

Pension Update

For members of the Local Government Pension Scheme (LGPS) | 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 your benefits earned after 1 April 2014 cannot be paid without reductions before 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.

► Changes to the CARE revaluation date

On 9 March 2023, the Department for Levelling Up, Housing and Communities formally put the LGPS (Amendment) Regulations 2023 before Parliament. The regulations change the date that revaluation is applied to LGPS CARE benefits. From 31 March 2023, the annual revaluation date will move from 1 April to 6 April.

How does this affect me?

As a member currently paying into the LGPS, this simply means the date your CARE benefits are revalued will be 6 April rather than 1 April. There is no change in the amount of revaluation that will be added. Most members will not notice any difference following this rule change. If you are close to going over the annual allowance for pension savings, you might want to contact your pension fund to find out more.

Does this change my statement this year?

This will not affect your annual benefit statement in 2023. This is because the benefits shown in your statement are worked out as of 31 March 2023 and so will not include the April 2023 revaluation. From the tax year 2023/2024 onwards, the inflation increase will be used in both the annual allowance calculation and the annual revaluation. This increase will be included in the benefits shown in your annual benefit statement for 2024. For 2023/24 this will be 10.1%.

➤ How would you like the Fund to invest?

Our *Pensions Committee* of 5 Worcestershire Councillors, 1 Herefordshire Councillor, 1 non-County-Council Employer Representative and 1 Member Representative decides where the contributions from our 200ish employers and your contributions are invested to provide your LGPS benefits.

Although we are only a medium-sized LGPS fund, we are proud of the work that we have done to factor in *responsible investment/ environmental, social and governance* and *climate change* issues into the Fund's investment decisions.

However, we are aware that, whilst we have updated you via our newsletters, we have never actually asked our employee members directly for their views.

Accordingly, we would now like to invite you to tell us how you would like the Fund to invest by answering the questions on our online stewardship survey available from the online version of this newsletter in the employee newsletters area of our website or at: forms.office.com/Pages/ResponsePage.aspx

We would like to reassure you that, although your pension payments are funded by investing employer and member contributions, your 'pension promise' is set out in statutory instruments and is not dependent on current stock market levels.

➤ New early and late retirement factors

The amount of LGPS benefits a member receives if they do not retire at their normal pension ages is changing.

Early retirement reductions have been improved with effect from 3 July 2023.

Late retirement increases will be reduced from 1 September 2023.

The new early retirement factors are detailed on page 7 of your statement.

➤ Obtaining financial advice

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.





► 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.

► McCloud update

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.

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

Since 1 April 2014, the LGPS has been a career average revalued earnings (CARE) pension scheme. A proportion of your pensionable pay is added to your pension account each year. Your pension account is adjusted in line with the cost of living and the revalued amount is added to your total pension pot.

A cost-of-living adjustment is applied each April to your pension benefits. For April 2022, this was an increase of 3.1%. You'll see this increase on your annual benefit statement. This adjustment is in line with the Consumer Prices Index (CPI).

Please check that all the information in your statement is correct. Most importantly, check the 2022/2023 CARE pensionable pay figures shown on your statement, as these are the figures that affect how your pension builds up. Information about your pay is given to us by your employer, so if this is wrong you should contact them.

The increase for April 2023 has been confirmed as 10.1%, but this won't be reflected until your 2024 annual benefit statement because your statement is produced as at 31 March.



➤ Introducing Pensions Dashboards

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.

Contacting the Pension Team

✉ pensions@worcestershire.gov.uk

🌐 www.worcestershirepensionfund.org.uk

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