Pensions

Last update: **1 Jul 2025**

Latest Bulletins

July Pensions Bulletin 2025

Posted on: 1 July 2025

LGPS Consultation: Access and Fairness

A very short Bulletin this month

A reminder that on 15 May 2025, the Ministry of Housing, Communities and Local Government (MHCLG) launched a consultation on some proposed changes to the Local Government Pension Scheme (LGPS) in England and Wales.

The proposals include suggested amendments to

- Survivor benefits and death grants
- Gender pensions gap benefits and reporting
- Reporting of Opt Outs
- Regulations regarding the McCloud remedy and the abolition of the Life Time Allowance

Other changes include

- Allowing small pot payments to be made to members who left the LGPS before 1 April 2008
- Allowing deferred members who left before 1 April 2008 to buy additional pension with in-house AVC pots.
- Allowing for the payment of refunds beyond the 5-year limit
- Other miscellaneous changes.

The full consultation can be found here and closes on 7 August 2025. I would welcome any comments that members may have on the proposals by no later than Wednesday 16th July.

Please share this bulletin. Any member who wishes to receive it directly should email george.georgiou@gmb.org.uk and ask to be added to the distribution list. Likewise, if you wish to be removed.

Special Local Government Pension Scheme (LGPS) Bulletin +

Posted on: 11 June 2025

Special Local Government Pension Scheme (LGPS) Bulletin

LGPS England & Wales 'Access and Fairness' Consultation Launched

On 15 May 2025, the Ministry of Housing, Communities and Local Government (MHCLG) launched a consultation on changes to the Local Government Pension Scheme (LGPS) in England and Wales.

The proposed changes are intended to improve fairness in and access to the LGPS. The proposals include:

Survivor benefits and death grants

- Equalising survivor benefits

- Removing the age 75 limit for death grant eligibility
- Removing the requirement for a death grant to be paid to the personal representatives where it is not paid within the two-year period
- Removing the requirement to nominate a cohabiting partner in the 2008 Scheme.

Gender pensions gap benefits

- Making authorised absences of less than 31 days automatically pensionable
- Aligning the cost of buying back lost pension for authorised absences of over 30 days with the standard member contribution rates
- Extending the time limit for electing to buy back lost pension from 30 days to 12 months
- Removing the limit that provides employers must only share the cost of buying back lost pension for a maximum period of three years
- Updating the definition of child-related leave to include all periods of additional maternity, adoption and shared parental leave without pay.

Gender pensions gap reporting

- Making gender pensions gap reporting mandatory for administering authorities with effect from the 2025 valuation
- The actuarial report and the annual report of that year must include the required information
- Employers with more than 100 employees will also be required to report gender pensions gap (reported in the rates and adjustments certificate)

Opt Outs

- Making reporting the rate of opt outs mandatory for administering authorities
- Reports must be included in the annual report each year

- Collection of additional opt-out data by MHCLG e.g. ethnicity, religion, marital status, hours, salary etc
- There will be a mandated opt out form

Forfeiture

- Removing the requirement that a member must have left employment because of the offence for forfeiture to be possible
- Abolishing the three-month time limit for an application to be made
- Removing regulation 92 (interim payments directions)
- Publishing guidance on making a forfeiture application.

McCloud remedy

Correcting regulations to provide the McCloud remedy works as expected in relation to:

- Recalculating pension debits
- Deaths on 30 September 2023
- Transfers from other public service pension schemes where the member is over age 65
- Interest on club transfers
- Interest on part 4 tax losses.

Abolition of Life Time Allowance changes

- Revoking regulation 50 (limit on total amount of benefits) and withdrawing LTA actuarial guidance
- Amending the definition of a Benefit Crystallisation Event (BCE) i.e. the occasions, which each trigger a test against the lifetime allowance

- Updating actuarial guidance on cash commutation to include the payment of Pension Commencement Excess Lumps Sums (PCELS) i.e. a taxable lump sum that may be paid to an individual when they start taking their benefits from the scheme. An individual may take a PCELS where they have exhausted their lump sum and death benefit allowance in certain conditions.
- Legislating for the maximum PCELS to be 25% of the capital value of the benefits being crystallised (subject to contracting out limits).

Other changes

- Allowing small pot payments to be made to members who left the LGPS before 1 April 2008
- Allowing deferred members who left before 1 April 2008 to buy additional pension with in-house AVC pots.
- Allowing for the payment of refunds beyond the 5-year limit
- Other miscellaneous changes.

Most of these proposed changes are issues that we have been campaigning on for some time and I broadly welcome them. The full consultation can be found here and closes on 7 August 2025. I would welcome any comments that members may have on the proposals by no later than Wednesday 16th July.

LGPS Annual Report

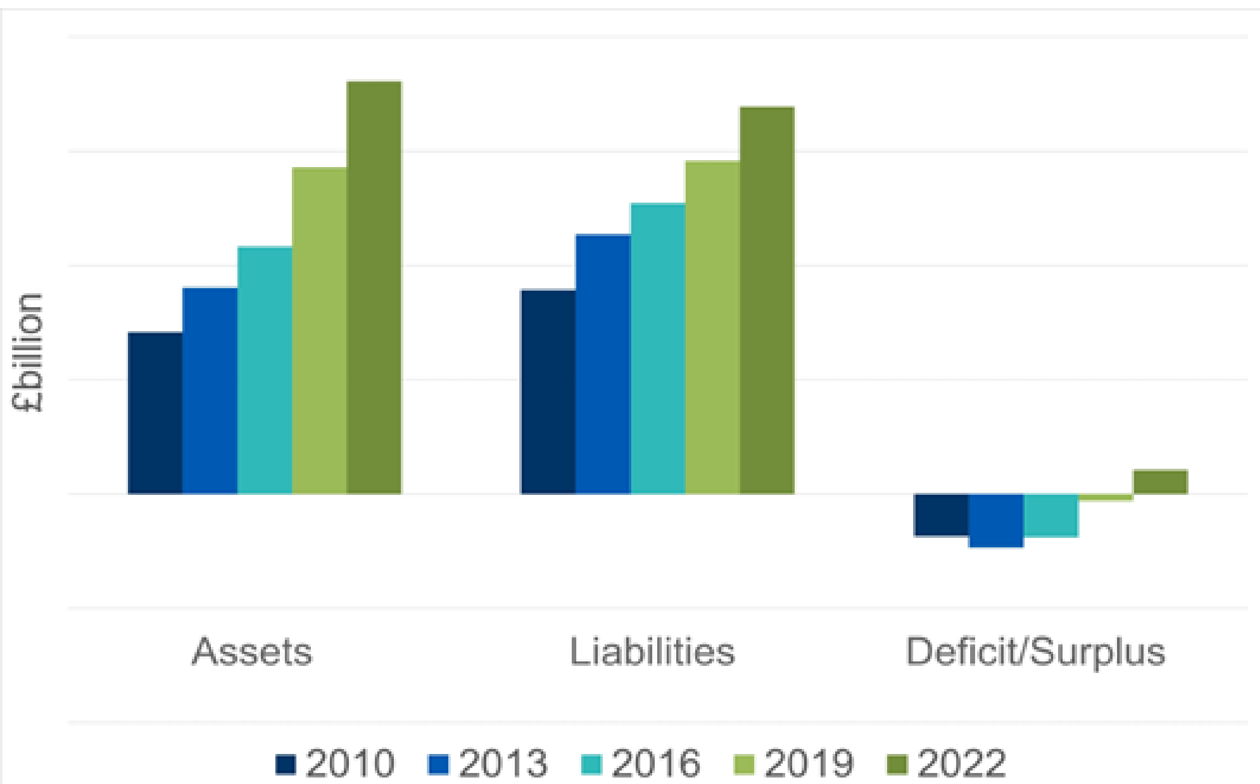
The Scheme Advisory Board has published its 12th Scheme Annual Report which aggregates information supplied by the 86 Administrative Authorities of the fund as of 31 March 2024. It provides a single source of information regarding the LGPS.

In Summary

- The LGPS is one of the largest defined benefit (DB) schemes in the world and is the largest DB scheme in England and Wales, with 15,049 active employers, 6.7m members (an increase of 2.8%) and assets of £390bn (an increase of 10.1%) on 2023/24.

- There are 2.15m active members (paying into the scheme), 2.4m deferred and 2.14m pensioners
- As of 31st March 2022, the LGPS had an estimated overall funding level of 107%.
- Total assets increased to £390bn, an increase of 10.1 per cent from £354bn
- The return on investment over 2023-2024 was 8.9 per cent comparing very favourably to UK CPI year on year inflation of 2.5 per cent (Sept – Sept)
- Total investment management costs increased by £49.6m (2.9 per cent). Management fees increased by £52m, transaction costs increased by £20m while performance fees decreased by £15m and other [investment] costs decreased by £6m
- Total administration and governance costs increased by 5.7 per cent (£15.7 million) to £290.8 million in 2023-2024 from £275.1 million in 2022-2023. This was primarily due to an increase of £19m in administration costs.

LGPS Financial Performance



Government's Response to LGPS 'Fit for the Future' Consultation

Members may recall that our response to the above outlined our scepticism and opposition to the government's proposals to increase and mandate pooling in the LGPS and reduce the number of pools to six. On 29 May 2025 the Government published its response setting out that its proposed reforms will go ahead and be legislated for in the forthcoming Pensions Schemes Bill. The consultation also outlined some governance reforms for Administering Authorities including:

- Appointing a senior LGPS officer with overall delegated responsibility for the management and administration of the Scheme
- A requirement to prepare strategies on governance, knowledge and training (replacing the governance compliance statement), and administration
- The knowledge and training strategy will be required to include a conflict of interest policy
- The requirement to take part in an independent governance review (IGR) every three years
- Ensuring pension committee members meet new knowledge and understanding standards
- Appointing an independent adviser (non-voting) to the pension committee.

Whilst the Government's response provides clarity and commits to implementing the Good Governance recommendations we first asked for in 2021, the scale and pace of the proposed changes carries significant risk and the implementation timetable places considerable pressure on funds who are already dealing with election-related turnover, local government reorganisation (LGR), staffing constraints, the 2025 valuation, the implementation of the McCloud remedy and preparations for the Pensions Dashboard.

Gender Pensions Gap Roundtable Event

The LGPS has organised an event to bring together leading industry figures and representatives from across public sector pensions to inform our response to the Governments Access and Fairness consultation. I shall be attending the event on behalf of the GMB on 18 June 2025 at the Local Government Association offices in Smith Square, Westminster.

