

	Pension Board 24 March 2025
	Report from the Corporate Director, Finance and Resources
LGPS Update Report	

Wards Affected:	All wards
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Five Appendix 1 - LGPC Bulletin – October 2024 Appendix 2 - LGPC Bulletin – November 2024 Appendix 3 - LGPC Bulletin – December 2024 Appendix 4 - LGPC Bulletin – January 2025 Appendix 5 - LGPC Bulletin – February 2025
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	<p>Minesh Patel, Corporate Director, Finance and Resources 020 8937 4043 (minesh.patel@brent.gov.uk)</p> <p>Amanda Healy, Deputy Director of Finance 020 8937 5912 (amanda.healy@brent.gov.uk)</p> <p>Sawan Shah, Head of Finance 020 8937 1955 (sawan.shah@brent.gov.uk)</p> <p>John Smith, Pensions Manager 020 8937 1985 (john.smith@brent.gov.uk)</p>

1.0 Executive Summary

- 1.1 The purpose of this report is to update the Board on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and

any recent consultations issued which would have a significant impact on the Fund.

2.0 Recommendation(s)

2.1 The Committee is asked to note the recent developments in the LGPS.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Background

Central Government

3.2.1 DLUHC has reverted to the acronym MHCLG. On 14 January 2025, Torsten Bell MP was appointed Minister for Pensions replacing Emma Reynolds.

LGPS statistics for 2023/24

3.2.2 On 24 October 2024 MHCLG published the LGPS statistics for 2022/23 and the highlights include;

- total expenditure of £17.1 billion, an increase of 11.9 per cent on 2022/23
- total income of £20.7 billion, an increase of 19.3 per cent on 2022/23
- employer contributions of £10.5 billion, an increase of 24.6 per cent on 2022/23 - this reflects early payment of employer contributions following the triennial valuation
- the market value of LGPS funds on 31 March 2024 was £391.5 billion, an increase of 9.0 per cent since 31 March 2023
- 99,505 retirements in 2023/24, an increase of 6.3 per cent on the number of retirements in 2022/23

2025/26 employee contribution bands and Pensions in Payment

3.2.3 Table 1 below shows employee contribution bands, which will be effective from 1 April 2025. These are calculated by increasing the 2024/25 employee contribution bands by the September CPI figure of 1.7% and then rounded down to the nearest £100.

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment (%)	50/50 section contribution rate for that employment (%)
1	Up to £17,800	5.5	2.75
2	£17,801 to £28,000	5.8	2.90
3	£28,001 to £45,600	6.5	3.25
4	£45,601 to £57,700	6.8	3.40
5	£57,701 to £81,000	8.5	4.25
6	£81,001 to £114,800	9.9	4.95
7	£114,801 to £135,300	10.5	5.25
8	£135,301 to £203,000	11.4	5.70
9	£203,001 or more	12.5	6.25

3.2.4 LGPS pensions are adjusted each April in line with the cost of living. The increase is measured by the annual increase in the Consumer Price Index (CPI) to September and is applied to pensions from the following April. The increase that will be applied from 7 April 2025 is 1.7%.

Extending inheritance tax to death benefits

3.2.5 Death grants can be paid at the absolute discretion of the Administering Authority, which means that they do not attract Inheritance Tax (IHT).

3.2.6 The Government has proposed removing the distinction between discretionary and non-discretionary payments on 6 April 2027. If it comes to pass the change would mean that all LGPS death grants would be subject to IHT from April 2027.

3.2.7 The personal representatives would be required to calculate whether any IHT is due and pass any relevant information to the Administering Authority. the Administering Authority would be responsible for paying and reporting any IHT on the death grant to HMRC.

3.2.8 HMRC is reviewing the responses to the consultation on extending IHT on pensions, and it will publish a formal response and draft legislation later this year.

Qualifying registered overseas pension schemes (QROPs) charges

3.2.9 The exemption from the overseas transfer charge (OTC) for European schemes has been removed and they will be subject to the charge in future, unless a relevant exclusion applies.

Teachers excess service

3.2.10 As Teachers cannot be admitted to the final salary section of the Teachers' Pension Scheme after 31 March 2015, they are awarded a period of "excess service" in the LGPS instead. The early stages of the process involve Teachers' Pensions (TP) identifying members in scope and verifying their excess service with employers.

3.2.11 The next steps will be:

- A) The Administering Authorities will need to know which schools have teachers with excess service, and which have not yet responded to TP requests, so that it can ask them to verify the data supplied by TPS.
- B) LGPS administering authorities gather the data they need to set up an LGPS record for members in scope from employers. As this exercise is driven by McCloud, authorities will need to collect both CARE and final salary information.
- C) LGPS administering authorities request employee and employer contributions plus interest from TP. The same spreadsheet can be used for steps 2 and 3 above and we are waiting for the final version of the spreadsheet to be approved by TP.

