

Pension Update

For members of the Local Government Pension Scheme (LGPS) | Summer 2023

➤ Welcome

Welcome to the 2023 newsletter for contributing members of the Local Government Pension Scheme (LGPS).

We've produced this newsletter jointly with other LGPS funds. If you'd like more information about your pension benefits, please log in or register for your online pension account.

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 Price 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 on 31 March.



➤ Pension scams are on the rise

Pension scams are on the rise in the UK. The people behind the scams are good at tricking you into handing over your money.

It's important that you have an idea of how to spot a pension scam, even if you think it could never happen to you.

Some warning signs of a pension scam could be:

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

You can help to protect yourself by learning how to spot a scam. There's more information on the MoneyHelper website: www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam

➤ Changes to the annual allowance and lifetime allowance

Following the Chancellor's Spring Budget on 15 March, the big news in pensions is the proposed changes to tax limits.

There are two main allowances for pension savings – a lifetime allowance and an annual allowance. These allowances are the amount of pension savings you can build up without having to pay a tax charge. If you go over these limits, you may have to pay tax.

The annual allowance is set by HMRC. In the LGPS it's the maximum your pensions savings can increase by in a tax year before you receive a tax charge. In 2022/2023 the annual allowance was £40,000. From 6 April 2023, the annual allowance will increase to £60,000. The money purchase annual allowance will also increase from £4,000 to £10,000 on the same date. Changes will also be made to the tapered annual allowance, with the adjusted income level increasing from £240,000 to £260,000 and the minimum tapered annual allowance increasing from £4,000 to £10,000.

The lifetime allowance is the total value of all the pension benefits you can have (not including your State Pension, Pension Credit, or any partner's or dependant pension you may be entitled to), without paying a tax charge. The lifetime allowance is to be removed from April 2024, and the charge for going over it will be zero in tax year 2023/2024.

If you plan to retire, from 6 April 2023 you will not have to pay a lifetime allowance tax charge. As there are changes to rules around pension protections, we recommend you get financial advice if you will be affected.

➤ McCloud and the LGPS

In 2014, the LGPS changed from a final salary scheme to a career average scheme. At the time, protections were put in place for older scheme members, which allowed pension funds to work out if their benefits would've been better in the final salary scheme or the new scheme and then the higher of the two was paid. Similar rules were also brought into other public service pension schemes, such as the NHS and Teachers' pension schemes.

Following a court ruling (commonly known as the McCloud judgement) it was decided that the rules were unlawful and unfair to younger members. Revised rules are expected to be introduced into the LGPS later this year.

The Department for Levelling Up, Housing and Communities have developed a helpful factsheet with more information. You can find this and some frequently asked questions on the LGPS members website.

➤ Help with the rising cost of living

It's fair to say that we all have noticed the effect of rising costs, whether at the supermarket while doing the weekly shop or from increasing energy bills.

It can be challenging to make your money stretch further while trying to keep a certain standard of living. This can lead to people feeling vulnerable, anxious and even overwhelmed.

The cost-of-living crisis is a national concern, and the Government has put certain support in place to try to help you if:

- you need support with your housing costs;
- you need support with your bills;
- you need support coping with disabilities; or
- you are generally finding things difficult and need someone to talk to.

For more information about this support, please visit: www.gov.uk/cost-of-living

You can also visit www.gov.uk/cost-living-help-local-council for information about how you may be able to get help with essential costs from your local council. This is sometimes known as 'the Household Support Fund'. This could help if you're struggling to afford things such as energy and water bills, food and essential items.

Other national organisations, such as MoneyHelper, are also providing lots of support. This ranges from sharing tips for cutting back costs and making income go further, to highlighting scams: www.moneyhelper.org.uk/en

► Changes to State Pension age and increase to the normal minimum pension age

The Government has carried out a review of the State Pension age to see if it needs to change. It has decided no changes will be made before the next general election.

If you paid into the LGPS after 1 April 2014, the date your pension can be paid without reductions is the same as your State Pension age. So, if your State Pension age changes, the date your LGPS pension can be paid without reductions will also change.

The date your LGPS pension is paid from without reductions is known as your normal pension age (NPA). You can find this date on your annual benefit statement. You can choose to take your pension earlier than this date (currently from age 55), but as it will be paid longer than expected, it will be reduced.

The earliest date you can start receiving your pension is set by the Government and is known as the normal minimum pension age (NMPA). This will increase to age 57 from 6 April 2028. If you started paying in before 3 November 2021, you may have a protected NMPA of age 55, and this change will not affect you. However, we won't be able to confirm this until the changes come into force.

► Do you know how much money you will need for your retirement?

If you don't, then you're not alone. Research by the Pensions and Lifetime Savings Association (PLSA) shows that 77% of people saving for retirement don't know how much they will need.

To help people picture their retirement, the PLSA has created 'Retirement Living Standards' which you can see online at: www.retirementlivingstandards.org.uk

There are three featured lifestyles – minimum, moderate and comfortable. The website explains what's included in these lifestyles and shows how much they would cost.

When thinking about your retirement, you'll need to consider how much money you'll have from your LGPS pension, as well as from the State Pension and any other pensions you may have. You can check your State Pension at: www.gov.uk/check-state-pension

You might be thinking about whether you can afford to retire early. If you choose to retire and take your LGPS benefits before your normal pension age (NPA), the benefits will normally be reduced to take into account that your pension will be paid for longer. The reduction is based on how early you take your benefits. The earlier you retire, the bigger the reduction. The minimum age that you can take your pension is currently 55. You can find the current early

retirement reductions online at: www.lgpsmember.org/your-pension/planning/taking-your-pension
You can also use the benefit calculators on {insert name of fund's online system} to find out how much you might get if you choose to take your benefits earlier than your NPA.

We recommend that you take independent financial advice if you need any help planning your retirement.

► Introducing pensions dashboards

In the future, LGPS funds will be taking part in a new initiative that is most likely going to be called 'Pensions dashboards'.

This is a government programme designed to give you quick, easy and secure online access to information about all of your pension savings in one place. To access the pensions dashboards website, you will need to confirm your identity, so you know your information is safe and secure.

The hope is that, by having all of your pension information in one place, it will be easier for you to plan for your retirement. It may also help you find any lost pensions. Pensions dashboards will be free to use.

A date has not yet been set for when the project will be available for public use, but we will keep you updated as the project develops.

➤ 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%.

➤ Reducing the environmental impact of our investments

Our responsible investment policy sets out our approach to sustainable responsible investment. It helps us to manage the carbon and climate risks affecting our investments better. We've set targets to reduce the carbon emissions of listed equities by 23% by 2024 and by 57% by 2030. We intend to decarbonise our portfolio at the same rate as the European Policy Curve. This should help us to reach our target of net zero by 2050 or earlier.

To help us meet our decarbonisation target, we've partnered with Osmosis Investment Management. Osmosis specialise in sustainable investment and will implement a portfolio based on resource efficiency.

Alison Whelan, Chair of Cambridgeshire Pension Committee, said: "As part of our vision to make Cambridgeshire greener, fairer, and more caring, this investment will not only support us in our work to change the Cambridgeshire Fund to a lower carbon, sustainable portfolio, which meets our environmental objectives but maintain strong returns for our scheme members."

You can find more information on our investment strategy on our website. For more information on our partnership with Osmosis please read the article on IPE.

Contacting the Pension Team

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