

# Deferred

## Members Newsletter 2021

For more information visit the national Local Government Pension Scheme Members website: [www.lgpsmember.org](http://www.lgpsmember.org)

## Welcome to the 2021 newsletter for deferred members of the Local Government Pension Scheme (LGPS).

We have produced this newsletter jointly with other LGPS funds. For more information about your pension benefits, contact Worcestershire Pension Fund.



Your NPA depends on when you left the LGPS. If you left the scheme after 1 April 2014, your NPA is linked to your State Pension age. If you left the scheme before 1 April 2014, your benefits normally have an NPA of 65. In some cases, this could be earlier if certain protections apply.

### What are deferred benefits?

Deferred benefits are worked out for you if you leave the LGPS before you retire.

They're held in your pension fund until:

- your normal pension age (NPA);
- you take them before your NPA at a reduced rate, or after your NPA at an increased rate;
- you are given access to them because of ill health; or
- you decide to transfer them to a different pension scheme.

### Do I have to retire at my NPA?

You can take your deferred benefits at any time, from the age of 55 until age 75, as long as you've left the job the benefits are linked to.

If you decide to take your deferred benefits before your NPA, they'll normally be reduced as your pension will be paid for longer. How much they are reduced by will depend on how early you take them.

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

### Early retirement reductions (as at January 2019)

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

You can leave your benefits in the LGPS past your NPA if you left the scheme after 1 April 1998. Your benefits would be increased for late payment, but they must be paid to you by your 75th birthday. If you left the LGPS before 1 April 1998, you must take your benefits when they're due on or before your normal pension age.

### 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 in full, with no reductions, whatever your age was when

you left the LGPS. For your application to be approved, 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, contact your former employer. They will then ask an independent occupational health physician to give an opinion before they decide whether they can approve your application.

### **How do my deferred benefits keep their value against inflation?**

Every April, your deferred benefits are adjusted in line with inflation. The increase applied to your benefits is measured by the Consumer Prices Index (CPI) as at the previous September. For April 2021, this is 0.5%.

If you became a deferred member before 1 April 2020, you'll get the full 0.5% increase. If you became a deferred member after 1 April 2020, a proportion of the 0.5% increase will be added to your pension.

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

If you die while you're a deferred member of the LGPS, a lump-sum death grant and survivor's pension may be due to your loved ones.

If you left the LGPS before 1 April 2008, the death grant would be the same as your

lump-sum retirement grant shown on your statement, including any pension increases since you left the scheme.

If you left on or after 1 April 2008, the death grant would be five times your deferred pension, as well as any pension increases since the date you left.

After your death, a pension may be paid to:

- your husband, wife or registered civil partner;
- any eligible children; or
- if you were a member of the LGPS on or after 1 April 2008, someone you live with as if you were married.

To find out how much your dependants could get, visit the home page of our website and download our guide to the LGPS.

### **How do I update my personal details?**

If any of the personal details shown on your statement have changed or you wish to update your death grant nomination details, you can update us using our Notify change of personal circumstances form or the Death grant nomination form that are available from the Deferred members / Deferred members forms area of our website. The nomination form on our website has notes about nomination that are not included in the form that is part of your deferred benefit statement 2021.

## **Extra protection if you were in the LGPS on 31 March 2012**

Following the McCloud court case about age discrimination in pension schemes, the Government has proposed extending the final pay underpin (a type of pensions protection) granted to older members when the current LGPS career average scheme was launched on 1 April 2014 to everyone who was a member of the LGPS on 31 March 2012, no matter their age. When you retire, we will do a calculation to make sure you benefit from the extended underpin (you do not need to ask us to do this), but in almost all cases we expect the career average scheme to deliver the best benefits.

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 and you have deferred benefits from a period of pensionable service that includes 31 March 2012, you may be able to combine your deferred benefits with your current membership. If you do this, it could mean that the benefits from your current membership for the period 1 April 2014 to 31 March 2022 could be the better of either what they would be under the career average scheme, or what

they would have been if the career average scheme had never been introduced. The changes to the LGPS rules which need to be made because of the McCloud court case are not expected to be in place before April 2022.