Virgin Media Ltd v NTL case

3.2.12 The case confirmed that amendments made to pension scheme rules regarding section 9(2B) rights are void unless the scheme actuary certified that the scheme still met the contracting-out adequacy test.

3.2.13 His Majesty's Treasury is still assessing the implications of the judgement and, although it does not believe the case explicitly require actuarial certificates for public sector schemes (case deals specifically with private sector schemes) as the relevant amendments would or should have been made by legislation. The general position in public law is that legislation remains valid until it is revoked or repealed by subsequent legislation or, in the case of regulations, specifically declared void by a court.

Fair Deal for Further Education Colleges

3.2.14 HM Treasury has confirmed in a letter to the Association of Colleges that the Government has decided to extend the New Fair Deal policy to further education bodies that operate in the statutory sector, with effect from 14 November 2024. The policy also applies to tendering and outsourcing exercises currently in progress where the transfer of staff has not yet concluded.

3.2.15 SAB is continuing to engage with MHCLG officials on how New Fair Deal should apply to the local government workforce and any amendments to the LGPS regulations that may be needed.

Funding Strategy Statement (FSS)

3.2.16 Updated guidance for preparing and maintaining a FSS can be found on the Scheme Advisory Board guidance page. It has been reviewed and jointly approved by the Board's Compliance and Reporting Committee, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of

Housing, Communities and Local Government (MHCLG) and it replaces the 2016 guidance produced by CIPFA.

LGPS 'Fit for the Future' consultation

3.2.17 The Chancellor launched a consultation on reforms to the LGPS which closed on 16 January 2025. It focuses on the eight 13 existing investment pools and the SAB is not expecting any changes to the structure of the underlying 86 funds in England and Wales. The proposals include;

- pools must become Financial Conduct Authority (FCA) regulated entities, capable of managing assets internally and providing investment advice to their LGPS partner funds,
- the funds will be responsible for setting their strategic asset allocation but must delegate the implementation to the pool and follow the pool's investment strategy advice.
- legacy assets to the pool's management,
- funds and pools will work closely with combined mayoral authorities to develop a plan for more investments in local growth, having regard for local growth plans,
- there will also be a new biennial governance review process for LGPS funds, which the SAB Secretariat Team at the LGA will coordinate.

3.2.18 The Scheme Advisory Board published its response on 10 January 2025 and on 16 January 2025, the Local Government Pensions Committee published its response. Brent submitted its response to the consultation, and we are currently awaiting the outcome.

Local audit reform consultation

3.2.19 On 16 December 2024, MHCLG launched an open consultation setting out proposals for overhauling the local audit system in England. The consultation sets out a strategy to improve the local audit system and specifically mentioned in paragraph 77 is a proposal to decouple pension fund accounts from the main accounts of the administering authority. Brent supports this proposal which the SAB has recommended for some time. The consultation closed on 29 January 2025.

The Neonatal Care Leave and Pay (Consequential Amendments to Subordinate Legislation) Regulations 2025

3.2.20 This is a new statutory entitlement for employed parents whose child receives neonatal care starting within 28 days of birth and goes on to spend seven or more continuous days in care. Eligible parents will be entitled to up to 12 weeks

of neonatal care leave (NCL) in addition to existing entitlement such as maternity, adoption and paternity leave.

Normal Minimum Pension Age (NMPA) increase in 2028

3.2.21 The NMPA, which is currently 55, is due to increase to 57 on 6 April 2028. This does not affect ill-health retirement, which can occur at any age.

3.2.22 Active, deferred, deferred pensioner and pension credit members with an unqualified actual or prospective right to any benefits under the LGPS before 4 November 2021, will have a protected pension age (PPA) under the Finance Act of 2004.

3.2.23 They would be able to draw their pension benefits after 5 April 2028 but before they reach age 57 without any unauthorised payment tax charges.

3.2.24 A member with an PPA can transfer in or out (apart from bulk transfers) but only the transferred membership will be protected in the new scheme.

3.2.25 A PPA only confers protection from tax charges and after 5 April 2028 a member will not be able to retire before age 57 unless the scheme rules allow it. Members of the LGPS will only benefit from a PPA if the regulations are amended.

4.0 Stakeholder and ward member consultation and engagement

4.1 This is not applicable to this report.

5.0 Financial Considerations

5.1 There are no specific financial implications associated with this report.

6.0 Legal Considerations

6.1 There are no specific legal considerations arising from this report.

7.0 Equity, Diversity & Inclusion (EDI) Considerations

7.1 There are none directly arising from this report.

8.0 Climate Change and Environmental Considerations

8.1 There are none directly arising from this report.

9.0 Human Resources/Property Considerations

9.1 There are none directly arising from this report.

10.0 Communication Considerations

10.1 None that are applicable to this report.

Report sign off:

Minesh Patel

Corporate Director, Finance and Resources