

Member newsletter (active) – March 2024

An update for active members in the Local Government Pension Scheme (LGPS)

Our latest newsletter helps members keep up to date with the East Sussex Pension Fund,

In this edition you will find an articles on:

- My Pension – member self-service upgrade
- East Sussex Pension Fund website
- Member contribution changes
- Top up your Pension Savings
- Help with the cost of living
- CARE Scheme revaluation
- Minimum retirement age and early retirement reductions
- Retirement Living Standards
- Annual Report and Accounts
- Pension scams
- Nominating a beneficiary
- Abolition of the Lifetime Allowance (LTA) from 6 April 2024
- McCloud remedy
- Getting in touch

We are always looking for ways to develop and engage with our members so please contact us with any ideas or further support you require.

Email: employer.engagement@eastsussex.gov.uk

Kind regards

Member self-service (MSS)

'My Pension' provides access to your Local Government Pension Scheme account(s) online.

[My Pension – log in](#)

We have been working with our software provider on improvements. As a result we will provide access to a new, modernised website later this year.

The new and improved site will make it far easier for you to keep up to with your pension.

What's new in 'My Pension'?

Simpler login - No need to remember usernames, security questions. Just log in with your email address and password.

Improved security – there will be a one-off process to set up two-stage authentication. This will improve the website security as well as simplifying ongoing access.

Updated look and design – making the site easier for you to find what you are looking for. With more graphics to aid understanding, updated branding, and colour schemes. The website is fully accessible.

New retirement planner – this will allow you to set retirement goals and identify whether you are on track to reach them.

Annual Benefit statements – broken down into simpler chunks to aid your understanding of what pension benefits you have accrued.

'My Pension' will retain many of the existing features. Including the ability to update personal details, nominations and more.

Moving online saves money on stationery and postage and also helps reduce our carbon footprint, so we are all doing our bit to fight climate change.

Please keep an eye out for future communications regarding this exciting upgrade.

East Sussex Pension Fund website

Our website has a host of useful information for members:

Homepage: [Homepage | East Sussex Pension Fund](#)

Paying-in page: [Paying in | East Sussex Pension Fund](#)

The 'paying-in' page offers a gateway to a range of information for active members of the Fund.

Forms and publications: [Forms and Publications | East Sussex Pension Fund](#)

We have some handy guides available:

Brief guide to the LGPS – [access here](#)

Retirement Planning Guide – [access here](#)

Additional voluntary contributions and the LGPS – [access here](#)

There is also a national LGPS member website - www.lgpsmember.org

Member contributions

From April 2024 member contribution salary thresholds and rates are changing. See table below for salary bandings and contribution levels that will apply.

Band	Actual pensionable pay for an employment	Main section contribution rate	50/50 section contribution rate
1	Up to £17,600	5.50%	2.75%
2	£17,601 to £27,600	5.80%	2.90%
3	£27,601 to £44,900	6.50%	3.25%
4	£44,901 to £56,800	6.80%	3.40%
5	£56,801 to £79,700	8.50%	4.25%
6	£79,701 to £112,900	9.90%	4.95%
7	£112,901 to £133,100	10.50%	5.25%
8	£133,101 to £199,700	11.40%	5.70%
9	£199,701 or more	12.50%	6.25%

Your contribution rate depends on your pensionable pay. It will be between 5.5% and 12.5% of this. The rate paid depends on which pay band you fall into.

If you work part-time or term time, your rate is based on the actual rate of pay for your job. So you only pay contributions on the pay you actually earn.

These changes could mean the % contribution you make could change if your pensionable pay at 1 April 2024 takes you into a different banding.

Top up your Pension Savings

Additional Pension Contributions

If you are in the Main Section of the LGPS you can pay extra contributions to purchase additional annual pension. These are known as Additional Pension Contributions (APCs).

You can pay APCs as regular monthly contributions over a number of complete years (minimum 12 month term) or you can pay a one-off lump sum either from your salary or paid directly to the Pension Fund.

