

From: Sarah Emberson – Chair of Pension Fund Committee
John Betts – Interim Corporate Director – Finance
To: County Council – 18 December 2025
Subject: Government Pensions Review: LGPS Asset Pooling
Classification: Unrestricted

Recommendation:

County Council is asked, as recommended by the Pension fund Committee, to:

- 1 **Agree** that Kent County Council, as Administering Authority for the LGPS Kent Pension Fund, enter into the Pension Pooling arrangements with Border to Coast Pensions Partnership.
- 2 **Agree** to join the Border to Coast Joint Committee
- 3 **Approve** the appointment of the Chair of the Pension Fund Committee as the Kent Council Representative on the Joint Committee
- 4 **Delegate** authority to the Pension Fund Committee to manage required updates or amendments to the ACCESS Inter-authority Agreement as required to support the transition to Border to Coast.
- 5 **Delegate** authority to the Pension Fund Committee to manage future appointments to the Joint Committee.
- 6 **Delegate** authority to the s151 Officer to take required actions, including but not limited to entering into contracts or other legal agreements, as necessary to implement this decision.

1. Background

- 1.1 This report sets out the background and work undertaken to reach the conclusions, and confirms the decisions of the Pension Fund Committee, as the body with delegated responsibility for the management of the Kent Pension Fund. The Pension Fund Committee has made a number of recommendations to the County Council to ensure safe and efficient transition from the ACCESS pool to Border to Coast.
- 1.2 Kent County Council is the administering authority for the Kent Pension Fund on behalf of over 500 employers bodies, and circa 170,000 scheme members in Kent. The Fund is part of the Local Government Pension Scheme (LGPS) which is a national scheme, with regulation set centrally, but administered at a

local level by 85 administering authorities including KCC. The County Council delegates all responsibility for the management of the Fund to the Pension Fund Committee.

- 1.3 In 2015 the Government announced that it would work with all LGPS Administering Authorities to create asset pools, that would enable funds to be invested at greater scale with the aim of improving efficiencies of scale and improving governance around decision making.
- 1.4 The ACCESS investment pool was created in 2016 in response to this requirement and Kent Pension Fund has worked with ten other administering authorities to develop the pool since then. ACCESS was one of eight such pools created in 2016 across the LGPS in England and Wales.
- 1.5 In November 2024, the Government issued a consultation for the LGPS in England and Wales titled "Fit for the Future". This consultation was aimed at reforming the LGPS with particular focus on the eight asset pools. After concluding its review, the Government announced that two of the existing asset pools, Brunel and ACCESS, did not meet their ambitions and therefore all twenty-one LGPS funds would have to find new pools. This included the Kent Pension Fund
- 1.6 These twenty-one funds (including Kent) had until 30 September 2025 to advise the Government of the "in principle" decision of their preferred pool. The Kent Fund has identified the Border to Coast Pension Partnership as the preferred option after significant research, due diligence, and meetings with officials and existing partner funds. The Pension Fund Committee approved this in principle recommendation at its meeting on 23 September 2025. The Committee, at its meeting on 11 December 2025, having regard to the latest advice and updates on progress with the preparation and development of the necessary arrangements for joining the Border to Coast Pension Fund, confirmed the earlier in principle decision and formally agreed to recommend the this approach to County Council.
- 1.7 As the Kent Pension Fund is not a legal entity in its own right, Kent County Council, as administering authority will need to become a partner in Border to Coast. All costs of entering into the partnership are a proper charge to the Fund, so there are no financial implications to the Council's base budget arising from becoming a partner.

2. Changes to asset pooling in the Local Government Pension Scheme

- 2.1 The Local Government Pension Scheme (LGPS) is a national scheme administered at a local level by eighty-six pension funds across England and Wales. In total the scheme has 6.7 million members and circa £400 Billion in investments.

