Cost Management, Benefit Design and Administration Committee (CMBDA)

DATE:	30 June 2025
VENUE:	Hybrid meeting (MS Teams and 18 Smith Square)
TIME:	11:00am to 1:00pm

AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:00
2	Meeting protocol		11:05
3	Actions and Agreements from 24 February 2025 meeting	**Paper A**	11:10
4	Ministry of Housing, Communities and Local Government (MHCLG) update	**Verbal**	11:15
5	Access and fairness consultation – LGPC and SAB responses	**Verbal**	11:30
6	LGPC Update	**Paper B**	11:50
7	Normal Minimum Pension Age	**Verbal**	12:00
8	Update from Gender Pensions Gap working group	**Paper C**	12:15
9	Actuarial Valuation 2025 and SAB basis	**Paper D**	12:25
10	Association of Consulting Actuaries letter on exit valuations	**Verbal**	12:45
11	Workplan update	**Paper E**	12.50
12	AOB and date of next meeting		12:55

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ITEM 3 PAPER A - Actions and agreements from 24 February 2025

Actions and agreements

Present

George Georgiou	Employee representative (GMB), Chair
Simon Taylor	Practitioner – West Midlands Pension Fund
Emma Mayall	Practitioner – Greater Manchester Pension Fund
Paul Guilliotti	Practitioner – Richmond and Wandsworth Pension Fund
Matthew Trebilcock	Practitioner – Gloucestershire Pension Fund
Glyn Jenkins	Employee representative (UNISON)
John Neal	Employee representative (Unite)
Jonathan Teasdale	Actuaries – Aon
Robert Bilton	Actuaries – Hymans Robertson
Melanie Durrant	Actuaries – Barnett Waddingham
Michelle Doman	Actuaries – Mercer
Martin Smith	Government Actuary's Department (GAD)
Matt Gurden	GAD
Ben Lavelle	Ministry for Housing, Communities and Local Government (MHCLG)
Lorraine Bennett	Local Government Association (LGA) – Senior Pensions Adviser
Joanne Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Principal Pensions Secretary
Ona Ehimuan	LGA – Pensions Secretary
Becky Clough	LGA – Board Support and Policy Officer
Sophia Chivandire	LGA – Pensions Policy and Support Officer
Sarah Tingey	LGA – Research and Data Analyst

Items 1 and 2 – Welcome, introductions and declarations of interest

1. The Chair welcomed all in attendance to the meeting including Sophia Chivandire who joined the Secretariat team in December 2024. Robert Bilton deputised for Catherine McFadyen (Hymans Robertson). There were also apologies from Kev Gerard (Dyfed Pension Fund).

2. There were no conflicts of interest declared.

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Item 3 – Actions and agreements from 28 October 2024 meeting

3. The minutes of the meeting on 28 October 2024 were agreed as a fair and true record of the meeting.

Item 4 – LGPC Update

4. Lorraine Bennett (LB) highlighted the main points in Paper B to the Committee. Administrators are continuing to implement the McCloud remedy. The team is working with Affinity Connect to deliver McCloud webinars for scheme members, the first of which will be held in April 2025. For annual benefit statements, administering authorities have until 31 August 2025 to inform members whether they will be exercising discretion to not include underpin information in the 2024/25 statement for a particular class of members. There is currently no guidance on when this should be exercised.

5. Melanie Durrant (MD) expressed some concern on the ongoing implementation of the McCloud project affecting the data during the fund valuation year. The Chair also asked whether there had been many member queries about McCloud. On the latter, LB said it was understood that there had been minimal member queries to date, probably as there was no member action needed in LGPS. She also suggested that funds would need to engage with their actuary on any data gaps because of McCloud.

6. It was confirmed that an upcoming consultation will include proposals to equalise survivor benefits, remove the age 75 limit for death grants, update forfeiture rules, make buying pension to cover absences easier and fairer and introduce new Fair Deal into the LGPS regulations.

7. LB drew the Committee's attention to the Written Ministerial Statement which confirmed that the new government was continuing with the Pensions Dashboard programme. The statement confirmed that there will be multiple dashboards, but the Money Helper dashboard would be prioritised. The "connect by" date for LGPS funds remained October 2025 but no date had been set yet for when the public would gain access.

