

## FALKIRK PENSIONS

## news

THE NEWSLETTER FOR FALKIRK PENSION FUND MEMBERS

## Reassurance in Troubled Times

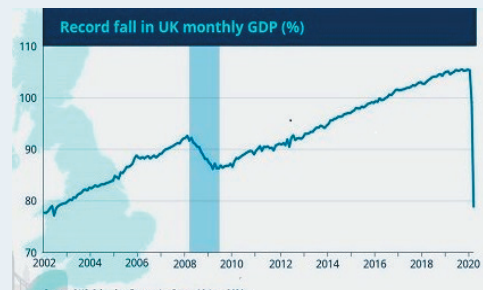
The **Local Government Pension Scheme (LGPS)** remains a safe and secure way for you to save for your future – even in the midst of a pandemic.

**The Pension Fund and Covid-19**

**By any standards, the last few months have been extraordinary.** The loss of life; the continuing fear of a second wave; the restrictions on many activities we used to take for granted; and the huge economic consequences of it all, are changing the way we go about our lives.

The chart opposite shows how the abrupt entry into lockdown in March 2020 has had a colossal effect on the UK economy – much more so even than the global financial crisis of 2009.

Financial markets experienced the swiftest 30% fall in history and the US S&P 500 its biggest single day fall since October 1987. The Falkirk Pension Fund was similarly impacted with its value falling from approximately £2.7bn to £2.3bn at 31 March 2020.



Since then the value of the Fund has rebounded to around £2.5bn although a lot of volatility and market angst remains. We expect this to continue for some time fuelled by the continuing Covid-19 fears and supplemented by US – China trade tensions, a pending US presidential election and the unfinished business of Brexit.

Despite the market falls and continuing volatility, the important message is that **the Falkirk Fund remains in a healthy state and perfectly capable of meeting all its ongoing obligations.**

As a member of the LGPS, **your rights are unaffected by all the market turbulence.** This is because your rights do not depend on investment returns but are instead determined by factors such as your level of earnings and the length of time you have contributed. Last, but by no means least, your rights are guaranteed by statute.

*“If we want things to stay as they are, things will have to change.”*

- Giuseppe Tomasi di Lampedusa, from *The Leopard*

It's a great quote, from a modern classic, with particular resonance for us right now. Here's what we have been doing differently at Falkirk Pensions to keep the Fund and the Pensions Team delivering for you:

- *Increased remote working*
- *All meetings being done virtually*
- *More employers submitting data electronically*
- *Ensuring Pensions staff carrying out essential duties in their normal workplace are able to do so in a safe and socially distanced manner*

# Stay Safe - That's You and Your Pension

**The Pensions Regulator, the Financial Conduct Authority and the Money Advice Service** have joined together to warn about the risks of transferring your pension to another scheme.....

*"In these times of financial uncertainty, we are asking you to be very careful. Since the coronavirus outbreak began, stock markets have fallen and are likely to go up and down for some time. However, your pension remains a safe, long-term investment for your retirement, and transferring it is a serious decision so please do not do anything in haste.*

*If anyone approaches you directly to offer transfer advice, be on your guard. The government has banned cold calling for pensions, so if anyone calls you out of the blue about yours, just hang up – it could be a scam. You can also visit the SCAMSMART website at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) to check the firm you are dealing with is regulated and to see whether what you're being offered is a known scam or has the signs of a scam.....*

*It is therefore really important that you get guidance before making a decision. The Pensions Advisory Service (TPAS) is part of the Money and Pensions Service and offers free specialist pensions guidance..... If your transfer value is more than £30,000, you are required by law to take advice from a suitably qualified financial adviser regulated by the Financial Conduct Authority (FCA), before you can transfer your benefits to a DC pension scheme.*

*Take your time to make all the checks you need – you can find suggested questions to ask your adviser on the FCA's website: <https://fca.org.uk/consumers/what-ask-adviser> with further information on pension transfers at <https://www.fca.org.uk/consumers/pensiontransfer>."*



## Did you know the LGPS provides valuable FINANCIAL PROTECTION for you and your family in the event of your death?

### Lump Sum Death Grant

A lump sum of 3 years' pay if you die in service. If you die whilst you are a deferred member, a lump sum of 5 times your deferred pension (or, for pre April 2009 leavers, a lump sum equal to your deferred lump sum).

