Scheme Advisory Board

HYBRID MEETING – 25 NOVEMBER 2024

ITEM 12 – PAPER I

COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE (CMBDA)

CHAIR'S REPORT FROM MEETING – 28 October 2024

Gender Pensions Gap working group

1. The Committee received a report outlining the large amount of work that had been done since the last Committee meeting, including:

   - The Board's work on GPG covered in Cllr Roger Phillips' welcome letter to new Local Government Minister Jim McMahon MP
   - Jo Donnelly wrote to Ministry of Housing, Communities and Local Government (MHCLG) to highlight the need for a review of the actuarial factors and regulations surrounding Shared Cost Additional Pension Contributions (SCAPCs)
   - The Pensions Minister, Emma Reynolds, has been reported as saying that phase 2 of the Pensions Review potentially will have GPG in scope as part of retirement adequacy work
   - The Secretariat secured representation on the Pensions Equity Group (PEG) and attended a meeting of the group on 18 September and agreed to join sub-groups focusing on Auto-Enrolment Reform, employer best practise and mandatory disclosures.

2. MHCLG officials confirmed that the new Local Government Minister was very interested in taking action to address the Gender Pensions Gap (GPG). The Committee agreed to prioritise the actions below, MHCLG asked for a progress report against these early in the new year.

   - Explore and propose a standard GPG definition and reporting approach (including methodology) for the Local Government Pension Scheme, including both for funds and employers, and prepare this draft for Committee approval at its next meeting
   - Explore with the PEG how to adapt the 'Mind the Gap' employer best practise guide for the Public Sector
   - 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 SCAPCs
   - Analyse the responses from the GPG survey to local government employers

3. The Committee noted that while the working group will take forward as quickly as possible the actions set out, not all are within direct control.

Scheme Advisory Board Secretariat
Local Government Association, 18 Smith Square, London SW1P 3HZ
E SABSecretariat@local.gov.uk **W** www.lgpsboard.org

There was also a need to recognise that some issues, e.g. local government working practices and the relationship between occupational pension schemes, the state pension and the benefits regime were long-standing and difficult to easily shift.

Opt Out Survey

4. The Committee noted that the Secretariat was continuing to work with MHCLG officials to put in place an effective system for monitoring the level of opt outs from the LGPS and gain intelligence if there were particular groups that were disproportionately doing so.
5. The Secretariat also mentioned that a further survey was planned of local government and education sector employers looking at both GPG and opt out issues as both are linked themes. The survey includes questions on what type of data is held by employers on employees who opt out. On the GPG issue, the survey asks for employer interest in understanding their own GPG. The survey would be issued in the coming weeks and an analysis of the data would be available for the next Committee meeting.

Pensions Review

6. The Committee noted that Phase Two of the Pensions Review will be looking at the gender pensions gap, and potentially other pension gaps that other research has shown to exist (e.g. around ethnicity). Phase Two would also be an opportunity to make representations about how the pensions system more generally works for LGPS members who are typically low-paid and often part-time workers. The Committee agreed to set up a small working group to consider how the Committee/Board could influence the development of the Review Team's thinking.

Forthcoming change to National Minimum Pension Age

7. The Committee also returned to the earlier paper it considered on the normal minimum pension age (NMPA), including the default position set out in overarching pensions legislation and has been legislated by Government to rise from 55 to 57 on 6 April 2028.

8. Member representatives on the Committee were keen for existing members to have a protected NMPA for ordinary retirement but also to retain the enhanced benefits when dismissed by reason of redundancy or business efficiency from age 55. It was noted that the LGPS in England and Wales (E&W) was an outlier the last time NMPA was increased as LGPS in Scotland and Northern Ireland (as well as public sector schemes generally) had protected it last time. However, it was also suggested that this was because the earlier LGPS E&W scheme had not given an unqualified right to retire at the earlier NMPA.

9. It was suggested that the Board should be invited to take a position on whether the current LGPS statutory minimum pension age of 55 should be protected for existing members.

Local Government Association, 18 Smith Square, London SW1P 3HZ
E SABSecretariat@local.gov.uk **W** www.lgpsboard.org

Fair Deal

10. The Committee heard that that was likely to be a two-stage approach by the government to reforming pension rights on transfer. Firstly, it is expected that there will be a consultation aiming to catch up the LGPS on the previous Government's New Fair Deal policy before moving to look at implementing a new Two-Tier Code.

11. A new Two-Tier Code was proposed as part of Labour's "new deal for working people" document, although not explicitly referenced in the manifesto. The Labour Party had committed to "extend and strengthen" what was in the previous Two-Tier Code but there isn’t much further detail on how pension rights would be treated. It was understood that the Local Government Association would be engaged directly by the Government (possibly via the Cabinet Office) to represent employer interests in how it is implemented in local government.

Recommendation – that the Board notes the progress made by the Committee on the issues set out above.

ADDITIONAL ITEM: REFERRAL FROM NATIONAL TECHNICAL GROUP

12. After the deadline for submitting new business to be included on the Committee agenda, the Secretariat received an email from the Chair of the National Technical Group, Kev Gerard. The text of this is at **Annex A**.

13. It is recommended that the Board accepts this proposal from the National Technical Group and writes to HM Treasury as suggested. It is also recommended that this point is also made in any response by the Board to the ongoing consultation on changes to the treatment of death grants for Inheritance Tax purposes.

Annex A : Request from the National Technical Group to increase the Probate limit

Received via email on 22nd October

The National Technical Group discussed the issues faced when making payments to a deceased persons personal representatives. Although payments to a deceased beneficiaries personal representative are made under Regulation 82, the limit is set under the Administration of Estates (Small Payments) Act 1965. The current limit of £5,000 was set by the Administration of Estates (Small Payments) (increase of Limit) Order 1984. The limit has not increased since this date and imposes a tight restriction on LGPS funds in their ability to release payments to family without undue delays and costs when applying for probate. Funds face situations where significant amounts can be paid to the family in the form of a death grant along with from financial institutions as banks and building societies without the need for probate.

Technical Group noted that under the Administration of Estates (Small Payments) (Increase of Limit) Order (Northern Ireland) 2020 the limit increased to £20,000 having previously increased from £5,000 to £10,000 in 2004.

Technical Group acknowledge that an amendment to the limit would be a matter for HM Treasury, however, since it has a direct impact on the ability of LGPS Funds to release relatively small sums quickly and efficiently, Technical Group believe it would benefit all funds if SAB wrote to MHCLG in order that they may highlight the issues and request the change with HM Treasury. Technical Group propose the limit should match that of Northern Ireland and increase annually by CPI.

Diolch/Thanks

Kev Gerard

Chair of Technical Group