

December 2024

Pensions Bulletin

Consultation: LGPS Fit for the Future

In an effort to encourage investment in British business, the Government has launched a consultation called “LGPS; Fit for the Future” which seeks to transfer an Administrative Authority’s (AAs) investment strategy to a pool, asks them to take their principal advice from the pool and transfer their legacy assets to it. We are extremely sceptical about this proposal. We believe:

- The proposal transfers a power to pools that can already be exercised by AAs
- Undermines AA autonomy rendering them redundant
- Diverts from the ability to make decisions that best suit the AA
- Obviates the role of Pension Committees, Trustees and Member Nominated Representatives creating an accountability deficit (to whom are the pools accountable?)
- Creates a blame game of Pools v AAs
- Ignores the evidence of poor pool performance thus far

We will be responding to the Consultation on this basis.

Consultation: The New Fair Deal

HM Treasury has confirmed that the New Fair Deal policy has been extended to further education bodies that operate in the statutory sector, commencing from 14 November 2024. The policy also applies to tendering and outsourcing exercises currently in progress where the transfer of staff has not yet concluded.

We are continuing to engage with the government on how the New Fair Deal could be improved, especially in the LGPS, and we are hopeful that in the near future, it will, amongst other things:

- Address possible age inequalities around the Death Grant
- Act to further reduce the Gender Pensions Gap
- Seek to maximise participation in, and minimise opt-outs from, the scheme, especially amongst the low paid
- Enshrine the right of outsourced workers to remain in the LGPS

The Fiduciary Duty and Environmental, Social and Governance (ESG) considerations.

- Currently LGPS AAs need to invest the contributions they collect from employers and employees in the best interests of those scheme members and employers. The phrase “best interests” means “the best financial interests” of scheme members and is referred to as the

fiduciary duty. Value, risk and yield of investments should therefore drive an AA's decisions, not political positions.

- [Under the LGPS Investment Regulations 2016] AAs are also required to include a policy on how ESG considerations are taken into account in investment decisions as consideration of non-financial factors is permitted. The amount of weight (if any) attached to such factors is at the discretion of the administering authority. AAs may apply ESG factors only where it would not lead to significant financial detriment and where it would have the support of the scheme beneficiaries.
- *It is not appropriate* for investment decisions to be driven directly by the political views of Pension Committee members or indeed Government ministers (except as where prescribed in law, e.g. under the Sanctions and Anti-Money Laundering Act 2018). The Supreme Court held, in its judgment on the Palestine Solidarity Campaign case, that it is not appropriate for political preferences, whether local or national, to take precedence over what is required under the fiduciary duty.
- The GMB has a small network of members who act as Trustees on local Pension Boards. Using their position to further campaign aims may conflict with the Trustees requirement to uphold the fiduciary duty as described above and Trustees should be mindful of this.

Forthcoming Changes

Extending inheritance tax to pension death benefits.

The Chancellor announced that from 6 April 2027 most unused pension funds and death benefits will be included in the value of a person's estate for inheritance tax (IHT) purposes.

The proposed changes would mean that Local Government Pension Scheme death grants would be subject to IHT from April 2027

UK resident pension scheme administrators

From 6 April 2026, all pension scheme administrators of a UK registered pension scheme will be required to be UK resident. HMRC will provide more information on this change and what it means for existing non-UK pension scheme administrators in future pension scheme newsletters.

Dashboards

The Department of Work & Pensions has confirmed the government's commitment on Dashboards with connections expected to start in April 2025 and a completion deadline of 31 October 2026. Public Sector Schemes are expected to be connected by 31 October 2025.

Increase to the Normal Minimum Pension Age (NMPA)

The Finance Act 2022 increased the 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.

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