

Report to: Pension Committee

Date of meeting: 26 February 2026

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 and seek agreement to enter into an Investment Management Agreement with Border to Coast Pensions Partnership Ltd.

RECOMMENDATIONS:

The Pension Committee is recommended to:

- 1) note the update in relation to next steps for the East Sussex Pension Fund in terms of pension fund pooling;**
- 2) approve the entering into the Investment Management Agreement with Border to Coast Pensions Partnership Ltd (BCPP); and**
- 3) delegate authority to the Chief Finance Officer to take any action they consider necessary to give effect to the above recommendation, including, but not limited to, agreeing the terms of and entering the Investment Management Agreement with BCPP.**

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 The background to the 'Fit for the Future' consultation and the requirements the Fund must comply with by 31 March 2026, have been extensively covered in previous Pension Committee meetings. Full details can be found in [previous reports at agenda item 6](#).

1.3 Committee members will be aware that, following the decision by government not to support the proposal put forward by the ACCESS pool to comply with the requirements of the 'Fit for the Future' consultation, officers worked extensively with advisors and officers from the West Sussex Pension Fund (recognising the impact of proposed devolution and new Mayoral Combined County Authority for Sussex and Brighton) to identify a new pooling partner for the Fund. The new pooling partner was identified as Border to Coast Pensions Partnership Ltd pool.

1.4 As part of the process of joining the new pool the following documentation must be agreed to entered into on behalf of the Fund:

- Shareholders' Agreement
- Supplemental Shareholders' Agreement
- Articles of Association
- Inter-Authority Agreement
- Pension Cost Recharge Agreement
- Pension Guarantee

1.5 At its meeting on 18 November 2025, the Pension Committee provided final approval to join Border to Coast Pensions Partnership, subject to finalisation of the required governance documentation. Pension Committee delegated authority to the Chief Finance Officer to finalise and enter into the agreements necessary to ensure the Fund is a member of the Border to Coast Pensions Partnership Pool from 1 April 2026.

2 Update on joining Border to Coast Pensions Partnership Ltd Pool

2.1 A review of Pension Committee delegations has been undertaken to ensure the required delegations are in place to approve the actions required to both join Border to Coast Pensions Partnership Ltd pool and exit the ACCESS investment pool. This has been confirmed.

2.2 There are 3 key documents from a governance perspective that are required to be completed and signed on behalf of East Sussex County Council in order for the Fund to become a member of the Border to Coast Pensions Partnership Ltd pool: The Shareholder Agreement, Inter-Authority Agreement and the Articles of Association. The pension re-charge costs must also be agreed but are not part of the key suite of documents required for the Fund to become a shareholder in the new pool.

2.3 A review of these three key documents has been completed by Squire Patten Boggs Solicitors on behalf of the 7 ACCESS funds looking to join Border to Coast Pensions Partnership and the final draft of the documentation has now been agreed by all partner funds (existing and incoming Border to Coast Pensions Partnership funds). The documentation has now been signed and executed.

2.4 The Fund is also in receipt of a paper setting out initial detail in relation to pension cost sharing, however further actuarial advice will be required in relation to this area. Given the limited number of staff impacted by this arrangement and the already well funded position of the existing pension funds, officers believe the costs associated with pension provision will be limited when split across the 18 partner funds post 1 April 2026. Further detail on the can be found under exempt agenda item 19.

2.5 Officers from the Fund continue to attend regular weekly meetings with the 6 other ACCESS funds and Border to Coast Pensions Partnership to review progress on a weekly basis. The Head of the Fund, the Chief Finance Officer and the Monitoring Officer also meet regularly to oversee progress.

2.6 It remains the view of officers that it will take some time post 1 April 2026 to reorganise the Fund's assets and the Fund will remain invested in ACCESS pooled investment funds for some time to come. The priority is to carry out any reorganisation in the most efficient manner possible to protect the members of the Fund. Further detail on the can be found under exempt agenda item 19.

2.7 The draft Regulations set out that within 21 days of first participating in an asset pooling company, administering authorities must ensure that all the assets of their fund (other than cash needed to pay benefits and expenses) are held on behalf of the relevant administering authority by the relevant asset pool company and properly managed by that company with a view to implementing the administering authority's investment strategy.

2.8 ACCESS authorities will each be legally obliged to join a new pool and the new pool will have more direction over and will take over oversight of all of the Fund's assets– including assets currently in the ACCESS Authorised Contractual Scheme (ACS). The requirements set out under the Fit for the Future consultation for investment pools to take greater oversight of the LGPS fund assets has been set out under Agenda Item 6 in previous reports to Pension Committee dating from February 2025. Officers have now received a copy of the Investment Management Agreement (“IMA”) the

Fund will be required to enter into with Border to Coast Pensions Partnership Ltd and this document is currently being reviewed on behalf of all 18 Border to Coast partner funds by Burgess Salmon solicitors and officers are currently awaiting this advice. In order to comply with the prevailing regulations there is a requirement to enter into the agreement and confirm the oversight of the new pool by 1 April 2026.

