

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.

Your CARE pension benefits increased by 2.4% in 2019/20. The increase is worked out in line with the Consumer Price Index (CPI) and is included in the 'your total CARE account' section on your annual benefit statement.

➤ Update from the Staffordshire Pension Fund - Covid-19

We know that the situation around COVID 19 has meant uncertain times and the significant steps we have all taken and continue to take to prevent a second wave of the coronavirus outbreak.

You may be aware that the coronavirus pandemic is affecting stock markets and we are often asked will this affect the value of my LGPS pension? However, we want to reassure you that your LGPS benefit with the Staffordshire Pension Fund is not linked to stock market performance. Your pension benefits are instead guaranteed and set out in law.

The only exception to this is Additional Voluntary Contributions (AVCs). If you have an AVC with one of our linked providers, it is possible the value may have reduced - this will however depend on the funds you have chosen to invest in. You should contact your AVC provider for more information about this.

Delivery of Pension Services to You

We continue to work extremely hard to minimise any reduction in the high-quality pension services we currently provide to all our stakeholders. One of the steps we have taken is a move to increase home working for our staff. As a result of home working, we can continue to provide pension services

with the minimum of disruption to you, but this does mean we have a limited access to post and printing facilities.

What you can do to help us?

- Use our website where possible.
- If you need to contact us please email: pensions.enquiries@staffordshire.gov.uk
- Please only call us if your query is urgent.
- Use our online "My Pension Portal" to check your pension record, estimate your retirement benefits and to update your personal details. www.staffspf.org.uk/Calculator/Self-Service-Calculator.aspx

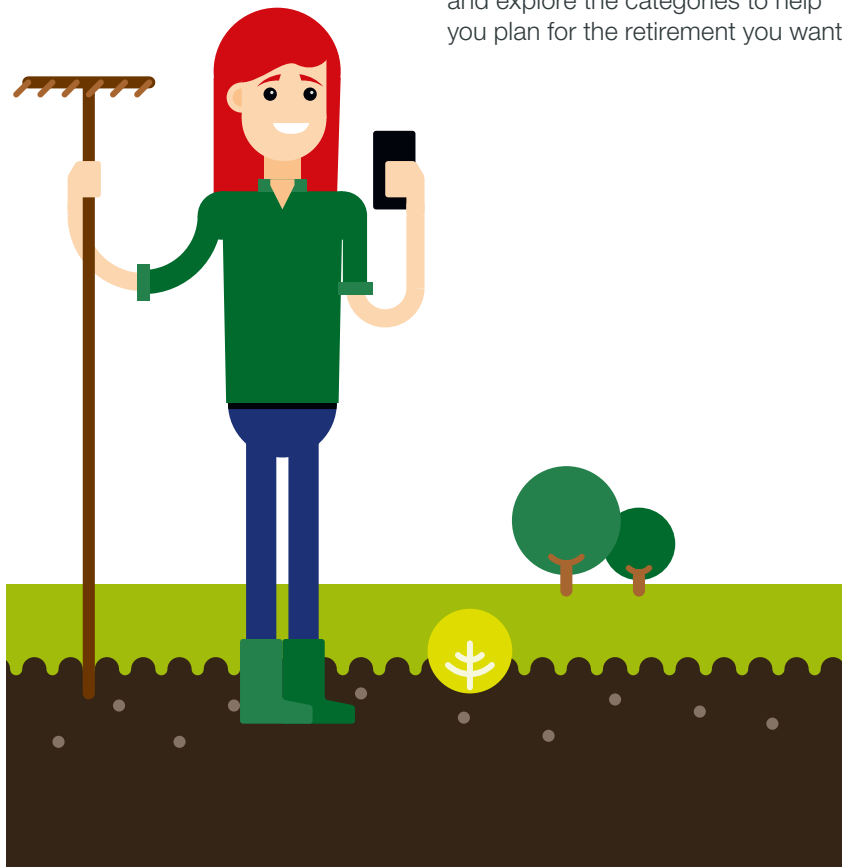
A further consequence of home working is the Staffordshire Pension Fund needs to send more paperwork electronically. Therefore if you need to contact us, we would be grateful if you could provide us with a personal email address that we can use to contact you going forward and also your permission to hold this email address on your pension record. Alternatively, if you have registered for My Pension Portal, you can adjust your 'Privacy Preference' on the system, to allow us to send all documents by email. You can withdraw your consent for Staffordshire Pension Fund to hold your personal e-mail address, at any time.

