



Kent Pension Fund

Governance Review: Fit for the Future

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Executive Summary

MHCLG's *Fit for the Future* consultation and subsequent technical consultation on draft Regulations set out significant governance reforms for the Local Government Pension Scheme (LGPS) in England and Wales. The proposals are linked to the passage of the Pension Schemes Bill which had been expected to come into force on 1 April 2026. At the time of writing the Pension Schemes Bill is at the report stage in the House of Lords.

This paper summarises the Fit for the Future governance changes, as set out in the draft LGPS (Amendment) Regulations 2026 and accompanying draft statutory guidance and makes a number of recommendations to Kent County Council as administering authority of Kent Pension Fund as to how those changes might be implemented.

The proposed changes comprise:

- New statutory strategies and policies
- Appointment of a senior LGPS officer
- Appointment of the independent person
- New Knowledge and Understanding requirements
- Independent Governance Reviews

Recommendations

In our view Kent Pension Fund is well placed to implement the changes:

- it has internal governance expertise and Fund officers have started planning for some of the changes, including liaising with counterparts at Border to Coast Pensions Partnership to understand what others are doing
- it already has a number of the proposed new policies in place, albeit these will need to be reviewed against the new requirements once the guidance and regulations are finalised
- there is already a Head of Fund role, although the responsibilities are wider than is expected to be permissible for the senior LGPS officer role

- the Fund's training plan (and hence application of knowledge and understanding requirements) already covers Committee members as well as Board members
- the Fund has carried out governance reviews on a regular basis in the past to ensure that its arrangements remain effective and fit for purpose, so arguably the proposed new Independent Governance Reviews are a continuation of the Fund's existing approach (albeit the Fund will need to reflect on the scope of the new reviews once this is finalised)

A checklist of recommendations is provided at the end of this paper, in Appendix 1.



Introduction

MHCLG's *Fit for the Future* [consultation](#) and subsequent [technical consultation](#) set out significant governance reforms for the Local Government Pension Scheme (LGPS) in England and Wales. The proposals accompany wider reforms on pooling and investment and are intended to strengthen oversight, accountability and compliance across administering authorities (AAs) and LGPS pool companies.

This paper considers the governance reforms only, so does not cover any of the pooling or investment proposals. It has been commissioned by, and is addressed to, Kent County Council (KCC) as administering authority to Kent Pension Fund (the Fund), part of the LGPS. It has two key elements:

- Firstly, it summarises the governance changes, as set out in the draft LGPS (Amendment) Regulations 2026 and accompanying draft statutory guidance and
- Secondly, it makes a number of recommendations to KCC as to how the Fit for the Future governance changes might be implemented

A comprehensive review of the Fund's governance arrangements was carried out by Barnett Waddingham in 2020/21, culminating in many recommendations. We understand that the implementation of those recommendations is ongoing and view this work as being supplementary to that review. We have therefore focused solely on the regulatory changes and considered short-term actions to help ensure the Fund will be compliant with those changes.

Regulatory Background

The Fit for the Future governance changes have their roots in the Scheme Advisory Board's Good Governance review, whose [final report](#) was published in 2021. However, whilst most of those changes have been expected for a number of years, they have been wrapped in a wider UK Pensions Review, the first phase of which has led to a Pension Schemes Bill going through Parliament.

We suspect that the governance changes being considered alongside significant changes to the investment and pooling framework in the LGPS, including the winding up of two of the eight asset pools, has delayed the draft Regulations and associated statutory guidance.

The current position is summarised in the table below.

| What | Current position |
|-----------------------------|---|
| Pension Schemes Bill 2026 | Report stage in the House of Lords |
| Amendment Regulations 2026 | Technical consultation closed on 2 January 2026 |
| Governance guidance (MHCLG) | Consultation closed on 12 January 2026 |
| Supporting SAB guidance | Not yet developed |

There is very little within the Pension Schemes Bill which relates to the governance changes (the key provision being the power to make regulations to require periodic and ad hoc independent governance reviews), but our understanding is the regulations and guidance will not be finalised until the Bill has received Royal Assent, which may not be until close to (or even after) 31 March 2026. At the LGA Governance Conference at the end of January, officials from MHCLG suggested that the implementation date of 1 April 2026 was not expected to change and this has also been reconfirmed to us informally. MHCLG also cited the proposed 6 month period to appoint to the proposed new roles as being adequate to enable those changes to be implemented.

Some of the proposed changes, most notably the appointment of the two new roles, cannot be implemented by the Fund alone. They are likely to require:

- amendments to the KCC Constitution
- liaison between Fund officers and senior KCC officers
- consideration by the Pensions Committee (and Board)



- final approval by Full Council

This means that KCC as the administering authority to the Fund should not delay in considering what changes it will need to make in order to be compliant with the new requirements, whilst at the same time being aware that some of the details of the proposals may be subject to change. We consider the proposals in the following sections.



New Strategies and Policies

Draft regulatory requirements

The draft regulations state that administering authorities will need to prepare the following strategies and policies:

- a new governance strategy to replace the governance compliance statement
- a new training strategy which will set out how new knowledge and understanding requirements will be met
- a conflicts of interest policy for the Fund
- a pensions administration strategy

The proposals provide that the governance strategy, training strategy and conflict of interest policy can be a single document or separated into different documents. These documents must be reviewed in each triennial valuation period or after any significant change to certain matters.

