

# IN TOUCH 2014



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# WELCOME TO IN TOUCH



**Nicola Smith**  
Principal Pensions Officer,  
Strathclyde Pension  
Fund Office

## YOUR BENEFITS ARE KEEPING PACE WITH INFLATION

As the Consumer Prices Index rose by 2.7% in the year to 30 September 2013, this was the basis for the increase to your deferred benefits from April 2014.

The exact increase depends on the date your benefits were deferred.

Page 1 of your deferred benefit statement shows what your yearly pension when you became a deferred member was and what it is now.

## BENEFITS AT 60

Your deferred benefits can usually be paid from your 60th birthday onwards and our current process is to write to our deferred members as they approach 60.

If you take your benefits before the Local Government Pension Scheme (LGPS) normal retirement age of 65, they may be reduced by about 5% for each year early if you are not protected by the rule of 85.

## LGPS 2015 HAS A 50:50 OPTION



The LGPS is changing to a career average scheme - LGPS 2015 - on 1 April 2015.

## LGPS 2015 will not impact on deferred members' benefits.

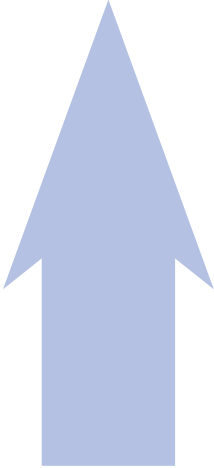
If you are still eligible to rejoin the LGPS, you may like the 50/50 option in the new scheme.

After 1 April 2015, contact your employer if you are interested in 50/50.

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

## ANNUAL MEETING 2014

A full set of the slides used at the meeting on June 20 is available in the News area of our website.



**2.7%**  
2.7%  
2.7%

# YOUR BENEFITS ARE VALUABLE



## 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 liberation", visit the following Government sponsored website:

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

## 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 / nominated cohabiting partners on your death.

## DON'T BE OUT WHEN YOU COULD BE IN

If you have the option to join the Local Government Pension Scheme (LGPS) scheme again, we would suggest that you consider getting back in to build up further benefits right away.

Why be someone who only realises at retirement that you've made the wrong decision?

## IT'S NEVER TOO SOON TO BE BACK IN

If you are working in local government, your employer will need to enrol you in a pension scheme every 3 years.

But why wait, as you can ask to rejoin now?

## IT PAYS TO BE IN

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

Your employer will pay most of the cost of the LGPS.

And tax breaks will cut the cost of your own contributions.





# INTRODUCING YOUR DEFERRED MEMBERS REPRESENTATIVE

We're delighted to announce that Gavin Scott has joined the Representative Forum as your deferred representative.

From 2003 to 2013, Gavin worked in Finance / Administration at the General Teaching Council for Scotland. He has provided the following message:

***"It's great that the Fund's governance procedures have been improved to enable deferred members to have formal representation and input to Strathclyde Pension Fund's major decisions. I'm particularly pleased to be our rep on the Forum, as I've always taken a keen interest in what is an important benefit for those working in local government. My background means that I should be able to understand the implications***

***of the various papers that are tabled and to look at them from the perspective of those who are no longer employee members of the LGPS".***

The Representative Forum meets four times a year, so that representatives of all the parties with an interest in the Fund can

discuss relevant issues and comment on proposals. It has close links with the Strathclyde Pension Fund Committee, the Fund's key decision-making body.

If you would like to contact Gavin, please contact us and we will forward your details to him.



## 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.

# ARE YOU PROTECTING YOUR LOVED ONES?

The LGPS provides a great package of benefits, but to protect your loved ones fully you need to ensure that you have completed the right nomination forms, particularly if:

- **you became a deferred member after 31 March 2009** and are living with someone that you are not married to or
- you have children from a previous relationship or
- there may be many interested parties claiming a share of your assets

## LUMP SUM

If you left service before 1 April 2009 and die before becoming a pensioner, the lump sum you are due at retirement (3 times your deferred pension) is paid out.

If you left service after 31 March 2009, 5 times the annual pension you have built up is paid out.

## PENSION

Normally only your husband, wife, civil partner or dependent children can receive a pension.