8. A paper with be taken to the next LGPC and SAB meetings on 24 March 2025 to get their view on the changes being made to the Normal Minimum Pension Age which will be increasing from 55 to 57 from 6 April 2028. LB also informed the Committee about the detailed LGPS response to the consultation on changes being proposed to inheritance tax that were included in the Autumn 2024 budget.

9. The Committee noted the report.

Item 5 – MHCLG Update

10. Ben Lavelle (BL) informed the Committee that the around 220 responses to the Fit for the Future consultation were being analysed, and the response will be issued in due course. MHCLG remain interested in the Board's work on the Gender Pensions Gap and changes to the treatment of unpaid leave within the scheme.

11. Jeremy Hughes (JH) asked BL how long the consultation on member benefits was to be open for. Although not yet confirmed, the consultation is expected to be issued soon and be open for 12 weeks.

12. The Committee noted the update.

Item 6 – 2025 fund valuations and section 13

13. Jeremy Hughes (JH) introduced the item. Fund valuation projects were already underway, and the Board published the Funding Strategy Statement guidance in December 2024 to assist funds. It is expected that there will be a mixed picture of funding positions across the Scheme and there will be continued discussion on managing any surpluses and extensive engagement with employers needed. JH explained that though some funds will find themselves in a position of notional surplus, there are still uncertainties that will need to be considered such as the risk of climate change, the current economic outlook and political terrain.

14. The Board Chair was planning to hold another meeting with pension committee chairs to discuss these issues, but the date was yet to be determined. The Committee was asked about the messages that should be prioritised by the Board and how strongly the Board should commit to a message on consistency across the scheme.

15. Paul Guilliotti (PG) said that he was already getting representations from scheme members and employers on this issue. The disparity in approaches between actuaries was an issue and the Government Actuary's s13 review would only apply some consistency after the event.

16. MD said that the four actuarial firms were meeting soon to discuss the upcoming valuation. They also saw risks in having very different messaging even if the different underlying actuarial models meant that was complicated. The actuaries were also having separate meetings with GAD on this.

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17. Glyn Jenkins (GJ) said that Unison would like to see more consistency in discount rates applied as it was hard to justify how they were set so high. He also voiced concern that the funding position of the scheme could easily change and did not believe that zero per cent employer contribution rates were appropriate. He said that scheme employers should be making at least the same contribution as scheme members. This was endorsed by John Neal of Unite, who did not want to see the example of RBKC followed. The Committee also considered whether MHCLG was minded to intervene in relation to the process followed at RBKC.

18. Michelle Doman (MDo) said that funds set their own funding strategies, with the advice of actuaries. She felt that messages on consistency should be more about the themes that should be considered but noted that even the consideration of the same themes would produce different outcomes. Robert Bilton (RB) said that there is a danger associated with setting a single discount rate due to the variations between employers but supported the idea of the consideration of similar themes.

19. JH noted that the SAB standard assumptions were intended to create a basis for comparison between funds and it might be an appropriate time to review them and check that they were still fit for purpose. It was agreed that the Committee should review the standard basis assumptions used and would bring a paper on this to the next Committee meeting.

ACTION – that the Secretariat adds a review of the Board's standard basis assumptions used at the scheme cost assessment exercise to the agenda of the next CMBDA meeting on 30 June 2025.

Item 7 – Update from the Gender Pensions Gap (GPG) working group

20. Becky Clough (BC) introduced Paper C to the Committee. Actions A and D on the GPG action log had largely been completed since the last meeting and Annexes A and B detailed the outcomes. Action B was expected to start in March 2025 as the Secretariat would be meeting with the Pensions Equity Group (PEG) to further discuss how the 'Mind the Gap' best practice guide issued by the group could be adapted to suit the LGPS. As confirmed earlier in the meeting, the member benefits consultation being issued by MHCLG included consideration of changes to the treatment of unpaid leave for the purpose of SCAPCs. Actions E to G have not yet been started and are longer-term actions.

21. Sarah Tingey (ST) presented Annex A to the committee which gave an overview of the findings from the survey launched of 5 December 2024 to local government and academy school employers called '*Exploring the*

Gender Pensions Gap in the Local Government Pension Scheme (LGPS)'. The survey included questions on employer interest in GPG data and what type of data is held by employers on employees who opt out.

