

Pension Update

For members of the Local Government Pension Scheme (LGPS) | Summer 2022

► Your benefits depend on your pay: please check it on page 2 of your statement

The LGPS has been a career average revalued earnings (CARE) scheme since 1 April 2014. This means that, each year, a proportion of your pensionable pay is added to your pension account. At the end of the year, this amount is added to any total pension you've built up in previous years and revalued to make sure it keeps up with the cost of living.

The pension benefits you built up in the LGPS from 1 April 2014 to 31 March 2021 had a cost-of-living adjustment of 0.5% applied on 1 April 2021. Your annual benefit statement shows the value of your pension after this increase has been added. The adjustment is worked out in line with the Consumer Prices Index (CPI).

The 2021/2022 pay shown on your statement affects how your pension builds up, so it's important that you check this amount. CARE pensionable pay is the total amount of (actual) pensionable pay you've earned over the year from 1 April 2021 to 31 March 2022. If you work part-time and joined the scheme before 1 April 2014, your final salary pay is the full-time equivalent pay for the same period. If you think your pay is wrong or if you have any questions about the pay used to work out your benefits, you should contact your employer.

► Thinking of opting out?

With the cost of living increasing, you may be tempted to stop paying into your pension. However, you should consider this very carefully, as it could have serious implications.

Opting out means you won't be saving towards your retirement, and you won't benefit from death-in-service and ill-health cover.

Also, you may not save as much as you think. This is because pension contributions are deducted from your pay before tax. So, if you stop paying pension contributions, the extra pay you receive as a result will be liable to tax.

Instead of opting out, you could choose to move to the 50/50 section of the scheme.



▶ You may not be able to take your LGPS benefits at 55

The Government has announced that the minimum age that LGPS members will be allowed to take their benefits, other than on ill-health grounds, will rise from 55 to 57 from 6 April 2028.

However, if you were a member of the LGPS on 3 November 2021, you should keep the right to take your benefits from age 55.

The details of exactly how a protected minimum age of 55 will work have yet to be finalised. There are many questions at this stage about how the increase

in the minimum pension age will affect LGPS members. We don't know yet, for example, exactly what rules will apply if members want to transfer benefits between pension schemes or between different LGPS pension accounts.

We'll provide further information on our website, or in a separate communication when we can.

The Government is also carrying out a review of the State Pension age. If changes are made to your State Pension age, they could affect your normal pension age.

▶ McCloud update

To update page 1 of our [2021 employee newsletter](#) we can advise you that we are expecting more detail on the application of the McCloud remedy to the LGPS in Summer 2022 in the form of draft regulations that will come into force on 1 April 2023.

For more information, please go to:

<https://lgpsboard.org/index.php/structure-reform/mccloud-page>

Meantime we would like to reassure you that you do not need to take any action. The Government has confirmed that members who qualify for protection do not need to make a claim for the changes to apply to them.

▶ Pension scams are on the rise

Pension scams are on the rise in the UK. The people behind the scams are good at tricking people into handing over their money. It's important that you've an idea of how to spot a pension scam, even if you think it could never happen to you.

Some of the warning signs of a pension scam could be:

- someone calls you out of the blue, offering a free pension review;
- someone promises to get you better returns on your pension savings; or
- you're pressured into making a quick decision about transferring your pension.

You can help to protect yourself by learning how to spot a scam. There is more information on the MoneyHelper website:

www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam

If you're thinking about transferring your benefits out of the LGPS, you should always get impartial financial advice. Make sure that the company or person giving you the advice is registered with the Financial Conduct Authority (FCA). www.fca.org.uk



► About the Fund

Although we are only a medium-sized LGPS fund, we are proud of the work that we do to factor in responsible investment; environmental, social and governance (ESG); and climate change issues into our investment decisions.

On 1 September 2021 that work resulted in us being notified by the FRC that we were one of just 125 UK pension funds to have achieved signatory status to the UK Stewardship Code 2020.

Also, in LGPS scheme year 2021 / 2022, we:

- Added [UN sustainable development goal \(SDG\) 12](#) (Responsible Consumption and Production) to our investment beliefs.
- Completed our second annual [Climate Risk Report](#).
- Asked our investment managers to present their Taskforce for Climate-related Financial Disclosure (TCFD) reports and to deliver carbon risk metrics on their portfolios.

Two headlines from our January 2022 [Climate Risk Report](#) are that we achieved a 17.77% carbon reduction in our total equities' portfolio between 29 May 2020 and 30 November 2021 and our total equities carbon footprint is 28.05% below blended benchmark.

