

7 August 2025

Consultation on LGPS Member Benefits
FAO Local Government Pensions Team
Ministry of Housing, Communities and Local Government
Local Government Finance Directorate
2nd Floor
Fry Building
2 Marsham Street
London
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RE: Local Government Pension Scheme in England and Wales: Access and Fairness

We welcome the opportunity to respond to the Government's consultation on improving member benefits in the LGPS.

Pensions UK is the voice of pensions in the UK, trusted and heard by the government and the pensions industry. For more than 100 years we've delivered influential thought leadership, practical guidance and research for our members; pro-actively solving the sector's biggest issues and setting the future direction. As a not-for-profit organisation, we exist for the benefit of our members, and to deliver the best possible outcome for savers in the UK, so they can retire in confidence and with dignity.

Our membership and reach

We're the voice of pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest £2 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people's financial futures.

Across our work in strategic and regulatory policy development, advocacy, membership engagement, events and communications, we engage with over 2,500 organisations, with nearly 16,000 contacts within our membership and a further 17,000 in the pensions and financial services industries.

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Pensions UK engaged with its Local Government Pension Scheme (LGPS) members to gather views in relation to this consultation. We welcome the proposals included in the document, which will allow LGPS Funds to address previously identified issues and address cases of historic discrimination. Some of the new measures, such as the Gender Pensions Gap proposals, represent progress toward the right direction.

Due to the overall positive impact of the proposals being consulted on, Pensions UK is only replying to the consultation questions which our members have significant views on.

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Question 22 – Do you agree with the threshold of 100 employees for defining which employers must report on their gender pension gap?

The introduction of mandatory reporting for the LGPS would be a significant step towards raising awareness of gender pension gap and could serve as an example for similar initiatives.

However, the threshold used for reporting in this instance is troublesome, since Funds and their actuaries typically do not hold this information – they only have data regarding how many scheme members each employer has. To ensure reporting suits its purpose – an employer can have more than 100 employees but only few are LGPS members, so reporting on these firms would not provide an insight into the Gender Pension Gap – we would support the reporting requirement to be based on the number of scheme members employed by a LGPS employer.

Establishing the threshold at 100 members also comes into question when the current rules for gender pay gap, which play a significant role in the gender pension gap, are considered. Companies with more than 250 employees are already required to report on the gender pay gap within their organisation and we question whether smaller organisations will have this information readily available, and will therefore be able to report on the gender pensions gap.

We would recommend a threshold for reporting of 250 Scheme members, which broadly aligns with the gender pay gap reporting. Employers who are close to the threshold could choose to participate on a voluntary basis.

Potential challenges may arise with Funds reporting on behalf of employers, since some companies have an extended geographic presence, such as contractors, and are employers for more than one LGPS Fund. A similar situation occurs with

Academies. For this reason, Pensions UK would encourage Government to consider shifting the onus of reporting from Funds to employers to avoid double counting.

Question 26 – Do you foresee any issues with administering authorities’ ability to gather data on opt-outs?

Improving opt-outs data will allow a better understanding of the types of members which are most likely to leave the scheme and the drivers of these behaviours.

However, collecting this information can prove challenging for LGPS Funds: in the cases where opt-outs occur in the first three months of an individual being enrolled, most LGPS Funds will not hold this data, which sits with the employers; there is also a concern regarding GDPR rules if a Fund holds data for an individual which is not a member of the LGPS.

Given the substantial number of employers involved in the LGPS and their differing levels of engagement with the scheme, gathering this data may present challenges. However, since employers are required to retain this information for auto-enrolment purposes, it should be readily available to send to the relevant central government entities which will collate this data. We also note Government will detail out their expectations on how Funds must include the opt-out data in their annual reports in updated guidance. Pensions UK would welcome further information in relation to how the process can be streamlined and provide assurances to Funds of GDPR compliance.

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

Making a number of changes simultaneously would place an additional strain on LGPS administrators, especially at a time when teams are already stretched, having to learn, understand and implement the various projects such as McCloud remedy and Pension Dashboards, in addition to providing a first-class service to their LGPS members.

Some of the proposed changes will require manual calculations or historical investigations in order to apply retrospective amendments, in particular regarding backdated changes to survivor pensions, death grants after age 75 and cohabiting partner pensions. This process will be considerable in scope, since much of the analysis must be done manually in order to review the circumstances of each specific case.

Pensions UK LGPS members are therefore concerned about the combined impact which implementing these measures could have not only on the quality of service they deliver to all their stakeholders, but also to their staff and the potential to create recruitment and retention issues. For these reasons, Pensions UK would support a staggered approach to implementation, with clear guidance from Government on the order of priority and suggestions of workload management.

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

The changes to survivor pension and death grants are expected to be complex (see answer to question 48) due to the fact they also apply to retrospective cases. It would be useful if the project is approached in two waves, similarly to the process taken with the McCloud remedy – first ensuring software providers make the necessary changes so that future benefit calculations are presented correctly; only after that step is completed should admin teams start to address the retrospective cases.

Other changes can be integrated into existing automation or system functionality. However, software providers are currently also working to develop solutions for the McCloud remedy. It is essential these providers have sufficient time to be able to update their systems and therefore eliminate the need for time consuming manual calculations in some instances, which will occur if the proposals come into effect before the systems are ready for their implementation.

There are also measures which will need employer payroll developments, such as the proposal to change how periods of absence are treated under the scheme, which would benefit from a delayed implementation.

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We thank the Ministry of Housing, Communities and Local Government for the opportunity to respond to this consultation and look forward to seeing the outcome of it. If you have any queries or require further information regarding this response, please do not hesitate to contact me.

Best regards,

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