

Fundnews

2015



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WELCOME TO FUNDNEWS



Nicola Smith
Principal Pensions Officer,
Strathclyde Pension
Fund Office

As usual this year's edition has items about us and about you.

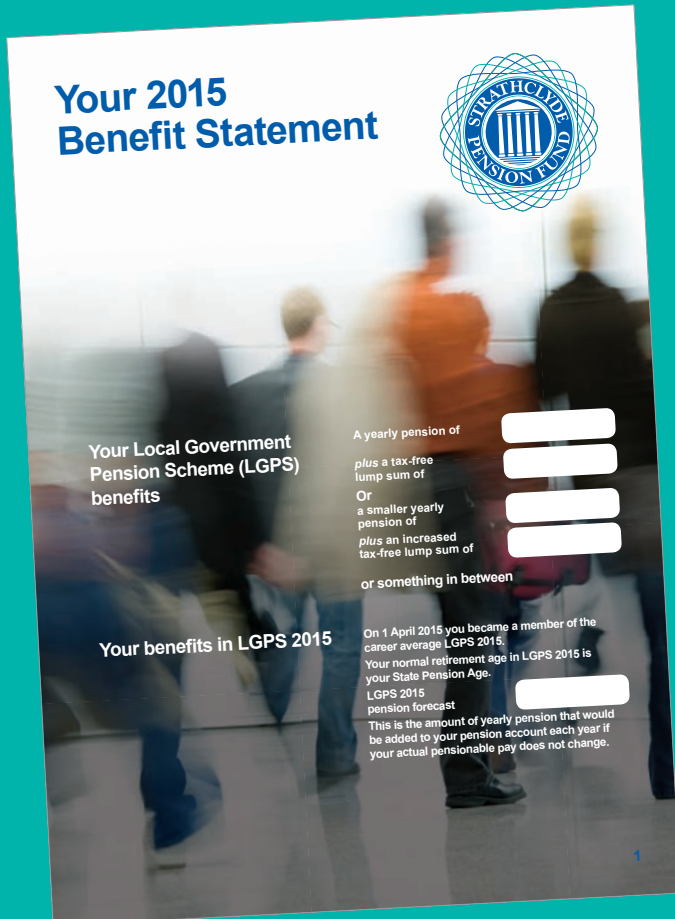
About us: over the last year we have

- Grown the Fund to well over £15 billion
- Reached our highest ever membership of over 210,000
- Successfully introduced LGPS 2015

About you: some reminders to make sure you

- check your benefit statement
- think carefully about pensions decisions
- have a current nomination for any lump sum death benefits

More details inside or on our website at www.spfo.org.uk



YOUR 2015 BENEFIT STATEMENT

Your 2015 benefit statement is available from SPFOonline.

To request an activation key for SPFOonline just visit the SPFOonline area of our website.

If you have not previously supplied us with your email, we will send your activation key by post. So if you have recently changed postal address, please notify us of this change beforehand as your activation key can only be sent to the postal address we currently hold on file.

THE LGPS IS VALUABLE

The LGPS is one of the best pension schemes there is.

Your employer pays most of the cost of the LGPS.

And tax breaks cut the cost of your own contributions.



BEWARE OF FRAUDSTERS

Don't let your benefits become prey to fraudsters.

Fraudsters are singling out people like you and claiming that they can:

- help you cash in your pension early
- provide you with a pensions review

What they don't say is that you could face a significant tax bill.

If you are cold-called or text messaged with a deal to unlock or review your pension, don't touch it.

For more information about the dangers of pension scams visit: <http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx>



HOLD ON TO YOUR BENEFITS

Even if you are contacted by a legitimate pensions company about taking more of your benefits as a lump sum, don't give up your benefits lightly.

You can take tax-free cash from the LGPS.

You would be giving up an index-linked pension for life.

And LGPS pensions continue to spouses or qualifying partners on your death.





FREEDOM AND CHOICE

Reforms offering greater flexibility, Freedom and Choice, in the way that individuals aged 55 and over can access their defined contribution (DC) pensions became effective on 6 April 2015.

As the Local Government Pension Scheme (LGPS) is a public sector defined benefit (DB) scheme, Freedom and Choice does not apply to it.

However, before retiring, members can transfer their pension rights out of the LGPS to a DC arrangement offering 'flexible benefits'.

A transfer out of the LGPS is a major financial decision requiring careful consideration.

It should only be done after taking advice.

We suggest that any members contemplating this course of action first read our Freedom and Choice Q&A for LGPS members on our website.