22. ST thanked Charity Main (CM) for facilitating engagement with the survey from the academies sector. Annex B contained an overview of the working group's proposals on the reporting of the gender pensions gap including the inclusion of reporting in the fund valuation reports. The links between the gender pay gap, the gender pensions gap and the newly introduced "gender pensions savings gap" are also included as a possible reporting metrics but would need further discussion. The document has been shared with MHCLG as a potential standard model for reporting if this does become a requirement.

23. The Chair asked about the distinction of the pensions saving gaps and whether this would be more burdensome for funds. BC said this is terminology relating to how much is annually saved and was more relevant for DC scheme members (the metrics were intended to be universal). Further discussion is needed if this would be beneficial to report on for the LGPS. CM commended the work of the working group and asked whether there are any shorter-term actions that can be taken given the complexity of the work contained in Annex B. BC explained that the national communications working group are working on producing promotional materials to educate members about the benefits of the LGPS.

24. On the inclusion of gender pensions gap reporting in fund valuation reports, BC said discussions are ongoing about what could be included in 2025 valuation reports.

25. The Committee noted the report, agreed with the proposals and the next actions for the working group and the proposals in Annex B

Item 8 – Update on the Pensions Review – Phase Two

26. The Board has previously agreed to emphasise the importance of this for LGPS stakeholders. JH said the Board would therefore be writing to the Pensions Minister Torsten Bell to request that Phase Two of the Pensions Review is started ASAP as the date for the commencement of Phase Two was yet to be determined.

Item 9 – New Fair Deal

27. The Committee were informed that the Secretariat have discussed the upcoming consultation with MHCLG. In terms of the new Two-Tier Code proposed by the

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Labour Party in opposition, this was expected to be delivered through the Employment Rights Bill. Discussions about the content of that were ongoing between unions and the Government.

Item 10 – Normal Minimum Pension Age

28. It was confirmed under Item 4 that a paper would be presented to the Board meeting in March 2025 on this topic.

Item 11 – Committee Workplan

29. BC introduced Paper D to the Committee which gave an overview of the key workstreams expected for 2025. The Committee agreed to submit the workplan to the Board for approval.

ACTION – that the Committee Workplan is submitted to the Board for approval.

Item 12 – Local Government Organisation

30. JH introduced the item to the Committee and presented slides highlighting some of the ways in which local government reorganisation could potentially affect the scheme. MDo emphasised that the potential impact of local government reorganisation on the setting of employer contributions through the triennial fund valuations was being considered in those areas where this is a live issue.

ACTION – that the Secretariat share the slides presented with the Committee.

Item 13 – AOB and date of next meeting

31. ST informed the Committee that the Scheme Annual Report was currently being compiled, and it was hoped that it would be published towards the end of March 2025.

32. The Chair thanked Jo Donnelly (JD) for her leadership during her time as LGA Head of Pensions and the LGPS Scheme Advisory Board Secretary as she was stepping down from this role to become Chief Executive Officer of the London Pension Fund Authority.

33. The date of the next meeting was confirmed as 30 June 2025 at 11am.

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ITEM 6 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, there is provision to extend the period to 31 August 2026 in some cases.
4. 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.
5. A determination to use this discretion may only be made if the administering authority considers that it is reasonable in all the circumstances in the case of that particular member or class of members.
6. It must notify those members in the annual benefit statement in respect of the Scheme year ending on 31 March 2025.

McCloud webinars

7. Affinity Connect has been delivering webinars on McCloud to LGPS members in England, Wales and Scotland since March. Feedback from members who have attended a session has been very positive. Our May bulletin provides a summary of the attendance and quantitative feedback from webinars in March and April.
8. We are encouraging administering authorities to let members know about these free informative sessions, including publicising them in this year's annual benefit statements. The webinars will continue into September and beyond; so any fund that chooses to publicise the events in their 2025 statements can be sure that sessions will be available to book.

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Pensions Dashboards

9. The connect by date for all public service pension schemes to connect to the dashboard ecosystem is 31 October 2025.
10. AVC data continues to be a problematic area for administering authorities. We are working with a small group of funds and a legal firm on a memorandum of understanding (MOU) for funds to use with their AVC providers. The purpose of the MOU is to set out responsibilities and duties in relation to complying with pensions dashboards requirements.
11. TPR has produced a series of compelling industry-focused short films illustrating the positive impacts that pensions dashboards will have on savers. In the short films savers talk about their current pension situation and then think about how dashboards will help with retirement planning. The films have been launched as part of TPR's campaign to get the pensions industry dashboards ready.

