

Pension Update



For members of the Local Government Pension Scheme (LGPS) | **Summer 2020**

➤ Welcome

Welcome to this newsletter for contributing members of the Local Government Pension Scheme (LGPS).

The LGPS is an important part of your employment benefits. It has been a career average revalued earnings (CARE) scheme since 1 April 2014. Every year, you build up a pension based on a proportion of your pensionable pay and this is added into your pension account. At the end of the year, this is added to any total pension pot you have built up in previous years and revalued to make sure it keeps up with the cost of living. The 2019/2020 pay shown on your statement affects how your pension builds up. It's important to check the pay shown on your statement. Please contact your employer if you have any questions about the pay used to work out your benefits.

The pension benefits you've built up in the LGPS from 1 April 2014 to 31 March 2019 increased by 2.4% in 2019/2020. The increase is worked out in line with the Consumer Prices Index (CPI) and is included in the 'your total CARE account' section on your annual benefit statement.

➤ An update from your pension fund – Covid-19



We know that the past few months have been an uncertain time for many of you.

We want to remind you that LGPS benefits are funded by investing employer and member contributions, but members earn a

'benefits promise' that is set out in statutory instruments and that is not dependent on current stock market levels.

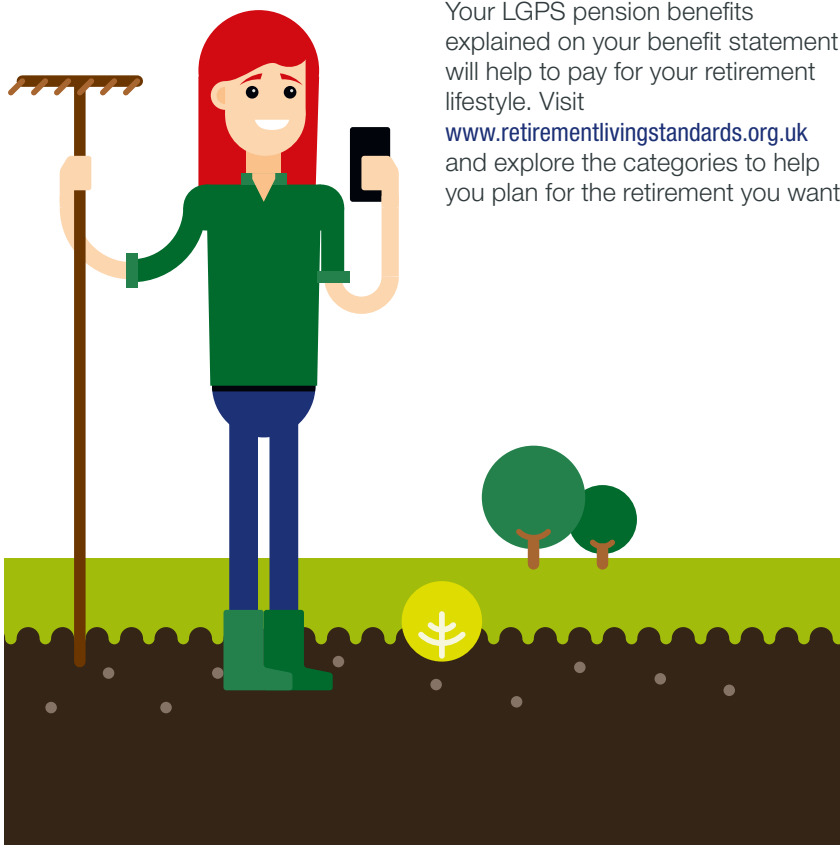
We hope that you keep safe and well during these times.

➤ Picture your retirement

What kind of lifestyle do you picture for yourself when you retire? The new Retirement Living Standards, published by the Pensions and Lifetime Savings Association, will help you to picture what kind of lifestyle you will be living in retirement.

The Standards aim to give you a realistic starting point to help you develop your own savings targets and plan for the retirement you want.

They feature three different 'lifestyles' – minimum, moderate and comfortable – and illustrate what goods and services you could afford at each level, for a single person and then also for a couple.



They show that (at today's prices) to have:

- a minimum standard of living when you retire, you need to have a pension of £10,200 a year;
- a moderate standard of living, you need to have a pension of £20,200 a year; and
- more financial freedom and some luxuries, you need to plan to have an income of £33,000 a year.

If you're part of a couple, the amount you need to achieve a certain standard of living for each person is likely to be less.

Don't forget these amounts will include your State Pension (full State Pension is currently around £9,110 a year) and any other pensions or benefits you receive. Also, you will have deductions from the full State Pension for any period from 6 April 1978 to 5 April 1997 you were in the LGPS.

Your LGPS pension benefits explained on your benefit statement will help to pay for your retirement lifestyle. Visit www.retirementlivingstandards.org.uk and explore the categories to help you plan for the retirement you want.

➤ McCloud court case



When the LGPS changed from a final pay to a career average pension scheme in 2014, protections for older scheme members were introduced.

Similar protections were provided in other public sector pension schemes.

