

# Cost Management, Benefit Design and Administration Committee (CMBDA)

**HYBRID MEETING – 24 February 2025**

## **ITEM 4 PAPER B LGPC update**

### **Background**

1. The Local Government Pension Committee (LGPC) is a committee of councillors constituted by the LGA. It represents local authority interests in dealing with Government and others on local government pension issues. Its work is carried out by the LGPC secretariat at the LGA.
2. The LGPC also provides an advisory and training service to LGPS administering authorities across the UK. The service is funded by a subscription on LGPS authorities and training income.

### **McCloud remedy**

3. LGPS administrators continue to implement the McCloud remedy. The McCloud implementation period set out in the statutory guidance runs to 31 August 2025; however, it is expected that work will continue beyond this date.

### **McCloud webinars**

4. We are currently working with [Affinity Connect](#) on McCloud webinars for scheme members. The webinars will provide an overview of the LGPS as well as information about McCloud. These will be advertised on the [national LGPS member website](#) shortly. The first webinars will take place in April 2025.

### **McCloud and Annual Benefit Statements**

5. The LGPS regulations provide a discretion for administering authorities not to include estimated underpin information in the 2024/25 statements for a particular member or class of members.
6. Authorities using this discretion will need to decide before 31 August 2025 and tell affected members.
7. There is currently no guidance on the circumstances in which it may be appropriate to use this discretion.

# Cost Management, Benefit Design and Administration Committee (CMBDA)

## Pensions Dashboards

8. In October 2024, the Department for Work and Pensions (DWP) issued a [written ministerial statement](#) confirming the Government's commitment to pensions dashboards.
9. The Minister for Pensions also announced that the MoneyHelper dashboard will be made publicly available before commercial dashboards are launched. This is to obtain better insights into customer behaviour and ensure greater confidence in a range of areas, including operational delivery, security and consumer protection.
10. The Pensions Regulator (TPR) is responsible for ensuring workplace pension schemes comply with pensions dashboards duties. It has published a [policy for compliance and enforcement](#) of these duties. It continues to engage with the sector using surveys and regular updates.

## Member benefit changes

11. MHCLG has confirmed it will shortly consult on a raft of changes to member benefits. These include changes to:
  - equalise survivor benefits
  - remove the age 75 limit for death grants
  - update forfeiture rules
  - make buying pension to cover absences easier and fairer
  - introduce new Fair Deal into the LGPS regulations.

## Increase to the normal minimum pension age

12. The Finance Act 2022 increased the normal minimum pension age (NMPA) from 55 to 57 from 6 April 2028. The NMPA is the earliest age people can access their pension savings, except for ill health. The change does not apply to members of uniformed services pension schemes.
13. The Act provides for protections to allow a member who, on 4 November 2021, already had a right to take their benefits before age 57 to retain a protected pension age. The Act also provides that a member retains a protected pension age on transfer.
14. Whilst the Act provides protection under the primary legislation, it is up to each pension scheme to decide whether it will provide for protected pension ages in its scheme rules.

# Cost Management, Benefit Design and Administration Committee (CMBDA)

15. We are encouraging MHCLG to prioritise this work to allow members and employers to plan appropriately.
16. We are also taking papers to the SAB and LGPC meetings on 24 March 2025 for both parties to take a view on whether it would be appropriate for the LGPS to introduce protected pension ages.
17. The papers will include information on:
  - the details of the change
  - how it differs and interacts with the 2010 increase to the NMPA
  - the cost and two-tier workforce implications for employers if protections are introduced
  - the potential increased complexity of the Scheme.

## **Consultation on inheritance tax and pensions**

18. At the Autumn Budget 2024 the Chancellor announced that from 6 April 2027 most unused pension funds and death benefits will be included within the value of a person's estate for inheritance tax (IHT) purposes.
19. The Government launched a [technical consultation on Inheritance tax on pensions: liability, reporting and payment](#) on the same day. The consultation sought views on the processes required to implement the change. It closed on 22 January 2025.
20. Under the current rules, unused pension funds and death benefits are not liable for IHT where the trustees/scheme managers have a discretion in deciding who will receive them.
21. From 6 April 2027, the distinction between discretionary and non-discretionary payments will be removed. For the LGPS, this means LGPS death grants will be subject to IHT from 6 April 2027. If the death grant is paid to a spouse or civil partner no IHT will be payable.
22. The Government is proposing to make pension scheme administrators responsible for paying and reporting to HMRC any IHT deducted from an LGPS death grant. Personal representatives will still be responsible for calculating whether any IHT is due and passing on the relevant information to the pension scheme administrator.
23. The LGPC responded to the consultation highlighting the following key concerns:

# Cost Management, Benefit Design and Administration Committee (CMBDA)

- an LGPS death grant does not represent an asset the member holds before death. It is similar to an insurance-based product which are not in scope for IHT
- the proposed changes will disproportionately impact younger, unmarried families
- existing death grant nominations will need to be reviewed as members will need to understand the IHT implications when making a nomination
- meeting the deadlines imposed will be very challenging
- the increased complexity for LGPS administrators who are not tax experts.

\*\*\*\*\*