Legislation planned in response to the Virgin Media judgment

12. The Government has confirmed that it will bring forward legislation to deal with issues arising from the Virgin Media v NTL Pension Trustees judgment.
13. The High Court ruled in 2023 that amendments of pension schemes rules in respect of certain contracted out rights were void unless the scheme actuary certified that the scheme still met the contracting-out adequacy test. The Court of Appeal considered one area of the ruling in 2024 and upheld the High Court decision.
14. The Government will introduce legislation to allow pension schemes to obtain actuarial certification retrospectively. You can read more about Retrospective actuarial confirmation of benefit changes on the GOV.uk website.

LGPS promotion project

15. We are working on a toolkit for employers to use to help promote the LGPS. The communications will be aimed at new starters and people who have opted out of the Scheme.

    The toolkit will include a short video, and e-learning module, factsheet, posters, social media tools and email footers. We hope to launch the materials in July.

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ITEM 8 PAPER C

Update from Gender Pensions Gap (GPG) working group

Current position

1. Since the last Committee meeting the Government has launched the Access and Fairness Consultation. The consultation contains proposals (amongst other issues) covering GPG reporting for the Local Government Pension Scheme (LGPS). The launch of the consultation also included a Ministerial statement, specifically thanking the Board for its work on the GPG proposals, which are a direct result of the work of this Committee and the GPG working group.

2. The consultation covers proposals to address the GPG covering four main areas:

   - Authorised absences under 31 days
   - Cost of buying back pension lost in an unpaid break of over 30 days
   - Pension contributions during child-related leave
   - Making GPG reporting mandatory in the LGPS

3. The Secretariat, in preparing a response to the consultation on behalf of the Board, is seeking to obtains views on the proposals from this Committee to inform the Board's response and a broader discussion of the consultation is covered under Item 6 of this meeting. However, as GPG reporting proposals are an evolution of the proposal document formed from the working group and it is mentioned in the consultation, it is expected that more detail and comments on the proposals will be obtained when the working group next meets on 1 July 2025. At the Committee, the Secretariat will give an indication of their initial thoughts (following the roundtable) and invite Committee members to provide their own initial comments on the proposals.

4. The Secretariat are continuing to work with the Ministry of Housing, Communities and Local Government and the Government's Actuary Department (GAD) to fine-tune the proposals for the reporting methodology, including what can be practically introduced for the 2025 Valuation. The Committee agreed at its last meeting a preferred standard GPG definition and reporting approach (including some comments on methodology) as an initial proposal for how GPG

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reporting for the LGPS could be done. Although this was shared with MHCLG officials, it differed from the proposals contained in the consultation when it was published.

5. The proposal approved by this Committee was that an initial step for LGPS GPG reporting could be done via the Actuarial Valuation report and did not propose at this time mandating all LGPS scheme employers to report on the GPG specifically in the Rates and Adjustment certificate, although the intention on employer-level reporting in some form, is the direction the group would want to work towards. The group felt it was important to have comparability of methodology between private and public, DB and DC schemes. But while it is believed this is important; it may require further engagement within and across sectors to understand how best this can be achieved.

GPG roundtable event

6. When the Committee last met, it was also agreed for the Secretariat to organise a roundtable to bring together the various stakeholders with an interest in GPG and pensions adequacy. The event aimed at bringing together industry figures and a cross-section of the public sector and private pensions world to discuss the consultation but also wider adequacy issues. This event was held in-person on the 18 June 2025 at the Local Government Association (LGA) offices at Smith Square. Over 40 attendees were present on the day representing Scheme Members, LGPS employers, public and private sector schemes, Government, LGA's workforce team and the wider pensions industry.

7. The event comprised of a mixture of presentations from both LGPS and wider industry perspectives as well as an opportunity to share views on both the consultation and wider adequacy issues. Some of the main themes of discussion were:

   - There was evidence that the use of casual employment, opt-out rates and employment breaks was having a significant impact on female workers.

   - GPG reporting is important and there are many ways this can be achieved for many different intended audiences and purposes. Discussing and agreeing a reporting methodology across the sector is a key focus in the coming months.