The draft regulations provide some high-level provisions on the content of the documents, to be supplemented by statutory guidance.

Draft statutory guidance

There is a lack of detail in the draft guidance produced to date (on which the MHCLG consulted) and our understanding is that this is being developed. The timing of its publication nor whether there will be a further consultation on the guidance before it is adopted is not yet clear.

Implications for Kent Pension Fund

The Fund already has a governance compliance statement, a training strategy, conflicts of interest policy and pensions administration strategy. Once the final guidance is published, including any supplementary (non-statutory) guidance from the Scheme Advisory Board is available, the Fund should review those policies to ensure compliance with the new requirements.

Governance Strategy

The draft guidance does not cover the expected content of the new governance strategy. Due to the uncertainty of the timing of final Regulations and guidance, it is not clear if the new Governance Strategy will replace the current Governance Compliance Statement for the 2025/26 report and accounts. However, as the report and accounts do not need to be signed off until later in 2026, we think KCC can adopt a “wait and see” approach in relation to the Governance Compliance Statement.

Training strategy

The training strategy may need to be revisited to reflect the final knowledge and understanding requirements, including consideration of who they apply to (e.g. officers or others supporting the Committee or Board) and to ensure it is clear on how the new knowledge and understanding requirements will be met.

We understand that the Fund already applies its training policy to Committee as well as Board members and should continue with that approach. The content of any training will depend on the new Knowledge and Understanding requirements, which we cover in a later section.

Conflict of Interest Policy

The new requirements are clear that the conflicts of interest policy should apply to all those involved in the management of LGPS funds. This goes beyond the current requirements which relate to the need to identify and manage conflicts of interest in relation to Local Pension Board members only, with some administering authorities relying on the Members’ and Employees’ Codes of Conduct for Committee members and officers. However, we note that the Fund’s [current conflict of interest policy](#) is already a comprehensive document covering all those involved in the Fund so our expectation is that there should not be material changes needed once the new requirements are in force. Please note however that we have not reviewed the Fund’s conflicts of interest policy in any detail.



Pensions Administration Strategy

The draft Regulations propose to amend the current provisions which give administering authorities the discretion to develop and publish an administration strategy to make it a requirement. They also clarify that the matters to be included in the strategy should be as set out in Regulation 59, removing the flexibility in the current regulation for administering authorities to decide some of the listed matters are not appropriate.

However, it should be noted that the current requirements are almost exclusively focused on the relationship between the administering authority and the fund employers. We believe that the document should be renamed to reflect its employer focus or the requirements expanded so that it also covers the relationship with members (whilst recognising there is a separate statutory requirement for a communications policy). As an aside the Fund's communications policy is going to the Pension Fund Committee for approval in March 2026.

There is currently no guidance drafted on the pensions administration strategy (although we understand that the Local Government Association does have this on its worklist). We do not know whether the final requirements will retain their employer focus, but note that The Pensions Regulator recently issued [guidance](#) for schemes to help them comply with the administration elements of the General Code and makes reference to the need for a written administration policy or strategy. The Regulator's Code of Practice and the new guidance do apply to the LGPS and this supports our view that an administration strategy should focus on members as well as employers.

We have not reviewed the Fund's Administration Strategy but if it has been developed in light of the current regulations, we assume it is heavily focused on employers (Regulation 59 does permit administering authorities to include other matters within their pension administration strategy but in our experience most funds focus principally on the employer relationship and requirements).



Conclusion and recommendations

Additional work will be required for the Fund in reviewing its policies and strategies once the new requirements are confirmed. However, we do not expect this to be onerous for the Fund in light of its:

- Internal governance expertise and
- Existing approach and policies

The Fund should still ensure it makes appropriate plans to adhere to the changes once they are confirmed. Our key recommendation is therefore that KCC as administering authority should plan the review of its existing policies and approval of the new policies, taking into account the timing of Board and Committee meetings in the next 6-9 months. We are aware that this may have already happened as part of the business planning process, although there may need to be some fluidity in timing depending on when the final requirements are known.

Senior LGPS Officer

Draft regulatory requirements

The senior LGPS officer is a new role which will be required by Regulation 53A of the LGPS Regulations 2013 assuming the amendment regulations are implemented as proposed. The appointment must be made within 6 months of the Regulations coming into force. As the Regulations are (or were) expected to come into force on 1 April 2026, the first appointment is expected to be made by 1 October 2026. The draft Amendment Regulations define the role as follows:

“The senior LGPS officer.. has a senior responsibility across all pension functions.... must ensure.. [the] fund.. is appropriately managed and resourced in respect of all matters (such as administration, investment and governance).”

Other key provisions:

- The senior LGPS officer cannot be the Section 151 Officer, the Monitoring Officer or Chief Executive (Head of Paid Service)
- If any functions are delegated to the senior LGPS officer an independent person must be appointed to support that officer
- The appointment must be made within 6 months of the Regulations coming into force and then within 6 months of the post becoming vacant in future
- The appointment must be made in accordance with guidance issued by the Secretary of State

Draft statutory guidance

Responsibilities

The draft guidance lists 16 responsibilities of the senior LGPS officer. The list is not intended to be exhaustive and we note that the Scheme Advisory Board’s [response](#) to the closed consultation on the guidance suggests a few additional areas that it believes should be included within the guidance.