➤ 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.

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. 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.

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 salary 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. The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension Schemes have been discriminated against because the protections do 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'.

The Government is currently consulting exactly what changes need to be made to remove the discrimination from the LGPS. This means it has not been possible to reflect the effect of the judgment in your annual benefit statement this year. If you qualify for protection it will apply automatically - you do not need to make a claim. For more information, see the frequently asked questions on the national LGPS website - www.lgpsmember.org/news/story/mccloud_qanda.php

➤ Responsible investment

LGPS Central Limited manages the pooled assets of eight Midlands-based local government pension schemes, including Staffordshire. Along with its partner funds, **LGPS Central is committed to responsible investment.**



LGPS Central's approach to climate change.

LGPS Central firmly believes that climate change poses a significant risk to financial markets. For asset owners, it's a risk that can't be eliminated just 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. LGPS Central's role is to help the partner funds identify and manage climate-related risks in the portfolios it manages on their behalf.

LGPS Central works with the companies in which it invests to improve how risks relating to climate change are managed. In particular, LGPS Central aims to influence companies so that their business models are in line with the Paris Agreement on climate change. This is often done more effectively

through partnerships. For example, LGPS Central recently filed an AGM resolution at Barclays plc, asking the bank to set targets to phase out finance that is provided to energy and utility companies that are not aligned with the Paris goals. Following LGPS Central's continued involvement with Barclays, the company announced in March 2020 an ambition to be a 'net-zero bank' by 2050. Put simply, this means that the distribution of Barclays' lending activities should be such that the businesses emitting harmful greenhouse gases (GHGs) are completely offset by the businesses removing or displacing GHGs, achieving 'net zero'. Barclays has pledged that all of its financing activities will keep to the Paris Agreement and the bank will publish clear targets to track their progress.

A significant proportion of the money LGPS Central manages on its clients' behalf is allocated

to external fund managers. LGPS Central won't appoint external fund managers unless it sees 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.

LGPS Central aims to offer investment opportunities to support clients to manage climate risk. Its Climate Multi-Factor Fund, which incorporates climate change considerations into the way the portfolio is constructed, has been invested with £2.1 billion in capital. The fund invests less in companies with greater carbon emissions and intensive fossil fuel reserves and more in companies with green revenues, to take account of risks and opportunities associated with climate change by design.

LGPS Central is a public supporter of the Taskforce on Climate-related Financial Disclosures (TCFD), and reports against this framework each year. Climate change is one of LGPS Central's main sustainability themes, and you can find progress reports every three months on the LGPS Central website. LGPS Central, its service providers and the external fund managers focus jointly on climate change in the way investment portfolios are managed, so that investment returns are more likely to be sustainable over the long term.

LGPS Central's aim is for a combination of measures that allow it to support the partner funds to manage the long-term risks of climate change.

➤ Employment transfer to another provider – Your LGPS Benefits

If your employer plans to move your job to another provider e.g. private sector contractor, you'll need to know what will happen to your pension.

Depending on the category of your employer within the LGPS, there are protections in place, and you should check with your employer about how your pension will be affected.

Different rules apply; but generally if you are employed by a Local Authority, Grant Maintained School, Academy or other public sector body; or if your current post is already with a contractor appointed by one of these bodies and you have remained in continuous employment as a member of the LGPS since the original transfer,

then normally you can continue as a member of the Local Government Pension Scheme following the transfer of your employment to a new provider.

There may be circumstances where your new employer could put forward a Government certified broadly comparable scheme as an alternative, such schemes are not however widely available but would in any case offer comparable benefits to the LGPS.

If you have more than 2 year's total membership of the LGPS, you will also be able to choose whether to leave your benefits accrued to the date of your employment transfer, in the LGPS as an index linked "deferred benefit".

➤ 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.



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**Staffordshire
Pension Fund**
Local Government Pension Scheme


For you, for now, for the future.