

# 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 increased by 2.4% in 2019/2020. 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.



## ➤ 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 the LGPS is a defined benefit pension and your benefits are not linked to stock-market changes or how investments perform. Your pension is based on your salary and how long you've paid in.

The calculation of pension benefits for LGPS members is set out in law. Your pension is guaranteed, whether it's being paid or is yet to be paid.

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

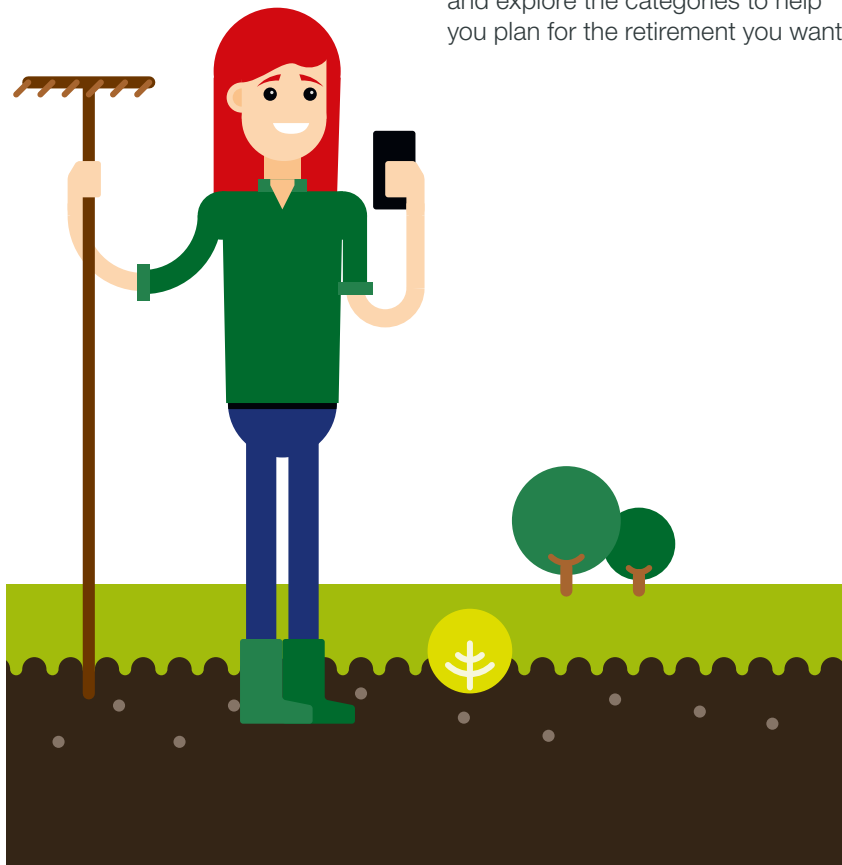
## ➤ Picture your retirement

### 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.

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](http://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 still considering 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](http://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 Shropshire County Pension Fund. 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 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.

## ➤ 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](http://www.thepensionsregulator.gov.uk/en/pension-scams)

## ➤ New Pensions Committee representative

Shropshire County Pension Fund's Pensions Committee is responsible for the management and administration of the fund.

The new employee representative for Shropshire Council is Laura Hoskison, from UNISON Shropshire. You can contact Laura if you have any questions at:

Email: [unison@shropshire-unison.org.uk](mailto:unison@shropshire-unison.org.uk)

Telephone: 01743 252958

More information can be found in the governance area of our website.

## ➤ 'My Pension Online' has been given a makeover!

### If you've been keeping track of your pension through 'My Pension Online', you may have noticed it has a new look.

The same information is there, but the new layout makes it easier to find your way around and access the information you need. The new design also improves how you access and use the website when using a tablet or smartphone.

If you're already registered, simply use your existing log-in details. If you're not registered yet, visit our website at: [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk) and click 'My Pension Online'.

You'll need your email address and National Insurance number. We will email you an activation key to use.

Once you're registered, you can:

- view your annual benefit statement;
- update your personal details;
- make an 'expression of wish' for a lump-sum death grant;
- check your pay details are correct; and
- calculate your retirement benefits.

We hope you enjoy using the new system, but if you still want paper copies of future annual benefit statements, write to us to let us know. You should include your name and National Insurance number in your letter.

## ➤ 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.

### Contacting the Pensions Team



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