We have reproduced in Appendix 2 the list of responsibilities as set out in the guidance. The key points to note are that the role should be responsible for managing **all** aspects of the LGPS, from day-to-day management and implementation of strategies (whether the strategies themselves are a responsibility of the pension committee or an officer) to resourcing and budget-setting, risk management and **“representing the interests of the LGPS fund within the local authority’s senior leadership team”**. They should also participate in the governance of the asset pool as client or shareholder representative.

Importantly, the guidance provides that the senior LGPS officer will have a demanding workload and significant responsibility and therefore administering authorities should

“carefully consider what other roles the person may perform, in order to ensure that the officer can dedicate the overwhelming majority of their time and capacity to their LGPS responsibilities.”

Other provisions:

- the senior LGPS officer is expected to be at Director, Assistant Director or Head of Service level and be part of the authority’s senior leadership team
- the senior LGPS officer should have a direct relationship with the independent person
- where the administering authority chooses to delegate LGPS functions to an officer, it should be to the senior LGPS officer.
- there must be only one officer and the role must not be split between functions (a job-share is permissible as long as the functions are not split).

Interaction with S151 Officer

The guidance also acknowledges that the Section 151 officer will remain responsible for the “proper administration of the local authority’s financial affairs” and provides that the senior LGPS officer:

- must not be combined or attached to other senior roles, in the administering authority or elsewhere



- should be clearly separated from the S151 officer, with clear and robust boundaries and expectations between the two roles
- should approve the pension fund accounts with the S151 officer

Competencies

There are no specific criteria in terms of professional competencies for the senior LGPS officer and the draft guidance provides that administering authorities need to satisfy themselves that the person appointed has the knowledge and skills to perform the role. It acknowledges that administering authorities may have officers who already fulfil a similar role, and states that these officers may be appointed as the senior LGPS officer, provided that they meet these requirements.

Appointment process

The draft guidance suggests that the appointment should be made by the Head of Paid Service. It also says that administering authorities should be aware of key person risk and have robust succession planning, and contingencies for any longer absences, e.g. appointing a deputy or acting officer.

Implications for Kent Pension Fund

We understand that there is a current Head of Pensions and Treasury role at Kent County Council. The guidance does provide for an officer who already fulfils a similar role to be appointed as the senior LGPS officer provided they meet the requirements set out in the regulations and guidance.

Recommendations

Kent County Council as administering authority should:

- review the job description of the Head of Pensions and Treasury and consider whether this role could be the senior LGPS officer. Any material non-pension responsibilities would need to be removed in order to fulfil the requirements of the proposed regulations and guidance, which suggest that any Treasury responsibilities in particular should be considered for removal

- review its Constitution to refer to the new role and ensure that any Scheme of Delegation and sub-scheme of Delegation which delegate functions to an officer, delegate to the senior LGPS officer role. It could also take the opportunity to review the Pension Fund Committee's Terms of Reference and reflect on what would be the most appropriate split of functions between the Committee and senior LGPS officer
- check the process for approving changes to KCC's Constitution, including the timing of any meetings (Full Council, Selection and Member Services Committee, Pension Fund Committee and Local Pension Board and any supplementary council committees/groups involved in approving the Constitution)
- ensure that the senior LGPS officer represents the Fund on any officer working group of Border to Coast Pensions Partnership and participates in the governance structures of the pool as shareholder representative. This should be considered as part of the changes to the Fund's pooling arrangements (the governance arrangements relating to Border to Coast should also be reflected in the Council's Constitution).
- consider what the appointment process should be, which we understand may depend on whether the senior LGPS officer is created as a brand new role or whether an existing officer is designated with this role
- consider the appropriate level of remuneration for the role (the guidance is clear that this remains a local decision but with 86 funds needing to appoint to this role it is possible that there is competition within the industry, noting that London funds in particular may not have an existing role which can easily be mapped across)



Independent Person

Draft regulatory requirements

An independent person is a new role which will be required by Regulation 53A of the LGPS Regulations 2013 assuming the amendment regulations are implemented as proposed. The appointment must be made within 6 months of the Regulations coming into force. As the Regulations are (or were) expected to come into force on 1 April 2026, the first appointment is expected to be made by 1 October 2026. The draft Amendment Regulations specify:

“If an administering authority delegates its functions.... to a committee or sub-committee ... it must appoint an independent person as a non-voting member of that committee or sub-committee to advise on investment strategy, governance and administration.”

“If an administering authority delegates its functions.... to the senior LGPS officer ... it must appoint an independent person to support that officer.”

Although the wording of the Regulations is not completely clear, our assumption is that there would be one independent person supporting both the committee and the senior LGPS officer and not two separate independent person roles.