The Pensions Ombudsman (TPO) recently did not uphold a complaint concerning a council's decision to award a lump sum death benefit to a nominated beneficiary instead of the late member's spouse.

The Ombudsman:

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- Recognised that regulation 46 gives the administering authority absolute discretion to decide how the member's lump sum death benefit should be distributed
- Agreed with the council's decision not to further investigate any allegations made by the member's spouse as it was a matter for the police.

All the more reason to ensure members have completed their expression of wish forms.

Scotland

The Scottish Local Government Pension Scheme Advisory Board are proposing the following amendments:

Neonatal Care Leave and Pay (Consequential Amendments to Subordinate Legislation) Regulations 2025.

This change entitles employed parents the right to paid leave where their child is admitted to neonatal care starting within 28 days of birth and goes on to spend seven or more continuous days in care. This new entitlement applies to children born on or after 6th April 2025.

Increasing the Normal Minimum Pension Age (NMPA) from age 55 to age 57 from 6 April 2028 to align with the Finance Act 2022. There are some protections in place for transition members, which will allow some individuals to retain the right to take their benefits at age 55. The protected pension age in the LGPS, which is the right to take benefits before NMPA, needs to be considered.

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June Pensions Bulleting 2025

Posted on: 11 June 2025

Pensions Bulletin

(It's quite a long one this month – there's a lot going on)

Pension Schemes Bill

The Government has introduced the long-anticipated Pension Schemes Bill to parliament, initiating major reforms across defined contribution (DC), defined benefit (DB), and Local Government Pension Schemes (LGPS). Expected to receive Royal Assent in 2026, with secondary legislation to follow, the Bill builds on the 2024 King's Speech, the Pensions Investment Review and consultations on the LGPS and defined benefit schemes. It aims to secure better value for pension savers and promote long-term investment to support UK economic growth.

The Bill confirms that the Government is proceeding to legislate to:

- Require multi-employer DC and group personal pension schemes to have at least £25bn of assets in their main scale default arrangement (aka 'megafund') by 2030 or be on the way to achieving that by 2035. The aim is to use these pension savings to invest in the UK economy.

(GMB Comment; What evidence is there that this would generate results? it would require years of planning and coordination. Are there enough diverse investment opportunities available? To whom will they be accountable? What representational, accountability and transparency safeguards will there be?)

- Create the legislative framework for the planned Value for Money regime so that all sizes and types of schemes will be subject to requirements to conduct annual VFM assessments.
- Address 'small pots' by introducing a default consolidator system to automatically combine pots of £1,000 or less.
- Require DC schemes to offer 'default pension benefit solutions' - including Collective Defined Contribution (CDC) schemes (see below) - that provide an income (not just a pot of money) at retirement.
- Introduce a contractual override to allow contract-based providers to transfer members out of underperforming and legacy arrangements if in members' best interests.
- Allow rule changes by trustee resolution, where necessary, to facilitate employer surplus payments (also see below) although this leaves much of the detail to regulations.

Regarding LGPS

- The Bill confirms the government's intention to reform investment management and governance, with requirements for LGPS funds and pools to accelerate the consolidation of assets (reducing the number of pools from eight to six).

(GMB Comment; What evidence is there that this would generate results? To whom will they be accountable? What representational - especially Trade Union - accountability and transparency safeguards will there be?)

Regarding Superfunds

- The Pensions Regulator (TPR) has operated an interim assessment regime for DB superfunds since 2020, the Bill introduces the long-awaited legislative framework, formalising the requirements, regulatory oversight and an approval process for transferring pension schemes, with some existing ambiguity removed, as well as the criteria for authorisation and supervision, including governance standards, financial thresholds and capital buffers *(the detail is left to secondary legislation).*
- Allows TPR to oversee superfunds, with powers to intervene in cases of concern; they will need to have appropriate management documents and reporting in place.

In other measures the Bill will

- Allow data from the Pension Protection Fund (PPF) and Financial Assistance Scheme to be displayed on dashboards and extend their definitions of 'terminal illness'.
- Give the PPF the ability to reduce its levy when not required without compromising its ability to raise more in future.
- Establish the Pensions Ombudsman as a 'competent court'.

Next steps: The Bill will be scrutinised and debated by the House of Commons and the House of Lords. Consultations and discussion papers are expected as secondary legislation is developed. The Department for Work and Pensions (DWP) suggests that surplus regulations and guidance might come into force by the end of 2027, whilst the DWP and TPR will work to establish the permanent market for DB Superfunds by 2028. The timeline for implementation of DC measures is driven principally by the 2030 date for the minimum-fund-size requirement. It confirms that the delayed second phase of the Pensions Review, focusing on the adequacy of retirement incomes, will begin 'in the near future'.

The Bill would make some of the biggest changes to the pensions landscape for years and may have far reaching consequences for GMB members although much of the detail will be left to regulations. It is for that reason that we will closely monitor all aspects of the bill and its passage through Parliament.

The delayed second phase of the Pensions Review, focused on retirement income adequacy, is set to begin 'in the near future'.

Trumponomics

The Pensions Regulator (TPR) has published a report on the impact on pension schemes of the recent market volatility caused by US trade tariffs. Although it is not possible to know Trump's mind from one minute to the next, TPR's engagement with schemes suggests, fortunately, that the impact on both DB and DC schemes seems to have been modest. This may be a consequence of Bond markets outwitting Trump and/or adoption of the TACO guideline (Trump Always Chickens out).

Although many DB schemes will have seen volatility affecting their assets, the impact on funding levels will have depended on the scheme's investment allocation and what hedging arrangements were in place (if any).

TPR's says trustees of both DB and DC schemes should:

- Have robust governance and operational resilience so that they can adapt to changing market conditions.
- Have clear lines of communication with employers, their advisers and other delegated authorities so that they are ready to act when necessary.
- Be alert to the risk of scammers, who might try to target savers during periods of economic uncertainty. Trustees are the first line of defence against scammers.

Member Representation on Trustee Boards

There is no alternative to accountability and transparency in running pension funds. The bigger the scheme the more important effective member representation is. The drive for fewer larger DC schemes (as per the government's intention to create Megafunds) should include a call for member representation on management and Trustee boards (likewise for CDCs). Evidence shows that equal input into decision-making in the British Columbia Public Service Pension Plan and variable pension increases made it possible to use a rewarding investment strategy which resulted in a higher accrual rate (1.95% of pay per year) for an enviably low contribution rate.

There is also a convincing case for member-nominated trustees (MNT) who provide a valuable role in preparing communications and receiving feedback from members. Trade Unions, thanks to their representational and organisational ability, have a significant role to play in pension trusteeship, whether by supporting an MNT who is a union member or fulfilling their formal role of nominating a trustee.

*** CDCs - Just a reminder of what CDCs can do for workers and employers.**

For workers:

- CDCs provides a pension not a savings pot.
- For a fixed same contribution rate, a CDC pension is expected to be higher on average than a Defined Contribution (DC) pot spent on an annuity.
- The CDC pension outcome is much less variable than a DC annuity outcome.

For employers:

- CDC provides the contribution certainty of DC while offering workers a better pension on average.
- Multi-employer master trust CDC could be a couple of years away, when it comes, we want to replace DC with CDC where appropriate.

*** Fund Surpluses**

The main reasons for the emergence of surpluses are:

- The cost of insurance decreasing in line with the fall in the bond markets in 2022 and beyond
- Lower projections of longevity
- Good returns on equities in recent years.

GMB is firmly of the view that surpluses, like deficits, should be treated under the guideline 'Shared Pain, Shared Gain'. Members will recall that when faced with rising contribution demands many employers seek to pass at least some of the burden on to employees e.g. by increasing member contributions or reducing benefits or even closing the DB scheme.

The same principles should be applied to surplus funds – at least some of the surplus should go towards the benefit of members.

Don't forget, its our money!!

And finally…

The government plans to introduce legislation to allow pension schemes to be able to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards at the time.

Many Defined Benefit schemes ran the risk of past changes to their rules being deemed invalid if written actuarial confirmation could not be found. This announcement appears to give reassurance, albeit without any timescale, that the government will act.

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May Pensions Bulletin 2025

Posted on: 1 May 2025

Increase in the National Minimum Pension Age

The Pensions Administration Standards Association (PASA) has published guidance on preparing for the change to normal minimum pension age (NMPA) ahead of the increase to age 57 from 6 April 2028.

The NMPA, which is the earliest age people can access their benefits from a registered pension scheme without incurring tax charges, rose to age 55 in 2010 and is set to rise again to age 57 from 6 April 2028.

Whilst this is three and a half years away, trustees and administrators should take action now to prepare for the change and ensure people with a Protected Pension Age (PPA)* are treated fairly and are given clear information about how the changes may impact their retirement plans.

Pension schemes should also review scheme rules and booklets to include updated information on the NMPA and identify any implications for benefits. Schemes may also want to consider a communication exercise to notify those directly affected and provide information on how the changes may impact their retirement plans and any available options.

*Protected Pension Age (PPA)

Many GMB members, especially those working in the Public Sector, will have a PPA as the scheme they are in gives them an unqualified right to take benefits before 57 and has done so since at least 11 February 2021.

PPAs only apply to people who joined schemes (not necessarily the current scheme) with unqualified PPA rights before 4 November 2021.

PASA's guidance can be found here

Increase in State Pension Age

More pressing is the change in state pension age. The UK State Pension age is currently 66 for both men and women. It will increase to 67 between April 2026 and March 2028. For those born on or after April 5, 1960, the State Pension age will rise to 67. GMB is opposed to any further increases.

A Decade of Pension Freedoms

Ten years ago, the Government implemented its freedom and choice pension reforms, giving individuals greater choice and flexibility in how they can access pension benefits, including their Defined Contribution (DC) pension pots.

To mark the ten-year anniversary of the reforms, the Institute and Faculty of Actuaries (IFoA) has conducted research into public attitudes to the reforms, and the extent to which individuals are aware of, and confident in using, the freedoms. The IFoA remains concerned that many UK households are not saving enough for later life, are not accessing free guidance or paid-for financial advice and remain ill-equipped to deal with the risk of running out of money in retirement.

Their findings include:

- Many people retire without either taking guidance or seeking advice – only one in five accessed government guidance such as Pension Wise.
- Almost one in four people worry that they will make the wrong decision and run out of money in retirement.
- Many people have only a limited understanding of the factors that impinge on retirement savings decisions.