The cost to purchase additional annual pension through APCs is determined by your age, term of payment and the amount you wish to purchase. You can find out the cost of buying additional annual pension by using an online APC calculator.

<https://lgpsmember.org/more/apc/extra.php>

Alternatively you can contact the pension team to request an individual APC quotation. Any amount of additional annual pension purchased, whether a pro rata amount or the full amount will be subject to a percentage reduction if payment of your pension benefits commences before your Normal Pension Age.

If you pay APCs through your Gross monthly salary and you are a tax payer you will receive tax relief at source. If you choose to make a lump sum payment directly to the Pension Fund, you will need to claim your tax relief directly through HMRC. If you:

- leave the LGPS, or
- change job role, or
- choose to stop paying APCs before the end of your agreed payment period

you will be credited with the amount of additional pension you have paid for.

Additional Voluntary Contributions

You can pay Additional Voluntary Contributions (AVCs) to top up your pension benefits. Our in-house AVC scheme is run by the Prudential.

You can pay a monthly contribution and choose how these contributions are invested. AVCs are deducted from your monthly salary. So, you will receive tax relief automatically on the contributions you pay (at your marginal rate). You can vary or cease payments at any time whilst you are contributing to the LGPS. Like APC's you can pay in one-off lump sums but you would need to claim back tax relief yourself.

As AVCs are investment based, it is important to remember that the value can go down as well as up and you may not get back the amount you put in. You have to select the way the monies are invested and take the investment risk. The ESPF Pension Committee have created a default fund (With Profits) if you don't want to actively select and manage your investments.

If you have an AVC fund with Prudential, you have a number of options available at retirement:

- Take up to 100% of your AVC fund as a tax-free cash lump sum at the point you claim your LGPS pension (providing you are within certain tax limits to do so).
- Use your AVC Fund to buy an annuity from an insurance company, bank or building society of your choice
- Use your AVC fund to buy an additional amount of annual pension within the East Sussex Pension Fund.

To find out more about AVCs and how to start contributions visit:

[Local Government Pension with AVCs | Prudential \(mandg.com\)](#) or contact the Prudential on 0345 600 0343

Deciding to take out an AVC plan is an important financial decision. We recommend you [get guidance](#) and/or independent financial advice. This will help you decide if this route is most suitable for you.

Help with the cost-of-living

We recognise that the UK is going through a difficult time. This may result in some members being under financial stress. So, opting-out of your pension may seem a sensible, money-saving idea. But, doing so would be putting your longer term future security at risk. It's worth thinking about the benefits of the Local Government Pension Scheme before making any decisions.

As an alternative to opting-out completely the LGPS has a 50/50 option. This allows you to pay half your usual pension contributions without leaving the pension scheme. The downside of the 50/50 option is that you only build up half the usual pension while you are in it. However, if you were to die in service your death benefits would be unaffected. Any lump sum death grant and survivor pensions would be calculated as if you were a main section member. Read our cost-of-living article to find out more.

[Cost of Living Crisis | East Sussex Pension Fund](#)

CARE Scheme increases

One of the benefits of having an LGPS pension is that the value of your pension (and any payments) increase in line with inflation.

Your pension scheme is a Career Average Revalued Earnings (CARE) scheme. As an active member paying into the scheme, your pension is 'revalued' each year. This means the amount your pension is worth changes (or is revalued) based on inflation. This helps you keep up with the cost of living. For LGPS members, CARE revaluation only applies to benefits built up from 1 April 2014.

Your pension is revalued in line with the Consumer Price Index (CPI)*. This takes place on 6 April every year. From 6 April 2024 the benefits you have built up will be increased 6.7%. If you've been in the Scheme for less than a year, you will receive a proportioned increase.

*CPI is the official measure of inflation based on hundreds of different goods and services, the prices of which are tracked throughout the year.

