

22 December

Consultation on LGPS Scheme Improvements (Access and Protections)  
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: Scheme improvements (access and protections)

We welcome the opportunity to respond to the Government's consultation on improving 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. Given the technical nature of many of the consultation questions, Pensions UK is presenting an overarching perspective that reflects the collective views of our members.

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### Normal Minimum Pension Age

*Q3. Do you have any views on the design of the regulations to incorporate this change?*

Pensions UK members agree with the proposal to increase the Normal Minimum Pension Age to 57 by April 2028, as it aligns with wider pension reforms.

However, the design of the regulations to incorporate the NMPA change should account for the significant complexity and operational challenges it introduces. There is concern amongst Pensions UK LGPS members that the current approach underestimates the administrative burden, especially regarding software changes and the need for sufficient lead-in time to ensure compliance. Furthermore, the complexity of the proposed changes adds to an already complicated landscape in administration, making the additional proposals potentially very difficult for teams to manage.

The regulations should provide clear guidance and allow for adequate transition periods. Our members also highlighted the need for clear and consistent communication with members to avoid confusion on the changes, and for Government to consider the impact on both members and administrators to help avoid unintended consequences and ensure accurate implementation.

### Access for councillors and mayors

*Q7. Do you have any specific comments on the draft regulations?*

The draft regulations should clarify provisions for councillors and mayors with previous deferred LGPS benefits, as there is currently no clear mechanism for aggregating or joining these benefits. While numbers affected may be small, addressing this would ensure fairness and administrative consistency. Additionally, the regulations should consider the administrative burden and allow for practical implementation, possibly by permitting manual calculations for small cohorts rather than requiring extensive software changes.

Our members have also pointed out that Wales currently operates a separate scheme for councillors, and maintaining this alongside changes in England could create administrative and software challenges. Aligning Wales with England by having councillors join the LGPS instead of being enrolled in the separate scheme would help avoid complexity. Clear guidance will also be needed to ensure smooth implementation and minimise operational disruption if this is the chosen solution.

#### Academies

*Q9. Do you have any views on how contribution rate shopping can be discouraged?*

The proposed changes may inadvertently give employers perceived leverage to negotiate lower rates by threatening to transfer to another fund, especially during valuation cycles, which could create pressure on funds to adjust contribution rates.

To discourage rate shopping, robust legal documentation and oversight mechanisms are needed, such as:

- Transparent criteria for transfers and contribution rate setting.
- Oversight by regulatory bodies to ensure consistency and prevent manipulation.
- Clear guidance on the frequency and conditions under which transfers can occur.
- Mechanisms to monitor and report on transfer activity and its impact on fund solvency.
- Restrict transfers so they do not coincide with triennial valuation cycles, which would prevent employers from switching funds simply to obtain lower rates.

The process should prioritise long-term funding stability and fairness over short-term rate advantages, with safeguards to prevent gaming of the system.

*Q17. Do you have any further comments regarding the proposal?*

While Pensions UK LGPS understand the motivation for this proposal, concerns remain. The policy ambition to simplify employer participation is acknowledged, but the current approach does not adequately address the structural challenges posed by cross-border employers (who participate in more than one LGPS Fund). Our members believe that other cross-border employers (not just academies) may seek similar arrangements, further increasing complexity and administrative burden for LGPS Funds. Even within academies themselves, while consolidation

may be appropriate for certain academy trusts, it is challenging to design a single set of rules that accommodates the diverse and evolving landscape of academisation, making practical implementation difficult.

There is significant scepticism among our members about whether the anticipated administrative savings will materialise, as the complexity and costs associated with bulk transfers may outweigh any potential efficiencies. Additionally, the likelihood of increased negotiations and delays around bulk transfers could add to the administrative burden, rather than resolving existing challenges. This proposal could also negatively impact cash flow and resource planning for affected funds.

There are also other unintended consequences, since frequent academy transfers between Funds could confuse members about which Fund they belong to and undermine confidence in the scheme.

There is also a risk that local investment priorities will be undermined if academies are moved far from their communities, since this shift could reduce opportunities for funds to support regional economic growth and community projects in their area.

New Fair Deal

*Q37. On balance, do you agree with the proposals in this chapter?*

While the policy intention of strengthening protections for outsourced workers is supported by Pensions UK LGPS members, there are significant concerns about the practical implementation of the proposals.

Firstly, most LGPS Funds have already adapted to address the issues these changes aim to solve, and there are concerns among our members that implementing the New Fair Deal now may not significantly improve current practices, as many have already moved on and developed workarounds.

The main issues raised relate to data quality and administrative complexity: if employers outsource services without notifying the Fund, it may result in inaccurate records and benefit calculations, and it is unclear who will be responsible for correcting such errors.

The proposed new approach could reduce engagement from new employers (relevant contractors), making it harder to obtain accurate and timely data, which is critical for compliance with pension dashboards and regulatory deadlines.

Our members also believe that removing admission agreements could create new risks for funds, particularly around accountability and clarity of responsibilities; current arrangements, although slow, provide a clear framework.

Furthermore, the introduction of more parties and potential adjustments to contribution rates adds further complexity and risk of errors. With increased regulatory focus on data quality and tight turnaround times, these risks are heightened, and funds may struggle to meet statutory requirements if data is incomplete or inaccurate.

Pensions UK LGPS members would appreciate if Government could provide clarification on timescales, especially regarding ongoing contract negotiations and the transitional period, considering what has been mentioned above about how new regulations could inadvertently affect current processes.

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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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