## ➤ Exit payment cap

Whilst the Government has said that it plans to reform public-sector exit payments, the exit cap does not apply to deferred benefits.



## ➤ Rejoining the LGPS

**If you rejoin the LGPS with another pension fund, it's important that you tell your new LGPS fund about any LGPS benefits you have with other funds.**

You should do this as soon as possible because time limits apply to some of the options you have.

If you have more than one local government job, then 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.

**If a job is LGPS pensioned:**

- You are effectively receiving a pay rise of about 20% through what your employer pays into the pension fund on your behalf
- You'll be able to get your contributions back as a tax-free lump sum at retirement by exchanging some pension for cash

- and have more pension effectively for free
- You may increase your death benefits, something that could pay for your funeral
- You give yourself the chance of immediate benefits through an ill health retirement
- You give yourself the chance of benefits if you are made redundant
- You are less reliant on State benefits

As the LGPS offers such a great financial package, it makes sense for you to have as much of it as possible. If you are worried about the cost of re-joining the LGPS, then you should consider the 50/50 section of the LGPS. It offers half the pension for half the contributions whilst still providing full death cover and ill-health protection for your loved ones.

It's easy to think that you can't afford it right now, but, looking ahead, can you really afford to be without it?

## ➤ Watch out for scammers

You may think that it could never happen to you, but pension scammers are experts at getting their hands on your hard-earned retirement savings. Scams are hard to spot because fraudsters often have credible websites and make false claims, such as being government-approved, to gain your trust. A scam may begin with a phone call out of the blue offering you a free pension review. This is pension 'cold calling' and it is illegal. **Reject all unexpected offers.** Research the company you're dealing with and always get impartial advice before making a decision about your pension. To find out more, visit: [www.fca.org.uk/scamsmart/how-avoid-pension-scams](http://www.fca.org.uk/scamsmart/how-avoid-pension-scams)

## Do you have a cohabiting partner (someone you live with as if you were married)?

If you retired or left the LGPS before 1 April 2008, you can't nominate this person to receive a survivor's pension.

If you left the LGPS after 31 March 2008 and live with a partner of either the opposite or same sex, your partner may receive a survivor's pension when you die.

However, before we pay a survivor's pension, we must be satisfied that your relationship meets the conditions detailed in our Guide to the LGPS that is on our website's homepage.

## 'Pensions made simple' videos

We appreciate that pensions can sometimes be difficult to understand. That's why we have teamed up with the Local Government Association and some other LGPS pension funds to make seven short and simple videos to help you to understand your pension better. You can watch the videos online at: [www.lgpsmember.org/more/Videos.php](http://www.lgpsmember.org/more/Videos.php)

If you're hard of hearing, or your workplace disables sound on videos, you can click CC in the bottom right-hand corner of the screen and it will bring up subtitles.

## About the Fund

We took some significant steps on our responsible investment journey in LGPS scheme year 2020 / 2021, including completing an environmental social governance (ESG) audit, undertaking a sustainable development goals (SDGs) mapping exercise, commissioning a climate risk report and producing our climate change strategy.

A headline finding was that our portfolio of equities has a carbon footprint that is 23.75% lower than the benchmark, with the footprint from each of our actively managed investment portfolios being significantly lower than their respective benchmarks.

Our member records reached an all-time high of 64,000 on 31 December 2020 when the Fund's value also reached an all-time high of £3,223 million, making the Fund 97% funded with an asset allocation of:

- 26% Actively managed equities
- 30% Passively managed equities
- 15% Alternatives
- 06% Equity protection
- 06% Fixed interest securities, credit and bonds
- 05% Property
- 15% Infrastructure

You can find out more about the Fund in the About us area of our website.

### Brought to you by:

