

**Report to:** Pension Committee

**Date of meeting:** 19 June 2025

**By:** Chief Finance Officer

**Title:** Pension Reform Agenda

**Purpose:** To provide an update on changes affecting Local Government Pension Schemes and the East Sussex Pension Fund

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## **RECOMMENDATIONS:**

**The Pension Committee is recommended to:**

- 1) note the current position in relation to the ACCESS pool's submission in respect of the Government's 'Fit for the Future' consultation; and**
  - 2) delegate authority to the Chief Finance Officer, in consultation with the Chair of the Pension Committee, to continue work to assess the options available to the Fund regarding investment pooling.**
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## **1. Background**

- 1.1 The report has been prepared to update the Pension Committee on the government's proposed changes to pension fund pooling, highlighting the key proposals and the government's response to the proposal put forward by the ACCESS pool.
- 1.2 In July 2024, the Chancellor of the Exchequer, announced a pensions review to boost investment and tackle waste in the pensions system, stating that action will be taken to unleash the full investment might of the c£360bn Local Government Pension Scheme (LGPS) to make it an engine for growth and tackle the £2bn that is being spent on fees. The work announced, focusing on investments, was stated to be the first phase in reviewing the pensions landscape.
- 1.3 Following further liaison with LGPS funds, pools and officers, the Chancellor announced in her Mansion House speech on 14 November 2024 that the government would launch a consultation to ensure that the LGPS was "Fit for the Future" with a view to accelerating pooling of assets by March 2026 and supporting the Chancellor's aims of accelerating growth and investment in the UK.
- 1.4 The consultation had 30 questions and is focussed on 3 key areas:
  - Reforming the LGPS asset pools: with a single model Financial Conduct Authority (FCA) registration of pools, whereby LGPS Administering Authorities (AAs) will delegate investment strategy implementation to the pool;
  - Boosting LGPS investment in their localities and regions in the UK: by having a target allocation to local investment that supports local economic priorities; working with local authorities;
  - Strengthening the governance of both AAs and LGPS pools: building on the 2021 Good Governance review.

Both the Fund and the ACCESS Pool prepared an extensive and detailed response to the proposals which were presented to the Pension Committee at the February meeting.

1.5 The Government's response to the 'Fit for the Future' consultation was published on 29 May 2025 received and is included as Appendix 3 to this report. Officers are working to understand the implications of this for the East Sussex Pension Fund (the 'Fund') from a governance perspective. It is clear from the Government's response to the consultation, however, that the following will become minimum standards of pooling moving forward:

- (i) *Authorities to delegate implementation of investment strategy to their pool;*
- (ii) *Authorities to take their principal advice on their investment strategy from the pool;*
- (iii) *Authorities to transfer legacy assets to the management of the pool; and*
- (iv) *Pools required to be investment management companies authorised and regulated by the Financial Conduct Authority (FCA),*

## **2 Response from Government to ACCESS Pool Proposals**

2.1 It is clear from the 'Fit for the Future' Consultation and the Government's response that the current regulatory structure of ACCESS will not be permitted by government from March 2026. Government has advised that ACCESS (along with other similarly structured pools) must either restructure to become FCA regulated entities, merge with other Pools who are already FCA regulated or are becoming FCA regulated or disband.

2.2 Officers worked extensively with ACCESS and other ACCESS authorities to evaluate the options available to ACCESS and, thereby, the Fund. Taking no action is not an option as the government has clearly outlined that changes will be required. Following an extensive option appraisal process the conclusion was that the most appropriate option for ACCESS was to "Build" the Pool to become compliant with the details outlined by the government in the 'Fit for the Future' consultation.

2.3 The ACCESS Support Unit (ASU), in conjunction with its advisors, submitted a detailed proposal to government outlining how it would comply with the requirements of the consultation in line with the end of February 2025 deadline. Representatives from ACCESS subsequently met with civil servants and the Minister for Pensions across two 30-minute meetings to discuss the submission.

2.4 On 10 April 2025 both the ACCESS Pool and the Fund received a letter from Ministers advising that government did not support the proposal put forward by ACCESS. Details of the letter to the Fund can be found in Appendix 1. This is a disappointing result for both the Fund and the ACCESS Pool.

2.5 ACCESS subsequently responded to the letter from Ministers requesting further clarity in relation to the decision, particularly in relation to the consistency of the decision with decisions made regarding other LGPS Pools. The response can be found in Appendix 2. As at the date of writing, no further response has yet been received from government.

## **3 Moving Forward**

3.1 The impact of Government's assessment of the proposal for the Fund is currently unclear. Government has advised that ACCESS authorities must seek to merge with another investment pool, which has been supported by government in their initial response, either as part of the ACCESS collective or on an individual Fund level.

3.2 Officers of the Fund have been working closely with ACCESS to evaluate the options available to ACCESS and, de facto, the Fund. As set out above, taking no action is not an option as the Government has clearly outlined that changes are required. The Government's response to the

Consultation indicates that new legislation will be introduced giving Government power to force pension funds to merge.

3.3 Government has outlined that it wishes to meet with officers from the Fund at the end of June to receive an update on the work done to assess the Fund's likely direction of travel with regard to pooling. A further written letter is required to be submitted to Government by the end of September 2025 formally setting out the Fund's intentions.

3.4 The deadlines the government has indicated are tight and significant work is required to meet the Government's deadline. However, Government has stated that some flexibility can be shown with regard to merger of pools.

3.5 Officers are also working to consider wider investment implications in relation to the Government's decision in relation to ACCESS. Further information in this regard is set out in a separate report later on the agenda.

#### **4. Conclusion**

4.1 The Pension Committee is recommended to note the current position in relation to the ACCESS pool's proposal in response to the Government's 'Fit for the Future' consultation, as set out in this report.

4.2 The Government's response to the 'Fit for the Future' consultation has only very recently been published. Officers are working through the response from both a governance and investment perspective. Officers will continue to explore the available options for the Fund to meet the requirements set out by Government. To enable this work to continue at pace, and ensure the September deadline can be achieved, the Pension Committee is recommended to delegate authority to the Chief Finance Officer, in consultation with the Chair of the Pension Committee, to continue work to assess the options available to the Fund regarding investment pooling.

4.3 A further update will be presented to the Committee in September.

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