THE NEW SINGLE STATE PENSION

The new "single" state pension starts on 6 April 2016.

The single state pension replaces the current basic state pension and its earnings related additions.

For each year that you were "contracted out" as a member of the LGPS, a deduction will be made from the new single state pension, as the LGPS is providing you with more pension. The DWP have prepared a leaflet about this.

As the new single state pension is more than the current basic state pension, these deductions are not designed to leave you worse off at state pension age if you have a 30 year NI record.

NATIONAL INSURANCE CHANGES

2016

When the new state pension starts the NI rebate available to LGPS members will be withdrawn.

This means that you will pay 1.4% more NI on your earnings between the lower earnings limit (currently £112 per week) and the upper accrual point (currently £770 per week).

ARE YOU PROTECTING YOUR LOVED ONES?

LUMP SUM PAID ON DEATH

The LGPS regulations do not spell out who a lump sum is paid to on death.

By completing a nomination form you can ensure quick and accurate payment after your death to the person or persons that you would like the lump sum to be paid to.

Your current nomination is shown on your 2015 benefit statement.

If you have not made a nomination, the words "no one nominated" appear there.

Please remember we have ultimate discretion over all death grant payments from the LGPS.

Our nomination form is available from the **Publications > Forms** area of our website.

Our **Guide to the LGPS** is available from our website and details what is payable if you die in service.

If you are also a pensioner member and / or a deferred member of the LGPS in Scotland, the death grant payable is the higher of your death grants. These amounts will not be added together.



**NO ONE
NOMINATED?**

The amount of death grant payable on the death of an active member of the LGPS remains three times your pay in LGPS 2015.

AUTOMATIC SPOUSE'S / CHILDREN'S PENSIONS

There is no need to nominate your husband, wife, civil partner or dependent children for a pension payable on your death, but you should still make a nomination for the lump sum.

LGPS 2015 IS HERE

From 1 April 2015:

- Your pension is building up at 1/49th of your pensionable pay each year.
- Your pension account will receive an inflation increase at the end of each year.
- Your normal pension age will be your State Pension Age (or 65 if later).

All of your existing rights are protected:

- Your pension earned up to 31st March 2015 at 1/60th, or 1/80th plus a lump sum of 3/80th is protected. It will be worked out on your final pay when you retire and on a normal pension age of 65.
- You will still be able to retire at age 60, benefit from the rule of 85 and swap pension for tax free cash.

MORE INFORMATION

You can view a video and find out more about LGPS 2015 at <http://www.scotlgps2015.org>



MODEL YOUR PENSION

To see how your pension builds up from April 2015, use the tool for modelling your LGPS 2015 pension that is available from the LGPS 2015 website.



In LGPS 2015 there is a new short term option called 50/50.

It offers half pension for half contributions, with full death and ill-health protection for your loved ones.



NEW GOVERNANCE ARRANGEMENTS

To help us to take account of all stakeholders' interests in LGPS 2015 we have formed a Pension Board.

It replaces our Representative Forum and has eight members. Four of the Board represent employers' interests (3 from local authorities

and 1 from other employers). Four of the Board represent members' interests (and are from 4 separate trade unions).

The Board meets quarterly alongside the Strathclyde Pension Fund Committee.

TAX



One of the many things that make being in the LGPS such a good deal is that you receive tax relief on your contributions.

But there are limits to the taxman's generosity: lifetime allowance (LTA) and annual allowance (AA).

These limits do not affect the vast majority of LGPS members.

However, you may be affected if:

- you are on a high salary or
- have had a large increase to either your salary or service or
- if you are making large additional voluntary contributions (AVCs)

Lifetime allowance (LTA)

The LTA for 2015/16 is £1.25m.

The LTA from 2016/17 will be £1m.

LGPS annual pensions are multiplied by 20 for LTA purposes.

Any LGPS automatic lump sums or AVC funds are also taken into account, but no multiplier is applied to them.

Annual allowance (AA)

The AA in 2015 / 2016 is £40,000. In 2016 / 2017 those with "adjusted income" above £150K will have a lower AA through tapering.

Some unused AA from previous years can be carried forward.

In LGPS 2015 you build up pension at the rate of 1/49th of your pensionable pay each year (increased from 1/60th in LGPS 2009).

LGPS annual pensions are multiplied by 16 for AA purposes.

