Paper J: Cost Management, Benefit Design and Administration Committee (CMBDA) update

Key points to note

The committee discussed a broad range of issues of direct relevance to scheme members and employers. They focused on the Government's scheme valuation and cost control process, as well as a review of the recently completed local fund valuations. The committee also noted ongoing, innovative research being done in partnership with Westminster City Council and Investors for Purpose in the field of pensions equality.

Recommendation

That the Board notes this update.

Summary

This paper summarises the work undertaken by the CMBDA since the last Board meeting on 23 March 2026. A revised workplan for the Committee is at Annex A.

Local Government Pension Committee (LGPC) update

The committee received a paper from LGPC which outlined the reasons behind two recommendations for changes to LGPS regulations which were referred to the Board by the National Pensions Officers Group. The first was a technical change relating to contracting out rules and was approved without discussion. The second was recognised as more substantive as it proposed to amend the regulations to revert to the position that scheme administrators would need evidence of an election from a member to defer members past normal pension age rather than the current requirement which is for a written election. This was approved on the understanding that the basis for believing an election had been made would be evidenced.

The committee also welcomed that legal advice was being taken on the question of eligibility for cohabiting partner survivor benefits, where the scheme member was not living with the partner at the time of death (e.g. because they were in residential care).

The committee also discussed the factor revision process that was triggered by the SCAPE rate change, and the appropriateness of transitional measures in situations like this.

There was a request for administering authorities to inform their members that from August 2026, HMRC will be contacting around 1 million eligible individuals directly about the low earner's pension payment, previously referred to as the low earner's anomaly. This payment makes sure low earners achieve similar outcomes regardless of the type of workplace pension scheme they are in. This was published in the LGPC June 2026 Bulletin.

A question was raised regarding nominations for death grants where a beneficiary is in prison. It was noted that some administering authorities are uncertain about the appropriate approach in these circumstances. There was also a suggestion that software providers should be included in any future discussions.

HMG cost control mechanisms (2024 valuation)

The committee heard from the Government Actuary's Department (GAD) about progress with the 2024 scheme cost valuation and cost control process. The committee were reminded that some assumptions would be set by HM Treasury (such as the discount rate, which would be the SCAPE rate) while others would be set by MHCLG to reflect particular scheme experience.

GAD shared with the committee in confidence some of the analysis, which will eventually be published, which will inform the advice to ministers. It was expected that advice would be submitted by GAD in the next few months. It was noted that while the increase in SCAPE rate since the 2020 valuation meant that the assessment of scheme cost under both the core cost cap and economic check were likely to fall, there was very little chance of their being a breach of the +/-3% corridor in the same direction. Hence it was not expected that there would be any recommendation for a change in benefits or contribution rates.

On the parallel SAB cost evaluation process, Matt Gurden from GAD explained that the Board's policy to date had been to stick closely to HMG assumptions and only diverge from it where there was a good reason for doing this. The committee agreed that it was appropriate to follow that precedent. However, there was some discussion of what the appropriate discount rate should be. Previously this had not followed SCAPE or the average fund real discount rate from the most recent valuation. Instead, it had been held constant since the 2016 valuation at CPI +2.8%. It was

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agreed to discuss this further outside the meeting and come to the Board meeting with an agreed recommendation.

A question was raised as to whether GAD's assumptions take account of the potential impact on the total workforce (and hence active member base) due to Local Government reorganisation (LGR) and increased digitalisation of services. GAD confirmed that there is no explicit allowance for these developments within the current assumptions, as their impacts are not yet sufficiently evidenced. Their effect will be monitored and reflected in future valuations where appropriate.

MHCLG review of Regulation 64A

Due to an expected change in Government, the current Ministerial steer cannot be progressed. As a result, the timetable for consulting on potential changes to regulation 64a has changed. Instead, principles-based regulations, which had originally been expected alongside this work, will now be published later in the year. The Department will continue to work with the Secretariat on the development of this work and will keep the committee updated as it progresses.

The committee welcomed confirmation from MHCLG officials that they still anticipated launching a principles-based consultation on changes to the LGPS regulation which gives greater clarity on the trigger and process for reviews of employer contribution rates between valuation cycles. It hoped it would make it clearer what the role of the actuary was in signing off any changes agreed by the pensions committee. It was also expected to make clear that changes in market conditions were not an appropriate trigger, even where this was the basis of a request from an employer.

Gender Pensions Gap (GPG)

The secretariat also updated the committee on progress with a joint GPG research project with Investors for Purpose and Westminster Pension Fund. This was being co-funded by the Board, Westminster Pension Fund and Hymans. Research had been completed with interviews with staff members about their attitudes to the pension scheme and to saving more generally. There were significant differences in financial literacy, in attitudes to saving but also in (necessary) financial discipline. It was hoped that this qualitative work would help inform future communication about the scheme and with staff more generally. The quantitative research (looking at ethnicity and disability pension gaps) was also proceeding well and a final report is expected in September 2026.

It was noted that scheme design had a very significant impact on equality of outcomes, with the CARE scheme being much fairer than the historic final salary benefits. It was agreed to consider equality arguments as part of the wider work top outline factually the benefits of the scheme over other models, such as defined contribution saving schemes.

