to explore this.	As above.	TBD
Development of local investment pipelines	Discuss process for developing relationships with strategic	As above.	TBD

Workstream	Details	Action for next committee	Status and forward timings
	authorities to identify local investment opportunities and how to assess these in line with LGPS fiduciary duty. Establish working group to explore this.		
Fiduciary duty advice	Seek legal opinion with follow up questions on fiduciary duty and conflicts of interest. These opinions have been published and can be found on the Board website.	Continue discussions at committee meetings with recommendations to be made to the Board on any proposals for further work on fiduciary duty in the LGPS. Provide feedback from Responsible Investment Advisory Group (RIAG) and the Investment Committee to the Department for Work and Pensions (DWP) working group on fiduciary duty.	Discussions to continue in 2026. The Board is now represented on the DWP working group on fiduciary duty. Feedback has been provided by the RIAG and the Investment Committee on key messages to provide to that working group. Consideration of further products to support the scheme in this area has been invited.
Responsible investment (RI)	Committee agenda informed by RIAG. The group have discussed how Fit for the Future proposals interact with RI policies and fund requirements.	Continue drafting RI guidance with input from RIAG members and fund officers. Final draft to be submitted to the committee for comment on 19 October 2026 and the Board at its meeting on 20 November 2026 for	The Pension Schemes Bill (now Act) received Royal Assent on 30 April 2026. The ISS and Pooling Guidance published on 29 June set out government expectations on

Email: SABSecretariat@local.gov.uk **Website:** LGPS Board

Workstream	Details	Action for next committee	Status and forward timings
	Group have agreed to develop practical guidance for setting RI policy and explore whether a common standard for local investing reporting can be identified for the Scheme. A working group has been set up to support this piece of work. The group have been directed by the Investment Committee to explore how the funds and pools can work together to achieve consensus on suitable RI products that meet fund RI policies. At some point we expect climate risk reporting regulations and requirement for transition plans to be implemented for LGPS.	approval.	responsible investment, including the requirement for funds to set out their RI policy and pools to work with their partner funds to implement this. SAB RI guidance to complement this is under draft and will be informed by the high topic list presented to the RIAG and this committee and further information collected from the working group supporting this piece of work. It is expected that the final draft will be brought to the next meeting for comment and approved by the Board in November. The secretariat will also be exploring the feasibility of trialling deliberative democratic models such as member assemblies in the LGPS to engage scheme members on topical issues such as RI. Work on common reporting standards for local investment reporting is under consideration. Further direction from MHCLG on climate change reporting for funds is

Email: SABSecretariat@local.gov.uk **Website:** LGPS Board

Workstream	Details	Action for next committee	Status and forward timings
			expected but timescales are not confirmed.

Email: SABSecretariat@local.gov.uk **Website:** LGPS Board