Access and Fairness – LGPS Consultation

Chapter One – Survivor pensions and death grants

The proposed change to equalise pension entitlement is intended to ensure there is no discrimination on the basis of sex or sexual orientation when a pension entitlement is calculated.

It is intended to uplift the pension entitlement of survivors to the highest entitlement currently provided to any group of survivors.

Q1 – Do you agree with the government's proposed amendment of survivor benefit rules?

A1 – Yes, the Fund agrees with the principle that no group should be treated less favourably.

Q2 – Do you have any comments on the intended approach to equalising survivor benefits?

A2 – The Fund will need to understand and assess the different scenarios and the expected cost increase this has on its liabilities. This will require significant work to establish the cases, calculate the changes and involve the Fund Actuary.

Q3 – Do you have any comments on the administrative impact, particularly in identifying cases where calculations of past benefits would need to be revisited?

A3 – The administrative impact is challenging and significant, especially given the ongoing impact of McCloud and work to implement the Pension Dashboard. Trying to identify cases in scope will be extremely difficult and resource intensive.

Cases where there is a pension already in payment that requires recalculation can be considered more easily. However, there will be groups where no survivor pension record exists as no pension entitlement originally occurred, but under the proposal, there now will be.

There's a need for agreed national guidance on the methodology used to try and trace certain groups and actions required where the survivor has also subsequently deceased and the Estate closed.

Officers suggest simplified arrangements to make the exercise practical to ease administration, reduce distress to relatives, and less open to challenge.

Recalculations and tax implications will also require colleagues with significant experience and knowledge.

System calculation changes will be required from the pension system providers and this needs to be scoped into any decision on timescales for implementation.

a. For widows of opposite sex marriages and widowers of opposite sex marriages, backdating deaths that occurred from **5 December 2005**

b. For widows of same sex marriages and widowers of same sex marriages, backdating for deaths that occurred from **13 March 2024**

c. For survivors of opposite sex civil partnerships, backdating for deaths that occurred from **31 December 2019**

Q4 – Any further comments on the proposed changes?

A4 – There must be national guidance on the approach taken to deal with the different scenarios.

It would be useful if the guidance includes what action should be taken by Funds to identify potential beneficiaries. This will ensure a consistent approach is taken across Funds.

There must be work carried out nationally (by GAD or the Fund Actuaries) to assess the expected cost this will have nationally on the LGPS, and the potential impact on employer contribution rates.

Cohabitee survivor pensions

Q5 – Do you agree with the government's proposals to formalise the removal of the nomination requirement?

A5 – Yes.

Q6 – Do you have any comments on the government's proposal to formalise the removal of the nomination requirement?

A6 – The Fund supports this. Removal of the nomination ensures no discrimination against members in cohabiting relationships.

Q7 – Do you have any comments on the proposed approach to backdating?

A7 – Removal of the co-habiting nomination supports the practise that has been in place for many years and Government's expectation is survivor benefits will therefore already be in place. Backdating to April 2008 should therefore be considered reasonable.

In the unlikely event a co-habiting survivor approached the Fund, who was not already in receipt of a survivor's pension due to the previous requirement to complete a cohabiting partner's form, and their partner had not done so at that time, (albeit this process was abolished by the High Court Ruling in Elmes 2018), Officers would consider the case. The Fund does not have details of any case that could fall into this category.

Death Grants (age 75 cap)

Q8 – Do you agree with the proposed amendments to death grants?

A8 – Yes.

Q9 – Do you have any comments on the government's proposal to remove the age 75 cut off from the LGPS Regulations?

A9 – The Fund agrees that the age 75 cut-off is removed as people's normal pension age has increased.

Q10 – Do you have any comments on the proposed approach to backdating?

A10 – Officers support the proposed approach to backdating to 1 April 2014. However, Officers feel costing work needs to be carried out nationally to fully assess the likely impact this could have on overall funding and the potential impact on employer contribution rates.

Q11 – Do you have any comments on the administrative impact, particularly in identifying historic cases where death grants that were not paid would now be paid?

