

Torsten Bell MP, Minister for Pensions
Jim McMahon MP, Minister for Local Government & English Devolution

17 April 2025

Dear Ministers,

Thank you for your letter of Wednesday 9th April, which the ACCESS Authorities have now discussed collectively. Following those discussions they have asked me to raise a range of concerns and questions we share.

Whilst you will not be surprised to learn that we were disappointed to read the contents of your letter, it should be emphasised that this applies to your rationale as well as your intended outcome. We are left with the impression that the reasons given for the government's decision are based on assertions that are open to question or appear to lack supporting evidence.

In preparing its submission, the ACCESS pool undertook a significant range and depth of evidence-based work to support a detailed option appraisal in order to demonstrate how it will comply with the requirements of *LGPS: Fit for the Future*. The output was a 60+ page proposal, supported by all 11 ACCESS Authorities and submitted in accordance with the specified deadline. In response we were invited to two 30-minute meetings, one in person with yourselves, the other virtual with your civil servants.

We have a number of concerns about several aspects of your letter. These, along with our remarks and questions are detailed below.

1. "The deliverability of this [proposal to set up an FCA-authorised company] to the proposed timeline concerns us"

- Chapter 8 of our proposal detailed our implementation plan and demonstrates how we would meet the March 2026 deadline. It was developed in consultation with Alpha FMC, the consultants who have advised other pools who have built FCA regulated investment management companies
- On 24 March, Alpha's Joe Sproul was part of the ACCESS delegation who came to meet with you. Neither yourselves nor your civil servants chose to question him or any of us on this matter.
- We have reviewed the publicly available submission of Wales Pension Partnership and, materially, it is very similar to the proposal of ACCESS on this point.

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2. *“ACCESS’s current costs are among the highest in the LGPS relative to other pools”*

- We do not recognise this characterisation and would ask that you share your data source.
- The ACCESS submission highlighted the independent cost benchmarking undertaken by Dr Chris Sier, at ClearGlass which demonstrated that ACCESS made annual savings of £49mn on listed asset management fees, situating our pool at the 7th percentile in the ClearGlass universe (which comprises not just LGPS pools but the entire pensions universe including comparable private sector schemes and other asset owners).
- To ensure you are appropriately sighted on this key aspect, I would urge Ministers to talk directly to Dr Sier. With his ClearGlass colleagues he analysed, in detail, the costs associated with ACCESS and several other LGPS pools. His contact details are below, or we would be happy to facilitate a meeting:

Dr Chris Sier, CEO & co-Founder, ClearGlass Analytics
chris@clearglass.com Tel: 07976 887642

- The LAPF magazine published a complete investment management cost data set for the entire LGPS¹. This analysis of each Authority, grouped by their respective pool shows ACCESS Authorities with an aggregate total of 52bps - comparable costs to most other pools.

3. *“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”.*

- ACCESS has a significant, but achievable, distance to travel to comply with the minimum standards of Fit for the Future and so we were realistic in our submission about what would be achievable by March 2026. Launching internal management capabilities in that time frame is simply not possible.
- Furthermore, the statement appears not to acknowledge two fundamentals:
 - that LGPS: Fit for Future does not require internal management as a “day 1” requirement as of March 2026; and
 - as set out within Chapters 2, 5 and 7, our proposal includes internal management is a business plan requirement for the company to consider and deliver by 31 March 2030.
- The ACCESS submission is wholly aligned with government requirements and timescales. All pools continue to use external management alongside any internal management capabilities, where this is beneficial, tapping into the global scale benefits (low cost and opportunity set) of third-party partners.

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¹ pp60-62 [LAPF Investments Magazine, Issue 02 - LAPF Investments](#)

4. *“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”.*

- In Minister McMahon’s and Minister Reynold’s letter of 2nd December 2024, it was acknowledged that transition costs would be significant in nature. Given the request to evaluate transition costs it was logical to assume that transition costs were properly understood but additional background information as well as further supporting evidence around costs was supplied in the email of Thursday 27th March. We would note:
 - it is market standard in the transition management industry to express pre and post transition costs as a percentage, in basis points (bps), of the total portfolio value of the legacy portfolio, i.e. 100% of the total AUM in the ACCESS ACS in a merger;
 - the basis points cost estimate was sourced from a range of data independently analysed by a market leading expert in this area. The supporting paper also explained why this was an appropriate approach to estimating what potential costs could be; and
 - in specie costs are included in the 36-bps cost range and we estimated these down to show a range of possible outcomes and so as not to risk overstating the costs.
- Your letter suggests *“a (merged) pool would work to ensure that costs are minimised by assessing both structures and taking beneficial features from both in forming a new partnership”*. This logic is flawed and not aligned to the legal and market-based principles that govern costs incurred by transitioning assets between different pooled vehicles. It also feels contrary to the fact that you have written to all ACCESS Authorities individually directing them to find a new pool, not to pursue a pool level merger.
- We remain concerned that Government has dismissed transition costs from its consideration. Having already navigated initial setup and transition costs in the establishment of the ACCESS ACS and pooling structures, the Government’s response, if implemented, would impose a further set of costs against the wishes of individual Administering Authorities. This is perceived as unfair. The Authorities have, perfectly rationally, all chosen to pursue a more cost-effective option, which they feel meets both the Government’s wishes, whilst at the same time representing the best value for their members.
- Your letter references a collective duty in relation to *“every penny of members’ hard-earned money”*. Whilst Government naturally has responsibility for the LGPS as a whole, you will appreciate that Administering Authorities only have a duty to their own fund and its members. As a consequence, in the event that Government continues with this course of action against the reasoned decisions by Administering Authorities with legal and fiduciary obligations to their own funds, questions around cost being indemnified are likely to arise.

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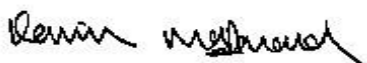
5. *“recent short term performance, largely driven by global trends, is not a reliable measure of long-term effectiveness”.*

- Where comparable data exists, ACCESS has considered long term investment management effectiveness of existing pool companies specifically, not short-term market volatility or global trends. This assertion suggests that Government has misunderstood our objective approach to the analysis.
- In chapter 5 of our proposal, we cite the performance track record supplied by LPPI and Borders to Coast around global equities, the largest asset allocation of each pool. ACCESS Authorities could not justify transferring assets to poorer performing investment managers’ products. We feel this would contravene our fiduciary duty to scheme members.

As your letter notes, the ACCESS pool has engaged fully and with an open mind in the Government’s consultation. This has been a detailed process, and one which has required all ACCESS Authorities to incur significant costs at government’s behest. ACCESS believes that our proposals fully meet the Government’s vision for the future of the LGPS.

We therefore find your direction to be confusing as it appears to be somewhat contradictory to the evidence we have provided. However, we are still keen to find a way forward which reconciles your *LGPS: Fit for the Future* ambition with our fiduciary constraints, and therefore, as a matter of urgency, we request further engagement with ministers and civil servants, in order to clarify the points raised above. Before considering our next steps, and to cover off any of our proposals which have been misunderstood, we would like the opportunity to explain more fully why we believe that our proposals do meet with the Government’s vision for the future of the LGPS and, more importantly, do not put us in conflict with our fiduciary duties.

Your sincerely,



Kevin McDonald
Director, ACCESS Support Unit
on behalf of the ACCESS Authorities

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