

# FALKIRK PENSIONS

# news

THE NEWSLETTER FOR **FALKIRK PENSION FUND MEMBERS**

## Fund Merger Update

Councils to decide on merging Funds

### Current Developments

Building on a decade of successful collaboration between the two funds, the Pensions Committees of Falkirk and Lothian Pension Funds have recommended that our two Funds merge.

Work to take this forward is ongoing with the final merger decision being subject to the approval of Falkirk Council, City of Edinburgh Council and various regulators at UK and Scotland level. These decisions are expected to be made in the Autumn, with the merger, if approved, taking place in 2023.

If the merger proceeds, the Falkirk and Lothian Funds would transfer to a new merged fund and become the new pension provider. Importantly, for current, deferred and pensioner members, there would be no change to the value of benefits built up, how they were calculated, or how they were paid.

Benefits of a new merged fund would include improved operational efficiency, greater resilience, and faster access to improved technology for members.

Amanda Templeman, Falkirk's Chief Finance Officer has commented: *"Our two Funds have worked effectively together for over 10 years and the potential merger looks to build on that successful partnership. As ever, our focus is on doing the right thing to safeguard the interests of our scheme members."*

David Vallery, Chief Executive Officer of Lothian Pension Fund has said: *"Both funds share the same principles and goals: to provide excellent administration to members and to invest assets responsibly. These would remain cornerstone goals if the merger was to proceed."*

Together LPF and Falkirk represent a combined total of 115,000 members, 98 live employers and combined assets of over £11bn.

More information about merger developments can be found on the Fund website at [News | Falkirk Pension Fund](#).

### Fund Privacy Notice

We collect personal information in order to meet the legal and public interest obligations that flow from administering the Falkirk Pension Fund under the terms of the Local Government Pension Scheme.

Our Privacy Notice summarises the ways in which we process personal data and gives details of the information we collect, what we do with it, and who it might be shared with.

The full Privacy Notice can be found in the Resources Section of the Fund website at [Pensions Privacy Notice | Falkirk Pension Fund](#).

# Pension Fund News

## Minimum Retirement Age to Rise to 57

The UK Government has confirmed that the minimum retirement age for pension schemes will rise from the current age 55 to age 57. The increase will take place from 6 April 2028. It is possible that persons who have been members of the LGPS prior to 4 November 2021 will retain the right to take benefits from age 55, however scheme rules will need to be changed to adopt this protection and to align the Scheme with the new minimum pension age.

At present, all members who have attained age 55, are entitled to access their scheme benefits. As age 55 is prior to the Scheme's Normal Retirement Age (which is somewhere between age 65 and 68 depending on your date of birth) taking your benefits "early" (e.g. at age 55) means incurring a penalty reduction to pension of around 5% per year.

## Avoiding Scams!

The Pensions Regulator has recently published a letter to anyone thinking about transferring their pension rights. It contains the following "warning":

*"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."*

If you are considering a transfer and want to check if a firm you are dealing with is regulated, you can visit the **ScamSmart** website at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) and see if what you're being offered is a known scam or has the signs of a scam.

Remember, the Regulator has said *"It's in most people's best interests to keep their defined benefit pension"* and *"You can't change your mind once you've transferred out of a DB [defined benefit] pension."*

## Digital Developments

Over the coming months, the Pensions team are going to be implementing an online facility for scheme members.

Known as **Members' Self Service**, this will allow members who register for the service to access information about their scheme entitlement. This will include being able to view pensioner pay advice slips; change addresses and nomination information; as well as run benefit estimates.

As part of the initial registration process, we will be contacting members soon to ask for email and mobile phone information.

## About Scheme Death Benefits

### Lump Sum Death Grant

The Scheme provides:

- a lump sum of 3 years' pay if you die in service.
- a lump sum of 5 times pension if you die whilst a deferred member, (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.

Your nomination will usually be followed, however under scheme rules and just in case nominations fall out of date, the Fund retains absolute discretion as to who receives the payment.

### 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 inflation proofed.

### Co-habiting Partner's Pension

Your partner will get a pension if, for a continuous period of at least two years, you have both 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 can be found at [www.falkirkpensionfund.org](http://www.falkirkpensionfund.org).