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- There was discussion on how communication with scheme members could evolve to help members during specific life events and at different ages understand their pension.
- There was some challenge around the diversity composition of those involved in the governance of the scheme and how this impacted the scheme.
- While it was recognised that similar gaps existed in relation to members with other protected characteristics, it would take longer to work through practical ways of addressing that. Not least because of the challenges (real but not insurmountable) of administering authorities gathering "special category data" on scheme members.
- It was agreed that employers share the responsibility in tackling this issue and solutions should and rightly vary by workforce. Supporting employers to understand 'what good looks like' was a key theme.
- There was a shared commitment to keep up momentum with this work and this would require being able to demonstrate tangible actions to address the GPG.

GPG action plan

8. The current status of the action plan is below. It was previously proposed that actions A to D will be prioritised and actions E to G being longer-term aims. Preparing a response to the Access and Fairness consultation and engaging with the sector to discuss the proposals will be a key priority for the Secretariat and the GPG working group in the coming weeks.
9. As a result of the consultation, both this Committee and the working group (when it next meets on 1st July) will be asked to consider any changes to the action plan as a result of the consultation and also to keep the momentum up on the work underway.

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Action	Status
A. Explore and propose a standard GPG definition and reporting approach (including methodology) for the Local Government Pension Scheme, including both for funds and employers	Proposal completed and agreed in February 2025 Board response to be reflected in the proposal to the consultation. To work with MHCLG and GAD on the guidance for reporting (including methodology)
B. Explore with the Pension Equity Group (PEG) how to adapt the 'Mind the Gap' employer best practise guide for the Public Sector	To meet with the other public sector pension schemes to discuss the best forums to take this to and to share with the roundtable participants
C. Work with MHCLG (as required) to conduct a more detailed review of treatment of authorised unpaid leave and produce proposals for consultation on amendment to the LGPS regulations and SCAPC's	Completed – Access and Fairness consultation launched with proposals for changes to unpaid leave
D. Analyse the responses from the GPG survey to local government employers	Completed – February 2025
E. Investigate and identify how pension member self-service portals and other communication tools can help to communicate the impact of breaks, life events and improve financial planning for women	Not yet started.
F. Identify the communication needed to employers on the GPG to raise awareness of the specific issues which impact the GPG within the LGPS regulations, particularly during scheme member life events.	Complete - roundtable event with employer representatives and industry experts organised. Consultation response to address specific issues and ideas. For the Secretariat to identify the most appropriate employer forums and routes to continue to engage with LGPS employers.

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G. Further research into the pensions gap for individuals with other protected characteristics, including the intersection of these with the already established gender pensions gap.	Not yet started

Recommendations – That the Committee notes the update provided in this report.

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20 June 2025

Dear Clair

Subject: SAB basis for standardised funding calculations for LGPS (England & Wales) Fund valuations as at 31 March 2025

Further to discussions at the CMBDA on 24 February, the SAB secretariat have commissioned me to provide advice on the SAB basis for standardised funding calculations for Local Government Pension Scheme (England & Wales) Fund valuations as at 31 March 2025. The current basis was set for use in the 2022 Fund valuations and needs to be reviewed to consider any change in conditions since 2022. The purpose of this letter is to provide recommended updates to the SAB basis for use in the 2025 valuations.

Background and objectives

As previously discussed, the purpose of the SAB basis is to enable cross comparison of Funds. It is set by the SAB, having obtained actuarial advice. The local valuations for each Fund use financial assumptions specific to that Fund, and so the funding levels (assets divided by liabilities) on the local Fund bases are not directly comparable.

Cross comparison of Funds can be considered in several ways, and it is therefore appropriate to consider the overall objectives to ensure the approach adopted best meets those objectives. Set out below are possible objectives:

- **Local variation** – Provides comparison of Funds allowing for legitimate local differences
- **No local variation** – Provides comparison of Funds assuming all are the same way
- **Consistent** – Provides comparison between Funds and across valuation dates
- **Market reflective** - Provides comparison between Funds but less so over time

The SAB basis has previously been set for the 31 March 2016, 31 March 2019 and 31 March 2022 valuations. Over this period the approach adopted has been to allow for local variation in demographic assumptions, ie the experience of individual members, and for the financial assumptions to be more stable over time, linked to the HM Treasury set SCAPE discount rate, and without allowance for local variation. The table in the Annex sets out the past assumptions.

