

HM Treasury

nmpaconsultation@hmtreasury.gov.uk

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Increasing the normal minimum pension age: consultation on implementation

Thank you for the consultation document inviting comments on the implementation of the increase in the normal minimum pension age (NMPA).

I respond on behalf of the Local Government Pensions Committee (LGPC) of the Local Government Association (LGA).

The LGA is a politically led, cross-party membership organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. In total, 327 local authorities are presently members of the LGA. The LGPC is a committee of councillors constituted by the LGA, the Welsh Local Government Association (WLGA) and the Convention of Scottish Local Authorities (COSLA). The LGPC considers policy and technical matters affecting the Local Government Pension Scheme (LGPS) in the UK, a scheme which has over 5.9 million members.

This letter sets out the LGPC's views on the matters covered in the consultation.

1. [Are there any specific considerations that should be taken into account regarding the government's proposed framework for the increase to the NMPA?](#)

While there may be good reasons for providing protection to members who have a right, at the date of the consultation, to take benefits below age 57, it could potentially lead to a two-tier workforce. This will depend on what changes are made to the LGPS regulations by the Ministry for Housing, Communities and Local Government (MHCLG) for England and Wales, and the Scottish Public Pensions Agency (SPPA) for Scotland. If protection is provided for these members in scheme regulations, it will inevitably make the scheme more complex and harder to understand for scheme members.

As mentioned, there may be good reasons for protecting existing members in some circumstances. We recommend that discussions around how the increase is implemented

in public service pension schemes are scheme specific. This will allow the unique nature of the LGPS to be given appropriate consideration. We would not want to see a blanket policy across all public service pension schemes.

The responses to questions 2-6 assume that MHCLG amend the scheme regulations to allow members with a protected pension age to take benefits below age 57 from 6 April 2028.

2. Are there any particular issues that the government should consider in the way the NMPA is defined in pension scheme rules?

NMPA is not currently defined in the LGPS scheme regulations – the regulations currently refer to age 50 or 55, as appropriate. Whether a definition of NMPA is introduced is a matter for MHCLG and SPPA to consider.

The only area where the change to NMPA will impact directly is the payment of trivial commutation and de minimis payments. For these payments the scheme regulations refer to either Finance Act 2004 or the Registered Pension Schemes (Authorised Payments) Regulations 2009 for the qualification criteria.

3. The government proposes that the protected pension age will apply to all the member's benefits under the scheme (if the conditions for a protected pension age are met), not just those benefits built up before 2028. Are there any other alternative options or issues the government should consider around the treatment of accrued and future pension savings?

We agree that the protection should apply to all the member's benefits under the scheme. This is the simplest approach and will avoid some of the issues that are currently experienced with the requirement for all benefits under the scheme having to be crystallised.

Is the government planning to provide protection where members with a protected pension age transfer under the public sector transfer club? Club transfers exist to make it easier for public sector scheme members to move between employers who participate in the club. It seems appropriate, therefore, that extending the protection to club transfers should also be considered.

4. Are there any issues associated with schemes informing members who meet the conditions of their rights to a protected pension age?

Because the LGPS is administered locally, members often have more than one pension record and often with different administering authorities. Administrators will need to

ensure they check if the member has any other pension records in the LGPS before assessing if a member has a protected pension age.

It is our understanding that because LGPS members need their employer's consent to flexibly retire, members who will otherwise qualify for a protected pension age will not do so if they flexibly retire. Explaining to members that they will have different minimum pension ages depending on how they take their pension benefits will be confusing for some members, and again, adds further complexity to an already complex scheme.

5. Are there any circumstances why the increase in NMPA may impact on pension flexibility (which was introduced following the 2014 consultation on "Freedom and Choice in Pensions")?

The LGPS in Scotland allows members to take an UFPLS from the in-house AVC facility and this option will be limited for members who do not have a protected pension age.

6. Are there any implications the government should consider by not requiring that all scheme benefits must be crystallised on the same day as a condition for a protected pension age?

Not that we are aware of. We agree with not requiring that all scheme benefits be crystallised – see answer to question 3.

I hope the above is helpful; if you have any questions, please do not hesitate to contact me.

Yours faithfully



Jeff Houston

Head of Pensions