



Pension Board
23 March 2026

**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:	<p>Seven</p> <p>Appendix 1 - LGPC Bulletin – October 2025</p> <p>Appendix 2 - LGPC Bulletin – November 2025</p> <p>Appendix 3 - LGPC Bulletin – December 2025</p> <p>Appendix 4 - LGPC Bulletin – January 2026</p> <p>Appendix 5 - LGPC bulletin – February 2026</p> <p>Appendix 6 - Brent's response to the consultation On the Local Government Pension Scheme England and Wales; Scheme Improvements (Access and Protections)</p> <p>Appendix 7 - MHCLG's partial reply to responses to the Access and Protections consultation</p>
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

LGPS Statistics

3.2.1 On 22 October 2025, the Ministry for Housing, Communities and Local Government (MHCLG) published the LGPS statistics for 2024/25 and the highlights include;

- total expenditure of £19.1 billion, an increase of 11.7 per cent on 2023/24
- total income of £21.7 billion, an increase of 5.2 per cent on 2023/24
- employer contributions of £10.1 billion, a decrease of 3.9 per cent on 2023/24 - this reflects that some employers made advance payment of employer contributions the previous year
- employee contributions of £3.2 billion, an increase of 5.8 per cent on 2023/24
- the market value of LGPS funds on 31 March 2025 was £402.3 billion, an increase of 2.7 per cent since 31 March 2024
- 110,678 retirements in 2024/25, an increase of 11.2 per cent on the number of retirements in 2023/24

Budget 2025 - Salary sacrifice changes

3.2.2 The Government will limit the value of pension contributions made through salary sacrifice that can receive employee and employer national insurance contributions relief to £2,000 per year from 6 April 2029. The change will be implemented through primary and secondary legislation, which will be

introduced in due course. Guidance on this proposal has been published by the Government.

- 3.2.3 We are only aware of one employer in Brent who offers a shared cost salary sacrifice AVC scheme.

Budget 2025 - Inheritance tax

- 3.2.4 The Budget document confirms the Government's intention to proceed with its proposal to include certain unused pension funds and death benefits within the estate for inheritance tax (IHT) purposes for deaths after 5 April 2027

- 3.2.5 However, it is important to note that, in most cases, it will not affect the transfer of unused funds passed to spouses. The document sets out a mechanism that the Government will introduce to allow personal representatives (PRs) to direct pension scheme administrators to withhold 50 per cent of taxable benefits for up to 15 months from the date of death, where the PRs expect IHT to be due.

The Pensions Ombudsman issues guidance on recovering overpayment

- 3.2.6 On 16 December 2025, the Pensions Ombudsman (TPO) published Pension overpayments information for members and other beneficiaries of pension schemes. The information is designed to help them understand:

- What an overpayment is
- what obligations exist around repaying money that was overpaid
- what potential legal defences exist for specific situations that may mean they do not have to repay the money
- the requirement to engage with the scheme and provide evidence to support any of those defences
- what to expect from the scheme when an overpayment occurs
- how and when TPO can help if a dispute cannot be resolved with the scheme.

2026/27 employee contribution bands and Pensions in Payment

- 3.2.7 Table 1 below shows employee contribution bands, which will be effective from 1 April 2026. These are calculated by increasing the 2025/26 employee contribution bands by the September CPI figure of 3.8% 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 £18,400	5.5	2.75
2	£18,401 to £29,000	5.8	2.90
3	£29,001 to £47,300	6.5	3.25
4	£47,301 to £59,800	6.8	3.40
5	£59,801 to £84,000	8.5	4.25
6	£84,001 to £119,100	9.9	4.95
7	£119,101 to £140,400	10.5	5.25
8	£140,401 to £210,700	11.4	5.70
9	£210,701 or more	12.5	6.25

3.2.8 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 6 April 2026 is 3.8%.

MHCLG responds to the consultation on Access and Fairness

3.2.9 MHCLG has announced its intention to implement the following measures with effect from 1 April 2026.

Death grants and survivors

3.2.10 The age 75 limit for paying death grants has been removed with effect from 1 April 2014. The Fund advocated removing it with effect from 6 April 2011 as that was when HMRC removed the limit in the Finance Act.

3.2.11 The requirement to pay death grants to the Estate after two years have elapsed since the Fund could reasonably have been aware of the death has been removed. This will be helpful in some cases as the special lump sum death charge will be avoided, but it is not a complete solution as we may still have to pay some death grants to the Estate.

3.2.12 The requirement for cohabiting partners to be nominated in respect of membership that ended between 1 April 2008 and 31 March 2014 has been removed. This embeds the existing understanding in legislation.

3.2.13 There are minor changes to pre-1 April 2008 children's pensions when a surviving partner's pension becomes retrospectively payable because of the consultation.

