

The newsletter for members of



West Yorkshire Pension Fund

Lincolnshire  
Pension Fund



# Pension

## NEWSLETTER

AUTUMN 2016 • LINCOLNSHIRE ACTIVE MEMBERS



Book  
now!

**Annual  
meeting**

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**2016  
fund report**

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**119**



# Book now for our first ever



We invite you to attend our first ever annual meeting for members in Lincoln on 23 November 2016. The Chairs of the Pensions Committee and the Pension Board and the Pension Fund Manager will present at the meeting, and we'll have a guest speaker with a topic that's of general interest to our members.

Jo Ray will chair the meeting. After the presentations our panel will answer your questions.

Book now!



Book online at [www.wypf.org.uk/lincsmeeting](http://www.wypf.org.uk/lincsmeeting)

## When and where

The meeting is on Wednesday 23 November 2016 starting at 10.15am.

It's at **The Alive Conference Centre, Newland, Lincoln.**

Visit [www.aliveconferences.org.uk](http://www.aliveconferences.org.uk) for more information about the venue.

## How to book

Book online at [www.wypf.org.uk/lincsmeeting](http://www.wypf.org.uk/lincsmeeting)

Or phone 01274 434999.

We'll send you more information about the meeting once you've booked. Places are limited and it's first-come, first-served so please book early.

If you book by phone, please have your member number or your National Insurance number handy so we can help you quickly.



## Have you nominated somebody to get your death grant yet?

Nobody wants to think about dying, but isn't it reassuring to know, just in case, that you're in a pension scheme with great death benefits?

On top of a pension for your husband, wife, partner, and possibly your children if you die, there's also a one-off tax-free **death grant** that's around three times your salary.

Who gets this? You decide.

If you do this it usually means any payouts are free from inheritance tax.

If you want to make sure everyone gets the right share of your death grant and still haven't told us who you would like it to go to, download a form now from [www.wypf.org.uk/deathgrant](http://www.wypf.org.uk/deathgrant)

# Capped exit payments on the cards for higher earners

The government wants to reduce high public sector exit payments that it says are neither fair nor good value for taxpayers, and measures to cap them to a total of £95,000 are expected to come into force this autumn. This could impact some LGPS members expecting an exit payment like a redundancy payment on retirement.

## Will this affect me?

This will mainly affect those earning £80,000 or more, but some with long service could be affected too.

The cap will apply to the combined value of payments such as:

- lump sums (including redundancy payments)
- employer costs for early access to unreduced pensions, and
- other non-financial benefits such as additional paid leave.

It won't apply to pay in lieu of holidays, bonuses, or TUPE transfer payments, and whatever the cap, employees will still get their statutory redundancy payment.

Separate proposals also mean employees who leave with an exit payment and get another public sector job within a year will have to repay some or all of that payment.

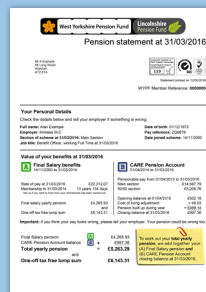
## Got your pension statement?

Most of you should by now have received your 2016 pension statement from us, and if not, you soon will.

One of the most important figures on your statement is your pay. If it's wrong, your pension will be wrong too, so you should check that it's right each time you get your statement. Please tell your employer if it's wrong – they give us the figure.

**You have up to six years to challenge a wrong pay figure.**

See our guide to your pension statement at [wypf.org.uk/pensionstatement](http://wypf.org.uk/pensionstatement)



# Pay extra, get more pension

If you want to pay extra to increase your pension benefits through your pension there are two tax-efficient ways to do it:

**AVCs** – additional voluntary contributions

**APCs** – additional pension contributions.

Check out the leaflet that came with this newsletter from our AVC provider, Prudential. It's well worth a look if you're thinking about ways to increase your pension.

You'll find plenty on the subject at [wypf.org.uk/payingextra](http://wypf.org.uk/payingextra)

Paying extra can be an effective way to increase your income in retirement. Always consider taking independent financial advice.



**PRUDENTIAL**

## 50/50 The flexible option

When money's tight, long-term plans like pensions can suffer. But in the LGPS there's a way to stay in the scheme and pay less for a while – it's called the 50/50 option. Find out if this short-term solution is right for you at [wypf.org.uk/5050](http://wypf.org.uk/5050)

## Moving house?

Don't forget to tell us!  
Phone 01274 434999 or  
Email [pensions@wypf.org.uk](mailto:pensions@wypf.org.uk)

## We're anti fraud

We've been taking part in the National Fraud Initiative (NFI) for many years to help protect the money members pay into the pension fund.

The NFI has helped trace going on for £1.2 billion in fraud, error and overpayment in the UK since its launch in 1996.

The NFI matches electronic data within and between public and private sector bodies to prevent and detect fraud. Under the Fair Processing and the Data Protection Act we have to tell you that your data will be processed in this way.

# Lincolnshire fund report 2016

## Introduction by Jo Ray – Pension Fund Manager, LPF

At the end of 2015/16 our net asset value was £1.759 billion – an increase of £2.8 million from the previous year-end.