A11 - The administrative impact could be significant. Trying to identify cases in scope will require nationally developed reports from the various LG pension system providers.

System changes will be required for the amended methodology.

Recalculations and tax implications will require colleagues with significant experience and knowledge.

We suggest national guidance to support administrators should be provided, for example, when paying additional death grants where Member's Estates are likely to have closed.

Guidance should include what reasonable actions Funds are required to complete locating beneficiaries to whom the death grant should be paid.

Death Grants (personal representatives)

Q12 – Do you agree with the proposal to remove the two-year limit?

A12 - Yes

Q13 – Do you have any comments on the government's proposal to remove the two-year limit?

Q13 – No

Chapter Two – Gender Pension Gap

Q14 – Do you agree that the LGPS Regulations should be updated so that any unpaid leave under 31 days is pensionable, as a way to address the gender pension gap?

A14 – No

Officers understand that predominately, unpaid leave under 31 days is taken by women often for short term urgent childcare, especially for school-based staff that do not have holiday entitlement.

However, whilst this influences the gender pension gap, the values in overall pension are likely to be negligible in comparison to total pension.

By suggesting under 31 days is pensionable, it should be recognised some people will not wish to pay this, given they have received reduced pay due to the unpaid period, but under this proposal they must do so.

On balance, Officers do not support this proposed change and feel unpaid leave should remain with the scheme member and their employer, rather than amend Pension Regulations.

Q15 – Do you agree the government should use the actual lost pay option when calculating contributions, or do you think APP should be the chosen option?

A15 – Officers prefer actual lost pay as it will most closely match what the member would have paid had he/she not taken unpaid leave. It is also considered easier for employers, payroll providers and funds to administer.

Cost of buying back pension lost in an unpaid break over 30 days

Q16 – Do you agree with the proposal to align the cost of buying back unpaid leave over 30 days with standard member contribution rates?

A16 –

Yes. Officers support simplification of the existing process as this may increase members buying back breaks over 30 days using standard member contribution rates.

Removal of the APC element from the process negates the uncertainty with employer contributions. This seems a fairer approach for employers and removes the 1/3rd member, 2/3rds employer that is sometimes questioned by employers with lower employer rates.

Employers should calculate the amount based on lost pay using their own individual employer rate.

Q17 – Do you agree with the proposal to change the time-limit for buying back unpaid leave pension absences from 30 days to 1 year?

A17 – Yes, if the member is still in that employment, as it gives them longer to decide.

Q18 – Do you agree with removing the three-year limit on employer contributions in Reg 15(6)? (i.e. periods of absence that extend beyond three years)

A18 – Yes. These cases are extremely rare.

Pension contributions during child-related leave

Q19 – Do you agree with updating the definition of child-related leave to include all periods of additional maternity, adoption and shared parental leave without pay?

A19 – No. The Fund accepts that this change will have a greater impact on reducing the gender pension gap but questions the rationale behind moving the cost for the unpaid period to the scheme employers, with no contributions payable by the member for any unpaid period.

Under this proposal Employers will be making payment for something they can't control which could financially impact on individual employers, particularly smaller employers.

This seems an unreasonable cost for employers to burden and a shortfall in contributions to the Fund.

GAD estimates this proposal might cost £1m in increased contributions per year, but Officers feel costing work needs to be carried out nationally to fully assess the likely impact this could have on funding and potentially on employer rates.

Making gender pension gap reporting in the LGPS

Q20 – Do you agree that gender pension gap reporting should be mandatory in the LGPS?

A20 – Officers appreciate there is a gender pension gap and understand more regular data is required to develop this. Officers have no strong view whether this should become mandatory, noting pensions are for a lifetime of a scheme member, so reporting needs to reflect this.

Officers feel the gender pension gap calculation and reporting should be provided by the Fund Actuary as part of annual and triennial exercises, using Fund data.