# Pension Fund News

## The 2021/22 Investment Year

In mid-2021, we conducted a review of the Fund's investment strategy. This concluded that our strategic asset allocation of 60% equities; 20% Infrastructure and Property; and 20% fixed income – continued to be appropriate.

In terms of allocating capital to new mandates, we increased our holdings in the Pictet Global Environmental Opportunities Fund. We also made allocations to two fixed income mandates (UK Index-Linked Gilts and US TIPS) both managed by Lothian Pension Fund Investments Ltd. The purchase of UK Gilts and US TIPS has helped bring the Fund closer to its target holding for these types of securities. The purchase has been made more attractive by the lower pricing in fixed income assets resulting from the rising interest rate environment.

During the year, the Fund delivered a strong return of 13.1% on its assets - the main contributors being our equity and infrastructure investments. The Schroder UK Equity portfolio with its exposure to more traditional stocks such as banking and energy stocks was especially strong.

New infrastructure investments included the Fund taking stakes in a UK rail rolling stock business; the Beatrice windfarm (located off the Caithness coast); a Scottish hydro-electric plant; and a French energy facility.

*The picture opposite shows the Hornsea One offshore windfarm located off the Yorkshire coast. Hornsea One is one of the world's largest offshore windfarms with capacity to power up to one million homes and is one of the other renewable assets in which the Fund is invested.*



A significant development for the Fund in 2021/22 was the appointment of Hermes Eos as its specialist Voting and Engagement provider. Given Hermes' reputation as global advocates for responsible investment, we look forward to working with them to ensure that the Fund's stewardship principles in areas such as climate change and human rights are effectively argued.

The investment outlook for the remainder of 2022 and 2023 remains challenging. The persistence of inflation; rising interest rates and the risk of recession; war in Europe; its impact on global energy and food prices; risk of Covid outbreaks; geopolitical tension in South East Asia and political uncertainty in the UK, not to mention Climate Change, are a perfect storm of issues that can be expected to weigh negatively on market sentiment.

The Fund's Investment Strategy which is to hold a range of assets diversified by geography, sector and asset type continues to be overseen by a panel of investment professionals who report to the Pensions Committee. The strategy is designed to allow the Fund to meet its key objectives of paying benefits and keeping employer contributions stable and affordable.

## Fund Investments in Russia

The war in Ukraine has resulted in pension funds reviewing their holdings to determine the extent of exposure to Russia and to comply with the sanctions package introduced by the UK Government.

At the end of 2021, the Fund did not have any direct investments in Russian companies. The Fund did however have some indirect exposure to Russia through investing in index tracking funds where Russian companies formed part of the underlying index. Collectively, these holdings were very small and amounted to approximately £0.5m out of a Fund value, at that time, of around £3 billion (i.e. 0.017%). These holdings have now either been disposed of; written down to a zero value; or the companies demoted from the relevant indices.

## Lifetime and Annual Allowance Tax

The Lifetime Allowance (LTA) for tax year 2022/23 is £1,073,100 and is scheduled to remain at this level until 2025/26. The Annual Allowance (AA) for 2022/23 remains at £40,000.

Lifetime Pensions Savings that exceed the LTA and / or the AA attract a tax charge. You can find out more information about these charges on the Fund website.

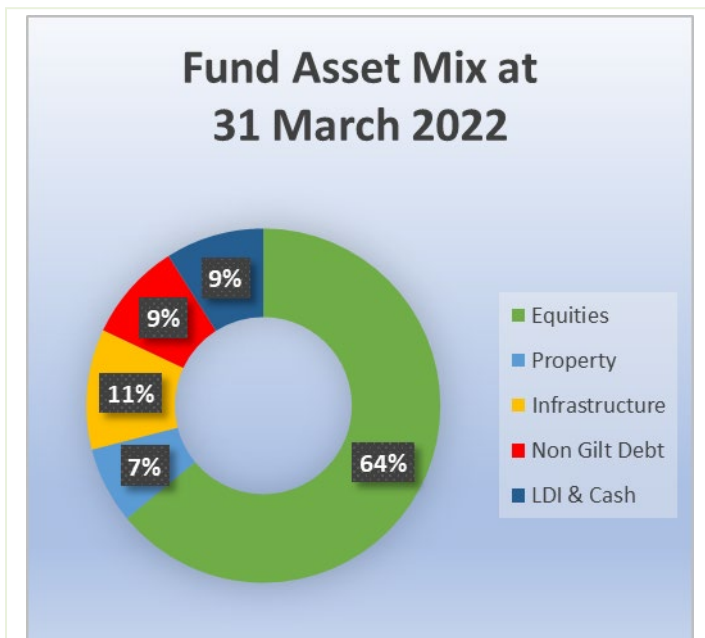
## Money and Pensions Service (MAPS)