**If you became a deferred member after 31 March 2009** and you are living with your partner and you want them to have a pension after you die, they may qualify for a pension if:

1. they meet certain conditions and
2. you filled in a nomination of cohabiting partner for survivor's pension form and
3. they can provide the evidence we require

## NO ONE NOMINATED?

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

By completing our nomination forms you can ensure quick and accurate payment of benefits after your death to the person or persons that you would like the benefits to be paid to.

Your current nomination is shown at the bottom of page 2 of your 2014 deferred benefit statement. If you have not made a nomination, the words "no one nominated" appear there.

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

## SPFOnline

Why not sign up for SPFOnline now if:

- you have not filled in the right nomination forms
- you need to update your nomination(s)
- you have told us that you wish us to continue with hard copies of your deferred benefit statement / newsletter

Less than 5% of our deferred members have expressed a preference for hard copies.

To request an activation key for online access, click on SPFOnline at the top right of any page on our website at [www.spfo.org.uk](http://www.spfo.org.uk)



**NO ONE  
NOMINATED?**

# SCHEME YEAR 2013/2014



**Councillor Paul Rooney**  
Convener,  
Strathclyde Pension  
Fund Committee

In the course of the year, the Fund grew from £13 billion to a new high of £13.9 billion.

Over the 12 months to 31 March 2014, the Fund's total membership grew slightly from 197,473 to 204,844.

#### This includes:

- 87,197 employee members (81,994 a year earlier)
- 47,243 deferred members (46,622 a year earlier)
- 70,404 pensioners (68,857 a year earlier)

#### Highlights of 2013 / 2014 included:

- We were crowned: Professional Pensions 2013 Public Sector Scheme of the Year and Professional Pensions 2013 Premier Scheme of the Year
- going digital for our deferred members communications
- ensuring our employers were ready for automatic enrolment

The coming year will be focussed on making sure that everything is in place for LGPS 2015 and producing the actuarial valuation as at 31 March 2014.

We will also be implementing the governance arrangements required by the Public Service Pensions Act 2013, including establishing a Pensions Board and ensuring Pensions Regulator Compliance.



**Lynn Brown**  
Executive Director  
of Financial Services,  
Glasgow City Council

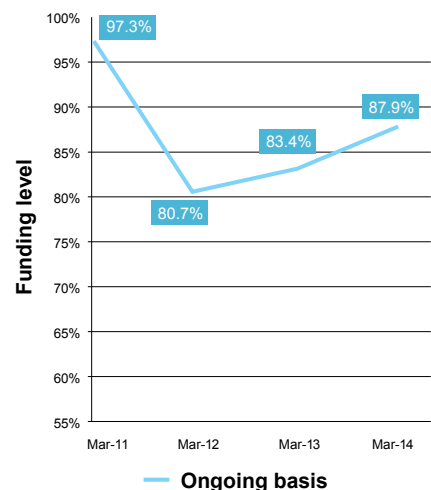
## ACTUARIAL VALUATION

Our actuary conducts an actuarial valuation of the Fund every three years.

We are currently working on the valuation as at 31 March 2014.

Our regular monitoring of our funding level indicates how this goes up and down over time.

Our valuation reports are available from the Publications / Valuation reports area of our website and the News area of our website has quarterly updates on our funding level.



# INVESTMENTS

We didn't make any changes to our overall investment strategy this year but we did make some changes in portfolios.

In our passive equity portfolio we moved £630 million from a traditional index tracking approach to a new "fundamental" index which focuses on accounting numbers and ignores market prices.

We continued to build up our UK property portfolio with a

number of purchases including the favourite watering hole of Inspector Morse, the Randolph Hotel in Oxford. The portfolio value had grown to more than £1 billion at the year end.

We were most active in our New Opportunities Portfolio which we reviewed, re-organised and expanded. Over the year total investments agreed for the portfolio grew from £60m to £199.5m including our first ventures into infrastructure, local property and renewable energies.

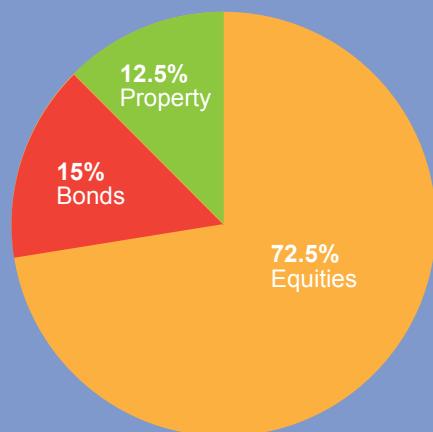
2013/2014 saw mixed conditions in investment markets. Western markets were generally strong. Asian and Emerging markets were more volatile. The Fund made a total return of 7.0% for the year to finish at a new high of £13.9 billion.

