



Administering Authorities
Brunel Pension Partnership

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 Brunel Pensions Partnership.

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 the Scheme, which is 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 consideration 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 Brunel 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 Brunel pool and further considered the points made in our meeting with pool 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. We are impressed by many aspects of the Brunel pool, including your focus on responsible investment.

While Brunel's proposal acknowledges that the pool may benefit from further scale, the proposal does not undertake a consideration of merger with other pools, but instead it states that merger could be revisited in the future. Proposing that the immediate focus should be on completing the transition of partner Authorities' assets to pool management. We recognise that capacity and budget for developing a business case have not been agreed by the partner Authorities and that merger discussions would be disruptive for Brunel staff. However, in our view this difficulty would only be amplified by waiting longer, and Government's letter of 2 December explicitly asked for proposals to consider merger as a means to meet the requirements in the consultation.

We also observe that the proposed operating model is different in its outsourced focus and higher cost than some of the other pools. While Brunel is an FCA-regulated company, it is not an Alternative Investment Fund Manager, and Brunel does not have internal investment management capacity. Brunel has explained the rationale for using an outsourced model, including retaining agility to meet Government requirements, and have shared their view that internal management would not deliver value for money at the pool's current scale. While this may be valid for Brunel's current position, looking forwards there is clear evidence that internal management, especially at Brunel's scale, will bring greater benefits of scale and drive greater value for money.

We understand Brunel's leadership and Board are of the view that greater scale through merger would be in the long-term best interests of the pool and Administering Authorities but that at present there is a challenge of prioritisation with regard to merger, transition of assets to pool management, and local investment. Government recognises this challenge – it is part of the driver for proposing such an ambitious timeline for reform, as it is critical these structural changes do not detract from the longer-term investment focus for any longer than is necessary. Brunel leadership have asked for a clear steer from Government on priorities – Government are of the view that the interests of the LGPS, its members, employers and local taxpayers are best served by merger being prioritised in the immediate term. This will prevent any duplication of transition and operating costs as well as minimise the period of disruption for the scheme as a whole.

For these reasons, we have concluded that Brunel's proposal does not meet the Government's vision for the future of the LGPS. Government is of the view that the interests of the scheme are best met by Brunel Authorities working with another LGPS pool to form a new partnership. We therefore invite you 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 Brunel 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 recognise Brunel may have a preference for a pool merger involving all Brunel's Administering Authorities and while Government recognise that this may be a more straightforward process and minimise transition and operating costs, it is ultimately a decision for each Administering Authority to take.

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