



ACTIVE MEMBER

PENSIONSMART

For more information, visit the national Local Government Pension Scheme member's website: www.lgpsmember.org



Welcome to your 2020 Active Member Pension Smart newsletter for members paying into the West Midlands Pension Fund.

This newsletter has been produced jointly with other LGPS funds. However, should you have any queries or require further information, please contact West Midlands Pension Fund direct.

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 your 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 prices index (CPI) and is included in the 'your total CARE account' section on your annual benefit statement.

AN UPDATE FROM WEST MIDLANDS PENSION FUND – COVID-19

We know that the past few months have been an uncertain time for most of us. 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. Benefits are set out in law. Although short term investment values may change, the LGPS as a long-term investor is securely managed to deal with any longer-term effects, such as those of the Coronavirus.

Pension benefits for LGPS members are set out in law and are guaranteed, whether they are being paid or are yet to be paid.

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



YOUR 2020 ANNUAL BENEFIT STATEMENT IS NOW ONLINE!

Be Pension Smart and go online to view your annual benefit statement. You can do estimates to see what the value of your benefits would be if you take them before your normal pension age (NPA), please visit www.wmpfonline.com/pensionsportal



PICTURE YOUR RETIREMENT

WHAT KIND OF LIFESTYLE DO YOU PICTURE FOR YOURSELF WHEN YOU RETIRE?

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.

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 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 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



PUBLIC SECTOR EXIT CAP



The Government first announced plans to cap exit payments in the public sector in 2015. The aim to capping exit payments was to end six figure exit payments for public sector workers, believing that these payments are neither fair nor do they 'offer value for money to the taxpayer who funds them'. This issue has been on the radar for some time now. However, on the 4 November 2020 regulations were laid out by HM Treasury (HMT), introducing new rules that must be applied to the public sector in order to limit employer exit payments.

The limit of an exit payment has now been set at £95k (otherwise known as the £95k cap). Any exit payments which exceed this amount will mean restrictions will apply and members will have to choose how they want their benefits to be paid.

What is an exit payment?

An exit payment includes redundancy payments (both statutory and discretionary compensation payments) and any pension strain cost (which arise when an LGPS pension is paid unreduced before a member's normal pension age) and other payments made as a consequence of termination of employment.

What is a pension strain cost?

If an employer agrees to an employee receiving their pension benefits early before their normal retirement age, the employer will be responsible for covering the cost of the strain for any early release of benefits. This is because provisions for early exits are not included in their standard employer contributions. This extra payment is also known as the pension strain cost and is payable to the West Midlands Pension Fund.

How will the £95k cap work?

The exit payment cap is set at a total of £95,000.

Exit payments include:

- redundancy payments (including statutory redundancy payments)
- severance payments
- pension strain costs that arise when an LGPS pension is paid unreduced before a member's normal pension age, and
- other payments made as a result of termination of employment.

The cap applies to all exit payments that arise within 28 days of their end of employment

Who will the £95k cap apply to?

We understand that the revised requirements will only apply to employers who are set out in the HMT Regulations as employers where the exit cap can be applied. This means that the restrictions described above will apply generally only to members of public sector bodies. This means that not all employers would be affected for example some higher/further education bodies and some transferee/community admission bodies may be exempt.

What are my obligations?

A person who receives an exit payment must inform any other public body covered by the regulations that employs them about that payment. An employer must ensure that any exit payment does not exceed the cap (unless permitted by the relaxation directions) and, where a non-compliant payment is made, recover any overpayment subject to a value for money assessment.

Where do I find out further information?

As this is new legislation where understanding is continually evolving, further information can be found on the Local Government Pension Scheme Advisory Board website <https://lgpsboard.org/>.

CLIMATE CHANGE AND RESPONSIBLE INVESTMENT

As one of the largest local government pensions schemes in the UK, it is important that the Fund invests its assets in a sustainable manner. This responsible method of investing not only protects the financial returns needed to pay scheme members, but it also recognises the Fund's broader responsibility to communities both locally and around the globe. With this in mind, the Fund has chosen four key themes of engagement to focus on from 2020 into 2023 which it believes reflect this responsibility.

One of the Fund's ongoing engagement themes is climate change. The Fund recognises the risks associated with climate change and the potential for these to impact on the long-term value of the Fund investments, but also the opportunity for investment reward, for example in green energy investments, particularly during the period of transition to a lower carbon economy. The Fund has currently invested £2.5 billion in sustainable equities and low carbon funds, with further investments into sustainable equities being made towards the year end. The Fund's 2020 climate change statement is available to view [here](#).

Engagement Themes



Climate Change



Sustainable Food Systems



Human Rights



Responsible Financial Management

HOW DO I UPDATE MY PERSONAL DETAILS?

If any of the personal details shown on your statement have changed, you can update these on My Pensions Portal <https://portal2.wmpfonline.com/>

If your marital status has changed, we need to see a copy of your marriage certificate, civil partnership certificate or decree absolute, as appropriate, so we can update your record.



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/pension-scams



ARE YOUR NOMINATED BENEFICIARIES UP TO DATE?

A death grant lump sum of up to three times your pay may be due to your loved ones if you die.

As an active contributor to the LGPS, you should regularly review and update your death grant nominations if necessary.

If your personal circumstances change, or you'd like to tell us about new nominees (the people you want to receive the lump sum), please visit our website and download a new form www.wmpfonline.com/memberforms

You can check and update your nomination form online by logging on to the Pension Portal.

<https://portal2.wmpfonline.com/>



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.