Tell us who you would like to receive your death grant by completing a Nomination Form. You can alter this at any time if your circumstances change.

The instruction on the nomination form will usually be followed. However, nominations can occasionally become out of date and the Pension Fund retains absolute discretion as to who receives the payment.

It is very important to check on your statement that your nomination details are up to date (especially if you have remarried / have a new partner and have children from a previous relationship).

### Spouse / Civil Partner's Pension

A pension is provided **automatically** if you are survived by a spouse or civil partner. It's payable for the rest of your partner's life and is increased in line with inflation.

### Co-habiting Partner's Pension

Your partner will be entitled to a pension provided that, for a continuous period of at least two years, 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

### Nomination Forms

Death Grant and Partner Nomination Forms are available at [www.falkirkpensionfund.org](http://www.falkirkpensionfund.org).

Failure to complete a partner nomination form will not prevent a partner's pension being paid - if all eligibility conditions have been met. We do however still encourage partner forms to be completed.



# LGPS Regulatory Round Up

## LGPS and McCloud

When the LGPS changed from a final salary to a career average pension scheme in 2015, certain protections (known as the “underpin”) were introduced for older scheme members. Similar protections were provided in other public sector pension schemes. However, this approach has led to legal challenge and claims of age discrimination.

The Court of Appeal have now ruled that younger members of the Judges’ and Firefighters’ Pension schemes were discriminated against because the protections did not apply to them. The Government has confirmed that there will be changes to all public sector schemes, including the LGPS, to remove the 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 that any change in your entitlement that may eventually ensue from McCloud is not reflected in your annual benefit statement this year.

Not all members are affected by the judgement and, for many, any additional benefit granted will be minimal. If you qualify for McCloud protection, you will get this automatically - you will not need to make a separate claim. A consultation exercise into how to extend the underpin to younger scheme members has been launched by the Scottish Public Pensions Agency (SPPA). Detail can be found in the Consultation section of their [website](#).

## LGPS and the Cost Cap

The pension reforms of 2015 introduced a cost control mechanism, known as the **Cost Cap**, as a way of sharing **changes** in the cost of Public Sector Schemes between the employers and scheme members.

Scheme costs are assessed by the Government Actuary (GAD). The first assessments were carried out at 31 March 2016. These indicated that Schemes were less expensive than had been expected mainly due to lower than forecast salary increases and a slowing of improvements in life expectancy. It is worth noting – especially in the current climate of falls in financial markets - that certain elements such as investment returns are ignored in the cost cap assessment.

The first cost cap valuation for LGPS Scotland was due to take place at 31 March 2017. However, whilst GAD were able to start the exercise, it was paused by the UK Government in early 2019 pending the resolution of the McCloud legal judgement. Government have now indicated that valuation process can re-start.

In the LGPS, if, as expected, costs have moved by at least 2%, then actions will have to be taken to return the Scheme to its original target cost. This would most likely be done by reducing contribution rates for members or by improving their benefit accrual rate which is currently 1/49<sup>th</sup> of revalued earnings.

## LGPS National Insurance Database

We are participating in a data sharing project with other LGPS Funds in the UK.

We are doing this as we need to know if our members have benefits with other LGPS Funds so we pay the correct amounts.

The database also allows us to participate in the DWP’s Tell Us Once initiative to make the reporting of deaths more straightforward.

Data being shared is each member’s NI Number Member Status (e.g. contributor, pensioner, etc), and Fund Identifier. More information can be found in the Fund’s privacy notice at [www.falkirkpensionfund.org](http://www.falkirkpensionfund.org).

## Structural Review of Scheme

LGPS (Scotland) is administered by 11 local authority pension funds. A consultation was launched in 2018 with consultees asked to consider four options:

- Status Quo of 11 Funds
- Increased Collaboration between the Funds
- Pooling of Assets
- Fund Merger (e.g. one Fund or several Funds)