How much AA you use in a tax year also depends on:

- any additional pension provision you make to other pension arrangements like AVCs, APCs, ARCs, personal pensions and added years contracts
- the effect of any pay award or salary increase on LGPS final salary benefits earned before 2015 / 2016
- the change in the Consumer Prices Index (CPI) over the year

- if you use the Freedom and Choice in pensions provisions to take cash from any pension scheme

More information:

By 6 October 2015 we will issue a Pensions Savings Statement to all members we think have used more than £35,000 of their 2014 / 2015 AA by being an active LGPS member.

If you want to understand more about AA / LTA, we recommend that you consult a financial adviser or visit HMRC's website at <https://www.gov.uk/tax-on-your-private-pension/overview>

As we are not authorised by the Financial Conduct Authority (FCA), we cannot advise you on tax matters.

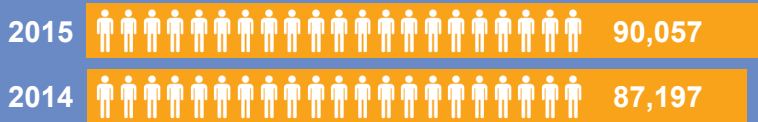
Our website has a tool called the LGPS tax valuer to help you to assess whether you can expect an AA tax liability as a result of being a member of the LGPS.

OUR MEMBERSHIP

Members



Employee Members



Deferred Members



Pensioners



SPFOnline

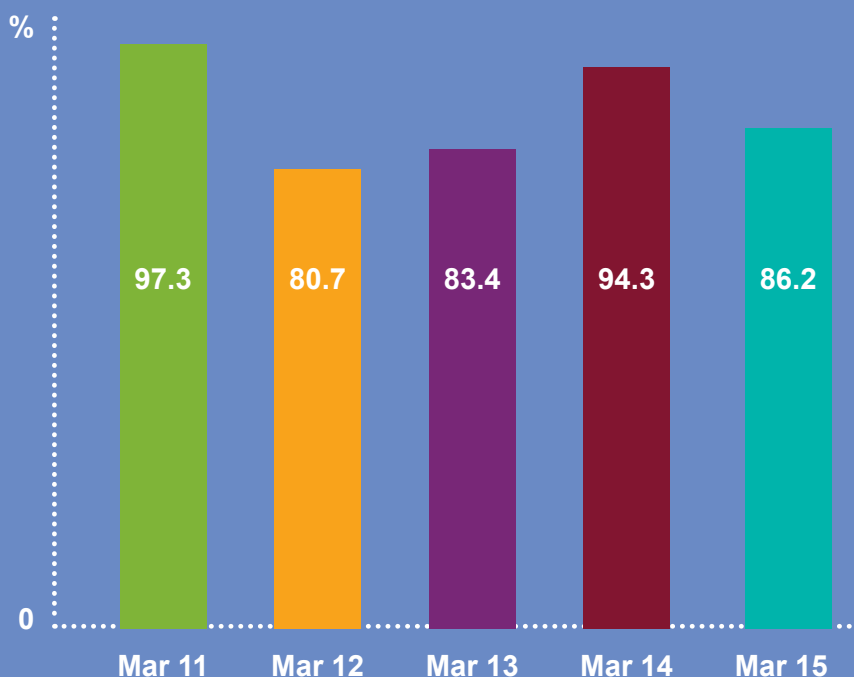
18,000+

Over 18,000 of our active members have gone digital by registering for SPFOnline.

Our quarterly administration reports to Committee are available from the **News** area of our website.

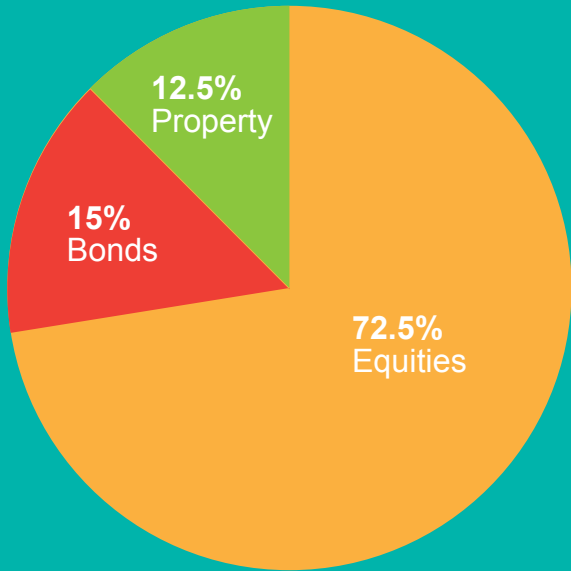
FUNDING POSITION

Our 2014 actuarial valuation report is available from the **Publications / Valuation Reports** area of our website.



