

# Deferred Member News

For more information, visit: [www.lgpsmember.org](http://www.lgpsmember.org) | Summer 2023

## ► No further increases in State Pension ages (SPa), yet.

Despite much speculation to the contrary, *the Government's 2023 review of SPa* will result in no change to the current legislative schedule for increasing SPa.

However, the Government has said a fresh review of SPa will take place in 2026, and the 2023 review introduced the idea of placing a cap on the share of national income spent on pensions. That could mean today's younger workers facing a pension age of 70 or above. The Government did say though, that it would keep to the 'ten-year notice' rule, which means that a review in 2026 could not recommend changes to someone's SPa if they were going to reach their SPa before 2036.

You might like to check *your SPa online*, as, if you paid into the LGPS after 1 April 2014, the date that part of your pension can be paid without reductions is the same as your SPa.

You can currently choose to take your pension from age 55, but, if

you did so, it would be reduced, as it would be in payment longer than expected. The earliest date you can start receiving your pension is set by the government and will increase to age 57 from 6 April 2028. If you started paying in before 3 November 2021, you may possibly still be able to take your pension from 55. However, we are not yet able to confirm the situation, as we don't yet have any legislative guidance.

## ► Will you have enough money in retirement?

As a woman (man) born in 1971 and who turned 50 in 2021 is now expected to live to 86.7 (83.9), you should think carefully about exchanging any pension for tax-free cash when you take your deferred benefits, as that reduces your income.

Also, if you are currently in a local government job but not an employee member of the LGPS,

why not ask your employer/s if you can join the LGPS for every one of 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.

To help you to gauge the amount of income you might need in retirement, the Pensions and Lifetime Savings Association's *Retirement Living Standards* show you what life in retirement might look like at three different levels of income. It has updated these and now suggests that an income of £12,800 a year should cover all your needs, with some left over for fun, with £23,300 a year being needed to provide a moderate standard of living.

An interesting, possible future development to State Pensions was suggested in *the Government's 2023 review of SPa*, namely that the Government should explore the possibility of an early access scheme whereby workers who meet certain qualifying criteria

could access their State Pension early at a reduced rate. This could bridge the gap that currently exists between taking non-State Pensions and reaching SPa to qualify for a State Pension.

## ➤ McCloud update

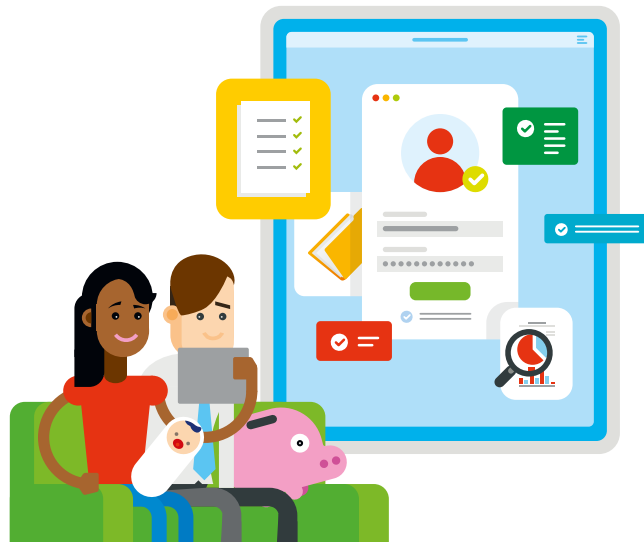
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We are expecting more detail on the application of the McCloud remedy to the LGPS in the form of draft regulations. It's still expected that most members' pension benefits won't be affected.

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 a remedy do not need to make a claim for the changes to apply to them.

If the remedy increases the value of your pension benefits or gives you any new options, we will make any changes and let you know.

However, if you are (or could be) a current employee member of the LGPS, perhaps with a different LGPS fund, and that membership started after 31 March 2012, it could turn out that under the McCloud remedy you could be able to aggregate your deferred benefits with your current membership even if you started that newer LGPS membership some years ago, so that your current membership's service from 1 April 2014 to 31 March 2022 could be based on the better of what it turns out to be or what it would have been if the career average scheme had never been introduced.



## ➤ Introducing Pensions Dashboards

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In the future, LGPS funds will be participating in a new website that is most likely going to be called 'Pensions Dashboards'.

Pensions Dashboards is a nationwide initiative designed to give you quick, easy, secure access to all your pensions in one place. To access it, you will need to confirm your identity, so you know your information is safe and secure.

The hope is, by having all your pensions in one place, it makes it easier for you to plan for your retirement. Pensions Dashboards will be free for all to use, and the hope is that it may help you to find any lost pensions.

Along with you having access to your LGPS pensions through Pensions Dashboards, we will still be sending you your annual benefit statement for you to view.