Small pots to be consolidated

The Government says the UK now has 13 million small pension pots – defined as being worth £1,000 or less – and has announced reforms to consolidate them. They hope the move will boost retirement savings for the average worker by around £1000 and save businesses £225 million a year in admin costs.

Under the reforms, each saver's small pension pots will be consolidated into a single pot, within a scheme that is certified as delivering good value to savers. The proposal comes with safeguards for savers whose pension pots would be consolidated, including options to opt out.

April Pensions Bulletin 2025

Posted on: 3 April 2025

Pensions Minister Gives a Couple of Updates

In a speech to the Pensions and Lifetime Savings Association (PLSA) conference, pensions minister Torsten Bell MP gave a number of updates.

He outlined that the response to the consultation on options for Defined Benefit (DB) schemes will be published this spring. It is expected to propose legislation to make it easier to pay pension surpluses to employers from well-funded DB schemes in line with the Government's growth agenda. We would also want pension fund surpluses to be distributed to members by way of lower contributions or increased benefits so we await the detail of this bill.

He added that the aim is to introduce a Pensions Bill to Parliament before the summer recess. When the Bill was originally announced it was expected to cover:

- Introducing commercial DB superfunds
- Consolidating small individual Defined Contribution (DC) pots automatically
- Introducing a value for money framework for trust-based DC schemes
- Placing a duty on trustees to offer a range of retirement products, including default investment options.

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We await the bill's publication with interest.

The report of the first stage of the Government's pensions review – which focused on boosting investment, including in productive assets – will be finalised in the coming weeks.

McCloud Update

As a consequence of the McCloud judgement, members of Public Sector Pension Schemes will be given a choice as to whether they wish their benefits (for the period 1st April 2015 to 31st March 2022) to be calculated on the basis of the 2015 section of the scheme or in line with the scheme they were in prior to moving to the 2015 scheme.

To help members make that choice the schemes will provide information containing the detail of the benefit entitled to in each section of the scheme. The NHS will send that information in batches as per the timetable overleaf. The Civil Service scheme will make similar arrangements. Members of the LGPS will automatically receive the highest possible benefit.

9. The table below sets out the proposed RSS delivery plan for affected NHSPS members broken down by their retirement status and their transitional protection status. It sets out the proposed statutory deadline extension for each class of members:

Member Class	Number of members	Likelihood of Financial Detriment	Proposed RSS issuance date	Proposed RSS Extension
Retired by 1/10/23 – unprotected and no benefits in payment for remedy period	5,012	High	March – July 2025	1 July 2025
Retired by 1/10/23 - taper protected and benefits in payment for remedy period in part only	25,827	High	March – July 2025	1 July 2025
Retired by 1/10/23 – unprotected and benefits in payment for remedy period	14,376	Medium/High	March – October 2025	1 October 2025
Retired by 1/10/23 - taper protected and benefits in payment for remedy period	21,175	Medium/ High	March – October 2025	1 October 2025
Retired by 1/10/23 – protected and benefits in payment for remedy period	241,233	Low	July 2025 – December 2026	1 December 2026
Retires between 1/10/23 and 1 July 2025	67,690	Low	July 2025 – December 2026	1 December 2026
Active – RSS required upon retirement after 1 July 2025		Nil	From 1 July 2025	None
Active – non-choice RSS required	561,572	Nil	August 2025	1 September 2025
Deferred – non-choice RSS required	144,076	Nil	August 2025	1 September 2025

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March Pensions Bulletin 2025

Posted on: 4 March 2025

Defined Contribution & Trustee Training

First Actuarial have places available on their Defined Contribution training day that takes place on Thursday 27 March 2025 at First Actuarial's office at 6 Snow Hill, London EC1A 2AY.

It starts at 9.30am and finishes at 4.00pm, with lunch provided. And like all First Actuarial's training courses, it is free of charge.

There is also a course in Manchester on Wednesday 21 May 2025 at Mercure Manchester Piccadilly Hotel, Portland Street, Manchester M1 4PH. It also starts at 9.30am and finishes at 4.00pm.

Both courses will help you comply with legislation and explain complex issues in simple ways.

You can book your place here

There are also spaces available on their *Introduction to Trusteeship* training sessions on the dates below. The course is designed for newly appointed trustees but can also act as a useful refresher for existing trustees who wish to update and develop their knowledge. Follow the links provided to book a place:

- Wednesday 5 March 2025 | 9:30am to 12:30pm. This is a half-day interactive webinar. Find out more and book your place.
- Thursday 26 June 2025 | 10:30am to 2:30pm. This is a half-day in-person training session in London. Find out more and book your place.
- Thursday 16 October 2025 | 9:30am to 12:30pm. This is a half-day interactive webinar. Find out more and book your place.

Don't Get Scammed

According to Action Fraud a mammoth £17.7 million was reported as lost to pension fraud in 2023, with the average loss being almost £47,000. The FCA estimates that fewer than one in five scams is actually reported and that scams will continue to rise as AI develops.

The Pensions Regulator (TPR) has outlined how it is fighting pension scams, highlighting:

- The FCA's ScamSmart campaign and the recent Eastenders storyline, which has educated millions of savers about pensions scams
- A pledge to combat pension scams
- Leadership of the Pension Scams Action group (PSAG), a multi-agency team that includes government, the police and the pensions industry.

TPR is encouraging members and schemes to report suspicions of fraud to Action Fraud. Reports of suspected fraud are particularly valuable when they come from the pensions industry as they allow scams to be identified and disrupted at an earlier stage. Further information can be found here.

State Pension Increase

Pensioners will receive an additional 4.1% per annum through the state pension starting in April 2025, thanks to the government's 'triple lock' policy.

The triple lock, which this government has committed to maintain, ensures that the state pension increases each April based on the highest of:

- The Consumer Prices Index (CPI) in September of the previous year
- The average wage growth across the UK of the previous year
- A minimum increase of 2.5%

Employment data released in October showed earnings to be 4.1%. This figure, being the highest of the three, will be applied to the state pension in April 2025.

The state pension will therefore change as follows:

- From £221.20 to £230.30 per week for the full new flat-rate state pension (for those who reached state pension age after April 2016)

- From £169.50 to £176.45 per week for the full old basic state pension (for those who reached state pension age before April 2016)

The Concerns of Gen Z

The Pensions Policy Institute (PPI) has published a report on the unique financial challenges facing Gen Z (those born between 1997 and 2012).

The PPI research looks at four young working people in a range of professional roles. It considers how various factors – their early adulthood experiences, financial priorities in their late 20s and early 30s, mid-career progression and family life – might affect their retirement.

Key conclusions include:

- Housing costs and student loans significantly affect the ability of Gen Z to save, notwithstanding auto-enrolment
- Irregular employment creates gaps in pension savings and disconnected pension pots
- Delays in marriage and parenthood may reduce financial pressures in the short term but concentrate them in later life, when there is less time to adjust retirement planning
- Digital media, such as TikTok and Instagram, is the primary source of financial information, but this unregulated guidance can risk poor decision-making.

February Pensions Bulletin 2025

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Posted on: 3 February 2025

Local Government Pension Scheme (LGPS) Employee Contribution Bands

The table below sets out the employee contribution bands effective for members of the LGPS from 1st April 2025. These are calculated by increasing the 2024/25 employee contribution bands by the September 2024 CPI figure of 1.7 per cent and then rounding down the result to the nearest £100.

Band	Pensionable Pay	Contribution Rate

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1	Up to £17,800	5.5%
2	£17,801 to £28,000	5.8%
3	£28,001 to £45,600	6.5%
4	£45,601 to £57,700	6.8%
5	£57,701 to £81,000	8.5%
6	£81,001 to £114,800	9.9%
7	£114,801 to £135,300	10.5%
8	£135,301 to £203,000	11.4%
9	£203,001 or more	12.5%

New Pensions Minister

On 14 January 2025, Torsten Bell MP was appointed Parliamentary Under Secretary of State (Minister for Pensions) in the Department for Work and Pensions. Emma Reynolds, who previously held this role, was appointed Economic Secretary to the Treasury.

Auto Enrolment

The Government has confirmed that the auto-enrolment thresholds for 2025/26 will remain the same as 2024/25.

For 2025/26:

- The auto-enrolment earnings trigger will remain at £10,000
- The lower earnings limit of the qualifying earnings band will remain at £6,240
- The upper earnings limit of the qualifying earnings band will remain at £50,270.

Government announces intention to proceed with surplus reforms for DB schemes

On Tuesday 28 January, the Government announced its intention to introduce legislation that will relax the rules around utilising the surpluses of well-funded, occupational defined benefit pension funds, to help their growth agenda. The proposals build on the Chancellor's Mansion House reforms.

The Government estimates that around 75% of schemes are currently in surplus, worth £160 billion, but restrictions have meant that businesses have struggled to invest them.

With its latest proposed reforms, the Government says that pension trustees and the sponsoring employers could use this money to increase the productivity of their businesses – to boost wages and drive growth or unlock more money for pension scheme members.

The announcement also reminds trustees that they have an overarching fiduciary duty to act in the best [financial] interests of their members. When considering surplus extraction, trustees must fund the scheme and invest its assets in a way that leads to members receiving their full benefits.

Details of the Government's surplus policy will be set out in its response to the Options for Defined Benefits consultation, which is due later this year.

And finally,

Geography is Important!

The Health Foundation has published a map of life expectancy at birth by UK electoral constituency, based on its own analysis of Office for National Statistics data.

Leeds (Leeds Central and Headingley): 79.21yrs

Manchester (Stretford and Urmston): 80.40yrs

Peterborough (North West Cambridgeshire): 80.61yrs

Basingstoke: 81.79yrs

Tonbridge: 82.78yrs

London (Cities of London and Westminster): 84.61yrs

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"GMBs General Secretary Gary Smith Writes To Government On Behalf Of WASPI Women Members."

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Posted on: 10 January 2025

general-secretary-letter-regarding-waspi.pdf

January Pensions Bulletin 2025

Posted on: 6 January 2025

Happy New Year

First things first; a very happy and prosperous 2025 to you all.

Just the one item to remind you of in this bulletin as the pensions industry (including me) was resting over Xmas. However, those of you who follow my bulletins will know that there is a lot more pensions business to come in 2025.