DO YOU WANT TO PAY MORE TOWARDS YOUR PENSION?

If you would like to have that little bit extra during your retirement you might want to think about paying extra contributions to increase your pension benefits.

The LGPS offers the following two tax-efficient ways for you to pay more.

BUY EXTRA PENSION IN THE LGPS BY PAYING ADDITIONAL PENSION CONTRIBUTIONS (APCs)

If you are in the main section of the LGPS you can pay additional pension contributions to buy up to £7194 of extra pension. You can pay a one-off lump sum or spread the cost by paying the contributions over a number of years. There is a calculator for working out the cost of buying extra pension at www.lgpsmember.org/more/apc/index.php



BUILD UP AN EXTRA POT OF MONEY BY PAYING ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

You can pay additional voluntary contributions to your pension Fund's AVC provider, Prudential, to build up a pot of money which you can use to provide extra benefits when you retire. You can build your own AVC account and can decide how the money in your pot is invested. When you retire you can choose how to use your AVC pot, for example, you can take it as tax-free cash or can buy an annuity.

When APCs or AVCs are deducted through your pay, they are deducted before your tax is worked out so you receive tax relief automatically through the payroll. There is more information on AVCs on the Fund's website at <https://wmpfonline.com/increasecontributions>



THINKING OF RETIRING EARLY?

If you choose to retire before your normal pension age (NPA), your benefits will normally be reduced to take into account that your pension will be paid for longer.

How much your benefits are reduced by depends on how early you take them. The minimum age that you can take your pension is currently 55.

The reduction for taking your pension early is based on the length of time (in years and days) that you retire early before NPA. The earlier you retire, the bigger the reduction. The current percentage reductions for retirements up to 13 years early are shown in the table here.

Where the number of years is not exact, we adjust the percentages. Benefits built up before 1 April 2014 have a different NPA, which for most people is age 65.

If they choose to, your employer can agree to ignore any reduction that should be applied to your benefits. This is up to them, as it usually involves a cost. You can ask them what their policy is on this.

You can reduce or avoid any reductions by delaying payment until a later date. Your benefits will not be reduced if they are paid at your NPA, but you can delay payment until after that age and, at that point, they will be increased for late payment. However, you must begin to take your pension before your 75th birthday.

Number of years paid early	Pension reduction	Lump sum reduction (for membership to 31 March 2008)
0	0.0%	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	29.0%	15.3%
8	32.1%	17.3%
9	35.0%	19.2%
10	37.7%	21.1%
11	41.6%	Does not apply
12	44.0%	Does not apply
13	46.3%	Does not apply

HOW MUCH ARE YOUR PENSION BENEFITS?

You can take control of your retirement and log onto the Pensions Portal.

<https://portal2.wmpfonline.com/>

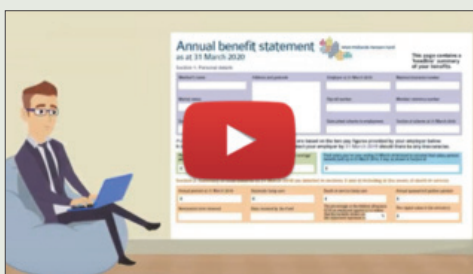
Use Pensions Portal to:

- access your annual benefit statement
- keep us up to date by amending your personal information
- get peace of mind by viewing documents and your nomination form
- plan for your retirement by calculating pension estimates
- and much more!



Register today at <https://portal2.wmpfonline.com/membership/register>

NEED ADDITIONAL SUPPORT?



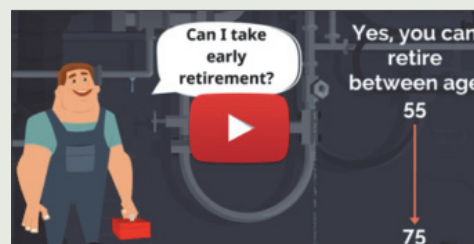
[Click here](#) to view our quick video which explains your annual benefit statement.



[Click here](#) to view how to register for the Pensions Portal and take control of your benefits.



Access your step-by-step guide to navigate around the Pensions Portal by viewing **My Pensions Portal Guide**.



[Click here](#) to view our video which provides a quick overview of the LGPS.

FREQUENTLY ASKED QUESTIONS



If you have questions in regards to your statement, or want more information about your benefits, why not visit **Annual Benefit Statements FAQs**



CHARITABLE ACTIVITIES

West Midlands Pension Fund has an internal team of employee representatives, known as the Staff Forum, who encourage the whole organisation to support various charities and causes.

Over the last 12 months, the Fund donated

£3,000.64

to the following charities:



LOST CONTACT WITH YOUR PENSION?

There is currently an estimated £400 million in unclaimed pension savings. This is money people have previously saved for their retirement.

If you are one of these people, then try and locate your pension through: www.gov.uk/find-pension-contact-details

USEFUL CONTACTS



**the Money
Advice Service**

www.moneyadviceservice.org.uk/en

0800 138 7777



www.unbiased.co.uk/

0800 023 6868



www.citizensadvice.org.uk/

0345 404 0506



www.retirementlivingstandards.org.uk



**HM Revenue
& Customs**

[www.gov.uk/government/
organisations/hm-revenue-customs](http://www.gov.uk/government/organisations/hm-revenue-customs)



[www.gov.uk/browse/
working/state-pension](http://www.gov.uk/browse/working/state-pension)

If you need to contact us, we are here to help...



www.wmpfonline.com/contactus

Be Pension Smart!

and take control of your pension today