



Pension Board
5 November 2026

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

LGPS Update Report

Wards Affected:	All wards
Key or Non-Key Decision:	N/A
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:	Three Appendix 1 - LGPC Bulletin – July 2026 Appendix 2 - LGPC Bulletin – August 2026 Appendix 3 - LGPC Bulletin – September 2026
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

2025 Valuation

3.2.1 Average LGPS funding levels increased from 107% in 2022 to 122% in 2025, while average employer contribution rates fell from 21.1% to 16.5% of payroll. The Board welcomed funds sharing improved funding positions with employers while protecting long-term scheme sustainability.

Scheme Advisory Board (SAB)

3.2.2 The LGPS Scheme Advisory Board has published a new statement, Understanding the LGPS: statutory purpose, pension assets and governance. It explains the LGPS's statutory purpose, governance arrangements and the duties applying to the management of pension fund assets.

3.2.3 The Board has also announced its autumn programme of events, covering LGPS governance, independent governance reviews and support for pension board members and councillors.

3.2.4 The Board has co-sponsored a new report, Making Pensions Exciting: closing the diversity pension gap in the LGPS. Based on research with the City of Westminster Pension Fund, it explores members' experiences and factors affecting pension outcomes, providing evidence to support future improvements to the Scheme

Normal Minimum Pension Age (NMPA)

3.2.5 HMRC has consulted on draft legislation covering the increase in the NMPA from 55 to 57 from 6 April 2028.

3.2.6 The draft provisions would protect certain payments to members aged 55 or 56 where entitlement arose before 6 April 2028, but payment is made on or after that date. This includes scheme pensions, pension commencement lump sums and trivial commutation lump sums.

3.2.7 The provisions apply where the member does not otherwise have a protected pension age.

Department for Work and Pensions (DWP) - Value for Money Framework consultation

3.2.8 Under LGPS regulations, in-house AVC arrangements are established by the administering authority, not individual employers. The draft regulations may therefore inadvertently bring LGPS AVCs within the VFM Framework. The LGA has asked for the exemption to be clarified.

Transfer proposals

3.2.9 DWP has proposed changes to the Conditions for Transfers Regulations 2021 to reduce unnecessary delays while maintaining protection against pension scams.

3.2.10 Key proposals include:

- removing the overseas investments amber flag
- introducing a red flag where there is no genuine employment link with a receiving occupational pension scheme
- allowing transfers to proceed where the receiving scheme is considered reputable
- requiring MoneyHelper guidance only once within a 12-month period.

3.2.11 The existing incentives flag and wider red and amber flag framework would remain.

Pensions Dashboard / Money and Pension Service (MaPS)

3.2.12 On 8 July 2026, MaPS confirmed that 85% of pension schemes are connected to the dashboard's ecosystem, with the remainder due by 31 October 2026. The MoneyHelper Pensions Dashboard is expected to launch in 2027/28.

3.2.13 The Pensions Dashboards Programme (PDP) confirmed in its August 2026 update that the MoneyHelper Pensions Dashboard (MHPD) has successfully passed its beta service standard assessment.

Government Actuary's Department (GAD)

3.2.14 The second batch of updated GAD factors (2026-02) was released in July 2026, covering;

- non-club transfers in
- early retirement
- late retirement
- trivial commutation

- inverse commutation (England and Wales only)
- added pension
- AVCs to added pensions
- AVCs to transfer credits (England and Wales only).

3.2.15 The third batch (2026-03) of GAD factors was issued in September and include updated factors for annual allowance scheme pays offsets and additional survivor benefit contributions (ASBCs).

The Pension Regulator (TPR)

3.2.16 TPR has reminded LGPS administering authorities of its McCloud and 2025/26 annual benefit statement requirements, particularly the need to report breaches.

3.2.17 The regulator has warned that connecting to pensions dashboards is only the first step. Schemes must have effective processes to resolve possible matches and should implement and test these now, rather than waiting until dashboards are publicly available.

3.2.18 TPR's new Enforcement approach sets out how it will protect members, improve compliance and strengthen the pensions system. Enforcement will be prioritised according to impact, scale and complexity, with lower-risk cases more likely to be addressed through guidance or compliance activity.

HMRC

3.2.19 HMRC's July 2026 newsletter covers remedy-related tax changes, transitional tax-free amount certificates (TTFACs) and trivial commutation death benefits. GAD has also released version 3.0 of the McCloud interest calculator.

3.2.20 In August HMRC confirmed that the £30,000 trivial commutation lump sum death benefit (TCLSDB) limit applies to the combined value of the original payment and any subsequent McCloud top-up. It does not apply separately to each payment, even if the survivor dies before receiving the top-up.

3.2.21 For example, if the original TCLSDB was £25,000 and a £6,000 McCloud top-up is due, only £5,000 of the top-up can be treated as a TCLSDB.

3.2.22 The LGA expects very few LGPS cases to exceed the limit. Authorities identifying such a case should contact the LGA for guidance.

Inheritance tax on pensions

3.2.23 New information-sharing requirements will apply to deaths from 6 April 2027, supporting the extension of inheritance tax to unused pension funds and death benefits.

3.2.24 Scheme administrators will need to provide prescribed information to personal representatives and beneficiaries, including details of the deceased's pension benefits and, in some circumstances, facilitate payment of IHT.

3.2.25 HMRC has dropped the proposal requiring schemes to report all death-in-service grants and plans further regulations and guidance later in 2026.

3.2.26 The changes will not affect spouses and children may have some protection from Inheritance Tax under existing provisions.

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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