Consultation: LGPS Fit for the Future

I advised in the December Bulletin of the above consultation where the government is seeking to encourage UK Pension Funds to invest in GB UK by

- Transferring Administrative Authorities' (AAs) investment strategies to a pool
- Asking AAs to take their principal advice from the pool, and
- Transferring their legacy assets to it.

I advised of our scepticism of this proposal considering that, amongst other things, the proposal

- Transfers power to a pool that can already be exercised by AAs
- Undermines AA autonomy, rendering them redundant and diverting from their ability to make decisions that best suit them
- Obviates the role of Pension Committees, Trustees and Member Nominated Representatives creating an accountability deficit (to whom are the pools

accountable?) and

- Ignores the evidence of poor pool performance thus far

We will be responding to the Consultation on this basis. If you wish to feed any comments into our response please forward them by COP 10th January 2025.

Please share this bulletin. Any member who wishes to receive it directly should email george.georgiou@gmb.org.uk and ask to be added to the distribution list. Likewise, if you wish to be removed.

December Pensions Bulletin 2024

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Posted on: 2 December 2024

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 a 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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November Pension Bulletin 2024 +

GMB UNION

Posted on: 4 November 2024

Collective Defined Contribution Scheme Now Open

The first Collective Defined Contribution (CDC) scheme, the Royal Mail Collective Pension Plan, launched this week. CDCs are supported by the GMB.

The scheme will pay a retirement income for life to more than 100,000 Royal Mail employees along the lines of a Defined Benefit (DB) scheme but without the cost uncertainty for employers.

In comparison to DB schemes, the level of a CDC pension is not guaranteed and pensions can go down as well up. However, in comparison to Defined Contribution (DC) schemes, CDCs provide a pension, not a pot of money for you to buy a financial product, and they generate much greater returns than DC schemes.

CDC schemes also mean that individuals do not need to make complicated financial investment decisions.

The Government announced its consultation on legislation to extend CDC to multiple unconnected employers which opens up the possibility of smaller employers being able to offer master-trust type CDC schemes to their employees. A welcome step for many GMB members.

Why does the GMB support CDCs?

CDCs give an income for life and offer a better solution (up to 50% better) than current DC arrangements, followed by buying an annuity.

Why do CDCs give a much better pension? If you have a DC pension and you want a lifetime income you need to buy an annuity. But the terms and conditions necessary to make annuities safe, combined with low interest rates, mean they are very expensive. An annuity typically invests in very safe, very low-interest bonds, the insurer has to set aside reserves in case its calculations are wrong (and it needs to make a profit) and so the saver gets a poorer pension (which often has no protection against inflation). And the cost of an annuity varies a lot over time, which makes it difficult to plan a retirement.

Why not use drawdown? Many people prefer to draw down from their pot of savings and invest it to create an income. If they do, and they have a low-cost fund manager, and they know they will die at average life expectancy, then they will have an income in retirement much higher than the annuity. However, people do not know when they will die so they don’t know how much they can draw down each year. Therefore, drawdown doesn't provide an effective income for life. Although CDCs don't know when any individual will die, they can estimate the average life span and pay benefits on that basis.

Are there other advantages?

CDCs provide a permanent pool of capital that could be used to provide the infrastructure investment—houses, railways, green energy - which the country needs.

What are the pitfalls?

One significant disadvantage is that pensions in payment may have to be reduced if there is a financial crisis. (In Holland, pensions were reduced on average by 2 per cent following the global financial crisis). So effective communication is vital as is good governance (including worker representation) and regulation.

Pensions Dashboards Programme update

The Minister for Pensions has restated the Government's commitment to launching pensions dashboards which will give savers access to all their pension information in one secure online location. The Minister announced that the state-provided MoneyHelper pensions dashboard will be made available before commercial dashboards as a test run.

The Minister continued that it is essential that the pensions industry continues to prepare for Dashboards in line with the timetable set out in DWP's guidance where the largest schemes are expected to begin connecting in April 2025, with staged deadlines by scheme size and type running thereafter, concluding by October 2026.

The Pensions Regulator Has Teeth

The Pensions Regulator (TPR) has announced that 17% of DC schemes that it has engaged with did not offer good value for money. And in cases where appropriate steps weren't taken following their assessment they issued penalties totalling over £30,000. TPR has also issued fines for non-compliance with climate change reporting requirements. The individual fines of £8,000 and £5,000 were for failures to publish climate change reports on a publicly available website, accessible free of charge within seven months of the scheme year end.

Additionally, TPR issued a contribution notice of more than £3m against 2 company directors who made a large cash payment from one of their subsidiary companies to an outside entity instead of using the monies to fund the pension scheme.

TPR stated: *Our action against two targets will reduce the pension scheme's deficit and …shows how we will pursue those who extract funds to the detriment of scheme members*.

Moral of the Story: Don't Mess with TPR

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October Pensions Bulletin 2024

Posted on: 1 October 2024

The Pensions Bill

In the September bulletin I advised you that the Government was urging UK pension schemes to

- Invest more in the UK economy
- Deliver better returns for savers
- Boost growth
- Make every part of Britain better off and
- 'Unlock the investment potential of the £360 billion Local Government Pension Scheme (LGPS)' and 'tackle the £2 billion that is being spent on fees'

Since that Bulletin the Government has announced a 2-phase review of the UK Pension landscape starting with the Pensions Bill as announced in the Kings Speech and ending next May (subject to parliamentary timetable). The two overarching objectives of the review are

- Better returns for pension savers
- Driving pensions into UK assets (citing Canada & Australia as examples)

Phase 1 will look at

- Consolidation of Defined Contribution (DC) pots
- Changes to the Local Government Pensions Bill (LGPS)

- Quickly identifying measures that would require legislation to go into the Pensions Scheme Bill.

Phase 2 will look at the adequacy of retirement incomes

Broadly speaking we welcome the Bill which includes

- Measures to prevent people from losing track of their pension pots through the consolidation of Defined Contribution individual deferred small pension pots
- Ensuring all members are saving into pension schemes that are delivering via a standardised Value for Money framework
- Requiring pension schemes to offer retirement products so people have a pension and not just a savings pot when they stop work
- Consolidating the Defined Benefit (DB) market through commercial Superfunds.
- Reaffirming The Pensions Ombudsman (TPO) as a competent court, removing the need for pension schemes to apply to the courts to enforce TPO decisions.
- Amending the Special Rules for End-of-Life Legislation to extend the definition of terminal illness and allow eligible members to receive a lump sum payment at an earlier stage

However, there are GMB campaign aims missing from it such as

- Supporting Defined Benefit (DB) and Collective Defined Contribution (CDC) Schemes over and above Defined Contribution (DC) Schemes
- Measures to reduce the Gender Pensions Gap
- Developing and implementing credible transition plans that align with the Paris Agreement's 1.5°C goal.
- Changes to the pensions tax system, especially bringing back the Lifetime Allowance (LTA).

- Improving the Auto Enrolment (AE) scheme and introducing an enhanced AE scheme for the Care sector

(All of the above may be considered in Phase 2)

- A retirement age of 60 for Ambulance Staff
- Pay the WASPI Women

Our most serious concerns are around the potential impact on the LGPS which we put directly to the relevant ministers last month. We clearly stated that the LGPS is not a slush fund to be dipped into to pay for government policy. Its assets must remain in place and be protected in order to meet its liabilities i.e. the pension funds of our members.

We also stressed the importance of

- Involving Trade Unions in the review
- Recognising the democratic role of member nominated trustees
- Supporting local and community projects
- Acknowledging the hitherto poor performance of LGPS pools, their higher costs and lack of transparency and accountability
- Noting the supply side absence of investable products and of any other incentives to invest
- Protecting the fiduciary duty (see below)

Our points were positively listened to and they clearly heard our concerns regarding Scheme Governance and Architecture.

We also received assurances that there was no intention to change the fiduciary duty which requires

LGPS Administering Authorities (AAs) to invest members' and employers' contributions in the best interests of scheme members and employers. The phrase "best interests" means "the best financial interests" of scheme members. We consider that any weakening of the duty would likely result in poorer outcomes for members.

We await the next iteration of the bill and will continue to engage throughout the review.

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September Pensions Bulletin

Posted on: 4 September 2024

Chancellor calls on pension funds to fire up UK economy

In August 2024, the Chancellor, Rachel Reeves, issued a press release urging UK pension schemes to invest more in the UK economy and deliver better returns for savers as per the Canadian model and as part of a review that aims to deliver higher returns for savers, 'boost growth and make every part of Britain better off' will be jointly led by HM Treasury and the Department for Work and Pensions and will look at how to 'unlock the investment potential of the £360 billion Local Government Pension Scheme (LGPS)' and 'tackle the £2 billion that is being spent on fees'. As part of this, the Government will consider legislating to mandate pooling if insufficient progress is made by March 2025. The review will also consider the benefits of further consolidation to cut down on 'fragmentation and waste' in the LGPS.

Everybody wants economic growth but achieving it by hoping to release LGPS funds is not as straightforward or desirable as may seem.

Firstly, the LGPS is not one big pot of money that is there to be dipped into by governments that find themselves short of funds. It is administered locally by 86 local funds who come together under 8 pools to harmonise their investment strategies and seek to maximise returns and minimise costs. Thus the pot cannot be accessed without local authorities' approval and the evidence of pooling so far is that it has not delivered the returns and savings that it promised. It therefore seems pointless to tell us that a) the pot is there to be accessed and b) more pooling would improve the status of the funds.

Secondly, yes the LGPS has assets of over £360bn, but it requires those assets to fund its liabilities. And those liabilities are the pensions of GMB members! And we absolutely will not allow anyone to gamble with those assets outside of the existing fiduciary duty to responsibly invest LGPS funds to ensure members pensions are protected. That is the GMB's overwhelming responsibility and we will not shirk from it.