If Funds are required to hold personal data on specific characteristic items as this develops (e.g. disability, ethnicity etc), which they currently do not require for pension purposes, GDPR points will need to be considered.

Q21 – Do you agree that the 2025 valuation (and associated fund annual reports) is preferable?

A21 – No. If it's decided that the gender pension gap should be a mandatory reporting item, it is unachievable to include in the 2025 valuation process and timetable for this has already moved passed the point where this could be included. To require this now would lead to additional costs.

Moving ahead, inclusion in the annual report starting 2025/26 is more realistic, once we've seen the detail and understand how this will be held/calculated/reported etc.

Q22 – Do you agree with the threshold of 100 employees for defining which employers must report on their gender pension gap?

A22 – No. If it's decided that the gender pension gap should be a mandatory reporting item, Officers feel all employers should be included regardless of size.

This is because employers' membership numbers fluctuate, and some employers are split across different Funds.

For consistency, all Fund employers should be included as standard, with only exception in certain circumstances (for example closed employers or genuinely small employer e.g. Town and Parish Council) To compile the gender pension gap for a Fund, as many employers as possible need to be included.

Q23 – Do you agree with the gender pension gap definition being "the percentage difference in the pension income for men and women over a typical working life"?

A23 – Yes

Q24 – Do you agree with the gender pension savings gap being "the percentage difference in the pension savings accrued over one year for men and women"?

A24 – Yes

Chapter Three - Opt Outs

Q25 – Do you agree that the annual report is the best method of reporting data on those who choose to opt out of the scheme?

A25 – Yes, inclusion in the annual report seems reasonable.

Q26 – Do you foresee any issues with administering authorities ability to gather data on opt-outs?

A26 – Currently the administering authority has no requirement to gather opt out data, however, if this becomes mandatory the administering authority could request from every employer at year end;

- The total number of employees eligible to participate in the LGPS – annually at 31 March
- The total number of employees participating in the LGPS – annually at 31 March

By deducting those participating from those eligible, provides the non LGPS payers (the optants out and non-joiners). It will not provide specific optants out in the actual year. However, every three years employers must comply with Auto Enrolment (AE) legislation and rejoin eligible members under AE rules.

This data will have to come from Fund employers as only they will hold this data on their payroll system (or their outsourced payroll providers system).

Data from Fund employers will be required in a timely manner which may need system or reporting changes. The Fund will be reliant on this data being provided in a clearly defined manner.

It will need to be clearly defined to all scheme employers, this only relates to their LGPS eligible staff, noting many employers run multiple pension schemes e.g. Universities and admission bodies etc.

Employers' payroll systems may need to be adjusted to record non pensionable members eligible scheme, for them to identify only LGPS members.

Some employers (especially Multi Academies) can be across Funds, so these will also need to identify which Fund each scheme member relates.

Q27 – When updating the annual report guidance to reflect opt-out data collection, what information would be most useful to include?

A27 – Annually at the 31 March, at Fund level

- The total number of employees eligible to participate in the LGPS
- The total number of employees participating in the LGPS

This data will be available by employer on request, but Officers suggest for the annual report, it only details at Fund level.

Collection of additional opt-out data

Q28 – Do you agree with the proposal to collect additional data about those opting out of the scheme?

A28 – Yes

Q29 – Are you an employer, part of an administering authority or member of a pensions board?

A29 – Administering authority

Q30 – Do you have any comments on the collection of additional information?

A30 – No

Chapter Four - Forfeiture

Q31 – Do you agree that the government should amend the regulations 91 and 93 of the 2013 Regs to remove the requirement that the member must have left employment because of the offence in order for an LGPS employer to be able to make an application for a forfeiture certificate or to recover against a monetary obligation?

A31 – Yes

Q32 – Do you agree that the three-month time limit for an LGPS employer to make an application for a forfeiture certificate should be removed?

A32 – Yes

Q33 – Do you agree that Regulation 92 of the 2013 Regs should be revoked?

A33 – Yes

Q34 – Do you agree that in order to give full effect to the proposed amendments, equivalent modifications should apply to earlier schemes?