Other key provisions:

- The appointment must be made within 6 months of the Regulations coming into force and then within 6 months of the post becoming vacant in future
- The appointment must be made in accordance with guidance issued by the Secretary of State

Draft statutory guidance

Responsibilities

The draft guidance explains that the role of the independent person is to help the committee to scrutinise and challenge the advice they receive:

“The independent person should contribute to ... committees ... by providing independent and professional expertise...to support ... to scrutinise and challenge the advice given to them.”

The draft guidance suggests that the role is similar to that of a Non-Executive Director or Professional Trustee and specifies that the independent person role should include all functions of the pension committee. In particular:

- Investment strategy, with their duties including scrutiny of advice from the pool and of performance against the fund’s strategies
- governance, with their duties including supporting on any action plan arising from the Independent Governance Review and on scrutiny of administration performance
- The administering authority’s role as a shareholder or client with its asset pool company

The independent person should also support the chair of the Local Pension Board to help it ensure the administering authority is fulfilling its statutory duties with regards to effective governance and administration of the fund.

Other provisions:

- the independent person must be a non-voting member of the Committee or Sub-Committee
- the senior LGPS officer should have a direct relationship with the Independent Person
- the same person can be the independent person across multiple administering authorities so long as those administering authorities are satisfied the independent person can devote sufficient time to each administering authority
- it is likely to be a legally defined as a politically restricted post
- pension committees should regularly review the contribution of the independent person

It is also worth noting that the Knowledge and Understanding section of the draft guidance suggests that the knowledge and understanding requirements apply to the independent person (see paragraph 2.10 of the draft guidance).



Competencies

The draft guidance lists 3 items and states that the independent person should have at least one of these:

- a trusteeship qualification from the Pensions Management Institute
- membership of the Association of Professional Pension Trustees
- Significant experience of pensions which is very broad

Perhaps surprisingly, the draft guidance notes that LGPS experience is “preferable” but not a requirement. Our view on this is that whilst the appointee need not be an LGPS expert, an understanding of the local authority context and governance structure within which the LGPS operates should be a requirement given the proposed remit of the role. In addition, if LGPS experience is only preferable, it is not obvious what level of knowledge and understanding should be considered appropriate for the role. It may be that this will be clarified in supplementary Scheme Advisory Board guidance on knowledge and understanding.

Independence

The draft guidance clarifies what is meant by independent and the independent person **cannot be employed by any company that:**

- provides paid pensions advice to the administering authority
- conducts the Independent Governance Review
- conducts the actuarial valuation

These criteria are to ensure independence.

It is clear that administering authorities should not automatically assume that an existing investment adviser can perform the role. The draft guidance suggests that this would only be appropriate if the person also has significant experience of governance and administration.

We have also heard, informally, from MHCLG that their preference/intention is for the independent person to be an individual appointment rather than a firm/company appointment. As this isn't currently specified in the guidance that we can see, we don't know if it will be clarified in the final guidance, but should perhaps be kept in mind.

Appointment process

The draft guidance says that if a pension committee already has someone who meets the requirements of Regulation 53A for the independent person, then the authority can officially appoint that person.

The draft guidance also suggests that the selection of the candidate is expected to be delegated to officers or to an appointments committee or a sub-committee of the pensions committee which is advised by officers. If the selection is delegated to officers then the committee should consider the shortlist/recommended candidates before the Head of Paid Service makes the final decision on appointment.

The guidance is clear that Remuneration should be decided by the administering authority.

Appointments should be made by contract which include provision for removal and for no longer than 3 years at a time, and total terms by the same person should not exceed 9 years in total.

Implications for Kent Pension Fund

We understand that Kent Pension Fund is currently recruiting an Independent Member for the Pension Board. For the avoidance of doubt, the requirement in the draft regulations for an independent person for the Pension Fund Committee would be a separate role and not fulfilled by the same person.



We understand that Kent Pension Fund does not currently have any independent investment advisers (although the draft guidance is clear that such an adviser could only be appointed as the independent person if they have significant governance and administration experience as noted above). The Fund would therefore need to take measures to appoint a suitable independent person. At least one fund has already started advertising for an independent person and there are concerns that with 86 funds needing to appoint to the role there may be more roles than there are candidates (although as noted above an individual can have multiple such roles if the funds to which they are appointed believe they have the capacity to fulfil the role).

Our advice would be that as this is clearly a key appointment for the Fund, it is important not to rush the process and to consider whether the Fund has any requirements beyond those set out in the draft guidance. We are also of the view that the breadth of the role as currently articulated is likely to be a material barrier to identifying appropriate individuals.

In addition, the Scheme Advisory Board's [response](#) to the consultation on the draft guidance includes a number of comments relating to the independent person requirements. These include that:

- The guidance should further define the scope of the role, appointment process, reporting lines, and whether advice should be professional (which would require the independent person to have liability insurance) or non-professional and
- Further consideration is needed on whether the independent person role is supporting, as opposed to being a member of, the committee

In our view whether or not liability insurance is needed and whether or not the independent person is a committee member or simply supports/advises the committee are quite fundamental and therefore funds should consider carefully how far they can go with preparations for this new role and whether they should wait for further clarity before finalising a role description and advertising the role. That is not to say that KCC should not start preparing for the appointment.