Review of Funding Strategy Statements

The committee were invited to contact the Secretariat with any comments or feedback on the paper and any suggestions they have to improve the FSS guidance. The timeline for this would be to have revised guidance ready for the 2028 local valuation round.

2025 local fund valuation summary report

The committee noted that the local fund valuation summary report had been completed by Barnett Waddingham (on a pro bono basis). The committee found the analysis helpful and asked whether the consistency of funding levels and contribution rate setting over time for individual funds could be included in the analysis. It was agreed to add charts showing this into the document which would be published ahead of the Board meeting. The Secretariat reminded the committee that all source data is in the public domain and the analysis has also been shared with fund actuaries

In relation to GAD's review of local valuation reports (Section 13), it was noted that the Minister had asked GAD to consider the methods being adopted by fund actuaries for managing risk and reflecting the long-term funding objectives of the scheme. GAD had also been charged with looking at whether pension funds and their actuaries are engaging effectively with employers on the setting of contribution rates, including whether the information is being provided in a way that is comprehensible to the lay reader. GAD reminded the committee that it aimed to publishing its Section 13 report next spring, an acceleration of previous timetables.

MHCLG benefits policy update

The committee heard from MHCLG officials about the timetable for putting into effect the changes consulted on as part of "Access and Protections", including New Fair Deal. A consultation on draft regulations and guidance was aimed to be undertaken before the end of the calendar year, with a target date for new arrangements coming into force of 1 April 2027.

A question was raised regarding employers pre-empting the implementation of the New Fair Deal provisions before the regulations come into force, and whether the provisions could subsequently be backdated to the date the draft regulations were published. The Department advised that it would first need evidence that this is occurring in practice and that it is sufficiently widespread, noting that retrospective changes would present legal challenges.

Administration complexity and performance

MHCLG officials confirmed that it was a major priority, now that the Fit for the Future regulations and guidance were issued, to look into providing guidance to underpin the new requirement to have an administration strategy. As well as the existing focus on working with employers, the guidance would address accountability and highlight cyber risk. Given the overlap with existing Compliance and Reporting Committee workstreams, it was agreed to find ways of sharing the knowledge and understanding of these issues between the two committees. In order for the new guidance to be produced using a collaborative approach, the committee agreed to set up a working group that would have representation of expertise from beyond the committee – including third party administrators and software providers.

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Annex A – Committee Workplan

Workstream	Details	Action for next Committee	Timescales
Opt out data	Work with MHCLG to devise a system to enable collection and analysis of opt out data	Detail of content and timing of actions to be agreed with MHCLG. We hope to have detailed proposals by the November 2026 meeting	Government's intend was to require opt-out reporting from 2026-27, with reporting fund annual reports for that year. That now seems at risk
MHCLG consultations on member benefits	Government response to Access and Fairness has now been issued. Partial response to Access and Protections (in relation to mayors and councillors) also issued. The committee will continue to work with MHCLG on the government response to Access and Protections	Work still needed on Access and Fairness proposals on opt-outs and forfeiture. Government response on rest of Access and Protections expected soon.	Waiting detailed timetable from MHCLG but expectation that this work is completed by the end of the calendar year.
Review of local fund valuations	Barnett Waddingham have produced scheme-wide valuation report (as in previous rounds) GAD will update on work with section13 report Secretariat undertaking review of sample of FSS to assess effectiveness of new guidance and consistency around exit credit policies	Findings from scheme-wide review presented at this meeting Hope to have initial indications of s13 recommendations See separate paper on timetable for the review of FSS guidance	July 2026 for publication of BW scheme-wide report GAD have expressed ambition to conclude section 13 review quicker this time around (review of 2022 round was published August 2024)
HMT Cost	Process for the 2024	We expect an	Ongoing

Workstream	Details	Action for next Committee	Timescales
Control Mechanism and SAB Scheme Cost Assessment	CCM has started with data gathering and analysis	update on timetable from GAD at this meeting and advice on assumption setting	
Board survey showed evidence that employer exits are increasing significantly, driven by financial pressure and possibility of exit credits.	Board agreed to: - systematise gathering of data on employer exits - Clarify regulations on when exit credits are due - Propose to government that they ban incentivisation of members opting out	We have written to MHCLG proposing these actions and will report back to the committee when we have a response	Awaiting response from MHCLG, timescales will be set for the work once we have a response
Gender pensions gap (GPG)	There is a detailed paper and programme of work on this under agenda item E	Work is progressing and committee should expect updates in relation to: - further research with Westminster Pension Fund and Investors for Purpose - development of an employer guide to best practice in reducing their GPG - scoping out employer level GPG reporting requirements for 2028 with MHCLG	See paper under agenda item E for timelines for the various elements
Pension administration strategy working	To set up a new working group that would have representation of expertise from beyond	To report back to the committee actions taken and reports from the	MHCLG have not yet indicated a timetable for the guidance.

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Workstream	Details	Action for next Committee	Timescales
group	the committee – including third party administrators and software providers to consider the Pension Administration Strategy guidance	first working group	

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