A34 – Yes

Q35 – Do you agree that there should be forfeiture guidance to assist employers in making applications?

A35 – Yes

Chapter Five - McCloud

Divorce

Q36 – Do you agree with the government's proposal for pension debits and credits?

A36 – Yes

Death Grants

Q37 – Do you agree with the government's proposal to cover deaths on 30 September 2023?

A37 – Yes

Club Transfers

Q38 – Do you agree with the government's proposal to clarify if interest applies on Club transfers?

A38 – Yes

AA or LTA Interest on Tax loss

Q39 – Do you agree with the government's proposal to include part 4 tax losses in the 2023 regulations?

A39 – Yes

Transfers from other public service schemes for members over 65 years old

Q40 – Do you agree with the government's proposal for transfers from other public sector schemes for members over 65 years old?

A40 – Yes

Chapter Six - Other Regulation Changes

These proposals do not reflect new or changed policy, but are intended to fix known issues raised by admin authorities and administrators.

These are listed as follows; Welsh corporate joint committees, exiting employers, de-minimis payments for pre-2008 leavers, AVCs and transfers, pre-2014 AVCs, lifetime allowance, 5-year refunds, child's pensions under the 1995 and 1997 regs, retained EU law, bereaved paternity leave.

Minor regulation changes are required to fix the known issues.

Q41 to Q46 – all relate to these points – Do you agree with the proposal relating to these

A41 to A46 – Yes

Q47 – Do you have any comments on the proposal in this chapter?

A47 – Yes. Whilst we support the principle that members should have greater flexibility with their pension benefits (to align with Freedom and Choice), we note the proposed change to AVCs and transfers will create orphaned AVCs, should a member transfer out their LGPS benefit but decide not to transfer out their LG AVC.

Currently, by having the LGPS benefit and AVC "coupled" it provides easier administration and benefits the scheme member when they request a LG tax efficient lump sum.

Also, orphaned AVCs are something Funds are trying to avoid with the upcoming dashboards.

Chapter Seven - Administrative Impact of the Proposals

The proposal is to implement most of these changes through a draft SI later this year.

Government do not propose to cover any costs generated by the proposals.

Q48 – Do you have any comments about the impact the combined proposals in this document will have on administration?

A48 – The impact of several of these changes are helpful, especially the de-minimise and pre-2014 AVC changes.

However, any retrospective work in pensions is difficult as demonstrated by McCloud. The backdating of the survivor benefits in Section One, and removal of the age 75 cap (backdated to 1 April 2014) are large complex administrative items.

Whilst McCloud continues, administration remains stretched, and the Leicestershire Fund has requested the full McCloud administration extension to the 31 August 2026.

Further retrospective work will only add to the already pressured environment and realistically it's unlikely work on this could commence until after the completion of McCloud in August 2026, even if an earlier completion date was proposed.

The complexity of the LGPS continues to increase and qualified, knowledgeable and experienced staff are becoming more difficult to find, especially as those with the longest service are naturally nearing retirement. Training new staff takes time and resource, adding to the pressure of providing the service.

The changes will require system recalculations which will incur costs and time to develop, test and implement.

Q49 – Are there any areas where you believe the proposals are significantly more complex and would benefit from a later implementation date?

A49 – Survivor benefits and removal of the age 75 cap, backdated to April 2014.

Q50 – Do you have any comments on the proposed approach to cost?

A50 – There is no costing available that provides a guide to the increased fund costs from these changes. National work is required with the Actuaries to assess the cost increases the changes are likely to bring to Funds and possible employer rates.

Administrative costs also need to be considered and calculated, to allow Funds to recommend to their committees any necessary growth bid.

Chapter Eight – Public Sector Equality Duty

Q51 – Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so, please provide relevant data or evidence.

A51 – No

Q 52 – Do you agree to being contacted regarding your response if further engagement is needed?

A 52 - Yes

Final – 5 August 2025

Ian Howe

Pensions Manager

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