Minimum retirement age and early retirement reductions

The Normal Minimum Pension Age is changing. The Government has announced the earliest age that you can take your pension will increase from age 55 to 57 from 6 April 2028. This change will not affect ill health retirements. We will keep you informed as we receive more guidance around this change.

If you choose to take your pension benefits before your Normal Pension Age, they will normally be reduced. The reduction is based on the period between the date your benefits are paid and your Normal Pension Age. The earlier you take your pension, the bigger the reduction.

The current reductions for taking your benefits up to 13 years early are shown in the table below. These factors are regularly reviewed and can change from time to time. If the number of years is not exact, the reductions will be pro-rated.

Number of years paid early	Pension reduction	Lump sum reduction (for membership to 31 March 2008)
0	0%	0%
1	4.9%	1.7%
2	9.3%	3.3%
3	13.5%	4.9%
4	17.4%	6.5%
5	20.9%	8.1%
6	24.3%	9.6%
7	27.4%	11.1%
8	30.3%	12.6%
9	33.0%	14.1%
10	35.6%	15.5%
11	39.5%	n/a
12	41.8%	n/a
13	43.9%	n/a

An example...

Stan's normal pension age is age 65. He has £4,000 available as a pension. The example below shows the impact of Stan retiring early.

If he retired:

At age 65 his pension would be worth	£4,000
1 year early his pension would be worth	£3,804
3 years early his pension would be worth	£3,460
5 years early his pension would be worth	£3,164
10 years early his pension would be worth	£2,576

[Discover further information about retiring from the LGPS](#)

Retirement Living Standards

To get the most from your retirement, it is worth thinking about the lifestyle you want with the pension income you will get - from covering your basic needs to enjoying some luxuries along the way. To kick things off, it is good to have a target in mind and consider what lifestyle you can lead with that level of income.

The Pension and Lifetime Savings Association (PLSA) have recently revised their 'Retirement Living Standards' which predicts the amount of income you could need in retirement depending on the type of lifestyle you crave – whether that is a minimum, moderate or luxury lifestyle. The standards have been developed to help us to picture what kind of lifestyle we could have in retirement.

To find out more visit: <https://www.retirementlivingstandards.org.uk/>

Do not forget that we have a guide available on planning for retirement:

[Planning for retirement guide](#)

Annual Report and Accounts – 2022/23

We have recently published our 2022/23 Annual Report and Accounts. Here are some key highlights...

- The Fund had £4,579m of assets on 31 March 2023 to meet the accrued benefits. The funding position was 123% (as at 31 March 2022) comparing assets to liabilities, putting the Fund in a very strong position.
- The investment return for the year to 31 March 2023 was -2.5%. This was an under-performance of the benchmark by 1.4%. This followed an incredibly difficult and volatile investment period.
- Winner of the 2023 best LGPS Governance at the Local Authority Pension Fund awards.
- The membership of the Fund at 31 March 2023 was 84,028 people (24,691 active, 24,124 pensioners and 35,213 deferred) and 140 scheme employers.
- The Fund has continued its journey of responsible investment and consideration of climate risk.

Pension Fund Account Summary	2021/22 £M	2022/23 £M
Opening Net Assets	4,244.0	4,687.7
Contributions/other income (Payments from employers, employees and transfers from other pension funds)	+142.4	+157.0
Benefits and other payments (Pension payments, leaver payments and lump sums)	- 145.3	-146.7
Management Expenses	- 26.7	- 30.8
Investment returns (Investments income and change in market value)	+ 473.2	- 88.7
New increase during the year	+ 443.6	-109.2
Closing Net Assets	4,687.7	4,578.5

Full report and accounts:

[Annual Report and Accounts 2022 23 - East Sussex Pension Fund](#)

Pension scams

Pension scams are on the rise in the UK.

The people behind the scams have become more sophisticated and are good at tricking you into handing over your money.

It is 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 unexpectedly, 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 is more information on the MoneyHelper website:

[How to spot a pension scam | MoneyHelper](#)

Nominating a beneficiary

With an LGPS pension, you have the added reassurance of knowing that your loved ones will be looked after when you are gone. If you die before taking your pension, it provides a tax-free lump sum to family, friends or charities.