Following the Court of Appeal ruling that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections in their pension schemes did not apply to them, the Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination.

This ruling is often called the 'McCloud judgment'.

As the Government is still considering exactly what changes need to be made to remove the discrimination from the LGPS, it has not been possible to reflect the impact of the judgment in your annual benefit statement this year.

However, if you qualify for protection it will apply automatically - you do not need to make a claim.

For more information, see https://lgpsmember.org/news/story/mccloud_qanda.php

➤ Responsible investment

LGPS Central Limited (LGPSC) manages the pooled assets of eight Midlands-based local government pension funds. Along with its partner funds, LGPSC is committed to responsible investment and is a public supporter of the Taskforce on Climate-related Financial Disclosures (TCFD) reporting annually against the framework.



It allocates significant amounts of money to the external investment managers it appoints and would not appoint external fund managers without evidence of effective climate risk management, such as analysing vehicle emissions standards, monitoring exposure to different carbon price scenarios, and investing in new technologies such as renewable energy.

LGPSC firmly believes that climate change poses a material risk to financial markets. For asset owners it is a risk that cannot be eliminated solely by traditional investment techniques, such as portfolio diversification. All asset classes, sectors and regions are likely to be affected by the physical, policy or market-related consequences of climate change.

LGPSC engages companies to improve the disclosure, governance and management of climate risk. In particular it seeks to influence companies such that their business models align with the Paris Agreement on climate change. This is often done through partnerships, to maximise the scale and effectiveness of the engagement.

For example, LGPSC recently filed an AGM resolution at Barclays PLC, asking the bank to set targets to phase out the provision of finance to energy and utility companies that are not aligned with the Paris goals. Following continued engagement with the bank, Barclays announced in March 2020 an ambition to be a net-zero bank, by 2050. The bank has pledged to align all its financing activities with the goals of the Paris Agreement, and will publish transparent targets to track its progress.

➤ Your LGPS benefits are one of the most valuable assets you own.

However, this makes them attractive to criminals.

Pension scams are on the increase. Fraudsters posing as businesses are becoming more convincing in the methods they use to trick people out of their life savings. Contacting people out of the blue (often referred to as cold-calling) about their pension is now illegal and is usually a sign that the company involved is not what they seem.

The Pensions Regulator has produced a useful guide which tells you what to look out for if you are considering transferring your LGPS benefits to a company offering to manage your pension savings. For more information, please visit the Pension Regulator's website at: www.thepensionsregulator.gov.uk/en/pension-scams.



➤ Do you want to pay more towards your pension?

If you would like to have that little bit extra during your retirement, you might want to think about paying extra contributions to increase your pension benefits.

The LGPS offers the following two tax-efficient ways for you to pay more.

1. Buy extra pension in the LGPS by paying additional pension contributions (APCs)

If you are in the main section of the LGPS you can pay additional pension contributions to buy up to £7,194 of extra pension. You can pay a one-off lump sum or spread the cost by paying the contributions over a number of years. There is a calculator for working out the cost of buying extra pension at:

www.lgpsmember.org/more/apc/index.php

2. Build up an extra pot of money by paying additional voluntary contributions (AVCs)

You can pay additional voluntary contributions to your pension fund's AVC provider, Scottish Widows, to build up a pot of money which you can use to provide extra benefits when you retire. You have your own AVC account and can decide how the money in your pot is invested. When you retire you can choose how to use your AVC pot. For example, you can take it as tax-free cash or can buy an annuity.

When APCs or AVCs are deducted through your pay, they are deducted before your tax is worked out so you receive tax relief automatically through the payroll.

There is more information about APCs and AVCs in the Employee Members area of our website.



Contacting the Pensions Team

- ✉ pensions@worcestershire.gov.uk
- 🌐 www.worcestershirepensionfund.org.uk
- ✉ Worcestershire Pension Fund,
County Hall, Spetchley Road, Worcester, WR5 2NP

If you are thinking about contacting us about your annual benefit statement, we recommend that you first read our 2020 employee benefit statements FAQs at:

<https://www.worcestershire.gov.uk/worcestershirepensionfund/info/7/latest-updates>

➤ Employer outsourcing – the effect on your pension

If your employer plans to outsource your job (move it to a private contractor), you'll need to know what will happen to your pension.

In most cases there are protections in place and you should check with your employer about how your pension will be affected.

There are different rules depending on the type of employer outsourcing your job, as follows.

Local authority employer (including members in local authority maintained schools and other best-value authorities)

Your new employer has two choices. They can:

1. continue your LGPS membership by becoming an active employer in an LGPS fund; or
2. provide a government-approved 'broadly comparable' pension scheme.

The benefits must be at least as good as those provided by the LGPS.

The government is looking into whether to remove the 'broadly comparable' option and guarantee continued LGPS membership.

Public sector employers (including members in academies, voluntary-aided, foundation and free schools)

Your new employer must continue your membership of the LGPS.

Private sector (Including members in further and higher education corporations)

You're not covered by the same protections as local authority and public sector members. Your employer will tell you what will happen to your pension.