I have assumed for the purposes of the advice below, that this remains the preferred approach, and that you would prefer to retain the existing SAB basis. If this is not the case, changes to the proposed 2025 SAB basis may be necessary.

The remainder of this note sets out the options and underlying rationale for consideration.

Note that the proposed SAB basis does not value assets and liabilities consistently, and so it is not suitable for Funds to use for their funding valuation and should not be seen as a 'target' or 'minimum funding requirement' basis. As a result, it is **not** appropriate to use the SAB basis to:

- Assess whether a particular Fund is fully funded or has a deficit (whether the funding level on the SAB basis is more or less than 100% is irrelevant, only the SAB funding level relative to other Funds is meaningful)

- Compare SAB basis funding levels at 2025 with the SAB basis funding levels at the previous valuation in 2022

Setting the basis

The most impactful decision when setting the SAB basis relates to the discount rate to be adopted.

Discount rate & CPI

The discount rate used for previous SAB bases has been set in line with the nominal SCAPE discount rate set by HM Treasury. For the 2022 basis, it was set at 4.45% p.a. which was consistent with the nominal SCAPE discount rate in force at the time the basis was set and in line with the rate set for the 2019 basis.

HM Treasury issued a consultation[1] on the SCAPE discount rate methodology on 24 June 2021, and responded to the consultation in March 2023. As a result of the consultation the SCAPE discount rate was reduced from 2.4% above CPI to 1.7% above CPI.

Since the 2022 basis was set market interest rates and future return expectations have changed considerably. Long term interest rates have risen and asset values have changed. We expect these changes will make comparisons between valuation cycles, and across Funds more challenging. The consistent SAB basis will therefore be of particular interest.

If the SAB views consistency of process as the most important guideline, then updating the SAB basis to reflect the latest SCAPE discount rate might be appropriate. This would align the assumptions with those used for the most recent assessment of the HM Treasury Cost Cap Mechanism (carried out by GAD at 2020). This would take into account the long-term health of the economy at that time – as the SCAPE discount rate is based on the Office of Budget Responsibility's view of long-term economic growth.

[1] https://www.gov.uk/government/consultations/public-service-pensions-consultation-on-the-discount-rate-methodology

A different approach to consistency would be to focus on alignment between 2022 and 2025. This would suggest that the SAB basis remains linked to the same financial assumptions that were adopted at the previous exercise. This would maximise comparability between liabilities produced at the two valuation dates, would also align with the 2019 basis, and would suggest maintaining the same assumptions at future valuations.

Whilst retaining the existing SCAPE discount rate could be viewed as using ‘out of date’ information, we note that the SAB basis does not attempt to precisely reflect conditions at the valuation date. We also note that HMT are currently reviewing the SCAPE rate, and that a new rate is likely to be set around the time that the 2025 valuations are published. At the time of reporting, neither of the rates currently considered may therefore be the latest available when the valuations are completed.

An alternative approach might therefore be to adopt a SAB basis that more closely reflects the average discount rate being adopted across the various Funds, and hence the aggregate funding level should be similar under both. However, each individual Fund might have a SAB funding level quite distinct from their ongoing funding level. This has the possible advantage that the aggregate SAB position should be close to that from the Fund valuations, but might cause confusion why it’s not being used for contribution setting. Additionally, the discount rates adopted by Funds are likely to vary quite substantially and hence an average rate may be difficult to determine and not representative of any group of Funds. This approach would also mark a material change relative to the SAB basis at previous valuations.

On balance, and considering the current review in isolation, we propose continuing to set the discount rate in line with the SCAPE discount rate used for the 2022 valuations.

To set the nominal discount rate it is necessary to set an assumption for CPI, which will also be used for pension increases. Consistent with previous SAB bases and the government’s long-term target for CPI, I propose continuing to set this as 2% per annum. The nominal discount rate is then 4.45% per annum (calculated as 1.02 x 1.024).

Whilst it would be possible to make the decision now to fix the rate over time for future valuations, it may be preferable to maintain the flexibility to reconsider at future exercises.

Public sector earnings growth

The public sector earnings growth assumption should be consistent with the approach adopted for the discount rate. The SCAPE discount rate, which has been adopted for the SAB basis, is based on the Office for Budget Responsibility’s (OBRs) expectations for long-term GDP growth. Therefore, when setting the public sector earnings growth assumption, the SAB basis has used the OBRs expectations for long-term public sector earnings growth from the same date as their long-term GDP growth expectations.