Looking Ahead

I reminded you in my July Bulletin that the new government had put forward their pension proposals in the King's Speech that they say will include:

- Measures to prevent people from losing track of their pension pots through the consolidation of Defined Contribution individual deferred small pension pots. This will bring an individual's deferred small pots together into one place

- Introducing a standardised test that trust based Defined Contribution schemes will need to meet to demonstrate they deliver value

- Requiring pension schemes to offer retirement products so people have a pension and not just a savings pot when they stop work

- Consolidating the Defined Benefit (DB) market through commercial Superfunds

- Reaffirming The Pensions Ombudsman (TPO) as a competent court, removing the need for pension schemes to apply to the courts to enforce TPO decisions

- Amending the Special Rules for End-of-Life Legislation to extend the definition of terminal illness and allow eligible members to receive a lump sum payment at an earlier stage

And I also reminded you of what was missing from the Kings Speech and what the GMB will continue to campaign on:

- Reaffirmation of the Triple Lock
- Supporting Defined Benefit (DB) and Collective Defined Contribution (CDC) Schemes over and above Defined Contribution (DC) Schemes
- Reducing the Gender Pensions Gap
- Ensuring Investments align with the Paris Agreement's 1.5°C goal on Climate Change
- Bringing back the Lifetime Allowance

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- Improving the Auto Enrolment (AE) Scheme and introduce an enhanced AE scheme for the Care Sector
- Lowering the Retirement Age for Ambulance Staff
- Resolving the WASPI Women Compensation Issue

A roundtable discussion on pensions was hosted by Emma Reynolds, Parliamentary Under Secretary in the DWP on 30 July 2024. She emphasised the governments two overarching objectives for pensions policy

- Better returns for pension savers
- Driving pension investment into UK assets

And she confirmed two phases of the review:

Phase 1: Driving pension investment into UK assets through consolidation (mainly in Defined Contribution schemes) and changes to LGPS (see above) (which would require legislation)

Phase 2: Adequacy/retirement incomes

We responded, in line with our concerns, to the minister that it was essential to involve Trade Unions in the review and not to ignore the existing governance structures and role of Member Nominated Trustees and TUs in running pension schemes and bargaining over contributions. We also advised her of the inadequate performance of pools and our requirement to abide by the fiduciary duty and that there is also a need to broaden the review beyond contributions and investments to include:

- State Pensions
- Equalities/pension gaps
- Risk sharing
- **And all the items listed above**

The Pensions & Lifetime Savings Association support our goals of improving AE - with initial increases falling on the employer - and focusing on pension gaps/inequalities whilst taking time over any changes to the LGPS. The CBI however are on record as opposing employer contribution increases without an increase in productivity.

We will keep you advised of developments.

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Calling All Pension Trustees

Posted on: 6 August 2024

Dear Member,

Please click link below to read this bulletin.

pensions-bulletin-august.docx

July Pensions Bulletin

Posted on: 18 July 2024

The General Election, The King's Speech and The Euros 2024

The election is over and the Labour Party won with a landslide majority. As the government they have put forward their pension proposals in the King's Speech (see below) but notwithstanding its contents (and the contents of possible future legislation), the GMB will continue to campaign for improvements in occupational and state pensions as well as (amongst other things) defending the Triple Lock and seeking justice for WASPI women

The King's Speech stated that the Pensions Bill will include:

- Measures to prevent people from losing track of their pension pots through the consolidation of Defined Contribution individual deferred small pension pots. This will enable an individual's deferred small pots to be automatically brought together into one place.

- Ensuring all members are saving into pension schemes that are delivering via a Value for Money framework by introducing a standardised test that trust based Defined Contribution schemes will need to meet to demonstrate they deliver value.

- Requiring pension schemes to offer retirement products so people have a pension and not just a savings pot when they stop work

- Consolidating the Defined Benefit (DB) market through commercial Superfunds.

- Reaffirming The Pensions Ombudsman (TPO) as a competent court, removing the need for pension schemes to apply to the courts to enforce TPO decisions.

- Amending the Special Rules for End-of-Life Legislation to extend the definition of terminal illness and allow eligible members to receive a lump sum payment at an earlier stage.

What's Missing?

The content of the King's Speech is very general and specific legislation with greater detail is awaited. We hope that forthcoming legislation will cover the following:

Reaffirm the Triple Lock

This policy of increasing the State Pension by the highest of inflation, average earnings growth and 2.5% has been essential in protecting those on the state pension.

Support Defined Benefit (DB) and Collective Defined Contribution (CDC) Schemes over and above Defined Contribution (DC) Schemes

Defined Contribution Schemes generally give the worst pension outcomes of the 3 main methods of pension provision. They are the riskiest and assume greater pensions knowledge. DB schemes are more secure and CDC schemes offer up to 50% better outcomes according to the latest research. We want commitments to DB and CDC schemes in any forthcoming legislation. Tackling Pensioner Poverty is essential if we are to get the economy moving and these are two very easy ways of doing it.

Reduce the Gender Pensions Gap

The gender (and race & disability) pensions gap is too wide, up to 63% in some sectors. Although it is often a consequence of low pay the government must empower funds to address and reduce it.

Climate Change

In opposition the Labour Party stated that it wanted the UK to become the “green finance capital of the world” and they would require UK-regulated financial institutions, including pension funds, to “develop and implement credible transition plans” that align with the Paris Agreement’s 1.5°C goal. This is a laudable aim and we will monitor its progress and any likely impact on GMB members jobs

Changes to the pensions tax system

The Labour Party appears to have dropped its plan to bring back the Lifetime Allowance (LTA). The GMB believes the LTA should be brought back, revalorised (to around £2.7m) and increased in line with inflation each year. Otherwise the super rich will simply use its absence to avoid paying their fair share of tax.

Auto Enrolment (AE)

Auto Enrolment has brought millions more people into saving for a pension, but it can be improved. There is no reason that it should only kick in at 22 yrs and if you earn over £10,000 p.a. This discriminates against the young and part time workers. Both these barriers to entry need to be removed.

More importantly the minimum combined contribution of 8% is not enough to secure a decent pension. Experts say the contribution should be between 12% and 15%. The GMB agrees and we also agree that the employer should contribute a greater amount than the current minimum of 3%.

Additionally there must be an enhanced AE scheme for those who work in the Care Sector. If we are serious about addressing the Carer workforce ensuring an industry wide pension scheme is as good a place to start as any.

Ambulance Staff

In opposition the party stated they would look at why Ambulance Staff are not treated the same as other emergency workers and have a Pension Age of 60. We will ensure that they do.

WASPI Women

Earlier this year, the Parliamentary and Health Service Ombudsman (PHSO) found failings in how the Government had communicated changes relating to women’s State Pension Age and suggested compensation for those affected. This followed a long-running campaign by Women Against State Pension Inequality (WASPI) that was supported by the GMB. The Labour Party manifesto was silent about the WASPI women but that does not mean we will be. We will continue to press the party to address and resolve this injustice.

And finally, the Euros 2024

A recent survey by Aviva shows British people have a better understanding of the fundamentals of football than of pensions. 59% of respondents could describe the offside rule and just over a half knew what VAR stands for (Video Assistant Referee).

However, only 40% knew that the current State Pension Age (SPA) is 66, nearly two out of every five people wrongly thought that the State Pension could be accessed between age 60 and 65, and fewer than a quarter (23%) knew how much the full weekly State Pension is (it is currently £221.20).

Please share this bulletin. Any member who wishes to receive it directly should email george.georgiou@gmb.org.uk and ask to be added to the distribution list.

June 2024 -GMB Pension Manifesto

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Posted on: 3 June 2024

Pensions Bulletin

GMB Pension Manifesto

The GMB has consistently campaigned for decent living standards in retirement, accountable responsible investment, financial stability and a sustainable economy. With this in mind we, along with other Trade Unions under the auspices of the TUC, support a manifesto of changes we would like a future government to enact. These include

- Fair, green, decent pensions for all and a sustainable, thriving economy
- Fairly sharing risk within occupational pension schemes; and
- Ensuring responsible pension fund investment which supports the just, green transition.

Decent pensions for all

Most people save too little to expect adequate income in retirement and the state pension remains low compared to European peers. Many, including a disproportionate number of women, are unable to access the full state pension because of its link to National Insurance Contributions (NICs) and the link of pensions to wages means the low paid also receive low pensions. GMB supports the following recommendations

- Improve the state pension. Retain the "triple lock" and reduce the number of years' National Insurance Contributions (NICs) required for a full state pension. Make tax relief on pensions more progressive.

- Boost occupational saving. In defined contribution (DC) schemes, we support an increase in the levels of employer contribution (smaller employers may need support to phase this in). For defined benefit (DB) schemes, surpluses should only be used to benefit pensions savers.

- Auto Enrolment needs to be redesigned to support those who are left behind by the current system, in particular the self-employed, the low paid, part time workers, the young and those unable to work or who take extended time out of the labour force.

Fair risk-sharing

Pensions are a collective endeavour where risks can be significantly reduced for all by sharing them. However, the current DC system asks individuals to shoulder the risks and assumes high financial literacy of the population. Therefore GMB supports

- The conversion of DC schemes into Collective DC (CDC) schemes and the promotion of not-for-profit master trusts.

- Keeping DB schemes open to new entrants and supporting them to grow.

- Ensuring member representation. The governance of pension schemes should ensure a strong voice for its members.

Responsible investment for the just green transition

Current environmental trends threaten the planet and therefore a just transition to a green economy is essential. Pension funds, as major investors, have a role to play in supporting this transition and therefore GMB supports

- Enacting regulations that penalise investments in ecologically destructive activity and require funds to have science-based 1.5c aligned transition plans. Transparency, accountable governance and increased regulatory power are preconditions of this.

- The definition of 'fiduciary responsibility' should greater reflect the need for pension funds to consider the environmental and social impacts of their investments.

The GMB will be campaigning around the above regardless of who wins the 2024 general election. We will also seek to

- Fix various flaws in new pensions tax law around the abolition of the Lifetime Allowance
- Support recommendations for the compensation for women affected by poor communication of changes to the State Pension age

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April And May 2024 Pensions Buletin

Posted on: 30 April 2024

Dear Members,

Please click below to read the Pensions Bulletin for April and May.

pensions-bulletin-april-and-may-24.pdf

March Pensions Bulletin 2024

GMB UNION

Posted on: 13 March 2024

Pensions Bulletin

Judicial Review

I have advised previously that the GMB and other Trade Unions are taking the government to court seeking a return of the pensions fund surpluses that the government utilised to pay for the McCloud remedy.

The hearing was held in the Court of Appeal between 20th and 22nd February. Our solicitors have advised that they feel it went reasonably well. Judgment is reserved and a likely timeframe of 1-2 months before the final judgement is realistic. I will advise further as soon as I am able.

