

**Report to the Lancashire Local Pension Board**  
Meeting to be held on Tuesday, 28 January 2025

**Report of the Director of Finance and Commerce**

**Regulatory Update**

<b>Part I</b>	<b>Corporate Priorities:</b> Thinking Differently
<b>Electoral Division(s):</b> N/A;	
<b>Contact:</b> Catherine Hunt, Technical & Administration Pension Lead, (01772) 533757, catherine.hunt2@lancashire.gov.uk	

**Summary**

**Purpose of the Report**

This report provides an update on various regulatory issues and industry news to assist Board members in their role.

**Recommendation**

The Lancashire Local Pension Board is asked to consider and comment on various regulatory updates set out in this report.

**Background**

1. It is prudent for Board members to be appraised of any industry news or regulatory changes which may impact the operation of the Pension Fund, including any potential risks and opportunities afforded by these changes.

**Valuation 2025**

2. The triennial valuation of the Pension Fund will be as at 31<sup>st</sup> March 2025. The timetable for the valuation process has been shared with employers via the Pension Fund website and the Fund actuary has been invited to speak at the forthcoming Employer's Strategic Briefing in February 2025 about the valuation process and funding matters. The results of the valuation will be provided to employers in Autumn 2025 setting out the employer contribution rate applicable from 1<sup>st</sup> April 2026 and any options available to them.
3. On 25 November 2024, the Scheme Advisory Board approved new Funding Strategy Statement (FSS) guidance for administering authorities to follow when preparing its FSS. The updated guidance aims to help administering authorities create their own funding strategy, covering all the necessary topic areas but



without being prescriptive in the policy approach to take. As well as guidance on issues such as employer risk and covenant, and (for the first time) climate change, there is also more explicit reference to the management of any surplus.

4. The guidance is pending approval by the Ministry of Housing, Communities and Local Government (MHCLG).

### **McCloud Remedy**

5. Following the McCloud judgement in December 2018, LPPA has been undertaking underpin calculations for eligible members when processing current benefits. To date, 10 cases have been processed for the Lancashire County Pension Fund where an underpin has been applied. Benefits have increased by an average of £253 per annum. In October 2024, the Local Government Association (LGA) provided guidance for administering authorities on how to deal with past calculations that need revisiting, but LPPA are awaiting system functionality to enable them to revisit historic cases in bulk. The functionality has been delayed and is now expected to go live in early February 2025. It is important that this functionality is successfully delivered and implemented to ensure the 'underpin' can be reflected in 2024/25 annual benefit statements as required by regulations.

### **Teachers Excess Service**

6. Also, as part of the Teachers' Pension Scheme (TPS) Transitional Protection changes which became effective 1<sup>st</sup> October 2023, it was determined that teachers excess service during the remedy period i.e. an additional part-time contract, should not have been pensionable under the TPS final salary scheme, so they should have been enrolled into the LGPS for the part-time role. TPS have carried out an exercise to identify employers in scope in each region to collect information about member service from each employer. Once TPS have validated the employer data they will inform LGPS administering authorities of the process to collect the data and create relevant records in the LGPS.

### **Normal Minimum Pension Age changes**

7. On 2<sup>nd</sup> November 2021, HM Treasury (HMT) introduced the Finance (No.2) Bill 2021/22 which outlined that from 6<sup>th</sup> April 2028, the normal minimum pension age (NMPA) will increase from age 55 to age 57. Members of registered pension schemes who had a right to take their benefits before age 57 before 4<sup>th</sup> November 2021 will have a protected pension age. However, the protected pension age will only apply if the LGPS regulations are changed to implement the protected pension age. At the time of writing this report it is not known whether this will happen. LPPA are in the process of reviewing letters and webpages to forewarn members about the increase in the minimum pension age.



## **Inheritance tax consultation**

8. In the Autumn budget on 30<sup>th</sup> October 2024, the Chancellor; Rachel Reeves, announced a consultation regarding a proposal to include discretionary death grant payments in a member's estate for inheritance tax purposes with effect from April 2027. At present if an individual dies before the age of 75, then no inheritance tax is applied to the pension death lump benefit. However, it is proposed that such lump sum benefits will form part of the estate from 2027. There will be no changes to the way survivor pensions are taxed which is currently as income for tax purposes. As the proposal will increase complexity for LPPA when processing bereavements, LPPA will be responding to the consultation regarding the proposal which closes on 22<sup>nd</sup> January 2025.

## **Options and Proposals**

As this is an update report there are no options or proposals for consideration.

## **Consultations**

9. None

## **Context and Implications**

### **Legal (including Human Rights)**

10. It is prudent for Board members to be apprised of any risks posed and opportunities afforded by legal and regulatory change.

### **Financial**

11. There are no financial implications to consider.

### **Equality and Diversity**

12. There are no equality and diversity implications to consider.

### **Risk Management**

13. Without the required knowledge and skills, those charged with governance and decision making may be ill-equipped to make informed decisions regarding the direction and operation of the Pension Fund.

### **List of Background Papers**

None

### **Part II Reason**

14. N/A