If the SAB decides to continue adopting the same discount rate assumption as at the previous review, then we would suggest that a similar approach should be adopted for the earnings assumption.

If the SAB opted to update to the latest SCAPE discount rate of 1.7% above CPI, it would be based on the OBRs expected long-term GDP growth figures published in 2022[2]. At this time, the

[2] https://obr.uk/frs/fiscal-risks-and-sustainability-july-2022/

OBRs expected long-term public sector earnings growth was 3.8% per annum. In that situation I would therefore propose adopting an earnings growth assumption of 3.8% per annum.

Other assumptions

If the SCAPE rate were maintained in line with its 2022 valuation level, then there may be persuasive arguments to retain the 2022 basis in its entirety, to maximise comparability.

However, given the interactions with local experience and assumptions, we suggest updating the non-financial assumptions to reflect recent experience. Whilst this will affect comparisons between SAB liabilities at 2022 and 2025, the differences will be much smaller than those which would result from changes to the discount rate and should be more reflective of actual local experience.

Assuming that you want to update these assumptions, adopting the approach outlined above, I propose continuing to allow most demographic assumptions to be set based on local Fund experience. The two areas of divergence from this approach are the projection of future mortality improvements, where it is less clear local differences are appropriate, and the allowance for 50/50 take-up.

Future mortality improvements

The Continuous Mortality Investigation (CMI) issues a Mortality Projections Model annually, with each model taking into account the most recently available population mortality data at the time the model is issued. The model provides a framework for setting future mortality improvement factors, and a version of the model has been adopted in each of the last three SAB bases. The 2022 SAB basis adopted the CMI 2021[3] model, with an assumed long-term reduction in mortality rates of 1.5% per annum.

The CMI is currently consulting on significant changes to the model for 2024. Given these are still under consultation and hence not yet finalised, I suggest adopting the CMI 2023[4] model. The CMI 2023 model makes some allowance for observed mortality experience during the period of the COVID pandemic, with a 15% allowance for 2022, 2023 but no allowance for 2020 and 2021 mortality.

I recommend adopting the CMI 2023 model and maintaining the assumed long-term reduction in mortality rates of 1.5% per annum as has been adopted in each of the previous SAB bases.

50/50 take up

There has been some variation in approach to 50/50 take up in the SAB basis previously. The initial 2016 basis made no explicit allowance, but the 2019 and 2022 bases assumed a 5% take up. Analysis of experience for the 31 March 2020 SAB cost management process indicated lower take up of the option than 5% and adopted an assumption of 1%.

Although changing this assumption reduces the comparability of outcomes over time, I would propose updating this assumption to align with the 2020 SAB cost management process and better reflect the overall experience. I therefore propose updating this assumption to 1% take up.

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[3] https://www.actuaries.org.uk/learn-and-develop/continuous-mortality-investigation/cmi-working-papers/mortality-projections/cmi-working-paper-160

[4] https://www.actuaries.org.uk/learn-and-develop/continuous-mortality-investigation/cmi-working-papers/mortality-projections/cmi-working-paper-189

Implications

Adopting the proposed assumptions for the 2025 SAB basis would be expected to produce liabilities broadly similar to those produced using the 2022 SAB basis, aiding comparability. We would therefore generally expect SAB basis funding level between 31 March 2022 and 31 March 2025 also be similarly stable, with individual Fund experience over the period being the key driver for changes in specific Funds' levels.

Compliance and limitations

This letter is intended solely for the use of the SAB. It sets out the proposed SAB basis for standardised funding calculations for Local Government Pension Scheme (England & Wales) Fund valuations as at 31 March 2025. The letter should not be relied on, or assumed to be appropriate for, any other purpose or by any other person.

I am content for the SAB to release this letter to third parties, provided that:

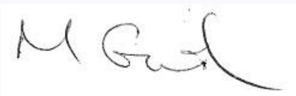
- it is released in full
- the advice is not quoted selectively or partially
- GAD is identified as the source of the letter
- GAD is notified of such release

Third parties whose interests may differ from the SAB should be encouraged to seek their own actuarial advice where appropriate.

Other than the SAB, no person or third party is entitled to place any reliance on the contents of this letter, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this letter.

This work has been carried out in accordance with the applicable Technical Actuarial Standard: TAS 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.

