



Pension Board
6 November 2025

**Report from the Corporate Director,
Finance and Resources**

LGPS Update Report

Wards Affected:	All wards
Key or Non-Key Decision:	Non-Key
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:	Appendix 1 - LGPC Bulletin – July 2025 Appendix 2 - LGPC Bulletin – August 2025 Appendix 3 - LGPC Bulletin – September 2025 Appendix 4 - Local Government Pension Scheme England and Wales; Scheme improvements (access and protections)
Background Papers:	None
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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

Revival of the Pensions Commission

- 3.2.1 The Government revived the Pensions Commission on 21 July 2025 to address a growing retirement crisis. The original Commission was established in 2002 and made several recommendations, including individuals being automatically enrolled into workplace pension schemes.
- 3.2.2 The new Commission aims to build on the work done by the original Commission. It will take a broader more holistic view UK pension provision. It will explore the barriers stopping people from saving enough for retirement and examine the outcomes delivered by the industry,
- 3.2.3 The aim is to establish a financial framework that is strong, fair and sustainable. It will focus on the following topics;
- outcomes and risks for future cohorts of pensioners based on current trajectories
 - improving retirement outcomes, particularly for those on the lowest incomes
 - the role of private pension provision and wider saving
 - building on the foundation of the State Pension to deliver financial security
 - the long-term challenges of supporting an ageing population

3.2.4 The Commission will be led by Baroness Jeannie Drake (a member of the original Commission), Sir Ian Cheshire and Professor Nick Pearce and the final report is due in 2027.

Consultation on the Local Government Pension Scheme England and Wales; Scheme improvements (access and protections)

3.2.5 On 13 October 2025, the Ministry of Housing, Communities and Local Government (MHCLG) published the Scheme improvements (access and protections) consultation. The consultation explores four key proposals; increasing the normal minimum retirement age, opening the LGPS to councillors and mayors, removing the requirement for academies to obtain a Directions Order if they change administering authority and New Fair Deal. The full consultation is attached in Appendix 4 and closes on 22 December 2025.

Normal minimum pension age

3.2.6 The Government consulted on increasing the normal minimum pension age (NMPA) on 11 February 2021. Following the consultation, the normal minimum pension age (NMPA) is scheduled to increase to 57 on 6 April 2028.

3.2.7 The consultation considers the four categories of member who may be affected by the change;

- Category 1 – active members with LGPS membership immediately before 4 November 2021 will have a protected pension age (PPA - age 55)
- Category 2 – members who transferred a pension arrangement into the LGPS from a relevant registered pension scheme (RRPS) where they had an actual or prospective right to take pension benefits from an earlier age than 57, the member will have a PPA in respect of the transferred benefits.
- Category 3 - The members who were not in an RRPS on 4 November 2021 will have an NMPA of 57.
- Category 4 - There are no plans to change the arrangements for LGPS members who have existing protections for ages between 50-55 derived from paragraph 22 of schedule 36 to the Finance Act 2004.

3.2.8 Members who transferred a pension arrangement into the LGPS from a relevant registered pension scheme (RRPS) where they had a right to take their pension benefits before 57, the member will have a PPA in respect of the transferred benefits.

3.2.9 However, the Government does not want members to draw their transferred benefits before 57 and it is opposed to ring fencing them as the scheme would need to be redesigned. Instead, it is proposing a mechanism to apply adjusted actuarial reductions to the transferred element to offset any adverse impact of NMPA 57 when the member draws their pension.

Reinstating the LGPS pensions for Councillors and offering access to Mayors

3.2.10 Councillors used to be able to participate in the LGPS from 1 May 2003 until the date their term of office ended after 31 March 2014.

3.2.11 Government intends to reopen the LGPS to councillors and to open it to mayors and it has advanced two key principles;

- Elected members should be treated the same as other members of the LGPS as far as possible
- Elected members should be treated in a way that is consistent with the LGPS in pre-2014 England & Wales

3.2.12 The key features are;

- Elected members will not be subject to auto-enrolment
- Employer will not be allowed to award additional pension, make shared additional voluntary contributions or fund additional pension contributions for an elected member
- A new definition of pensionable pay will be used, to cover both basic allowances and special responsibility allowances
- Elected members will pay employee banded contributions at the same rates as other members
- Members will not be permitted to combine any LGPS membership they may have as an elected member with any other LGPS membership
- Flexible retirement will not be permitted for elected members
- Early retirement on grounds of redundancy or business efficiency will not be permitted for elected members
- Elected members will be permitted to transfer benefits in and out of the LGPS in the same way as other members, except for final salary benefits
- Voluntary early and late retirement will be permitted in the same way as for other members
- Elected members will be in scope of the forfeiture regulations
- elected members will have access to the 50:50 scheme
- elected members will have the same Assumed Pensionable Pay protections as other members

3.2.13 The Government Actuary's Department estimates that employer contributions will increase by £40-45 million per year in England, but the Government will not provide any additional funding.

Academies and Directions Orders

3.2.14 Over half the schools in England are academies and the vast majority of those are in multi academy trusts (MATs). The regulations state that the appropriate administering authority is the one in the geographical area that the academy is situated.