INVESTMENTS

Comprehensive information about our investments can be found in the **Investments** area of our website.



Investment Strategy

RESPONSIBLE INVESTMENT



Our quarterly responsible investment reports are available from the News area of our website.



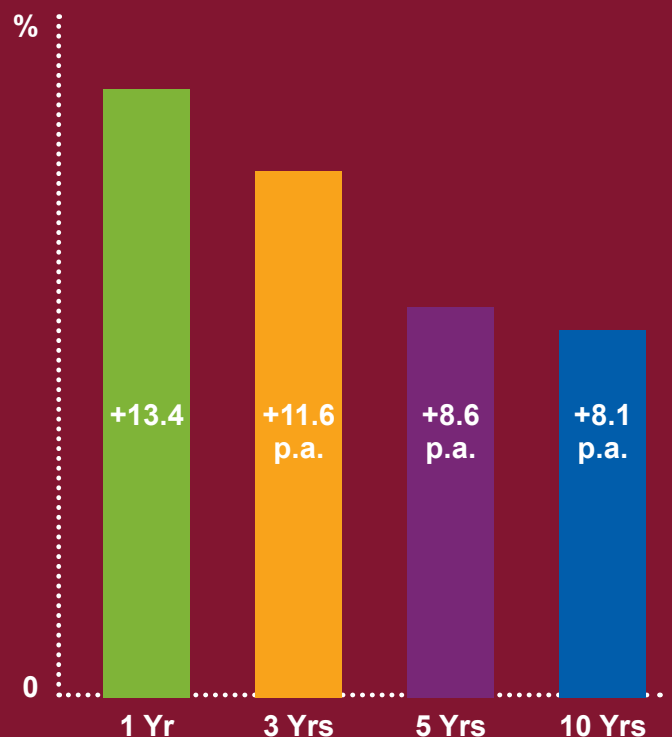
GLOBAL

We have over 1,600 different lines of stock invested in companies around the world.

AGM 2015

A full set of the slides used at the meeting on June 19 is available in the News area of our website.

PERFORMANCE TO 31 MARCH 2015



FUND ACCOUNTS



Our annual report provides detailed financial information about our scheme year 2014 / 2015 and is available from the **Publications > Annual reports** area of our website.

Contributions

2014 / 2015	££££££££££££££££ £486m
2013 / 2014	££££££££££££££££ £478m

Pensions paid

2014 / 2015	£££££££££££££ £389m
2013 / 2014	£££££££££££££ £371m

Tax free lump sums paid

2014 / 2015	£ £99m
2013 / 2014	£ £96m

Investment income

2014 / 2015	£££ £201m
2013 / 2014	£££ £194m

Investment growth

2014 / 2015	££££££££££££££££££££££££££££ £1,763m
2013 / 2014	£££££££££ £794m

Net assets

31 Mar 2015	££££££££££££££££££££££££££££ £15,758m
31 Mar 2014	££££££££££££££££££££££££££££ £13,945m

NATIONAL FRAUD INITIATIVE (NFI)



NFI is a counter-fraud exercise led by Audit Scotland.

It collects information about individuals held by different public bodies on their different computer systems.

NFI seeks to identify incorrect payments of social security benefits,

housing benefits or pensions.

As we have a statutory obligation to participate in NFI, we will share your data with other public bodies.

A fair processing notice that provides further information on data matching is on Glasgow

City Council's website at:

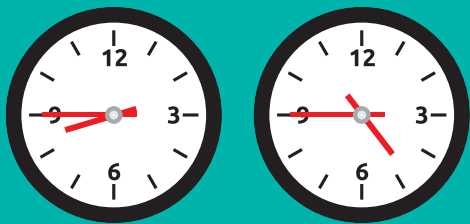
<http://www.glasgow.gov.uk/index.aspx?articleid=5166>

This site also provides a link to Audit Scotland's website that contains further information.

For further information on data matching, contact us.

CONTACTING US

Our normal office hours are weekdays (ex holidays) 08:45 to 16:45 (15:55 on Fridays).



Web: www.spfo.org.uk



Email: spfo@glasgow.gov.uk



Tel: 0345 890 8999



Write to:
Strathclyde Pension Fund Office,
P.O. Box 27001,
Glasgow G2 9EW



Please tell us if you move house.



OUR NEW WEBSITE

We will be relaunching our website shortly.

The new site will have:

- Better content
- Easier navigation
- More visual appeal