Yours sincerely



Matt Gurden FIA
Deputy Government Actuary

Government Actuary's Department

Annex A – SAB basis for standardised funding calculations for LGPS EW fund valuations

Assumption	Basis as at 31 Mar 2016	Basis as at 31 Mar 2019	Basis as at 31 Mar 2022	Proposed basis as at 31 Mar 2025
Methodology	Projected Unit Methodology with 1 year control period			
Rate of pension increases	2% per annum			
Public sector earnings growth	3.5% per annum			
Discount rate	5.06% per annum	4.45% per annum	4.45% per annum	4.45% per annum
Pensioner baseline mortality	Set locally based on Fund experience			
Mortality improvements	Core CMI_201X with long term reduction in mortality rates of 1.5% per annum	Core CMI_2018 with long term reduction in mortality rates of 1.5% per annum	Core CMI_2021 (no allowance for 2020 and 2021 mortality data) with long term reduction in mortality rates of 1.5% per annum	Core CMI_2023 with long term reduction in mortality rates of 1.5% per annum
Changes to state pension age	As legislated			
Age retirement	Set locally based on Fund experience			

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Our website describes the standards we apply.

Assumption	Basis as at 31 Mar 2016	Basis as at 31 Mar 2019	Basis as at 31 Mar 2022	Proposed basis as at 31 Mar 2025
Ill health retirement rates	Set locally based on Fund experience			
Withdrawal rates	Set locally based on Fund experience			
Death before retirement rates	Set locally based on Fund experience			
Promotional salary scales	None			
Commutation	SAB future service cost assumption of 65% of the maximum allowable amount			
Family statistics	Set locally based on Fund experience			
50/50 take up	n/a	5% of all members take the 50/50 option	5% of all members take the 50/50 option	1% of all members take the 50/50 option

Cost Management, Benefit Design and Administration Committee (CMBDA)

HYBRID MEETING – 30 June 2025

ITEM 11 PAPER E

WORKPLAN UPDATE

Current position

1. When the committee last met in February 2024, it was agreed to submit a workplan to the Board for approval. The workplan was approved by the Board and the latest version below in Annex A.

Gender Pensions Group working group

Lead Officer	Becky Clough (LGA)
Supported by	Will King and Florence Nevin (MHCLG), Alison Murray (Barnett Waddingham), Julie West and Greer Flanagan (Hymans) Laura Caudwell and Ben Challinor (AON), Diana McConnell (Westminster) Liz Manuel (Bedford), Julia Grace (Avon) Joana Marfoh (Islington), Karen Gibson (Dorset) John Neal (Unite) George Georgiou (GMB), Glyn Jenkins and Peter Urwin (Unison), Tara George (Meridian Trust); Davena Rankin (Glasgow Caledonian University), Jenny Bullen and Brian Allan (GAD), Jeremy Hughes, Sarah Tingey, Lisa Clarkson, Rachel Abbey and Luann Donald (LGA)

Start date	October 2023
Target completion date	Ongoing
Meetings since October 2024:	10 March 2025

Recommendation

For the Committee to note the report and provide comments on Annex A.

Scheme Advisory Board Secretariat
Local Government Association, 18 Smith Square, London SW1P 3HZ
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Cost Management, Benefit Design and Administration Committee (CMBDA)

Annex A – Workplan

Workstream	Details	Action	Timescales
Gender Pensions Gap	The Committee has an agreed GPG action plan for the working group to follow.	See Item 8 Paper C	Ongoing
Opt-out data	Work with MHCLG to devise a system to enable collection and analysis of opt out data	Respond to Access and Fairness consultation	7 August 2025
MHCLG consultation on member benefits	Work with MHCLG on initial proposals Prepare a Board response once the consultation launches	Respond to Access and Fairness consultation	7 August 2025
Normal Minimum Pension Age (NMPA)	NMPA changing in 2028, will there be protection for existing members? Board agreed to review on receipt of LGPC technical paper	Consider role in responding to Board decision	TBC – not clear yet when Government will make policy decision or consult on any necessary changes
Review of local fund valuations	To be discussed with GAD and waiting to see if there will be any steers on surpluses or employer contributions from MHCLG	Covered in Item 9 Paper D	Ongoing and awaiting Scottish fund Section 13 outcome due in summer 2025, which may give some indication

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