In LGPS scheme year 2021 / 2022, we aimed to reduce our carbon footprint, whilst either maintaining or enhancing investment returns, by:

- Transitioning assets worth £220m into LGPS Central Limited's All World Equity Climate Multi Factor Fund.
- Investing £75m in Gresham House's British Strategic Investment Fund II which is mix of infrastructure and housing assets and £50m in a First Sentier European Diversified Infrastructure Fund. Both Funds have a requirement for each investment to deliver a positive environmental or social impact.
- Agreeing a £150m investment in Gresham House's Forestry Growth & Sustainability Fund.

- Investing £200m in LGPS Central Limited's Global Active Equity Sustainability Fund that is required to deliver a positive environmental and social impact.

Given our scale and level of activity, we have a robust governance structure in place, and you can find out more about this in the [About us](#) area of our website. Our latest decisions are summarised in the [Pensions Committee](#) area of our website.

► New national Local Government Pension Scheme website

The Local Government Pension Scheme (LGPS) has updated its website to make it easier for you to understand your pension.

The new site is mobile-friendly and fully accessible, allowing you to plan for your retirement, find key information and easily access support.

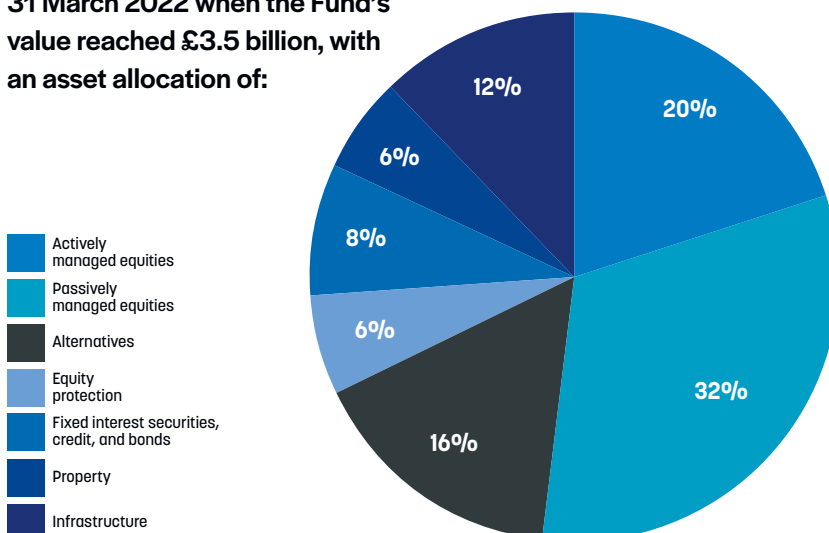
Their new website has:

- simple navigation;
- easy-to-use tools and calculators;
- useful links, hints and tips;
- helpful videos;
- new pages and updated content; and
- a faster and more detailed search function.

To use these new features, go to the LGPS website:

www.lgpsmember.org

Our member records reached an all-time high of 66,000 on 31 March 2022 when the Fund's value reached £3.5 billion, with an asset allocation of:



➤ Why not make sure that all your jobs are pensioned?

If you have more than one local government job, why not ask your employers if you can join the LGPS for all your jobs that are not yet pensioned?

You may be missing out if your employer has not brought you into the LGPS automatically because your pay in a job is below the automatic enrolment threshold.

If a job is LGPS pensioned:

- you are effectively receiving a pay rise of about 20% through what your employer pays into the pension fund on your behalf;
- you'll be able to get your contributions back as a tax-free lump sum when you retire and have more pension, effectively for free;
- you are adding an extra three times your annual pay in that job as lump sum death-in-service protection for your family – something that could pay for your funeral;

- you give yourself the chance of immediate benefits through an ill-health retirement;
- you give yourself the chance of benefits if you are made redundant; and
- you can rely less on state benefits.

As the LGPS offers such a great financial package, it makes sense for you to have as much of it as possible.

If you are worried about the cost of rejoining the LGPS, you should consider the 50/50 section of the LGPS. It offers half the pension for half the contributions while still providing full death cover and ill-health protection for your loved ones.

It's easy to think that you can't afford it right now but, looking ahead, can you really afford to be without it?

➤ Updates to our privacy notice

As part of our plan to make sure we keep to the Data Protection Act 2018, we've prepared a privacy notice giving details of our responsibilities regarding your personal information. The notice sets out what information we hold, who we share it with and your rights to access this information.

We want to let you know that, following the introduction of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021, we've recently updated our privacy notice. When dealing with transfer requests, and as part of our due diligence process, we must make sure checks are completed before transferring benefits. To check for pension scams, we may need additional information from members. All of the information we collect meets the UK General Data Protection Regulation (GDPR).

You can read the privacy notice on our website.



Contacting the Pension Team

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