



9 April 2025

Administering Authorities
Northern LGPS

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.

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 Administering 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 a scheme 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 merger of pools. We recognise how significant an undertaking this has been for each pool in a short space of time and thank you for the spirit in which you have participated in this process and for your close engagement throughout. 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 appreciate the substantial work and thought which has gone into producing your proposal. We have also considered the points made in our meeting, not least our shared desire to enhance local investment.

You have a strong record of local investment of which you are rightly proud, and at the heart of our proposals is a determination to protect and enhance local investment by the Northern pool and indeed the entire LGPS. Your pool, unlike a typical private sector asset manager, would be wholly owned by the three underlying Authorities and exist solely to deliver on the investment strategies set by those Authorities including their chosen objectives on risk, return and impact. All existing LGPS pools are set up on a not-for-profit basis, and act solely in the interests of their shareholders, the Authorities.

We also recognise that there is potential for a large-scale pool to lack the incentive to prioritise smaller local opportunities. We have therefore proposed that each Authority sets a target of its own choosing on local investment, and each pool must develop the capability to due

diligence and execute these local investments. Finally, we proposed that Authorities and pools must work in partnership with Mayoral Combined Authorities in support of the local pipeline of investment and growth opportunities.

Your proposal has many strengths, in particular the proposal to bring together the significant expert teams within the three Authorities in the pool company, and your commitment to continue and develop local investment. You also state in your proposal that the decisions on implementation would be for the pool, but that initially a majority of your Authorities' assets would be held in separate segregated mandates for each Authority.

We have reviewed your proposal and are supportive of you proceeding as you have set out, and in line with the March 2026 deadline. This is on the shared understanding that from March 2026 the new LGPS Northern pooling company would be responsible for all investment implementation decisions, including on whether or not to retain segregated mandates for each Administering Authority, such that the best interests including cost effectiveness for all three Authorities can be considered and reviewed. A £65bn pool, double the size of your largest Authority, would be able to reach new heights, to the benefit of your region.

For your awareness, we have concluded that the proposals from some pools do not meet the requirements set out by Government. The partner Authorities of those pools should now seek to join another pool. Should any of those Authorities approach Northern, and you together agree to their inclusion, the joint in-principle decision to proceed should be provided to Government by 30 September 2025, with a check in point in June. Our officials would invite you a discussion on this in June and work with you to support any new partnership you choose to build. We recognise that the March 2026 deadline may be more difficult for Authorities who move pool, so we will keep this under review for those Authorities.

Our officials stand ready to support you throughout the period to the March 2026 deadline for meeting the minimum standards for pooling and will check in with you regularly. We look forward to seeing your continued progress towards establishing world-class investment management for 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