

FALKIRK PENSIONS

news

THE NEWSLETTER FOR FALKIRK PENSION FUND MEMBERS

What you get from the LGPS

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 can also take part of your benefit as tax free cash. For every £1 of pension you give up you get £12 of tax free cash.

Your employer pays into your pot as well

On average, employers pay more than three times what members pay.

Cover for your family

The Scheme provides pensions for your spouse, civil partner or partner and for your (eligible) children if you die in service or after leaving with at least 2 years' membership. In addition, if you die in the early years after retiring and before age 75, then a balance of 10 years' worth of pension is paid out (n.b. balance of 5 years if you left before April 2009).

You also have flexibility to pay less

There is an option to pay half your normal contributions in return for half your normal pension accrual. This is known as "50/50".

You can draw your pension anytime from age 55/60 to age 75

For those in the Scheme after 31 May 2018, you can retire at age 55. For others, the minimum pension age is 60. If you retire before the Normal Retirement Age (NRA) of between 65 and 68 there may be some penalties. If you retire after NRA then benefits attract an increase.

Flexible retirement is available from age 55

This is available if your employer agrees that you can reduce your hours or move to a less senior position. Flexible retirement can help members in making the transition from work into retirement.

A tiered ill-health retirement package

This is available if you have to leave work due to permanent ill health.

Life Cover

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

Always remember to tell us who should receive your death lump sum.



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).

Our AVC Providers are Prudential and Standard Life.

Early payment of your benefits unreduced

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 Pension Fund News

Welcome to the 2018 edition of the Falkirk Pension Fund Newsletter. In this edition, we provide an update on Fund solvency following the Actuarial Valuation of 31 March 2017.

We also highlight on the front page, some of the key benefits that the Scheme provides, which, as detailed on Page 3, includes a new age 55 retirement option.

No-one wants their personal data to fall into the wrong hands, so we outline what we are doing to keep your data safe.

With more pension options available than ever before, it is important to get good financial advice before making those big decisions. Included on this page are sign-posts to some of the organisations that can help with your pensions decision making.

Fund Valuation as at 31 March 2017

A Pension Fund valuation is carried out every three years to make sure the Fund has sufficient monies to meet all its pension and lump sum obligations.

The last valuation took place on 31 March 2017 and has set the contribution rates that employers will have to pay for the three years from 1 April 2018.

The valuation showed that the Fund was **92% funded** – meaning that it holds 92% of the assets needed to meet all of its liabilities. The 92% is an increase from the 85% level at the 2014 valuation.

The Fund's **assets**, built up from member and employer contributions are held in investments such as equities, bonds, and property. At the valuation date, the Fund had assets of £2.2 billion (n.b. at 31 March 2018, Fund assets were £2.3bn).

The Fund's **liabilities** are the pension and lump sum benefits already earned by members and which still need to be paid out. At the valuation date, the Fund had liabilities of £2.4 billion.

A more cautious economic outlook means that employers have been asked to increase their contributions, with, in many cases, employer contributions now being in excess of **20% of pay**.

The full Actuarial Valuation Report as at 31 March 2017 can be viewed on the Fund website.

Data Protection

New data protection rules (known as GDPR – the General Data Protection Regulation) have come into effect from 25 May 2018.

As a result, we need to explain to you why we are holding your personal data, with whom we may be sharing it (and why) and for how long we are likely to retain your data.

We have collated all of this information in our Privacy Notice which you can access in the News section of the Fund website – www.falkirkpensionfund.org.

We have also exchanged data sharing protocols with our Fund employers and other service providers so that everyone is clear about our data security standards and the standards we expect of others. As a further safeguard, our staff are trained regularly on data security matters.

In general, we will only share your personal data in order to meet our statutory obligations under the scheme rules or to comply with other regulatory or audit requirements.



Pension scams. Don't get stung.

The PENSIONS Advisory Service

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



Offers a free and impartial service 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 regulated by the Financial Conduct Authority.

www.unbiased.co.uk

Scheme Rule Change Update

New Retirement Option for Leavers after 31 May 2018

Pension Scheme rules have been changed from 1 June 2018 by the Scottish Ministers to allow members who have reached age 55 to retire and take immediate payment of their scheme benefits.

For avoidance of doubt, the new option only applies to persons who leave the Scheme having been active members (i.e. contributors) after 31 May 2018.

Under the old rules, employer consent was needed to be able to retire between age 55 and 60. Under the new rules, no employer consent is needed.

Too Good to be True?

Whilst retiring early can sound attractive, it does mean that your benefits would probably attract a substantial early payment penalty. In broad terms, you would **lose between 4%-6% of your pension and 2%-3% of your lump sum** for each year early that you retire ahead of your **Normal Retirement Age**.