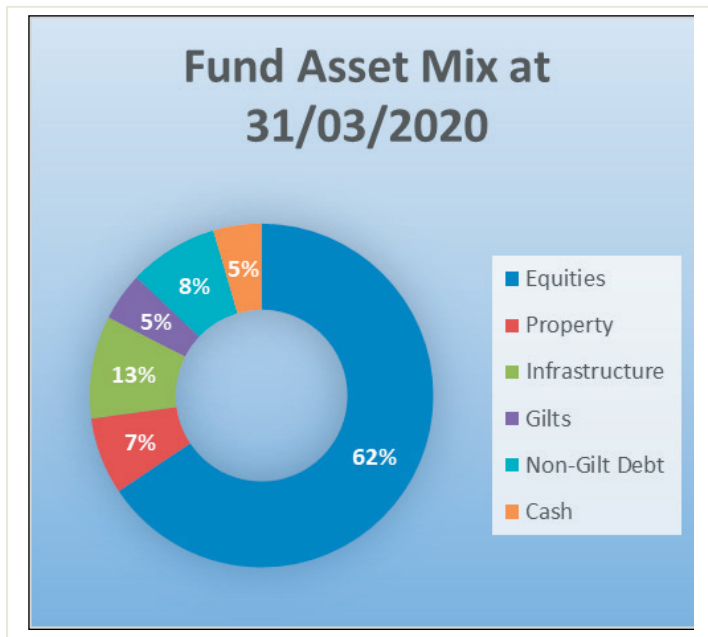
A consultant’s report concluded that there was sufficient evidence to warrant further evaluation of the case for mergers.

The Scheme Advisory Board now intends to commission further work on the various options. This has been delayed by the Covid-19 but is expected to move forward again in the coming months.

# Fund Summary 2019/20

**Fund Value at 31/03/2020 = £2.3 billion**

## How the Fund was invested at 31 March 2020



## How the Fund changed during 2019/20

	£millions
Fund Value at 31 March 2019	£2,490
<b>Plus:</b>	
Contributions and Transfers	98
Investment Returns	(159)
<b>Less:</b>	
Benefits Payable	84
Management Expenses	16
Fund Value at 31 March 2020	£2,329

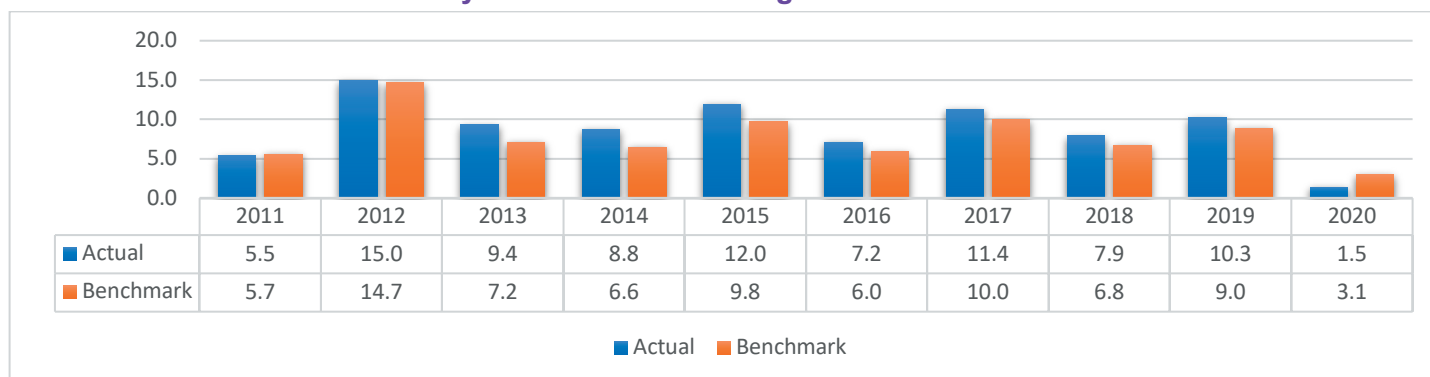
## Asset Returns in 2019/20

ASSET CLASS	RETURN
Equities	-11.6%
Real Assets (e.g. Property/Infrastructure)	+7.4%
Non Gilt Debt (e.g. Corporate Bonds)	+4.1%
Gilts (e.g. UK Govt Bonds)	+5.7%
Total Fund Return	-6.6%

## Investment Highlights

- *Co-filed Barclays climate change resolution*
- *Funding level 82% despite Covid challenges*
- *Infrastructure portfolio expanded*
- *Property portfolio taken under direct control*
- *New Global Low Volatility Equity mandate*
- *Voted on over 1,900 company resolutions*

## Past Fund Performance - 3 Yearly Annualised Percentage Returns Over 10 Last 10 Years



For more details, see the unaudited Annual Report and Accounts 2019/20 on the Fund website.

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