Qualifying additional pension arrangements (QAPAs)

3.2.14 The contributions attracting to periods of authorised leave of up to 14 days will be collected from members pay automatically (known as QAPAs).

- 3.2.15 The cost of buying back authorised leave without pay (LWOP) of more than 14 days will now be based on the member's pay and contributions had they had they been at work.
- 3.2.16 The time limit for repaying a QAPA is increased from the current 30 days to one year provided the purchaser is an active member in the same employment.
- 3.2.17 LWOP purchased by QAPAs will include dependant's benefits, unlike the existing APCs.
- 3.2.18 The current cap on LWOP of up to three years has been removed and there is no longer a limit.
- 3.2.19 The new rules will apply to absences that commence after 31 March 2026 and, otherwise, the existing rules will continue to apply.

Unpaid maternity leave

- 3.2.20 Paid maternity, paternity and adoption leave is pensionable but unpaid additional maternity leave, unpaid additional adoption leave and unpaid shared parental leave will become pensionable for periods that commence after 31 March 2026, and the pension benefits will be based on assumed pensionable pay (APP).
- 3.2.21 Unpaid additional child related leave that commenced before 1 April 2026 would have to be purchased by an APC under the existing arrangements.

The gender gap

- 3.2.22 The Secretary of State issued actuarial guidance on reporting the gender pensions gap (GPG) on 3 February 2026. It sets out how the GPG should be reported for the 2025 actuarial valuation.
- 3.2.23 The compulsory simple gender pension gap reporting introduced in the 2025 valuation report will be replaced by more complex reporting from 2028 onwards.

Pension commencement excess lump sums (PCELS)

- 3.2.24 Where a pension commencement lump sum exceeds £268,275, the maximum pension commencement excess lump sum (PCELS) must not exceed 25% of the capital value of the benefits being crystallised, but the excess (above £268,275) will be taxed at the member's marginal rate. The new limit will apply to PCELS paid after 31 March 2026

De minimus payments

- 3.2.25 Members who left after 31 March 2008 whose total benefits in the LGPS are valued at less than £10,000 can commute their LGPS pension to single lump sum payment. This is known as a de minimus payment (also known as a small

pot payment). This facility has been extended to members who left before 1 April 2008 who meet the relevant criteria.

Fit for the future consultations

- 3.2.26 Two consultations were launched towards the end of 2025 linked to the wider 'Fit for the Future' reform programme for the Local Government Pension Scheme (LGPS) in England and Wales.
- 3.2.27 On 20 November 2025, the Ministry of Housing, Communities and Local Government (MHCLG) commenced a further 'technical consultation'. This follows the earlier consultation launched in November 2024, which set out significant proposals to strengthen the structure, investment approach and governance arrangements within the Scheme.
- 3.2.28 It sought views on two draft statutory instruments:
- LGPS (Pooling, Management and Investment of Funds) Regulations 2026
 - LGPS (Amendment) Regulations 2026.
- 3.2.29 The Pooling, Management and Investment of Funds Regulations, are intended to replace the 2016 investment regulations. They aim formalise requirements around asset management, local investment and reporting on pooled assets.
- 3.2.30 The amendment regulations are designed to deliver the policy proposals from the governance chapter of the Fit for the Future consultation with sections on Governance, training and conflict of interest strategies, Senior LGPS officer, independent person, knowledge and understanding and, independent governance reviews.
- 3.2.31 Officers prepared and submitted a response to the consultation on behalf of the Fund by the deadline.
- 3.2.32 A second 'closed' consultation was launched by the government on 8 December 2025 on three draft statutory guidance documents to accompany the new legislation. The guidance covered asset pooling, preparing and maintaining an investment strategy statement and fund governance. This guidance was distributed to all administering authorities and pools with a request for feedback by 12 January 2026.

Access and Protections consultation

- 3.2.33 The Government consulted on LGPS (England and Wales): Scheme improvements (access and protections) on 13 October 2025.
- 3.2.34 Brent sent its response to the consultation to MHCLG on 22 December 2025, attached in Appendix 6.
- 3.2.35 The government issued a partial response to replies focusing on elected members on 22 February 2026, attached in Appendix 7.

3.2.36 The Government intends to offer mayors and councillors access to the LGPS and it has dismissed concerns about the cost by pointing to the strong funding positions reported in the 2025 valuation.

3.2.37 The Government has noted concerns about the May elections and the Statutory Instrument will come into force on the 11 May 2026, although it accepts that LGPS software providers may take some time to catch up, and ABS will not be required until August 2027.

3.2.38 The Government has decided that mayors and councillors will enter the scheme by opting-in, rather than by auto-enrolment, but the 50-50 scheme will operate in the same way as it does for other members.

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