For example, if you retire at age 55 and your Scheme Normal Retirement Age is 65, you would have 10 years' worth of a penalty. This would mean a **reduction of 41%-42% to your pension and a reduction of 26% to your lump sum**. The table opposite gives more details.

Your **Normal Retirement Age** is generally the same as your State Pension Age (subject to a minimum of age 65) which means that it can be between age 65 and age 68.

Not all of your scheme membership will necessarily have the same Normal Retirement Age. Members likely to have "more than one retirement age" are those:

- who have been born before 1/4/1960; or
- who have joined the Scheme before 1/12/2006; or
- who have joined the Scheme between 1/12/2006 and 31/3/2015

Years Early	Pension Reduction		Lump Sum Reduction
	Males	Females	
1	6%	6%	3%
2	11%	11%	6%
3	16%	15%	8%
4	21%	20%	11%
5	25%	24%	14%
6	29%	28%	16%
7	33%	31%	19%
8	36%	35%	21%
9	39%	38%	23%
10	42%	41%	26%

For more information about the different scenarios that can arise, please read the Age 55 article that is in the News section of the Fund website (www.falkirkpensionfund.org).

Can't I already retire from age 55 without a penalty?

Retirement without a penalty reduction from age 55 [age 50 for pre 5/4/2006 members] applies if the retirement is on redundancy or business efficiency grounds (n.b. sometimes referred to as severance retirement). This type of retirement continues to be in place but can only be processed with the agreement of your employer.

Transferring Out

As an alternative to the above, you may be able to access your benefits from age 55 by leaving employment or by opting out of the Scheme and transferring your rights to a flexible benefit defined contribution scheme. You will normally be required to prove that you have taken independent financial advice before being allowed to transfer. More information can be found in the Freedom and Choice factsheet at www.falkirkpensionfund.org.

Transfers can only be made if a member has left the Scheme and has elected to transfer at least 1 year prior to attaining Normal Retirement Age. For some members with deferred entitlements or other members born before 1 April 1960, **their normal retirement age for transfer purposes may be age 60** in which case the transfer would need to be made before they attained **age 59**.

Fund Summary 2017/18

In a year when strong investment returns eventually gave way to a market downturn and the return of more volatile market conditions, the Fund achieved a respectable return of 3.1% which was 0.6% above its benchmark of 2.5%. The 3 and 5 year performance return was respectively 7.9% and 8.8% p.a. – 1.1% ahead of the benchmark in each case.

Fund assets at 31 March 2018 were just shy of £2.3 billion, an increase of around £70m over the year, but markedly less than the £380m increase achieved in 2016/17. The more muted returns during 2017/18 were a consequence of market concerns around Brexit, the likely pace of Interest Rate rises, Geo-political tensions in the Middle East / South East Asia and the prospect of Trade Wars in the light of possible US import tariffs.

Fund strategy is to invest in a diverse range of assets with the aim of eliminating the Fund's funding deficit (8%) over a 20 year period.

The Fund will also be looking to de-risk 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.

Asset Class	Asset Allocation at 31/3/2018	Long Term Asset Allocation
Listed Equities	55%	25%
Bonds	10%	20%
Property	10%	15%
Diversified Growth	10%	10%
Private Debt / Private Equity	5%	5%
Alternatives (e.g. Infrastructure)	9%	9%
Social/Affordable Housing	1%	1%
Other Real Income Assets	-	15%
Totals	100%	100%

Whilst 2017/18 was largely a year of consolidation in terms of investment strategy as new investment governance arrangements took root and the outcome of the 2017 Valuation was awaited, the Fund has continued to monitor all of its portfolios and, in line with the strategy of broad diversification, has made further allocations to its infrastructure portfolio and a new allocation to the private debt asset class.

How the Fund was invested at 31 March 2018

Fund Manager	Mandate	£millions
Aberdeen Asset Mgmt.	Global Equities	234
Newton	Global Equities	366
Schroder	UK Equities	293
Legal & General	Passive Equities	381
Legal & General	Fundamental Weighting	110
Baillie Gifford	Bonds	177
Baillie Gifford	Diversified Growth	238
Schroder	UK & European Property	150
In House	UK & Global Infrastructure	83
Hearthstone	UK Affordable Housing	24
SL Capital / Wilshire	European / Global Private Equity	31
Grosvenor Capital	Global Infrastructure	69
M&G	UK Private Debt	2
Other Net Assets	Misc. (including cash)	131
Fund value at 31 March 2018		£2,289

How the Fund changed in 2017/2018

	£millions
Value at 31 March 2016	2,219
Plus: Money In	
Employer Contributions	62
Member Contributions	18
Transfers in from other schemes	4
Less: Money Out	
Pension Payments	-53
Retirement / Death Lump Sums	-16
Refunds and Transfers out	-6
Plus: Investment Returns	
Investment Income	38
Change in Investment Value	36
Management Expenses	-13
Fund Value as 31 March 2018	2,289

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