Recommendations

Kent County Council as administering authority should plan its approach to the appointment of the independent person sooner rather than later. This should include the following steps:

- ensuring senior officers outside of the Pension Fund, e.g. the Section 151 Officer, Monitoring Officer and Chief Executive and possibly even the Assistant Director of People Operations, are aware of these changes (which we believe is already the case)
- check the process for approving changes to KCC's Constitution, including the timing of any meetings (Full Council, Selection and Member Services Committee, Pension Fund Committee and Local Pension Board and any supplementary council committees/groups involved in approving the Constitution)
- reviewing the Constitution, including the Pension Fund Committee and Pension Board's terms of reference to ensure the new role is appropriately referred to (which should assume it a non-voting committee member given that is the current expectation)
- reviewing any Scheme of Delegation within the Constitution and sub-scheme of Delegation relevant to the Fund to identify where the independent person's support could or should be included within the exercise of any delegations. This could also be extended to the Administering Authority's Discretions Policy although most discretions may be too detailed for the independent person to be involved in.
- deciding on the remuneration of the independent person, and whether (if the final requirements are for the role to be as a non-voting committee member) this has any implications for member allowances
- considering what the appointment process should be, and starting it early to navigate HR processes and taking into account the Council's current procedures.



We understand that Fund officers are liaising with their counterparts at other funds across the country, including in particular (soon to be) partner funds at Border to Coast Pensions Partnership, to see what others are doing. This seems to us to be a very sensible course of action and we would recommend that this continues. Whilst not a formal recommendation for the Council, we would also encourage Fund officers to keep a close eye on developments, to ensure that they are aware of any changes to the draft guidance on the independent person role as soon as practical. As the Fund's advisers we will of course share intelligence on this, but without final published guidance it is not possible to be 100% sure what the confirmed changes will be.



Knowledge and understanding

The draft LGPS (Amendment) Regulations 2026 introduce Knowledge and Understanding requirements for “relevant persons”.

Draft regulatory requirements

The Knowledge and understanding requirements will apply to:

- Pension Committee members and members of any sub committees to who an administering authority has delegated its functions
- The senior LGPS officer and officers to who an administering authority has delegated its functions

The Amendment Regulations don't refer to local pension board members as they are already subject to knowledge and understanding requirements as per Section 248A of the Pensions Act 2004.

The regulations state that the knowledge and understanding requirements apply within “a reasonable period after being appointed” and the requirement is for relevant persons to have the appropriate level of understanding for their role.

The requirements mirror those for local pension board members, i.e. relevant persons should be familiar with ***the rules of the Scheme [LGPS] and any document which records policy about the administration of the Fund.***

Relevant persons should also have knowledge and understanding of the law relating to pensions.

Draft statutory guidance

The guidance suggests the independent person may also be subject to the knowledge and understanding requirements and that there should be the same knowledge and understanding requirements for pension committee members and local pension board members.

The new Knowledge and understanding requirements are expected to come into force on 1 April 2026. By this date, the training strategy should set out how the new knowledge requirements will be met.

The draft guidance states that comprehensive inductions should take place for new individuals within three months of joining or before their first meeting, whichever is sooner.

The guidance sets out nine key areas of knowledge and understanding. These have been taken from the current CIPFA Knowledge and Skills framework. We are slightly disappointed that this is the case as the Framework is incredibly detailed and we think it would have been helpful for the principal statutory guidance to give a better steer on which areas apply to committees, boards and the independent person role. We are also concerned that whilst “skills and behaviours” is very important from a governance perspective, it is arguably completely different to knowledge and understanding. The Regulations make no reference to skills and behaviours so it seems odd for proposed statutory guidance on the knowledge and understanding requirements to include this.

The nine key areas listed within the draft guidance are as follows:

- Pensions legislation and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment objectives, strategic asset allocation, pooling, and pooling performance management
- Risk management
- Pension services procurement, contract management, and relationship management.
- Key skills and behaviours



Further guidance (possibly issued by the Scheme Advisory Board rather than additional statutory guidance) is expected, to help set out how these areas should apply to the different roles.

Expectations of new regulations

- Training requirements and expectations should be provided to new members before their appointment
- Relevant knowledge should be assessed annually and used to tailor training plans
- If gaps are identified, the Training Strategy should cover how they will be addressed
- Funds must be able to demonstrate the knowledge and understanding of their relevant persons and keep records of training attendance
- Individuals are responsible for keeping a training record and share with the fund and funds should communicate regularly with committee and board members
- Joint training for committee and board members is encouraged.
- Funds should make the training needs assessment and all monitoring documents available to the Independent Governance review.

Training resources

The senior LGPS officer has a responsibility to ensure there are sufficient resources so the Training Strategy can be met.

There should be a commitment to expert training resources and reimbursement for training time.

Implications for Kent Pension Fund

We believe that the Fund should be well-placed to meet the new knowledge and understanding requirements, for the following reasons:

- The Fund has an existing training plan and has historically offered a wide-range of training opportunities for Committee and Board members which we understand have typically attracted good take-up.

- The Fund participated in a knowledge assessment in September 2025 which we understand is being used to develop the training programme for 2026.
- The Fund's Business Plan includes a budget for training which will be tabled for approval at the March 2026 Pension Committee meeting.