- 2.2 In 2015 the Government asked the LGPS to work together to create a number of asset pools designed to ensure that it was achieving economies of scale, with respect to asset management fees. There was also an objective to improve the governance around investment decisions. Over the coming years eight asset pools were created and operated across England and Wales.
- 2.3 The Kent Pension Fund is currently a member of the ACCESS investment pool which is made up of eleven administering authorities from the East, South-East, and South of England. ACCESS was established in 2016.
- 2.4 In the 9 years since pooling was initiated the Kent Pension Fund has been part of the ACCESS investment pool with ten other funds. ACCESS has achieved savings of £123M in asset management fees for the eleven funds in the nine full years since its creation.
- 2.5 On 14 November 2024, the Government issued a consultation for the LGPS in England and Wales titled "Fit For the future". The consultation covered areas of asset pooling, UK and local investment and governance. The consultation closed on 16 January 2025, and the government's response was published on 29 May 2025¹.
- 2.6 The following are key elements of the consultation, which will become law in 2026:
- All LGPS funds will be required to pool their assets. The default expectation is for assets to be invested collectively, with some flexibilities – including for listed assets – provided all assets are "managed" by the pool. This means the pool must be responsible for deciding whether to buy, sell or reinvest any asset it manages.
 - Pools must be structured as investment management companies authorised and regulated by the Financial Conduct Authority.
 - Administering authorities will be responsible for setting their (high-level) investment strategy. Implementation of that strategy must be fully delegated to their pool. Funds must take their primary investment advice from their pool, with further independent advice to be taken only in exceptional circumstances.
 - Administering authorities will be required to set a target for local investment and to work with relevant strategic authorities to identify and develop suitable opportunities. Pools must develop the capability and capacity to carry out due diligence and manage local investments. The final decision on whether to invest in any opportunity lies with the pool, not the administering authority.
- 2.7 The Government invited the eight asset pools to submit its plans to meet its new, stricter criteria for asset pooling, and ACCESS submitted its plans in January 2025. A response was received from the Government on the 9 April 2025 signed by Torsten Bell MP, Minister for Pensions, and Jim McMahon MP, Minister for Local Government. The Ministerial response rejected the ACCESS pool submission concluding that the ACCESS proposal did not meet the
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Government's vision for the future of the LGPS. The Government also rejected the proposal from the Brunel pool, based in the Southwest of the country.

- 2.8 As a result of this rejection the twenty-one funds in Brunel and ACCESS were asked to identify a new pooling partner, and to become part of the new pool by 31 March 2026. At their meeting in March 2025 the Pension Fund Committee was advised of the potential challenges with the ACCESS model, and therefore commissioned officers, working with advisers to identify the most appropriate pool for the Kent Fund.
- 2.9 It was identified that there were six pool options to be explored, the Fund had already identified that probably only four of them were appropriate options, and one of these (Brunel) had been effectively removed by the Government decision. Therefore, the three options considered were Border to Coast Pension Partnership, LGPS Central and Local Pension Partnership Investment (LPPI)
- 2.10 A set of criteria was developed by officers with Mercer to assess each pool during site visits. These were further refined and the final criteria used as part of the assessment process were as follows:

• Bigger picture – How does the pool fit in with the ongoing reorganisation of the local political landscape and alignment with regional mayoral authorities
• Geography – Alignment/ability to facilitate local and regional investment opportunities
• Flexibility – Onboarding, investment implementation & transition planning. Willingness to establish new funds to meet Fund requirements.
• Governance – Shareholder/ownership rights, regulatory capital, organisation structure. Level of pool resource to support future structure
• Responsible investment – Integration across organisation and investment range. Stewardship and climate reporting capabilities and support for partner funds.
• Fund range/Offerings – Current and future fund ranges, fees, past performance, governance, and process of investment management
• Longevity – Robust long-term plan, likelihood of avoiding/surviving future rounds of consolidation
• Fit – View of working with other partner funds/pool, overall assessment of fit from key criteria

- 2.11 Kent officers have worked with other Funds within ACCESS and conducted site visits for all three of the shortlisted pools in the week beginning 19 May. The site visits were informative and essential as part of the initial due diligence in establishing who the preferred pool partner might be. It provided officers with an insight into how these pools were run, an opportunity to meet and question senior management on the criteria set out above and meet the investment teams who could potentially be managing the assets of our Funds in the future.

- 2.12 Also, in attendance at these meetings were some of the pool's current partners/shareholders who provided feedback on their experience and interaction with the pools. This was an important part of the engagement process to hear from existing pool partner funds about their experience and to understand how they engage with the investment pool in business planning and fund development.
- 2.13 The main conclusion drawn by officers from all funds was that any of the three pools could meet the requirements of our funds. The three pool companies evidenced that they were well established, to differing degrees, to implement the strategic asset allocation of each Fund and offer the professional services expected of an FCA regulated investment company.
- 2.14 The conclusion from the pool site visits and completed questionnaires is that Border to Coast Pension Partnership (BCPP) would be the best fit for the Kent Fund. This conclusion follows a robust and thorough assessment involving several stages with various checks and challenges assisted with information gathering and assimilation by external experts. This was a unanimous view of all those involved in the exercise.
- 2.15 In moving to Border to Coast, Kent will become part of a larger collective investment pool with eighteen partner funds and assets of more than £100 Billion. This move will result in even greater efficiencies of scale; Border to Coast were recently assessed by independent benchmarking company ClearGlass as the most efficient of more than 1000 schemes internationally, in terms of their ability to negotiate fee savings from their underlying asset managers. This was a key factor in Kent's assessment.
- 2.16 The Pension Fund Committee considered the outcomes of this detailed due diligence work at its meeting on 23 September and agreed the recommendations that the Border to Coast asset pool was best placed to meet the criteria identified.
- 2.17 Six other ACCESS funds have reached the same conclusion, and four have chosen the LGPS Central pool. The six other ACCESS funds who have committed to joining the BCPP pool are Essex, East and West Sussex, Cambridgeshire, Hertfordshire, Northamptonshire with combined Assets of £47.7 Billion.
- 2.18 The Border to Coast board recommended to all the existing eleven partner funds in the pool that the seven new funds be accepted as partners in the expanded pool. It is pleasing that all accepted this proposal.