Changes to the NHS Pension Scheme

The Department of Health & Social Care have published their response to the consultation on proposed changes to the NHS Pension Scheme from 1 April 2024. The consultation outcome is available to read online at:

https://www.gov.uk/government/consultations/nhs-pension-scheme-proposed-policy-changes-for-april-2024

In summary, the response confirms:

- Implementation of a 6-tier contribution rate table with relevant thresholds uplifted by CPI inflation
- A new indexing method where the earning thresholds for paying certain contributions rates each April will increase in line with CPI inflation measured in the previous September. To ensure most members are protected against drifting into paying higher contributions because of annual pay awards, DHSC will apply a 'better of' test and further increase these thresholds in line with the Agenda for Change pay award in England if that is higher than CPI. The upper threshold for the first tier will not be increased by either method, as is the case now.
- Implementation of the new employer contribution rate of 23.7%, plus the existing 0.08%

scheme administration charge.

- Permanent removal of the pension abatement rules for special class members.
- Amendment of the 2015 Scheme definition of overtime to provide that additional hours worked by members up to full time are pensionable (except where a member has taken partial retirement in the preceding 12 months).
- Extension of eligibility for partial retirement to 1995 Section members who have reached maximum pensionable service.
- Members who take unpaid carer's leave will be treated as having continued in pensionable service during the time that they are absent from work.

The Local Government Pension Scheme Rule of 85

- If you were a member of the LGPS at any time between 1 April 1998 and 30 September 2006, you may be protected under the 85-year rule.
- You satisfy the 85-year rule when your age and length of LGPS membership add up to 85. (Your age and Scheme membership are both measured in full years for this purpose). If you work part time, your membership counts towards the 85-year rule at its full calendar length
- The 85-year rule will apply if you are over age 60 when you retire. If you fully retire between age 55 and 60, the 85-year rule will not automatically apply and your benefits will be reduced. Your employer has discretion as to whether to allow the 85-year rule to apply.
- If you take flexible retirement, the 85-year rule will apply to the benefits you have built up to the date you first take flexible retirement, even if you are under 60. The 85-year rule will not protect any benefits you build up after you first take flexible retirement.
- What the 85-year rule means for you depends on your age, the date you meet the 85-year and the date you take your LGPS benefits. If you are protected:

- and you take your benefits after you satisfy the 85-year rule, some or all of your benefits will be paid without reduction

- and you take your benefits before you satisfy the 85-year rule, your benefits will be reduced but the early payment reduction will be lower than the normal reduction that applies to a member who is not protected.

- The rules governing how the 85-year rule works and the level of protection you will get are complex. If you are thinking of retiring, you should **contact your pension fund** for an estimate of the benefits you will be entitled to. If you are thinking about flexible retirement, you should contact your employer to check their policies on flexible retirement.

2024 Spring Budget

There was not much in last week's budget that concerned. However, the 2% reduction in National Insurance contributions will reduce the cost savings of those employers operating salary sacrifice for their employees' pensions.
On the issue of value for Defined Contribution (DC) scheme members, the budget proposed:

- Requirements for schemes to publicly disclose their asset allocation breakdown and historical net investment returns of their default funds

- Increased powers for The Pensions Regulator and Financial Conduct Authority to deal with schemes delivering poor value for members. Measures may include closing those schemes to new entrants and, if necessary, winding them up.

The FCA will consult on this in spring, with the aim of enforcing the new disclosures by 2027.

Meanwhile, the Government remains committed to its long-term goal of exploring a lifetime Defined Contribution provider model (see below) * and it also confirmed its commitment to maintaining the triple lock on the State Pension.

*A proposed 'lifetime provider' or 'pot for life' model, where employees could compel their employer to pay into a pension of their choice, rather than the workplace pension that their employer offers. This could end the situation where people accumulate lots of pension pots over their lifetime and lose track of them but

- It may be difficult for payroll departments
- It re-introduces the direct (mis)selling of pensions to individuals
- It assumes detailed pensions knowledge

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February Pensions Bulletin

Posted on: 5 February 2024

Pensions Bulletin

TUC Pensions Conference: 13th March 2024

I remind you that the Annual TUC Pensions Conference is being held on Wednesday 13th March 2024 at Congress House, London

The conference will look at the pension policy challenges facing an incoming government. Keynote speakers include shadow work and pensions secretary Liz Kendall and Chair of the National Infrastructure Commission Sir John Armitt on the investments needed to transform the UK economy.

There will also be a range of workshops and panel discussions covering the state pension, auto-enrolment, ESG investing, trustee diversity and inclusion, pension scheme communications and more.

Register for the event here - TUC Pensions Conference 2024: pensions under the next government | TUC

Trustee Training

Are you a trustee of a Defined Contribution Pension Fund?. Via our partners at First Actuarial we can provide some training free of charge.

The courses will help you comply with legislation and explain complex issues in simple ways and there will be plenty of opportunity to discuss issues and experiences with other trustees.

There are currently places available on these sessions:

- Introduction to trusteeship | Online interactive session | Thursday 7 March at 9.30am and Wednesday 12 June at 9.30am

- Investment training for trustees | In-person in Leeds | Tuesday 12 March at 9.30am

- Investment training for trustees | Online interactive session | Wednesday 14 March at 9.30am.

Find out more by following the above links and book your place today. Places are limited

Local Government Pension Scheme

Sharia Law: The scheme has received a report on the Sharia compliance of the LGPS from an Islamic finance expert, Mufti Faraz Adam. The report examines the issue from the starting point that the LGPS is an extension of the employer/employee contract and concludes that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from the benefits offered by the LGPS.

You can get further details here LGPC bulletin 246 - January 2024 (lgpslibrary.org)

Employee Contribution Bands

LGPS Employee Contribution Bands are changing. The Table below sets out the new bands. These are calculated by increasing the 2023/24 employee contribution bands by the September 2023 C P I figure of 6.7% and then rounding down to the nearest £100.

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment (%)	50/50 Section contribution rate for that employment (%)

1	Up to £17,600	5.50	2.75
2	£17,601 to £27,600	5.80	2.90
3	£27,601 to £44,900	6.50	3.25
4	£44,901 to £56,800	6.80	3.40
5	£56,801 to £79,700	8.50	4.25
6	£79,701 to £112,900	9.90	4.95
7	£112,901 to £133,100	10.50	5.25
8	£133,101 to £199,700	11.40	5.70
9	£199,701 or more	12.50	6.25

January Pensions Bulletin

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Posted on: 12 January 2024

Pensions Bulletin: Happy New Year; Welcome to 2024

A lot happened in the Pensions World in 2023; a brief round up is below

The Autumn Statement: On 22 November 2023 the Chancellor of the Exchequer delivered his Autumn Statement which contained several pension announcements.

A proposed 'lifetime provider' or 'pot for life' model, where employees could compel their employer to pay into a pension of their choice, rather than the workplace pension that their employer offers. This could end the situation where people accumulate lots of pension pots over their lifetime and lose track of them but

- It may be difficult for payroll departments
- It re-introduces the direct (mis)selling of pensions to individuals
- It assumes detailed pensions knowledge

The Triple Lock will be maintained with pensioners receiving an 8.5% increase to their State Pension from £203.85 to £221.20 in April 2024. The (old) basic State Pension, which applies to those who reached State Pension age before April 2016, will rise from £156.20 to £169.50 per week.

Other items in the Autumn Statement include

- Confirmation of the abolition of the Lifetime Allowance (LTA)
- A proposal to introduce a 'multiple small pot consolidator model' which would allow some pension schemes to combine pension pots valued at less than £1,000
- A reduction in the main rate of National Insurance from 12% to 10%, from January 2024
- An increase in the national minimum wage and national living wage from April 2024, with the increased wage applying to those aged 21 and 22 (having previously only applied to those aged 23 and over).

Cost of living crisis hits pension savings. A report by the Centre for Ageing Better has highlighted that millions of pensioners are struggling to get by, with one in five pension-age adults living in relative poverty. More than a million pensioners say they have no savings and UK adults aged 60–64 have the highest rate of relative poverty in the country.

The poorest 20% receive an annual income below the minimum amount needed to live on. This issue affects not only pensioners, but also those saving for retirement now as many simply cannot afford to pay as much into their pensions.

Also, around a third of the poorest workers have no pension provision beyond the State Pension, and some do not meet the threshold for auto-enrolment, for example due to low paid part time work.

The Centre for Ageing Better has urged the Government to establish a Commissioner for Older People and Ageing, to protect and plan for our ageing population and ensure dignity in retirement for all.

Auto-enrolment reform on the horizon? Since 2012, employers have been required to automatically enrol eligible employees into a workplace pension. To be eligible, employees must be aged between 22 and State Pension age and earn more than £10,000 pa. Contributions are made on earnings between £6,240 and £50,270. This initiative has been extremely successful with total membership in Defined Contribution (DC) pension schemes increasing from 2.1m in 2011 to 21m in 2019. The Department for Work and Pensions (DWP) has reported that scheme participation has remained steady at 88% from 2019 to 2022.

Despite the success of auto-enrolment, the GMB continue to campaign to improve it and a bill passed by Parliament in September 2023 allows the Government to reduce the minimum age for auto-enrolment from 22 to 18 and abolish the lower £6,240 earnings threshold before contributions are made.

We welcome both these initiatives but continue to campaign for the minimum employer contribution (currently 3%) to be increased to at least match the employee contribution and preferably to 6%.

The McCloud Judgement – What Is It And Will It Effect Me?

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Posted on: 10 January 2024

What is "The McCloud Judgement" and what does it all mean?

In 2015 the Government introduced new reformed schemes across the Public Sector. All public sector pensions scheme members had to move into these new schemes unless they were "protected".

There was no choice about this matter. You simply switched to the 2015 Scheme it you did not satisfy the protection requirements.

What are the protection arrangements?

There are two types of protection. **Full Protection** and **Tapered Protection**.

Full Protection applies if you were within 10 years of your Normal Pension Age as at 1 April 2012. If so you are entitled to remain in your current (pre 2015 section) scheme indefinitely.

Tapered Protection applies if you were within 10 years and 13 ½ years of your Normal Pension Age as at 1 April 2012. If so this allows you to remain in the pre 2015 section of your scheme until your Tapering Protection ends (i.e. at any point between the 1 April 2015 and 1 April 2022).

The McCloud Judgement

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This protection has been found to be age discriminatory and accordingly public service schemes have been ordered to address this discrimination and offer members a choice over which scheme they wish to be in for the duration of the remedy period.

What is the remedy period?

The remedy period is all service between the 1 April 2015 and 31 March 2022. This means that if you were required to move to the 2015 Scheme because you did not have protection then, *at the point of your retirement*, you will be able to choose to have all of your service in the remedy period calculated on the basis of **either** your pre-2015 pensions scheme benefits **or** your post-2015 pensions scheme benefits.

