

Report to: Pension Board

Date of meeting: 5 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

RECOMMENDATIONS:

The Pension Board is recommended to note this report.

1. Background

- 1.1 The report has been prepared to update Board 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.

2 Response from Government to ACCESS Pool Proposals

2.1 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.

2.3 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.

2.4 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 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.

2.5 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.

2.6 ACCESS subsequently responded to the letter from Ministers requesting further clarity in relation to the decision, particularly in relation to the consistency with regard to the decisions made in relation to 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 the outcome for the Fund is currently unclear. Officers continue to work with the ASU to assess the options available to Fund as a member of the Pool as well as taking due consideration of the needs of the Fund from a stand-alone perspective.

3.2 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 likely direction of travel for the Fund with regard to pooling. A further written letter is required by the end of September 2025 formally setting out the Fund’s intentions.

3.3 Government has stated that timelines are flexible with regard to merger of funds or pools and does not anticipate it is possible to complete mergers by the March 2026 deadline.

4. Conclusion

4.1 The Board is recommended to note this report.

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