Legal and Governance implications

- 2.19 For the Kent Pension Fund to become part of the Border to Coast Pension Partnership, there will be several legal documents that need consideration. Kent County Council will effectively become a shareholder in the partnership and will therefore have responsibilities as a shareholder. As Members will be aware the Kent Pension Fund is not a separate legal entity, and Kent County

Council, as the Administering Authority for the Fund, will need to enter into the agreements.

- 2.20 As entering such arrangements with partner bodies involves the transfer of some decision-making activity and updating of governance arrangements, it is necessary for the County Council to make the final decision. However, the Pension Fund Committee, as the Committee responsible, has a critical responsibility to consider the detailed advice, risk profile, wider strategic implications and the best value aspects, with the opportunity to take proper professional advice and ask key questions of the Officers as part of making the proper recommendation to County Council.
- 2.21 It is important to note the costs and risks of becoming a shareholder are met by the Kent Pension Fund and will not affect the County Council base budget or the Kent Taxpayer. However, as noted above, the Council is the legal entity therefore the County Council needs to agree to become part of the new investment pool.
- 2.22 Relevant legal advice has been secured from the ACCESS Pool legal advisors and the KCC Legal Team.
- 2.23 The following key legal agreements will need agreeing for Kent to become a partner in BCPP:

Shareholders Agreement

- *Sets out the 18 Shareholders (administering authorities within the LGPS), of the Border to Coast Pension Partnership and records the terms of their relationship with each other as shareholders in relation to Border to Coast.*
- *The amendments to the Shareholder Agreement include the admittance of the seven new Partners (Cambridgeshire County Council, East Sussex County Council, Essex County Council, Hertfordshire County Council, Kent County Council, West Northamptonshire Council and West Sussex County Council) as shareholders.*

Inter-Authority Agreement (IAA)

- *The IAA is an agreement between all 18 Partner Funds. It sets out arrangement between the Partner Funds in the pooling of Local Government Pension Scheme assets through Border to Coast Pension Partnership including the Border to Coast Pension Partnership Joint Committee governance arrangements.*
- *The IAA has been amended to include the New Shareholders in the Border to Coast Pensions Partnership Joint Committee and to make other related changes.*
- *The Constitution confirms that each Authority signed up to the IAA will appoint one elected member to the Joint Committee.*

Articles of Association

- *The Articles of Association set out how Border to Coast Pensions Partnership is run. It lists the local authority shareholders who “control” the company and is being updated to reflect the seven incoming Shareholders.*

- 2.24 These are all existing documents that the eleven current partner funds have agreed with Border to Coast. Due to the tight timelines set by the Government agenda, the intention is to ensure that the collective of eighteen partner funds (eleven existing and seven new) in the expanded Border to Coast pool are “safe and legal” by 31 March 2026 in line with the deadline.
- 2.25 In addition to these legal documents required to become a partner in BCPP, the Kent Fund will need to ensure a safe and efficient wind down of the ACCESS pool and will work with the ten other administering authorities to do this in the coming months. The ACCESS Inter Authority Agreement plays a key part and will be reviewed and revised in the coming months to reflect the changes. Management of the ACCESS IAA is recommended to be delegated to the Pension Fund Committee to allow for timely decision-making.
- 2.26 An important governance and authority consideration to highlight to Council is that Kent will be joining these arrangements on the basis of ‘One Fund, One Vote’. This means that Kent will be an equal partner in the Pool, on even terms with all existing and fellow new joining Funds. That provides the Fund and Council with a clear and fair position in relation to decision-making as part of the future of Border to Coast Pension Pool.
- 2.27 The next steps for the Kent Pension Fund and associated timeline are broadly as follows:

Date	Description
September 2025 onwards	• Onboarding and transition planning • Work on Heads of Terms/formal legal documentation
December 2025	Recommendation to County Council to approve PFC recommendation to become shareholder of Border to Coast
February / March 2026	Deadline to complete legal documentation to join BCPP as shareholder as well as client Review and revise the ACCESS IAA.
April 2026 onwards	Transitioning assets into BCPP

2.28 The Kent Pension Fund will collaborate with the other six ACCESS funds throughout the process to ensure effective use of resources, however, they will always need to ensure that the conclusions are appropriate for the Kent Fund.

Recommendations:

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4. Report Author: Nick Buckland, Head of Pension Fund and Treasury, 03000 413984, nick.buckland@kent.gov.uk

Background papers:

Pension Fund Committee papers
December 2024, March 2025, September 2025, December 2025