2.9 The IMA sets out the terms on which investment services will be provided to the Fund by the Border to Coast pool and contains a Power of Attorney (“POA”) to achieve this. Border to Coast, acting as the Investment Manager is authorised and regulated by the Financial Conduct Authority as a fund manager, portfolio manager and investment adviser. Border to Coast will provide a variety of services to enable local government pension scheme clients, including ESPF to effectively manage their assets and achieve their financial objectives. Services provided will include an advisory service, asset allocation, where the Investment Manager will invest the assets of the ESPF in accordance with the investment guidelines (agreed between ESPF and BCPP); cashflow modelling, legacy management and hedging (providing currency hedging to ESPF to reduce the Fund’s exposure to the fluctuations in the value of overseas currencies the Fund may be exposed to) .

2.10 The advisory service provided by the Border to Coast pool will include core services such as; Development of Investment Beliefs, Strategic Asset Allocation Advice, Portfolio Construction Advice, Investment Implementation Advice, Whole Fund Reporting. Other services such as attendance at pension committee meetings, specific responsible investment advice and input into disclosures, provision of investment training or views on markets can also be provided by the Border to Coast pool.

2.11 The Border to Coast pool will also provide a specific “legacy” service for assets invested outside of the pool. The Border to Coast pool acting as Investment Manager will execute any and all transactions relating to the Legacy Investments including subscriptions, redemptions, secondary transactions, disposals, corporate actions, existing passive vehicles and all related agreements and documentation.

2.12 The POA allows Border to Coast Pool to act as “Attorney” for the benefit of the Fund with regard to the management, purchase and sale of the assets and investments for the Fund in order to allow the Border the Coast pool to deliver the services described above to maintain and manage the legacy assets of the Fund.

2.13 The Fund has also now received a detailed appraisal of the costs associated with becoming shareholder in the new pool and officers are currently working through this detail to understand the full cost implications before costs are reported to the Pension Board and Pension Committee. Further detail on the can be found within an exempt report at Agenda item 19.

3 Dissolution of the ACCESS Partnership

3.1 With 7 ACCESS partner funds moving to Border to Coast Pensions Partnership Ltd and 4 ACCESS partner funds moving to the LGPS Central Pool, ACCESS will dissolve and fragment between the 2 destination pools.

3.2 As it will take some time to revise the current Inter-Authority Agreement (IAA) to deal with all the consequences of the current circumstance, a Memorandum of Understanding has been agreed and signed to act as a bridge between the current and new IAA and provide an agreed protocol for partner funds to move forward and work on the dissolution of the ACCESS Partnership.

3.3 As at the date of writing, the position is that a Head of Terms document is close to being agreed between the ACCESS authorities. The Heads of Terms document will set out the principles upon which the ACCESS pool will be dissolved and the basis upon which the costs will be shared. The aim is then to finalise a revised IAA in line with the Heads of Terms document by 1 April 2026. However, Squires Patton Boggs have confirmed that if the revised IAA is not finalised and signed by 1 April 2026, the current IAA combined with the MOU document is sufficient to continue to operate the ACCESS pool from a legal perspective.

3.4 At a high level, the agreed cost sharing principles are:

- Based on holdings at 30 June 2025
- General costs continue to be split equally
- Transition costs borne by relevant fund, except where additional costs arise to achieve a split of sub-funds with participants going to both pools – those will be shared in line with Assets Under Management (AUM) holdings and some equal splits of annual fees
- Commitment to transparency about method and timing of transitions
- Any changes to principles will require unanimous decision (delegated to officers)

3.5 The current draft of the revised Heads of Terms document recognises that the remaining functions for ACCESS authorities will be much more limited with all day-to-day operational matters for the ACCESS ACS being delegated to the new pools via power of attorney. The Joint Committee will have full delegated authority to terminate the IAA and Operator Agreement (by majority decision), and meetings will be on an “as required” basis with a simpler quorum.

3.6 There are ongoing discussions between ACCESS, Border to Coast Pensions Partnership, LGPS Central, Northern Trust (Custodian to ACCESS) and Waystone (Operator for ACCESS) to establish a protocol for the transfer of investment. The aim is to develop an approach to safely dissolve and reorganise the assets of the partner funds in ACCESS. This is complex and challenging process for which there is no precedent.

4 Pension Committee

4.1 Whilst the current Terms of Reference (“ToR”) for the Pension Committee do contain all the necessary powers and delegations for the Committee to oversee and authorise the process of leaving ACCESS and joining Border to Coast Pensions Partnership Ltd, the current ToR will need updating to make specific reference to the new pooling arrangements.

5. Conclusion

5.1 The Pension Committee is therefore recommended to note the updates in relation to next steps for the East Sussex Pension Fund in terms of pension fund pooling as set out in this report; approve the entering into the Investment Management Agreement with Border to Coast Pensions Partnership Ltd (BCPP), and delegate authority to the Chief Finance Officer authority to take any action they consider necessary to give effect to the above recommendation, including, but not limited to, agreeing the terms of and entering the Investment Management Agreement with BCPP.

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