Do I need to submit a legal claim or do anything?

No, you will be offered a choice automatically and you **do not need to submit any claim.**

When will I be given a choice?

You will be given a choice at the point of your retirement or earlier in certain circumstances.

What about if I'm retiring or have retired? Will I still get a choice?

Yes, you will be offered a choice as soon as possible.

If you are in receipt of a pension your award will retrospectively be amended and backdated to your retirement date should you make a choice which increases your entitlement.

This also applies to retirement on ill-health grounds, spouses pensions, children's pensions, survivor lump sum payments, transfer values, pension on divorce cases etc. In short, all awards paid over the duration of the remedy period will need to be re-assessed and a choice offered where the member satisfies the choice eligibility conditions.

What happens if I don't make a choice?

The default position is to assume you are in your pre-2015 (your "legacy scheme") for the period 1 April 2015 to the 31 March 2022 unless you specifically choose otherwise.

What exactly happens from 1 April 2022?

All members will earn benefits in the 2015 Scheme from the 1 April 2022. Even protected members. It will no longer be possible to build up any more service in the pre-2015 schemes.

What happens to my benefits in the pre-2015 schemes?

They are fully protected.

Am I going to in effect have two NHS Pensions then?

No, you will have one pension made up of two sections (the pre and post 2015 sections) added together

December Pensions Bulletin - Autumn Statement Update

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Posted on: 30 November 2023

The Chancellor's Autumn Statement

The Government Response to the Local Government Pension Scheme Consultation

Last Wednesday the Chancellor of the Exchequer made his **Autumn statement** which included a number of pensions related announcements as below.

- The Government confirmed its commitment to the Triple Lock and so state pensions will be increased in line with average earnings i.e. 8.5%. This will raise the New State Pension to over £221 per week from April 2024.

- The Department of Work and Pensions (DWP) will consult on launching a 'public consolidator vehicle' run by the Pensions Protection Fund (PPF) aimed at smaller Defined Benefit (DB) schemes that are "unattractive to commercial providers." This could open the PPF as an investment vehicle for such schemes.
- HM Treasury will consult on ways to
  - reduce the barriers to returning fund surpluses to sponsors,
  - enable DB schemes to opt for "100% PPF coverage" in return for paying a higher levy,
  - introduce mechanisms to protect members.

- A small number of authorised Defined Contribution schemes to act as consolidators for DC pots under £1,000.

- The Government will support the Pensions Regulator's (TPR's) plans to implement a register of trustees and to update the trustee toolkit.
- An Autumn 2023 Finance Bill will legislate for the removal of the Lifetime Allowance (LTA) altogether.
- The Government proposes placing duties on occupational Defined Contribution (DC) pensions trustees to offer better services to savers when they access their pension assets. This may include Additional Voluntary Contributions (AVCs) arrangements within a DB scheme.
- The Government will further explore legislation around establishing Collective Defined Contribution (CDC) schemes and how this may be developed further to allow employers to establish different types of CDC schemes.
- There will be a call for evidence on a new 'Lifetime Provider Model' to simplify the DC pensions market and allow individuals to have "one pension pot for life."

Alongside the Chancellor's Autumn Statement, the response to **'The next steps on investments for the LGPS'** consultation was published on November 22nd 2023.

The consultation largely adopts the measures the government originally consulted on, with the main points from the consultation (in paragraph 9) set out as follows:

- "After having considered the responses, the government will now implement the proposals that we set out in the consultation to accelerate and expand pooling and increase investment in levelling up and in private equity.
- We will:
  - set out…that funds should transfer all assets to their pool by 31st March 2025, and set out in their ISS assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled
  - revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation
  - implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy

- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark
- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling
- amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan
- revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity."

GMB is extremely disappointed that the government response takes no account whatsoever of the responses to the consultation which overwhelmingly opposed the drift towards greater pooling size, criticised increased management fees, spoke against investment in government policy outwith the fiduciary duty and identified a dangerous lack of rationale for investing in private equity.

So much for a listening government!

Pensions Bulletin Survey

Do you enjoy this Bulletin? and would you like to continue to receive it? What items would you like covered?

Please click the link below to complete our short survey.

https://forms.office.com/e/JyF...

December Pensions Bulletin

Posted on: 28 November 2023

Pensions Can Be Confusing – Here are Some Simple Answers to Some Simple Questions

Some people can find Pensions confusing; they have a language of their own and there are countless systems and methods of payment all of which need detailed consideration. In order to help a very useful Pension FAQs has just been made public by the House of Commons library and it can be accessed here free of charge.

government-pensions-faq.pdf

The questions GMB most often receives are answered below.

What is a pension?

A Pension is a regular payment made during a person's retirement from a fund to which that person and/or their employer has contributed to during their working life. This is normally referred to as an occupational or workplace pension.

A Pension is also paid by the state to people of or above the official retirement age and to some widows and disabled people. This is normally referred to as the State Pension.

How do I get one?

Occupational: Your employer is obliged to provide a pension scheme that you and they contribute to. You can opt out of it if you wish but GMB strongly advises you not to. If your employer does not run its own scheme it will automatically enrol you into the national NEST.

State: You can claim the new State Pension if you are:

- A man born on or after 6 April 1951
- A woman born on or after 6 April 1953

The earliest you can get the new State Pension is when you reach State Pension Age. The level of State Pension is determined by your National Insurance contributions. You will usually need at least 10 qualifying years on your National Insurance record to get any State Pension (they do not have to be 10 qualifying years in a row). You will need 35 qualifying years to get the new full State Pension.

Why does it matter?

How will you pay your bills and expenses when you have stopped working? Most people will not win the lottery, they will be too old or too ill to continue working and they will not be able to rely on an inheritance or a part time job. So you need to put away money whilst you are working to supplement the state pension you may receive. If you do not, you will likely live out your days in relative poverty.

As Pensions are a workplace issue, it is important that you campaign in the workplace to secure improvements to your pension fund as often as possible to achieve the dignity in retirement that you deserve.

What does it Pay?

Occupational: How long is a piece of string? Some workplace pensions give an amount based on salary and length of service. Other workplaces facilitate investments into pension funds for you to build up a pension pot and buy an annuity (or other financial product) at retirement. Whichever it is GMB always recommends that you join a pension scheme, stay in it till you retire and campaign to improve it via your Trade Union throughout your working life.

State: The full new state Pension is £203.85 per week. It increases in April each year by whichever is the highest of the previous September:

- earnings – the average percentage growth in wages (in Great Britain)
- prices – the percentage growth in prices in the UK as measured by the Consumer Prices Index (CPI)
- 2.5%

How much does it cost?

Occupational: Employer and Employee contributions are determined by scheme rules which can take into account all factors including e.g. stock market returns, profitability, retirement age, level of benefits, affordability etc

State: If you are employed you pay Class 1 National Insurance Contributions. The rates for most people for the tax year 2023 to 2024 are:

Your Pay	NI Rate
£242 - £967 per week	12%
Over £967 per week	2%

You pay less if:

- You're a married woman or widow with a valid 'certificate of election'
- You're deferring National Insurance because you've got more than one job

Full details about the New state pension can be found at The new State Pension: What you'll get - GOV.UK (www.gov.uk)

November Pension Bulletin

Posted on: 2 November 2023

McCloud – Its Our Money and We Want It Back

I remind you that the GMB has not given up the fight in respect of returning to the Public Sector Pension funds their surpluses that the government used to fund the court case that it lost. As you will be aware the transition to the pre 2015 Pension schemes in the Public Sector was found to be age discriminatory and the government used the excess amounts in the funds – which were to be used to fund benefit improvements – to pay for the required remedy.

Along with other Trade Unions we are taking the government to court to have the monies returned and the case will be heard in December 2023/January 2024. I shall keep you advised of developments. If you wish for a more detailed account or want to get involved in campaigning on the issue please contact george.georgiou@gmb.org.uk

2024 Pension Increases Still in Doubt

State Pensions are increased under the terms of the triple lock (the higher of earnings increases, CPI or 2.5%) and the Office for National Statistics (ONS) has published inflation figures for the 12 months to September 2023:

Consumer Prices Index (CPI) increased by 6.7%

Retail Prices Index (RPI) increased by 8.9%.

The ONS has also published the latest earnings increase figures. For the three months to July 2023, average weekly earnings increased by 8.5% compared to the equivalent figure of 12 months ago.

Were the Government to implement the triple lock in full, an increase of 8.5% would be applied to the basic and single-tier State Pensions. However, according to the Financial Times, the Government is considering whether to exclude bonuses from the average earnings data. This would give a figure of 7.8% instead.

We await November's Autumn Statement for news on whether the triple lock policy will be fully maintained.

The Gender Pensions Gap – a (very) quick round up

Women receive smaller pension than men! That may not surprise you given that, overwhelmingly, pensions are derived from pay and male pay is on average higher than female pay. What may surprise you is the size of the gap especially in both the Public and Private Sectors.

Sector	**Gender Pensions Gap**
Civil Service Pension Scheme	47%
NHS	63%
Teachers Pension Scheme	29%
Local Government	49%
Private Sector*	55%

*On average women's pension pots are less than half the size of men's at retirement

Why is it an issue? What causes it?

Women are more likely to face poverty in retirement than men and 92% of women retire with a small pot (below £30k).

The main causes of the gap are

- Lower pay
- Part time working
- Unaffordable childcare
- Poor auto-enrolment provision
- Divorce
- Low State Benefits
- Lack of Financial Confidence
- High Mortgages/Rents
- Living Alone
- Pension contribution gaps during periods of absence from employment for
- Childbirth
- Caring Responsibilities
- Menopause

Knowing the causes means that we can begin to address (some) collective solutions

- Higher Pay
- Family Friendly Policies and Affordable Childcare
- Improved Auto Enrolment and State Provision
- Education

And there are (some) individual solutions too

- Use a Pensions Calculator/Retirement Planner
- Increase your contributions when you can

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- Retire Later
- Check your State Pension Contributions
- Plan for adverse events
- Share caring responsibilities

The GMB will never accept this inequity, we do not accept that half the population should suffer inequity just because of their gender or life choices.

We will campaign in the workplace, with Pension Providers and in parliament for the above.

Change is needed: Be part of the change!