It is of course important not to be complacent, noting that Board and Committee members do change over time and the Fund should ensure any new members undertake appropriate induction training and that existing members maintain their levels of knowledge and understanding. In addition, the Fund should review its approach to training and ensure that the new requirements (once confirmed) are adhered to.

We have not reviewed how the Fund reports on training undertaken by the Board and Committee but future action should include reporting and it should be borne in mind that officers fall within the scope of the proposed new requirements and hence any reporting should include their attendance at training. Finally, it may be useful to review how information on training attended is shared with the Fund to ensure that any external training undertaken is appropriately logged and then reported.

Recommendations

The Fund should build on its existing approach to training; ensure adequate records are kept and its training plan is adhered to so that it can demonstrate compliance with the new requirements in due course.

Committee and Board members should be encouraged to feed in thoughts on any enhancements or changes to the current approach which would support them in achieving the required knowledge and understanding requirements.

The senior LGPS officer should ensure training logs are reviewed regularly so that any potential non-compliance with the training plan is identified in advance so that remedial steps can be taken.

The Board and Committee's terms of reference should be reviewed and amended to reflect the new knowledge and understanding requirements.



Independent Governance Reviews

Pension Schemes Act 2026

Section 5 of the Pension Schemes Act 2026¹ makes provision for the Secretary of State to make regulations in relation to the carrying out of governance reviews for LGPS funds. This includes *periodic governance reviews* and *ad hoc governance reviews*. The Act also requires that any such regulations must make provision for these reviews to be carried out independently of the Secretary of State and the administering authority and for a report to be prepared and published as soon as practicable after the review is completed.

Draft regulatory requirements

The draft regulations propose to add a new regulation, Regulation 117. In summary:

- Administering authorities must prepare, commission and publish Independent Governance Reviews. An administering authority must arrange for the first review to be carried out before 31 March 2028.
- The Secretary of State may require the administering authority to carry out a governance review before 31 March 2028.
- The cost of the governance review is to be treated as an expense incurred in administering the Fund, so should be paid for by the administering authority.

The governance review should be carried out by a *suitable person*, which is defined as any person who:

- is independent of both the Secretary of State and the administering authority
- has sufficient knowledge and understanding to carry out the review

The draft regulations also provide that:

- reviews must be carried out in accordance with guidance issued by the Secretary of State

- a report should be prepared as soon as practicable after the review is completed and sent to the Secretary of State and the administering authority
- the administering authority should publish the report as soon as practicable after receiving it and must act in accordance with guidance issued by the Secretary of State

Draft statutory guidance

The draft guidance states that the purpose of Independent Governance Reviews is to ensure that administering authorities review their governance processes and are subject to independent scrutiny. This is to provide assurance to members and employers that the Funds comply with legislation, including the additional requirements introduced by the LGPS (Amendment) Regulations 2026 and guidance for example the senior LGPS officer, independent person and Knowledge and understanding requirements.

Independent of the administering authority means a company or person who is not otherwise engaged with the administering authority in any capacity at the time of the review being undertaken. The guidance clarifies that the assessor cannot be the same company or person who conducts the actuarial valuation.

The assessor should be suitably qualified or experienced to conduct such a review and the administering authority must decide who is suitable.

Administering authorities are expected to consider the Actuarial, Benefits and Governance Consultancy Framework, in particular Lots 3 and 5 are likely most relevant but administering authorities can choose an assessor not on this framework.

An Independent Governance Review could be directed by the Secretary of State but the draft guidance is clear that this would only be under rare circumstances for example if the Fund had been flagged for concern by the Government Actuary's Department in the Section 13 Review of Actuarial Valuations.

¹ This is still a Bill and is currently at Report stage in the House of Lords

What period of review will the governance reviews cover?

The Secretary of State can ask the administering authority to carry out an ad hoc governance review covering any period of time.

If the Secretary of State do not ask the administering authority to do this, then a first governance review must be carried out by 31 March 2028. The review should cover the period from 31 March 2025 to the date of the review.

Future reviews must be arranged within subsequent valuation periods but there is flexibility for administering authorities, so the period covered by a future review could be more or less than 3 years. The guidance provides an example that if the administering authority carries out its first review in June 2026 and then the next review in February 2031 then this second review must cover the period from June 2026 to February 2031 i.e. a period of 4 years and 9 months.

What will be the outcome of a review?

The report should give a green/amber/red rating to each of the key areas set out in the statutory guidance which are discussed below. Green means excellent practice or best in sector, amber means meets requirements, red means doesn't meet all requirements. A red rating does not necessarily mean any intervention from MHCLG will follow.

We are aware that some funds, and the Scheme Advisory Board have raised concerns about the proposed ratings noting that an amber rating might be construed as a fund requiring improvement when in fact all legal requirements are being met. We understand from comments made by MHCLG at the LGA Governance Conference in January that the proposed ratings are being reviewed and the final guidance may therefore be different.

The draft guidance also states that a review should make recommendations for improvement which the administering authority should consider (more of which below).

What should a governance review cover?

Administering authorities and assessors can decide together what the review will cover. There are no set questions or templates however there are three key areas that the draft guidance suggests must be covered as a minimum:

- **Business planning and performance delivery**

The administering authority should have a business plan with an associated budget which should be approved by the Pensions Committee and senior LGPS officer.