3.2.15 As MATs may be spread among two or more administering authorities this can be inefficient and generate unnecessary administrative costs. Employers can apply for a direction from the Secretary of State, which substitutes a different administering authority as the appropriate authority.

3.2.16 The Government thinks that consolidating all the schools in a MAT in one administering authority may reduce duplication of work and generate efficiency savings. These perceived benefits must be weighed against risks of transferring assets and member records.

3.2.17 The Government is proposing removing the requirement for a Directions Order where certain criteria are met. The criteria are;

- There must be clear evidence and a compelling value-for-money assessment in favour of the consolidation (e.g. administrative efficiencies that comfortably outweigh the professional fees).
- There should be a pre-existing relationship with the administering authority that the MAT wishes to join or consolidate into (i.e. the MAT must already have schools in that administering authority).
- Both administering authorities involved should agree to the change.
- The importing administering authority must be able to administer the transfer effectively.

3.2.18 The Government wants to prevent "cherry picking / contribution shopping" where employers gravitate towards administering authorities with the lowest employer contribution rates.

3.2.19 There will be no requirement to seek Secretary of State consent if all the criteria are met. For situations where any of the criteria are not met, or where a local consensus is subsequently disputed, applications will continue to be referred to the Secretary of State.

New Fair Deal

3.2.20 Fair Deal was originally introduced in 1999 for non-local government public sector employees who were TUPE transferred. Protection for local government employees who are TUPE transferred is conferred by the Best Value Authorities Staff Transfers (Pensions) Direction 2007.

3.2.21 Although there are currently two types of protection, the new proposal flows from Fair Deal consultations in 2013, 2016 and 2019. The changes are intended to address a range of administrative problems, including facilitating complex admission agreements, resolving incomplete admission agreements and unscrambling serial lettings to a series of contractors.

3.2.22 The new proposal advocates significant changes including removing the option to provide a genuinely equivalent pension scheme and ending admitted body status. Administering Authorities have increasingly turned to pass-through admission agreements as a pragmatic solution to these issues and the proposed deemed employer solution is the natural step in the direction of travel.

3.2.23 The aim of these proposals is to ensure that transferred employees retain the security of the LGPS, a statutory scheme with benefits set out in law, and to enable LGPS employers to obtain better value from outsourced service contracts.

3.2.24 The solution proposed is that the letting authority would remain the deemed employer and guarantee the pension liabilities of their chosen contractor.

3.2.25 A The key definitions in New Fair Deal are;

- “Deemed employer” - the letting authority will be the deemed employer responsible for guaranteeing the pension liabilities rather the contractor that is delivering the outsourced service.
- “Fair Deal Employer” means a scheme employer, a further education employer or a sixth form college defined in the LGPS regulations.
- “Relevant contractor” means a contractor to whom an employee’s contract of employment is transferred under TUPE from a Fair Deal employer (or a previous contractor). It flags them as the employer of protected transferees.

Response to Inheritance Tax Consultation

3.2.26 HM Treasury published its response to the consultation on Inheritance Tax (IHT) on 21 July 2025,

3.2.27 The revised proposals for deaths after 5 April 2027;

- Unused funds from pensions in payment will be included in a person's Estate for IHT purposes.
- All death in service benefits from registered pension schemes, whether discretionary or non-discretionary, will be excluded from a person's Estate for IHT purposes.
- The Personal Representatives will be responsible for paying any tax liability, not the Pension Administrators.
- The Government will provide multiple options for paying IHT and, although pension administrators have new responsibilities to support the Personal Representatives, the latter are responsible for the payment.

Sharing member contact information

3.2.28 All administering authorities have signed a data sharing agreement for the National Insurance database.

3.2.29 A key purpose of this agreement is to allow authorities to trace lost members and, therefore, an authority can share member contact information if it is contacted by another authority using the NI database to trace a member.

Virgin Media v NTL

3.2.30 The High Court ruled that pension scheme amendments in respect of Section 9(2B) rights were invalid unless the scheme actuary confirmed that they met the contracting-out requirements.

3.2.31 The Government has introduced new amendments to the Pensions Schemes Bill which address the problems identified in the recent Virgin Media v NTL Pension Trustees judgment.

3.2.32 The amendments will provide for retrospective actuarial validation of past changes where certain conditions are met.

Pension Ombudsman Determination

3.2.33 A member of the British Steel Pension Scheme who transferred his pension to a Small Self-Administered Pension Scheme and lost money as a result appealed to the Pensions Ombudsman.

3.2.34 The member alleged that the Fund's Trustees did not do sufficient due diligence or alert him to scam indicators.

3.2.35 The case considered the requirements of the Pension Schemes Act 1993, at the time of the transfer and it looked at;

- the scheme's obligations to meet the express transfer provisions of the Pension Schemes Act 93.
- statutory due diligence requirements
- regulatory due diligence obligations

3.2.36 The determination considers a range of issues - but it appears to opine that, depending on the circumstances of the case, the statutory requirement to pay a transfer under the Pension Schemes Act takes precedence over arguments about a duty of care. However, this only covers the period before the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations came into force on 30th November 2021.

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 Equality, 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:

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