Please share this bulletin. Any member who wishes to receive it directly should email george.georgiou@gmb.org.uk and ask to be added to the distribution list

October Pensions Bulletin

Posted on: 18 October 2023

Pensions Bulletin

McCloud

The Cabinet Office has consulted on the draft regulations needed for the Public Sector Pension Schemes to implement the second phase of the McCloud Remedy.

Most responses agreed to the proposed regulatory and legislative changes that will give affected members a choice of their benefits from 1 April 2015 to 31 March 2022. Members will be able to select either legacy (Pre 2015*) or reformed (After 2015) benefits for this period.

The choice will be given when benefits become payable or, for those with remedy period benefits in payment before 1 October 2023, as soon as is practical once the legislation is in place.

Responses also emphasised ensuring members had sufficient information to understand what the remedy meant, especially in relation to making their choice.

The Cabinet Office will therefore continue with the proposed regulations. These are expected to be laid in Parliament early in September to become effective from 1 October 2023.

*2014 in Local Government

The UK State Pension Triple Lock

The UK state pension triple lock is a policy that guarantees the state pension will increase annually by the *highest* of the following three factors:

Earnings Growth: The state pension rises along with the average increase in wages across the UK.

Price Inflation (CPI): It also adjusts based on the Consumer Price Index, reflecting the cost of living and inflation.

Minimum Increase of 2.5%: Even if the above factors are lower, the state pension will increase by at least 2.5% per year.

This policy aims to provide pensioners with a secure and predictable increase in their state pension, maintaining their purchasing power over time.

The has been criticised because during periods of low wage growth pensions may increase higher than earnings: however GMB thinks that is a good thing as it will help restore the lost purchasing power of UK state Pensions which is one of the lowest in the OECD.

Critics have described the policy as expensive but as far as GMB is concerned its worth every penny, not only to ensure dignity in retirement but also to ensure money circulates in local economies.

Climate Change

Since October 2021, trustees of schemes with assets of £5bn or more have had to comply with climate change governance and reporting requirements, which include producing climate scenario analysis for annual climate reports.

In October 2022, this requirement was extended to include schemes with assets of £1bn or more.

Recent research has criticised some of this climate scenario analysis, suggesting that many models used in financial services significantly underestimate climate change risk.

The Pensions Regulator (TPR) has noted that scientific consensus suggests an increase in global temperatures of 4°C would result in catastrophic biodiversity loss and the collapse of the insurance sector.

While TPR maintains that trustees do not need to be climate experts, it suggests that they should:

- have an appropriate level of knowledge and understanding of climate issues
- undertake regular training and ask for additional training if they do not feel comfortable making decisions based on the information provided
- regularly review the climate-related capabilities of service providers and consider the need for additional advisers or specialist input
- be able to understand the narratives underlying their climate scenarios, the limitations of those scenarios and the assumptions made in their construction
- broadly rationalise the outputs from those scenarios for their scheme
- consider with advisers the use of stress testing and risk analysis to complement their climate scenario input to investment strategy decision making

The GMB adds to this list

- An appreciation of the concept of a **Just Transition***

*The **Just transition** is a framework developed by the trade union to encompass the range of interventions needed to ensure workers' rights and livelihoods when shifting to sustainable production.

The Intergovernmental Panel on Climate Change (IPCC) defines just transition as "A set of principles, processes and practices that aim to ensure that no people, workers, places, sectors, countries or regions are left behind in the transition from a high carbon to a low carbon economy".

We ask all our trustees to be mindful of the above.

Please share this bulletin. Any member who wishes to receive it directly should email george.georgiou@gmb.org.uk and ask to be added to the distribution list. Likewise, if you wish to be removed.

Pensions Bulletin July 2023: Local Govt Pension Scheme +

Posted on: 18 October 2023

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Consultation: The Local Government Pension Scheme (England and Wales): Next steps on investments

Many of you may have seen the recent announcement about the West Midlands pension fund making its first investment in a private company through an innovative £25 million fund. The West Midlands Pension Fund has backed the Birmingham-based healthcare company Medmin, which is providing private elective surgery for people with savings and has raised £1.45 million in total. The pension fund has teamed up with the West Midlands Combined Authority to create the £25 million fund and the pair are jointly investing £250,000 in Medmin via their fund manager Midven. The new fund, called the West Midlands Co-Investment Fund, was set up in March and will invest up to £1 million a time in companies based in the region over the next ten years.

The deal comes days after Chancellor Jeremy Hunt announced plans to release as much as £75 billion from UK pension plans for investment into unlisted companies to drive economic growth. As part of the reforms he is consulting on a proposal to set local government schemes an “ambition” of doubling their existing investments in private equity to 10 per cent.

Such cooperations between Local Government Pension Funds and private Bodies are not so unusual. For example, in 2012 Manchester City Council struck a ground-breaking deal in 2012 with the Greater Manchester Pension Fund (GMPF) to build family homes for market rent and sale.

The council provided the land and GMPF funded the house building. This was the first time a council pension scheme had used its finances to support a key council aim of building homes and a string of other council pension funds – including Lancashire, Islington and the West Midlands – followed Manchester’s lead.

However, whilst new regulations (introduced in 2016) allow councils to invest more of their pension funds in partnership vehicles (which are traditionally used to deliver infrastructure projects) pension fund trustees still have to make sure their investments generate good returns (although they can accept lower rates for ESG projects that are consistent with their overall investment strategy).

We should bear in mind though that it is the failure of government housing policy rather than potential pension finance, which is holding back affordable housing schemes. Also, social landlords can borrow money at better rates than from pension funds e.g. through banks or bonds and pension funds in any case may prefer to seek greater returns elsewhere. So pension fund investment into such capital scheme is not the panacea it is painted out to be and has not been universally adopted for these reasons.

Further, although we could ask Trustees to support the policy, Pension Funds remain autonomous and are subject to much regulation including those that relate to transparency, openness and accountability as well as compliance with the fiduciary duty to protect members assets and seek returns on investments in the interest of pension fund (and GMB members). Any such investments would need to bear this in mind.

Jeremy Hunt speech also expressed a desire to release more monies from UK pension schemes to drive economic growth following the former Chancellor George Osborne who introduced a change to Pension Fund regulations to allow them to invest in government infrastructure in 2015.

At the time we welcomed the additional freedoms but we reminded Trustees that, as stated, Pension fund investments remain guided by returns on investments (RoI) rather than a desire to fund government infrastructure which often offered low returns over a longer term despite their security.

The latest proposals are more worrying as the proposed carrot and stick approach simply seems to be a way to use Local Government Pension Scheme funds to fund government policy - the levelling up agenda in particular - without regard for the funds fiduciary duties nor the regulations that demand transparency and accountability. As they stand, we believe they pose a threat to the democratic running of funds and to members pension assets.

Finally the Chancellor is also consulting on a proposal to set local government schemes an "ambition" of doubling their existing investments in private equity to 10 per cent. The short answer is NO! Not unless you show us the evidence that this guarantees a return on our investment.

Pension funds are rightly prudent and cautious with their members monies, we do not follow whims, investors in Thames Water will tell you why!

Please share this bulletin. Any member who wishes to receive it directly should email george.georgiou@gmb.org.uk and ask to be added to the distribution list. Likewise, if you wish to be removed.

Pensions Bulletin July 2023

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Posted on: 18 October 2023

Pensions Bulletin

Changes to the Annual Allowance (AA) and Lifetime Allowance (LTA)

In March the Chancellor of the Exchequer announced changes to the above; Abolishing the LTA means that you can now put as much money as you like into your pension fund over the course of your working life without it being liable to tax (the previous limit was £1,073,100). Although this seems a high figure an increasing number of (generally higher paid and long serving) workers were being caught out by it and this incentivised them to either leave the service or retire earlier. This especially impacted on higher paid NHS workers (e.g. Doctors and Consultants) and Local Government Workers (Chief Executives) who often left their employment as a consequence. However, given the small number of people involved this has been described as a giveaway to the rich.

The second move was to increase the AA (the amount you can put into your pension fund tax free each year) from £40,000 to £60,000.

Although the LTA has been abolished the limit on how much you can take from your pension pot as a tax-free lump sum remains the same. Previously it was 25% of the £1,073,100 LTA. This will now be limited to £268,275.

Plug Your State Pension Gap

Under the new State Pension system introduced in April 2016 one typically needs a 35yr National Insurance contribution to qualify for the full state pension (currently £203.85 per week in the new system). Deductions are made for any missing years in your record, but you can remedy the gaps* by paying the missing amounts. Under normal rules it is only possible to plug gaps in your NI Record up to 6 years after the year in question. However, under a special government scheme that expires in April 2025, you can fill them in for any year from 2006.

Bearing in mind that one year's NI contributions (approximately £825) adds an extra 1/35th to your state pension (approximately £303 p.a.) it is certainly worth considering filling any gaps.

You can check your state pension forecast at Check your State Pension forecast - GOV.UK (www.gov.uk)

* Gaps can be caused by for example career breaks (for childcare etc), working abroad or earning a low income

Climate Change

As climate change intensifies investors are paying increasing attention to the environmental, social and governance criteria of pension funds and seeking to make pension fund investment a force for good. The business case for switching is straightforward especially as climate change creates huge financial risk.

The Gender Pensions Gap

The income gap between men and women in retirement varies in each sector; it is between 32% and 44% in the private sector and between 29% and 63% in the 4 big public sector schemes (Civil Service, NHS, Teachers and Local Government). This is unacceptably high and represents an average shortfall of

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over £7,000 in annual pension income for women, impacting on women's finances, quality of life and health.

Pensions are overwhelmingly a derivative of pay making this a Trade Union issue. So along with other Trade Unions the GMB is campaigning to:

- Seek a standard definition of the gender pensions gap and publish time series estimates of its size. This would increase the attention given to the issue and encourage action to tackle it.

- Address its causes such as: Lower Salaries, Career Breaks, Unavoidable Child (and other) Care responsibilities, Part Time Work, Auto Enrolment, Menopause, Divorce, State Benefits, Financial Confidence

- Outline Solutions such as: Recognition of caring in the pensions system, better childcare and shared parental leave responsibilities, increased provision of partner pensions, abolish arbitrary financial thresholds that debar entry to the government auto enrolment (AE) scheme and increase employer contributions in the AE scheme.

We will never stop campaigning on this issue!

Please share this bulletin. Any member who wishes to receive it directly should email george.georgiou@gmb.org.uk and ask to be added to the distribution list. Likewise, if you wish to be removed.

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