Performance information which covers investment strategy, administration, funding, governance and communications should be provided to those responsible for governing the administering authority to help identify any changes needed.

- **Effective systems of governance and internal controls**

The administering authority must ensure that it complies with all relevant legislation, regulations and guidance related to the Fund.

Ensure that the Pensions Committee, senior LGPS officer and leadership act honestly in the interests of scheme members and have appropriate levels of knowledge and understanding. It is for Funds to consider who is in a position of leadership.

Funds should keep minutes of meetings including any decisions made at or outside a meeting and who took part in making the decision.

Administering authorities should prepare a remuneration policy to cover all major persons or corporate bodies who carry out key functions for the Fund. The remuneration policy should be reviewed at least every 3 years.

Administering authorities should have a risk management policy that is approved by the Committee and reviewed at least every 3 years. The policy should identify key risks to the Fund and monitor and manage these risks.



Communications with members should be clear and accessible and in plain English. Communications should promote understanding of pensions to members and account should be taken of member feedback.

Communications with employers should be timely and accurate and support informed decision making. Employer engagement and feedback should be encouraged.

- **Compliance with all legislation, regulations and statutory guidance**

This includes compliance with the LGPS Amendment Regulations 2026, statutory guidance on governance, ISS and pooling. Any failures to adhere to the statutory requirements will mean a breach should be reported to The Pensions Regulator.

The Pensions Bill is expected to clarify the power of the Secretary of State under the Public Service Pensions Act 2013 to force a compulsory merger between funds. Therefore, in theory, in extreme cases of non-compliance, the Secretary of State could use their powers of intervention to force funds which don't comply with the legislation, regulations and statutory guidance to merge with another fund.

We have reproduced in Appendix 3 the Independent Governance Review minimum standards from the draft guidance.

What happens after the governance review is complete?

A report must be drafted following completion of a governance review and shared with the Secretary of State (MHCLG) and the administering authority. The administering authority should publish the report as soon after receipt as practical.

The administering authority should also publish an action plan within six months of the review to address any recommendations but the guidance is clear that this should not delay publication of the report.

Peer support

There are no provisions within the Fit for the Future recommendations which require administering authorities to be part of the proposed Local Government Association peer support offer for LGPS funds. However, there is a reference to peer support within the draft guidance on Independent Governance Reviews. The draft guidance suggests that regardless of the recommendations for the Independent Governance Review, administering authorities may wish to consider entering into the LGPS peer support process, and clarifies that the peer support process is not just for funds which require active support to meet minimum requirements.

Implications for Kent Pension Fund

We understand that KCC already commissions regular governance reviews to test the effectiveness of its governance arrangements and compliance and these are considered to be constructive and positive. This should ensure the Fund is well-placed when the new requirements are implemented, although it is important not to be complacent and there may be areas considered by an Independent Governance Review that have not historically be part of previous reviews.

Our view, based on the draft guidance, is that the Independent Governance Review could be really extensive, although it is not yet clear what level of detail will be involved in assessing each of the areas and that may depend upon the views of both the Administering Authority and the assessor. It is also not clear whether the Secretary of State will review the reports in any detail to form a view on whether the requirements are being implemented as it intended. We have not heard anything to suggest that will be the case, but it would seem to us that this may be required to ensure that all administering authorities fully embrace the new requirements. We believe that it would be unhelpful if those funds who take their governance responsibilities most seriously were to commission more detailed reports which then lead to more findings and recommendations, giving the impression there are more improvements to be made for those funds than others who have taken a minimalist approach to the Independent Governance Reviews.



Recommendations

KCC as administering authority should:

- Consider if any additional actions need to be carried out following the previous governance review and other improvements or enhancements that have previously been considered before any independent governance review is commissioned*
- Decide who will carry out the independent governance review of the Fund
- Reflect on the precise scope of the review, i.e. whether it should include additional areas not required in the final guidance which would nevertheless add value for the Fund
- Decide when the first independent governance review will be carried out (which must be before 31 March 2028). This should consider factors such as the capacity of those involved to provide the information which may be needed for the review to be carried out, and form part of the agenda planning for Board and Committee meetings
- Consider when the subsequent independent governance reviews will be carried out (this decision does not need to be made immediately)
- Consider if KCC want to enter the LGPS peer support process (this is not just for funds which require active support)

*in our experience administering authorities are already starting to fall in one of two camps – those who are keen to see what recommendations come out of the review on a “warts and all” type basis, and those who are keen to get as clean a bill of health as possible in their first review. Our view is that as long as the overall intention and direction of travel is to demonstrate good governance for the benefit of the fund’s stakeholders, neither approach should be taken as better or more appropriate than the other. It is therefore for KCC as administering authority to take a view on how much preparation it would like to do before its first Independent Governance Review which may, in turn, dictate the timing of that review.

This paper has been drafted for discussion at the Pensions Committee and Board meetings at the end of March 2026. We would be happy to answer any questions which Committee or Board members may have.