We will keep you in touch with what is happening with the Pensions Dashboards initiative, but you do not need to do anything right now.

## ➤ Pension scams are on the rise

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As the people behind 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. Look out for someone: calling you out of the blue offering a free pension review; or promising to get you better returns on your pension savings; or pressuring you into making a quick decision about transferring your pension.

There's more information about scams on the [MoneyHelper website](#), but, if you're thinking about transferring your benefits out of the LGPS, bear in mind that: your LGPS benefits are guaranteed; your benefits keep pace with inflation; you bear no investment risks as an LGPS member; and a transfer out exposes you to fraud.

You should always obtain impartial financial advice if you are thinking about a transfer out and make sure that the company or person giving you the advice is registered with the [Financial Conduct Authority \(FCA\)](#).



## ➤ About the 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.

We were particularly proud to be notified by the FRC on 1 September 2021 that we were one of the first pension funds to have achieved signatory status to the UK Stewardship Code 2020. Since then we have continued to set high stewardship standards, retained our signatory status and completed our third annual Climate Risk Report.

Going forward we will aim to reduce further the carbon footprint of the Fund's listed equity portfolio; set an internal decarbonisation reduction target up to 2025 at which point it will be further reviewed; continue to invest a proportion of the Fund's portfolio

in low carbon & sustainable investments; and use the Climate Scenario Analysis to track and better understand the portfolio's capacity to transition into a low carbon economy.

Our member records reached an all-time high of 67,000 on 31 March 2023 when the Fund's value was £3,553m, with an asset allocation of:

- 24% Actively managed equities
- 28% Passively managed equities
- 16% Alternatives
- 8% Fixed income
- 9% Property
- 15% Infrastructure

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.

## ➤ Your questions answered

Worcestershire Pension Fund is not regulated by the Financial Conduct Authority (FCA) which means our staff are unable to give advice about investments or how you can manage your pension benefits. We can provide you with information about how your pension benefits have been calculated and direct you to current Government information.

### What are deferred benefits?

They are the pension promise made to you whilst you were working in a job that you were a member of the LGPS in that we are looking after for you until you decide to access them. The figures quoted in the 2023 deferred statements are based on your benefits starting to be paid at their normal pension age(s) (NPA) unless you are older than 65, older than your NPA, and left after 31 March 2014 when they assume you took them on 10 April 2023.

### What is my NPA?

Your NPA depends on when you earned your benefits: if your benefits were earned after 31 March 2014, their NPA is your State Pension age, and if before 1 April 2014, age 65.

### When can I take my deferred benefits?

You can take your deferred benefits at any age between 55 (57 from 6 April 2028) and 75 as long as you have left the job your deferred benefits are linked to, but, if you left before 1 April 1998, you can't defer past your NPA. Your benefits will be reduced (if not protected by the Rule of 85) if taken at any age between 55 (57)



and your NPA; unreduced if taken at your NPA or at any age before your NPA if you are given access to them because of ill health; or increased after your NPA (min 65) and up to age 75.

**The current early retirement reduction factors are shown in the following table:**

Years early	Pension reduction	Lump sum reduction
0	0%	0%
1	5.1%	2.3%
2	9.9%	4.6%
3	14.3%	6.9%
4	18.4%	9.1%
5	22.2%	11.2%
6	25.7%	13.3%
7	29%	15.3%
8	32.1%	17.3%
9	35%	19.2%
10	37.7%	21.1%
11	41.6%	Doesn't apply
12	44%	Doesn't apply
13	46.3%	Doesn't apply

### **Can I take my deferred benefits if I can't work because of ill health?**

If you can't work because of ill health, you may be able to have your benefits paid at any age without them being reduced. To qualify, you must be permanently incapable of doing the job you were in when you left the LGPS. If you think this may apply to you, you should contact your previous employer. Before they can approve your application, they must ask an independent registered medical practitioner for an opinion to help make the decision.

### **Do my deferred benefits keep up with the cost of living?**

Each April, your deferred benefits are adjusted by the Consumer Prices Index (CPI) as at the previous September. For April 2023, the increase is 10.1%. If you became a deferred member on or before 25 April 2022, you'll get the full increase. However, if you became a deferred member after that date, you'll only get part of the 10.1% increase.

### **What happens to my deferred benefits if I die?**

A lump sum death grant may be due to your loved ones. If you left the LGPS before 1 April 2008, the death grant is three times your deferred pension. If you left on or after 1 April 2008, the death grant is five times your deferred pension. However, if you also have an active pension account, only the highest death grant would be paid.

A survivor's pension may be paid to your husband, wife or registered civil partner; any eligible children; or someone you live with as if you were married, if you were a member of the LGPS on or after 1 April 2008.