

Scheme Advisory Board

HYBRID MEETING – 25 NOVEMBER 2024

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 secretariat 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.

Summary

Consultation on inheritance tax and pensions

3. 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.
4. The Government launched a [technical consultation on Inheritance tax on pensions: liability, reporting and payment](#) on the same day. The consultation seeks views on the processes required to implement the change.
5. 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.
6. 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.
7. The Government is proposing to make pension scheme administrators responsible for paying and reporting to HMRC any Inheritance Tax 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.
8. The consultation closes on 22 January 2025. We will submit a response on behalf of the LGPC.

McCloud update

9. LGPS administrators continue to implement the McCloud remedy. The McCloud implementation period set out in the statutory guidance runs to

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31 August 2025; however, it is expected that work will continue beyond this date.

McCloud administration guide – version 2

10. On 11 October 2024, we published the second instalment of the McCloud administration guide (version 2).
11. We published the guide in two instalments due to the breadth and complexity of the McCloud remedy project. The first instalment published in November 2023 included an overview, which pension accounts qualify for underpin protection and how to perform provisional and final underpin calculations.
12. The second instalment covers other calculations that are impacted by the underpin, such as transfers in, and revisiting past calculations. We have also significantly amended the section on which accounts qualify for protection, taking into account the clarification from Government set out in section 5 of the [McCloud Implementation Statutory guidance](#).

McCloud webinars

13. During October 2024, we delivered four McCloud webinars for administrators. Two covered transfers and two covered McCloud more generally. Each webinar lasted up to 90 minutes and provided an opportunity for attendees to ask the LGA pensions team questions.
14. Over 500 people attended the webinars across the four days. Feedback was very positive. We will consider running more McCloud webinars next year if there is enough demand.
15. 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](#) from early 2025.

McCloud public service pensions history forms

16. We have published forms for administering authorities to use as part of the McCloud project. The McCloud public service pensions history form is for collecting information about previous pensions for members who are not protected by the remedy based on their LGPS membership in a particular fund.

Club transfers – extension of 12-month time limit

17. On 24 October 2024, the Cabinet Office emailed public service pension scheme stakeholders to confirm the 12-month time limit for Club transfers can be extended if the delay has been caused by implementing the McCloud remedy. Both schemes will still need to agree to the extension.

Abolishing the Lifetime Allowance

18. The [Finance Act 2024](#) abolished the lifetime allowance (LTA) from 6 April 2024 and replaced it with two new lump sum allowances. The new lump

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sum limits restrict the amount of tax-free cash an individual can take over their lifetime.

19. HM Treasury has laid two further sets of regulations in connection with the abolition of the LTA. Both sets of regulations came into force on 18 November 2024 and have backdated effect to 6 April 2024. They make corrections to the legislation introduced earlier this year and contain new provisions covering Transitional Tax-Free Amount Certificates (TTFAC) and the calculation to determine the value of member's benefits when paying a Trivial Commutation Lump Sum (TCLS).
20. We will update our Abolition of the LTA guide to reflect these changes shortly.

Pensions Dashboards

DWP Ministerial Statement on dashboards

21. On 22 October 2024, DWP published a [written statement](#) on dashboards. The statement confirms the Government's commitment to the existing timetable for connecting schemes to the ecosystem. This is expected to begin in April 2025 with an overall legislative deadline of 31 October 2026. The timetable provides for a connect by date of 31 October 2025 for all public service pension schemes.
22. The statement also describes the progress made by the Pensions Dashboards Programme (PDP) and the Government's confidence in the PDP to deliver against the timescales. PDP has been instructed to focus its efforts on the connection and launch of the MoneyHelper dashboards service before turning to the work of connecting commercial dashboards. This is to facilitate helping the public to realise the benefits of using a dashboard at the earliest opportunity.

PDP confirms identity service provider

23. PDP has confirmed that users of pensions dashboards will verify their identity with GOV.UK One Login. This will make it easier for those who have previously registered with One Login for other Government services.
24. The identity service for dashboards will ensure that people must prove who they are before they can access confidential pensions information.

TPR data quality engagement – from October 2024

25. From 15 October 2024, the Pensions Regulator (TPR) will contact pension schemes, in scope of dashboards, to make sure they have the right processes and controls in place around their data.
26. Data quality is critical to the success of dashboards. Without good data, savers may not be able to find all their pensions or get an accurate picture of the value of their savings to help them plan for retirement.

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TPR dashboards readiness survey – November 2024

27. TPR will send all scheme managers two surveys at key points in their journey to their 'connect by' date, as set out in DWP's guidance.
28. All PSPS schemes can expect to receive the first survey in November 2024.

Dashboards guides published

29. We have published two guides to assist LGPS administering authorities comply with their dashboard duties. The connection guide provides information on the steps needed to connect to the dashboards ecosystem. The AVCs and dashboards guide deals specifically with providing AVC data to dashboards.

Upcoming consultations

30. In the coming months, we expect MHCLG to consult on changes to survivor benefits and the introduction of new Fair Deal into the LGPS. We expect the survivor benefits changes to address the Goodwin case and equalise pensions paid to widowers with those paid to same sex survivors.

Increase to the normal minimum pension age

31. 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.
32. 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.
33. 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. We are encouraging MHCLG to prioritise this work to allow members and employers to plan appropriately. We are currently putting together a document detailing the implications of providing for protected pension ages in the LGPS. The document includes 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.

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Recommendation

The Board is asked to note the contents of this report.