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Appendix 1: Checklist

New strategies and policies

- 1a Schedule review of the existing policies and approval of the new policies taking into account the timing of Board and Committee meetings in the next 6-9 months
- 1b Wait and see if the new Governance Strategy will replace the current Governance Compliance Statement for the 2025/26 report and accounts

Constitution changes - needed for the senior LGPS officer and independent person

- 2a Check the process for approving changes to the Constitution, Terms of Reference, Scheme of Delegation and raise with senior officers e.g. the Section 151 Officer, Monitoring Officer, Chief Executive and possibly the HR Director. Timetable the process to take to full Council and Selection and Member Services Committee

Senior LGPS Officer

- 3a Review the current role of Head and Pensions and Treasury and either amend it reflect the new requirements or create a new senior LGPS officer role
- 3b Review the Constitution, Scheme of delegation and Pension Fund Committee's Terms of Reference to allow for the role
- 3c Review any sub-scheme of delegation to allow for the role
- 3d Ensure the senior LGPS officer represents the Fund on any officer working group of Border to Coast Pensions Partnership
- 3e Consider what the appointment process will be, which may depend on whether a new role is created or an existing officer role is designated to this role.
- 3f Consider the appropriate level of remuneration
- 3g Appoint to the new role within 6 months of the regulations coming into force

Independent Person

- 4a Review the Constitution and Pension Fund Committee's Terms of Reference to allow for the role - noting the current expectation that it is a non-voting committee member
- 4b Review the scheme of Delegation, sub-scheme of delegation and possibly the Administering Authority's discretions policy, to identify where the independent person's support could or should be included
- 4c Consider what the appointment process will be, and consider starting the recruitment process early to navigate HR processes
- 4d Consider the appropriate level of remuneration
- 4e Appoint to the new role within 6 months of the regulations coming into force



Knowledge and Understanding

- 5a Build on the Fund's existing approach, keep records of all training and ensure the new training plan is adhered to
- 5b Encourage Committee and Board members to feed in thoughts on the existing approach
- 5c The senior LGPS officer should ensure training logs are reviewed regularly and identify any non-compliance
- 5d Put the new training strategy on the agenda for the Pensions Board and Pensions Committee March meetings
- 5e Review and amend the Board and Committee's terms of reference to reflect the new knowledge and understanding requirements

Independent Governance Reviews

- 6a Consider the previous governance review and if any additional actions should be carried out before the Independent Governance Review
- 6b Decide who will carry out the independent governance review
- 6c Decide on the scope of the review i.e. whether to include additional areas not required in the final guidance which would nevertheless add value for the Fund
- 6d Decide when the first independent governance review will be carried out before 31 March 2028
- 6e Consider when the subsequent IGRs will be carried out
- 6f Consider if Kent County Council want to enter the LGPS peer support process (this is not just for funds which require active support)



Appendix 2: Responsibilities of the Senior LGPS Officer

Responsibilities of the senior LGPS officer as set out in the draft statutory governance guidance.

- Responsibility for the day-to-day management of the administering authority across all pension functions, including (but not limited to) investments, administration, funding, and governance and communications;
- Ensuring that draft strategies such as the Investment Strategy Statement, Funding Strategy Statement and Administration Strategy, are prepared in accordance with legislation and guidance (the final strategy is a delegated responsibility of the pension committee or officer)
- Responsibility for implementation of strategies set by the pension committee;
- Responsibility for administration of the scheme and ensuring compliance with scheme regulations, statutory guidance, other relevant legislation and the Pension Regulator's General Code.
- Responsibility for meeting expectations for timely and accurate pension payments, including managing suppliers and holding them to account for performance;
- Ensuring that LGPS functions are well resourced and structured;
- Ensuring that LGPS functions deliver good value for money;
- Ensuring that the decision making body – be it pension committee or delegated to an officer - has access to adequate professional advice on all areas, including actuarial, governance, legal and procurement advice;
- Ensuring that the local pension board is adequately resourced to carry out its role effectively;
- Ensuring training needs analysis is undertaken by the Committee and Board and the recommendations implemented;
- Identifying and managing risks to the administering authority with a strong culture of risk management;
- Supporting the effective governance of the administering authority and appropriate implementation of the governance strategy in accordance with guidance;
- Ensuring that the administering authority carries out the Independent Governance Review as required by Regulation 117 and develops an action plan in response to any recommendations or findings;
- Representing the interests of the LGPS fund within the local authority's senior leadership team; working with senior stakeholders and ensuring that plans, policies, and resource allocation by the local authority's senior leadership team take into account the requirements and duties associated with the LGPS fund;
- Participation in the governance structures of the investment pool as shareholder or client representative;



Appendix 3: Independent Governance Review minimum standard

The Independent Governance Review (IGR) minimum standard is set out in the draft guidance and is reproduced below:

The IGR minimum standard is an assessment of the following areas:

- Business planning and performance delivery
- Effective systems of governance and internal controls
 - Pensions Committee, Senior Officer, and Leadership
 - Remuneration and fee policy
 - Risk Management
 - Communications with members
- Compliance with all legislation, regulations, and statutory guidance, including on:
 - Training strategy and policies
 - Conflict of Interest policy and implementation
 - Pooling legislation, regulation and guidance
 - Administration strategy and implementation
 - Investment Strategy Statement
 - Annual Reports





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