



Administering Authorities  
Access

9 April 2025

Dear Administering Authority,

## **LOCAL GOVERNMENT PENSION SCHEME (ENGLAND & WALES)**

We are writing with regard to the Government's proposed reforms to the Local Government Pension Scheme in England and Wales (LGPS) and its approach to asset pooling as part of the Pensions Review. This letter is addressed to all Administering Authorities in the ACCESS pool.

In November, Government set out its proposed reforms in our *Fit for the Future* consultation with the aim of establishing a world-class LGPS made up of large pools of professionally managed capital, held to account by Authorities who have confidence in robust and transparent governance structures and who are delivering the best value to members and their communities. We want to see strong and resilient foundations for a scheme projected to reach £1tn by 2040 and have been clear that this is the moment for creative and collaborative proposals to that end.

Government wrote to each pool, asking for transition proposals setting out how they would seek to achieve the minimum standards proposed in the consultation by March 2026, focusing on the benefits of scale, long-term resilience, value for money and viability against the deadline, with considerations given to the opportunity for closer collaboration across the scheme and the merger of pools. We recognise how significant an undertaking this has been for each pool in a short space of time and are grateful for the spirit in which ACCESS has participated in this process. Your submission and engagement have formed a critical part of our assessment of the viability and strength of the proposals set out in the consultation. Government has considered the responses to the consultation and is currently preparing next steps, including our consultation response and the implementation of the reforms via legislation.

We have carefully reviewed the proposal submitted by the ACCESS pool and further considered the points made in our meeting with pool and Authority representatives. As we have made clear, we collectively have a duty to ensure every penny of members' hard-earned money is well invested, and that the full scope of benefits that can be derived from the LGPS's extraordinary scale are being harnessed and maximised. Analysis of the ACCESS proposal and further discussion at subsequent meetings has raised significant concerns as to whether the proposal is in the best interests of the scheme. We do not believe that the proposal put forward by the ACCESS pool meets the ambitious intent of the

consultation nor our ask to consider alternative approaches in the best interests of members, employers and local taxpayers.

The ACCESS proposal is to set up a new FCA-authorised company and to transition existing externally managed mandates across to it. The deliverability of this to the proposed timeline concerns us: it would involve setting up a new organisation and building significant new capacity, not least to manage the significant legacy assets. ACCESS's current costs are among the highest in the LGPS relative to other pools despite being one of the largest by assets under management, and while the proposal indicates some reduction in costs over time, this is still high for a pool of ACCESS's scale. We are also mindful that the ACCESS proposal continues to be heavily reliant on the use of external managers and consultants, despite internal management being a key benefit of scale, a driver of efficiency and readily available at existing pool companies.

ACCESS has set out the case against merger by primarily focusing on transition costs and other pools' recent performance on specific asset classes. On costs, ACCESS's assessment treats the host pool as a fixed offering in which ACCESS Authorities must participate. However, if another pool were to take on additional Administering Authorities, it should be clear that the new pool entity would act in the best interests of all Administering Authorities and review their joint structures accordingly. Therefore, it is highly likely not to be the case that up to 100% of ACCESS's existing portfolio, as the proposal suggests, would be subject to transition costs – a pool would work to ensure that costs are minimised by assessing both structures and taking beneficial features from both in forming a new partnership.

The proposal maintains that the current ACCESS model enables the appointment of best-in-market investment managers which may compare favourably to other pools on performance, and that the investment products offered by other pools do not justify the estimated transition costs. While it is right to consider performance, we see no reason why a merged pool could not continue to appoint the best managers where appropriate as well as develop internal capacity. Further, recent short-term performance, largely driven by global trends, is not a reliable measure of long-term effectiveness.

**For these reasons, we have concluded that ACCESS's proposal does not meet the Government's vision for the future of the LGPS.** Government is of the view that the best interests of the scheme are best met by ACCESS Authorities working with another LGPS pool to form a new partnership. We therefore invite your Authority to consider and identify which pool you wish to partner with going forward, taking into account the capabilities and capacity of each to take on additional partner Authorities. This is a decision for each Administering Authority to make – Government recognises that ACCESS Authorities may choose to partner with the same pool, or different pools and this is a decision each Authority will wish to take individually.

We would be grateful if you could please respond with an in-principle decision between yourselves and the pool you wish to work with by 30 September 2025. We recognise you and your new pool will require further time to work through the detail of the transition towards a new partnership. Our officials stand ready to convene and support discussions wherever helpful until new arrangements are in place. As you know, the government has formally invited unitary proposals from all councils in two-tier areas and their neighbouring authorities

to take part in local government reorganisation. You will wish to consider your decision on pooling alongside reorganisation as councils develop plans and decisions are made next year. You will be invited to a check-in discussion on your progress in June. We recognise that the March 2026 deadline may be more difficult for Authorities which move pools, and we will remain in discussion with affected Authorities and their new pool partners throughout this process.

This is not a decision we have taken lightly, and we appreciate that this assessment of the proposal may be different from your own and may not be the outcome you wanted. We are particularly mindful of the immediate impact this will have on yourself and your team - it is our strong desire to see the LGPS continue to benefit from the expertise and knowledge in your team going forward and expect other pools to be of a similar mind. The creation of one or more new partnerships may bring some short-term challenges, but we hope you will agree also brings great opportunity, not least establishing world-class investment management across the LGPS, protecting its long-term sustainability, and acting in the interests of members, employers and local taxpayers.



**TORSTEN BELL MP**

Minister for Pensions



**JIM MCMAHON OBE MP**

Minister for Local Government