

FALKIRK PENSIONS

news

THE NEWSLETTER FOR **FALKIRK PENSION FUND MEMBERS**

Check out what the LGPS has to offer

The Local Government Pension Scheme (LGPS) is a great way to **save for your future**. Here's a reminder of some of the Scheme's key features

A secure pension and lump sum on retiring

You'll get a pension for life that increases in line with the cost of living (currently the Consumer Prices Index – CPI). You also have the option of taking part of your benefit as a tax free lump sum.

You can draw your pension anytime from age 60 to 75

When you take your pension you can exchange part of it for some tax-free cash (exchange £1 of pension for £12 cash).

Your employer pays contributions to your pension too

On average approximately three times what you pay.

Flexible retirement available from age 55

if you reduce your hours, or move to a less senior position. If your employer agrees, you can draw your benefits, helping transition you into your retirement.

Cover for your family

With a pension for your spouse, civil partner or cohabiting partner and for eligible children if you die in service or after leaving with at least 2 years' membership.

A tiered ill-health retirement package

If you have to leave work due to permanent ill health you get a pension.

You also have flexibility to pay less

with the option to pay half your normal contributions in return for half your normal pension. This is known as "50/50".

Life Cover

A lump sum of 3 years pay if you die in service.



You can boost your pension

by paying more contributions and getting tax relief on them. This can be done by paying Additional Voluntary Contributions (AVCs) or Additional Pension Contributions (APCs).

Early payment of your benefits

if you are made redundant or retired on business efficiency grounds (i.e. severance) and you are aged 55 or over (or age 50 and over having been a scheme member on 5 April 2006).

Welcome to Falkirk Pensions News

Welcome to the 2017 edition of Falkirk Pension Fund Newsletter. In this issue we highlight some of the benefits of the Local Government Pension Scheme (LGPS), such as the valuable life cover for your family in the event of you dying before you start to claim your pension benefits, as well as options to increase your benefits using Additional Voluntary Contributions (AVC's).

We've also included some information about the importance of getting financial advice when making decisions about your pension – with signposting to organisations that can help.

The ever increasing issue of pensions being targeted for scams and fraudsters is covered - with advice on how to protect yourself and your pension savings.



Pension scams. Don't get stung.

Pension scams (sometimes called pensions liberation) are on the increase in the UK and savers are urged to check out the facts before making a decision that could result in the loss of a lifetime's savings.

Pension scams are enticing savers by claiming to help them access their pension **before age 55** or to **take more than 25%** of their pension as cash. For most people the offers will be bogus and victims will lose most, if not all, of their savings.

If you have already accepted an offer and are worried that it may be a fraud contact Action Fraud www.actionfraud.police.uk.

For persons **who are age 55 or more**, there are legitimate options which would allow you to transfer your pension rights away from the LGPS to another pension plan which may allow immediate access.

Before transferring, you will usually need to provide evidence of having taken independent financial advice.

HMRC Tax Allowances for Pensions

One of the benefits of the LGPS is that there is tax relief on the contributions you pay into the scheme. However, there are limits on the total amount of contributions and pensions savings you can make and still get tax relief.

These limits – the Annual Allowance (AA) and Lifetime Allowance (LTA) - are set by Her Majesty's Revenue and Customs (HMRC). Whilst the Falkirk Pensions team will notify you if you are in breach of the allowances, you will be responsible for checking and advising HMRC about the breach. The vast majority of members will be unaffected by these limits.

The AA is the amount by which your pension benefits can increase in any one year without you having to pay a tax charge. The current AA is £40,000 plus any unused allowances from the previous 3 years.

The LTA is the total value of all pension benefits you can have without triggering an excess benefits tax charge. The current allowance is £1 million.

A range of organisations exist to help you make the right decision regarding your pension rights.

The PENSIONS Advisory Service

Offers free and impartial advice to persons with personal or workplace pensions
www.pensionsadvisoryservice.org.uk



Also offer a free and impartial service but about defined contribution pension schemes. This could be of relevance if you are considering a transfer away from the LGPS to such a scheme.
www.pensionwise.gov.uk



This website lists independent financial advisers who are regulated by the Financial Conduct Authority.
www.unbiased.co.uk

Topping up with AVCs

AVCs (Additional Voluntary Contributions) are a great way to top up your pension entitlement. They benefit from tax relief - like your other pension contributions - and you can use them to provide extra tax free cash or pension on retirement. Contributions are invested on a money purchase basis with one of our AVC providers – Prudential or Standard Life – who provide a range of funds in which you can invest your contributions.

Prudential have created a new site for members at www.pru.co.uk/localgov. Based on member feedback, it aims to provide you with information around how you can improve your benefits with AVCs. The site includes:

- A set of case studies covering both new members and those wishing to increase contributions
- Two online calculators – one for new members and one for existing members
- Improved online application forms

AVCs are usually accessed when a member retires and starts to receive his or her scheme benefits. Under the UK Government's Freedom and Choice Initiative, **members age 55 or more** are now able to withdraw monies from their AVC pot as a **lump sum** - either in full or in part - **without having to retire**. Where this is done, however, **only 25% of the monies withdrawn are tax free**.