Comprehensive information about our investments can be found from the About Us / Investment area of our website.



**Jacqueline Gillies**  
Chief Pensions Officer,  
(Investments), SPFO

## Investment Strategy



## FUND RETURNS 2013/2014

NET ASSETS  
AS AT 31 MAR 2013

£13 billion

NET ASSETS  
AS AT 31 MAR 2014

£13.9 billion

EST NET ASSETS  
AS AT 30 JUN 2014

£14.1 billion

## LONG TERM PERFORMANCE

One year to end	Mar	Mar	Mar	Mar	Mar	Mar	Mar	Mar	Mar	Mar	3Yr	5Yr	10Yr
	05	06	07	08	09	10	11	12	13	14			
	%	%	%	%	%	%	%	%	%	%	Annualised		
Fund Return	12.4	27.2	7.4	-2.9	-20.8	36.9	7.7	1.1	14.4	7.0	7.4	12.8	8.0
Benchmark	12.9	26.6	8.1	-3.9	-21.1	41.1	8.6	1.8	13.3	7.1	7.3	13.6	8.3
WM Average	11.6	24.2	7	-1	-18.1	30.3	8.1	1	13.1	4.4	7.7	11.8	7.8

## RESPONSIBLE INVESTMENT

During September 2013, the Fund co-signed an open letter in collaboration with 12 other UK pension funds and foundations to support the 'Living Wage Week'.

The letter called on UK publicly listed companies to embed social sustainability in their businesses by paying employees and contracted staff the Living Wage.

Our quarterly responsible investment reports are available from our website at <http://www.spfo.org.uk/index.aspx?articleid=2410>





# FUND ACCOUNTS 2013/2014



**Paul Murphy,**  
Fund Finance Manager,  
SPFO

“ The Fund’s high of £13.9 billion was down to investments returning 7% and pensions income covering payments. 2,137 members retired during the year and we paid out £96m in lump sums and £371m in monthly pensions. ”

<i>For the years ending 31 March</i>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
<b>FUND INCOME</b>		
Contributions receivable from employers	330,525	340,975
Additional contributions from employers	51,730	27,275
Contributions receivable from employees	107,683	110,282
Transfers in	6,798	5,839
Other income	888	692
	<b>497,624</b>	<b>485,063</b>
<b>FUND PAYMENTS</b>		
Pensions	346,939	371,118
Lump sums	106,820	95,792
Refund of contributions	648	733
Transfers out	15,736	15,263
State scheme premiums	127	439
Administrative and other expenses borne by the Fund	4,273	3,889
	<b>474,543</b>	<b>487,234</b>
Net addition from dealings with members	<b>23,081</b>	<b>(2,171)</b>
<b>RETURNS ON INVESTMENTS</b>		
Investment income	167,528	182,881
Investment management expenses	(15,207)	(18,363)
Overseas tax	(3,932)	(2,937)
Change in market value of investments	1,443,886	719,324
Net returns on investments	<b>1,592,275</b>	<b>880,905</b>
Net movement in the Fund during the year	<b>1,615,356</b>	<b>878,734</b>
ADD: Opening net assets as at 1st April	<b>11,450,885</b>	<b>13,066,241</b>
EQUALS: Closing net assets as at 31st March	<b>13,066,241</b>	<b>13,944,975</b>

These accounts are still subject to audit.

Our annual report provides detailed financial information about our scheme year 2013 / 2014 and is available from the Publications / Annual Reports area of our website.

## CONTACTING US

Please tell us if you move house

Web: [www.spfo.org.uk](http://www.spfo.org.uk) Email: [spfo@glasgow.gov.uk](mailto:spfo@glasgow.gov.uk) Tel: 0845 213 0202  
Strathclyde Pension Fund Office, PO Box 27001, Glasgow G2 9EW

**STRATHCLYDE PENSION FUND OFFICE**

MANAGING THE LOCAL GOVERNMENT PENSION SCHEME IN THE WEST OF SCOTLAND

Ref: In Touch Aug 2014

**08** [www.spfo.org.uk](http://www.spfo.org.uk)