You can express a wish as to whom you would like to receive this lump sum (also known as your death grant), by nominating a beneficiary. The easiest way to do this is via our [Member Self-Service Portal](#).

Your pension scheme has absolute discretion over who your death grant goes to. This is so it does not form part of your estate for tax purposes. They will however take your wishes/nomination into account.

Nominate your beneficiary today by visiting 'My Pension' (our member self-service portal)

[Log in](#) – Member Self-Service Portal

[Register](#) - Member Self-Service Portal

Alternatively you can complete the form below:

[LGPS DGI - Death grant expression of wish form \(eastsussexpensionfund.org\)](#)

Abolition of the Lifetime Allowance (LTA) from 6 April 2024

Before 6 April 2023, when you retired, you were required to pay an additional tax charge (known as the lifetime allowance tax charge) where your total pension built up went over a specific limit, currently £1,073,100. Most people could save as much as they wished with full tax relief because their pension savings were less than the allowance. The allowance covered all pensions in all tax-registered pension arrangements not just the LGPS. But it did not include the state retirement pension, state pension credit or dependants' pensions like a widow's or widower's pension.

With effect from 6 April 2023, and in certain circumstances, pension funds continued to quote the proportion of the LTA members had used. However, where pension scheme members had exceeded the LTA, they were no longer liable for a tax charge.

On 6 April 2024, the lifetime allowance will be abolished completely. The Government have recently issued a new policy paper detailing what this means.

As a result of these changes, other new allowances will come into effect at the same time.

- In the past the maximum tax-free lump sum at retirement has also been linked to the LTA. From 6 April 2024 tax-free cash from a pension fund will be tested against the Lump Sum Allowance (LSA). This will be set at £268,275 (25% of the current LTA).
- A Lump Sum and Death Benefit Allowance of £1,073,100 (the same as the current LTA) will test both tax-free cash sums and pension death benefit lump sums.

Amounts above these allowances will be taxed at the member or beneficiary's marginal income tax rate.

*Some members have been able to apply for protection against the LTA in the past, meaning they can build up higher benefits without a tax charge. Those members with LTA protection will be able to take a different level of tax-free cash based on the amount of their protection. For example, for a member with a protected LTA of £1.5m, their tax-free cash available will be £375,000 (£1.5m x 25%).

Unfortunately, as is often the case with legislative change in Pensions things are never as simple as they seem. In addition to the changes highlighted above a new Transitional Allowance will take account of any LTA used prior to 6 April 2024 and reduce the LSA by 25% of that amount. An Overseas Transfer Allowance of £1,073,100 will also be introduced.

McCloud Remedy

After reforming public service pension schemes in 2014 and 2015, the Government introduced transitional protections for older members. However, in December 2018, the Court of Appeal ruled that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them. This ruling is called the 'McCloud judgment'. As a result of the ruling, changes have been made to the LGPS to remove the age discrimination. These changes are known as the 'McCloud remedy'.

The McCloud remedy only affects members who were:

- In a public service pension scheme (such as the LGPS or Teachers' Pension Scheme) before 1 April 2012
- A member of the LGPS between 1 April 2014 and 31 March 2022
- Under age 65 during that period; and
- Employed without a break of 5 or more years.

We expect a very small number of people to be affected. We will ensure members receive the benefits they are entitled to.

[Find out more about the McCloud remedy here.](#)

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Contact the Fund

We are here to help you. If you'd like to get in touch by email, phone or post please [visit our contact us page](#) on the website.

If you are looking for free guidance on Pensions, please visit the [MoneyHelper website](#). MoneyHelper is a free, joined up money and pensions guidance to make it quicker and easier to find the right help, MoneyHelper brings together the support and services of three government-backed financial guidance providers: the Money Advice Service, the Pensions Advisory Service and Pension Wise.