MAPS is a UK body sponsored by the Dept of Work and Pensions and funded by the financial services industry. Its aim is to ensure that everyone makes the most of their money and pensions. MoneyHelper is the customer facing unit of MAPS set up to give free, impartial advice on money and pensions matters. Its website can be accessed here [Free and impartial help with money, backed by the government | MoneyHelper](#)

# Fund Summary 2021/22

**Fund Value at 31/03/2022 = £3.20 billion**

## How the Fund was invested at 31 March 2022



## How the Fund changed during 2021/22

	£millions
Fund Value at 31 March 2021	£2,842
<b>Plus:</b>	
Contributions and Transfers	106
Investment Returns	365
<b>Less:</b>	
Benefits Payable	(90)
Management Expenses	(19)
<b>Fund Value at 31 March 2022</b>	<b>£3,204</b>

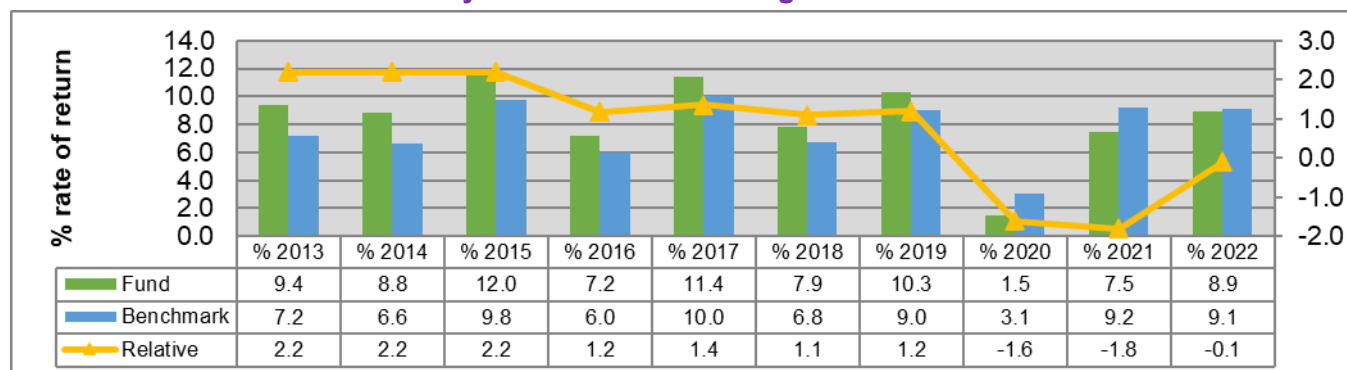
## Asset Returns in 2021/22

ASSET CLASS	RETURN
Equities	+15.0%
Real Assets (e.g. Property/Infrastructure)	+24.9%
Non Gilt Debt (e.g. Corporate Bonds)	-0.7%
Liability Driven Investments (i.e. Gilts)	-1.0%
<b>Total Fund Return</b>	<b>+13.1%</b>

## 2021/22 Investment Highlights

- **Investment return of 13%**
- **1 year return ahead of benchmark by 6.9%**
- **10 year return ahead of benchmark by 1.1%**
- **Further investment with Pictet**
- **Engagement Specialist - Hermes - appointed**
- **Voted on over 1,300 company resolutions**

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



For more details, see the unaudited Annual Report and Accounts 2021/22 on the Fund website.

Pensions Section, The Foundry, 4 Central Boulevard, Central Park, Larbert, FK5 4RU