For more information about this or other AVC matters, speak to a member of the Pension team at Falkirk Council or seek independent financial advice.

Life Cover and Partner's Pensions

The LGPS provides valuable life cover and financial protection for your family with a **lump sum death grant** and potentially a **survivor's pension** being paid out in the event of your death.

Death Grant

You can tell us who you would like to receive any death grant by completing a Nomination Form.

You can nominate anyone you wish. If you nominate more than one person you must show how much of the grant each person is to receive, for example 40% and 60%. You can change this as many times as you like, and at any time.

The instruction on the nomination form will usually be followed. However, circumstances can change and forms can become out of date. Occasions arise therefore where the Fund must use its discretion to decide on the beneficiaries. So it is important that you submit a new form (available on the Pension Fund website) if your wishes change.

This is especially important if you have changed partners and have children from a former relationship.

Spouse / Civil Partner's Pension

A pension is automatically provided for your spouse or civil partner. This pension is payable immediately after your death for the rest of your partner's life and is increased in line with inflation.

Co-habiting Partner's Pension

You can nominate a cohabiting partner, of either the same or opposite sex, with whom you have neither married nor formed a civil partnership.

Your partner will be entitled to a pension provided that, for a continuous period of at least two years immediately prior to your death, you and your partner have been:

- free to marry / form a civil partnership;
- living together with each other and no one else
- financially dependent or interdependent

A form is available on the Fund website to allow you to nominate a cohabiting partner. However, following a Supreme Court ruling, failure to complete a form will not necessarily prevent a partner's pension being paid provided the eligibility conditions, as outlined above, have been met.

Fund Summary 2016/17

Strong financial markets enabled the Fund to achieve a return of 20% during 2016/17 - 1.6% above the target Fund benchmark of 18.4%. The 3 and 5 year performance was 11.4% p.a. - ahead of the benchmark by 1.4% and 1.9% respectively.

Fund assets at 31 March 2017 were approximately £2.2 billion, an increase of around £380m over the year, reflecting the positive market conditions for investors. Fund liabilities increased and were estimated to have risen from £2.4bn at 31 March 2016 to £2.9bn at 31 March 2017 as a result of the ongoing decline in gilt yields and low interest rate environment.

Fund strategy is to invest in a diversified range of assets with the aim of eliminating the current deficit over a 20 year period.

As opportunities arise, the Fund will seek to de-risk its portfolio by replacing more volatile assets with assets of a more defensive nature (i.e. reducing equities and increasing bonds and infrastructure).

Details of the current strategic asset allocation and the longer term aspirational allocation are set out in the opposite table.

In recognition of the growing concern around climate change, the Fund has committed to carrying out an assessment of the “carbon footprint” of its assets. In addition, during the year, the Fund adopted two new investment beliefs – namely to support the transition to a lower carbon global economy in line with the Paris Climate Change agreement and to reserve the right, over a considered period, to disinvest from a company making insufficient progress to reducing emissions.

Asset Class	Asset Allocation at 31/3/2017	Long Term Asset Allocation
Equities	55%	25%
Bonds	10%	20%
Property	10%	15%
Diversified Growth	10%	10%
Private Debt/Equity	5%	5%
Alternatives (e.g. Infrastructure)	9%	9%
Social/Affordable Housing	1%	1%
Other Real Income Assets	-	15%
Totals	100%	100%

How the Fund was invested at 31 March 2017

Fund Manager	Mandate	£millions
Aberdeen Asset Mgmt.	Global Equities	289
Newton	Global Equities	365
Schroder	UK Equities	285
Legal & General	Passive Equities	371
Legal & General	Fundamental Weighting	109
Baillie Gifford	Bonds	175
Baillie Gifford	Diversified Growth	226
Schroder	UK & European Property	147
Ancala Partners	UK Infrastructure	25
Hearthstone	UK Affordable Housing	25
SL Capital / Wilshire	European / Global Private Equity	69
Grosvenor Capital	Global Infrastructure	61
Equitix Investment Mgmt.	UK Infrastructure	12
Dalmore Capital	UK Infrastructure	11
FIM / Greensands	UK Infrastructure	9
M&G	UK Private Debt	5
Other Net Assets	Misc (inc. cash)	35
Fund value at 31 March 2017		£2,219

How the Fund changed in 2016/2017

	£millions
Value at 31 March 2016	1,837
Plus: Money In	
Employer Contributions	65
Member Contributions	18
Transfers in from other schemes	5
Less: Money Out	
Pension Payments	-50
Retirement Lump Sums	-16
Refunds and Transfers out	-3
Plus: Investment Returns	
Investment Income	32
Change in Investment Value	344
Management Expenses	-13
Fund Value as 31 March 2017	2,219

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The full Annual Report and Accounts can be viewed at www.falkirkpensionfund.org