Paper D: Scheme Advisory Board (SAB) Governance structure review

Key points to note

The secretariat has conducted a mapping exercise to identify groups supporting those managing the scheme and their remit. A summary of the findings and the secretariat's insights are contained in this paper.

The recommendations in this paper focus primarily on the future role and composition of the IC. This reflects both the scale of the "Fit for the Future" (FFtF) reforms affecting the relationship between funds and pools and the significant volume of new work these reforms have generated requiring the Board to respond at pace over the coming months. The proposals brought forward have been considered carefully to make sure that there is an appropriate balance between the interests of the six pools and the 86 LGPS funds, ensuring that no perspectives are excluded from discussions and decisions that may directly affect them.

The governance review remains an iterative process and will be addressed at future Board meetings to ensure that the structure in place and focus of each group remains responsive to the evolving architecture of the scheme.

Recommendation

That the Board discusses the considerations laid out in this paper and agrees:

- the continued inclusion of representatives of each of the six asset pool companies for the next Investment Committee (IC) meeting on 19 October 2026
- additional membership changes to fund representation, to take effect from the next IC meeting
- the key areas of focus for the Investment Committee and the method of delivery for this

That the secretariat continues to keep governance under review and updates the Board on the experience of the latest changes at its next meeting, on 23 November 2026.

Background

A paper setting out key considerations for the shaping of the SAB's governance structure was presented at the last Board meeting on 23 March 2026. In line with the agreed actions at that meeting, the secretariat has

- conducted a mapping exercise of the current network supporting those managing the LGPS, and
- invited representatives from the six asset pooling companies to attend the most recent IC meeting on 22 June 2026.

Insights from these activities are provided in this paper.

Mapping of existing networks

At the last meeting on 23 March 2026, it was agreed that the Board should launch a mapping exercise to determine the existing groups supporting the LGPS and enable a better understanding of what groups have already been established, identify any gaps and ultimately optimise engagement with our stakeholders. This was launched on 28 April 2026 and concluded on 29 May 2026. 22 responses were received.

The responses show that there are a range of networks of groups which are typically informal but support officers with knowledge sharing across various areas, most prominently with administration followed by governance and communications though many groups span more than one area. As expected, there is an indication that some of these groups are having increasing discussion on pool and fund relationships.

These responses did not identify any groups in existence at the pool level, though discussions held with pool representatives suggest there have been groups for pool officers in the past. These groups performed a similar knowledge sharing function to fund-level groups. Plans to re-establish some of these groups remain under consideration by pool officers.

The secretariat believes that there are a number of areas where SAB-led groups can add value, particularly with regards to establishing scheme-level standards and principles. This is because the responses to the mapping exercise show that the existing groups tend to be regional or limited to the partner funds of specific pools, and few were focussed on investment-related issues.

While we may not have captured all existing groups through this exercise, the responses do provide an insight to the current working patterns and styles of practitioner groups and what gaps can be usefully addressed by the Board.

Pool participation

In line with the action agreed by the Board at its last meeting, representatives from each of the six pools were invited to the Investment Committee on 22 June 2026 and five were in attendance on the day. Written information was provided by the representative not in attendance which formed part of the meeting discussion.

The meeting included a paper and extensive discussion on the workplan, method of delivery for the workplan and committee membership. This valuable discussion informed the proposed changes to the committee's workplan, delivery model and membership

Committee structure and membership.

The FFtF reforms have generated a significant programme of new work for the Investment Committee. The proposals below therefore concentrate on recommendations on the committee's future workplan, delivery model and membership arrangements. Reflecting the Board's preference for an iterative approach to governance changes, further proposals will be brought forward following the next committee cycle.

The Compliance and Reporting Committee’s (CRC) is also considering whether changes to its membership are required to reflect recent governance changes, including differentiating the “practitioner” from the “LGPS Senior Officer” roles and also including representation of Independent Persons. However, its workplan is felt to be well placed to address issues raised through the FFtF changes.

At present there are no planned changes to the Cost Management, Benefit Design and Administration (CMBDA) Committee. Neither are changes proposed for the Responsible Investment Advisory Group (RIAG) at this stage.

Whilst no further structural changes are proposed at this stage, we will continue to keep under review how the committees and advisory groups interact. A number of issues have relevance across more than one body, and it will be important to ensure appropriate information sharing and coordination so that committees remain aware of developments in related areas and can consider their implications within their respective remits.

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Proposed Investment Committee changes

Proposals have been brought forward for changes to the IC's workplan, working model and membership and the Board is asked for their consideration of these. Reflecting the Board's preference to take an iterative approach to governance changes, further proposals will be brought forward to the next Board meeting based on experience of the next committee cycle.

The IC agreed that key areas to investigate further through working groups were:

- Fiduciary oversight of pools
- The common principles or guidelines for reporting publicly and to partner funds
- Developing the capacity for local investment projects including relationship building with strategic authorities and due diligence assessments for potential investment projects
- Implementation of funds' responsible investment strategies by pools (committee have proposed to direct this stream to the Responsible Investment Advisory Group (RIAG))

The secretariat proposes that an initial three working groups are established over the summer to address the new proposed items for the Investment Committee's workplan (see annex A of paper H for the full workplan) and provide an update on progress to the committee at its next meeting on 19 October 2026. Membership of these groups would be expected to go beyond the membership of the IC and include more working-level contacts from the funds and investment pools.

The IC also suggested that the Board continues with the inclusion of the six pools at the next meeting but that it also increases the number of fund representatives to six. It proposed that the funds be selected according to fund type with regard being given to the fund's pool to ensure a balanced spread.

The fund types proposed as follows:

- London
- Metropolitan areas
- Non-metropolitan county/unitary (two representatives)
- Wales
- Single purpose pensions authority (including EAPF)

The committee did not reach a conclusion on whether investment consultants should remain on the committee (currently four investment consultants attend the IC). There was a suggestion that this should be allowed in the short term, whilst pools develop their in-house capacity to provide investment advice to their partner funds. However, there was also a view that the pace of change made it more sensible to act now and trial having no investment consultants present at the next committee meeting. On balance, the secretariat recommend that investment consultants continue to attend, pending consideration of what other professionals might usefully attend the IC to give a wider industry perspective on investment topics.

The IC also considered whether spaces should be offered to representatives of the new Independent Person role, who are likely to have a significant role in governance of the investment function. There was no definitive steer from the committee on the this and the secretariat propose to keep this under review, depending on the types of appointments made in the coming months.

The secretariat recommend that the Board approve:

- ***the invitation of the six LGPS pools to the next Investment Committee meeting on 19 October 2026***
- ***the further proposed changes to increase the fund representation on the Investment Committee to six funds***
- ***no further changes to the committee membership at this stage***
- ***the proposed workstreams and working groups to be established under the Investment Committee***

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