Our Pensions Committee meets quarterly and reviews asset allocations and our strategic benchmark, based on expected investment returns. It also monitors administration performance, and provides governance across all aspects of the fund. The Lincolnshire Pension Board began to assist the committee and oversee fund governance and administration from 1 April 2015 when our shared-service partnership with West Yorkshire Pension Fund also began, following the end of the Mouchel contract. Despite some big

challenges over the year, we are starting to see the benefits we hoped for, namely improving the quality of service for members while also improving resilience and bringing efficiency savings to the Lincolnshire fund. The government's requirement for funds to pool assets has kept us very busy working with 12 other funds to form the **Border to Coast Pensions Partnership**. Much more work is required to meet the April 2018 deadline.

This summary gives a flavour of our draft **Report and Accounts**, which we will publish on [lincolnshire.gov.uk](http://lincolnshire.gov.uk) and [wypf.org.uk](http://wypf.org.uk) in October 2016.

## Lincolnshire Pension Fund performance

Our investment return was 1.0% in 2015/16, 0.8% below the return for the fund's strategic benchmark of 1.8%. It was a mixed year for managers' performance, with returns ranging from -12% to +12%.

Actual investment performance against the fund's strategic benchmark performance is set out in the table below. Our annual return of 1.0% (as measured by the fund's performance measurement provider, J.P.Morgan) compares well to the average Local Authority return of 0.2%. The longer-term return, whilst behind the benchmark, is ahead of the long-term required return set by our actuary of 4.6%.



## Fund account

<b>Opening assets of the fund at 1 April 2015</b>	<b>£1,756.3m</b>
<b>Investment return and income</b>	
Return on investments	-£23.1m
Investment income	£27.9m
<b>Dealing with members</b>	
Benefits paid	-£83.4m
Contributions (including transfer in £7.1m)	£92.4m
<b>Management expenses</b> (including administration, manager fees and governance)	-£11.0m
<b>Closing net assets of the fund at 31 March 2016</b>	<b>£1,759.1m</b>
Closing net assets made up of	
• Market value of fund investment portfolio	£1,744.2m
• Net current assets (debtors, overdraft and creditors)	£14.9m
<b>Total (closing assets of the fund at 31 March 2016)</b>	<b>£1,759.1m</b>

## Ten biggest equity holdings at 31 March 2016

	Company	Market value	Percentage of total fund
1	Royal Dutch Shell	£25.1m	1.4%
2	British American Tobacco	£20.9m	1.2%
3	Reckitt Benckiser	£17.4m	1.0%
4	Microsoft	£17.2m	1.0%
5	Apple	£16.9m	1.0%
6	HSBC	£16.2m	0.9%
7	Unilever	£15.4m	0.9%
8	Alphabet	£14.0m	0.8%
9	GlaxoSmithKline	£12.6m	0.7%
10	Vodafone	£11.8m	0.7%
<b>Total</b>		<b>£167.5m</b>	<b>9.6%</b>

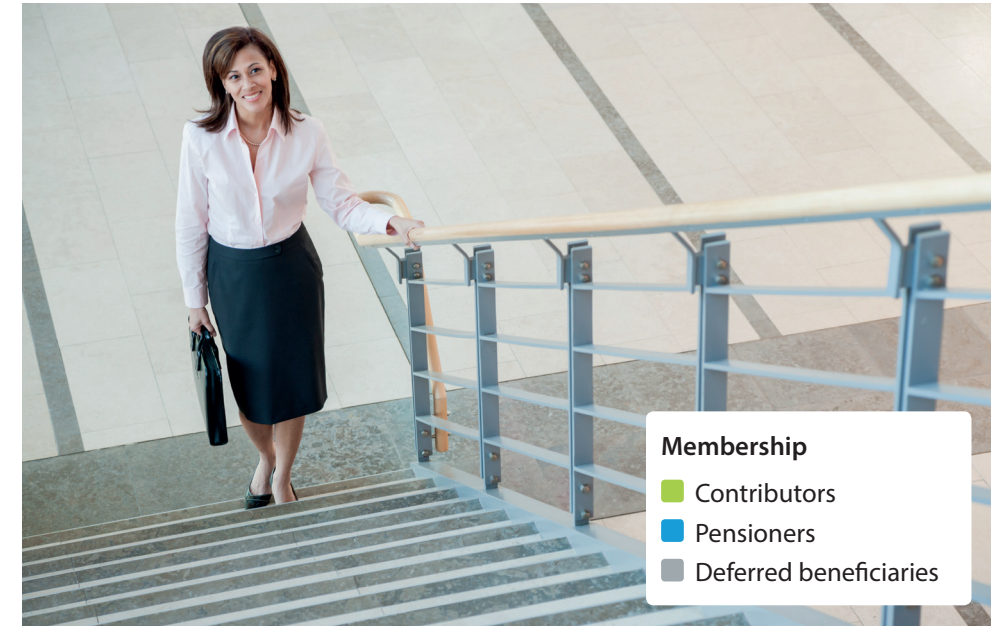
## LPF investment management arrangements

The arrangements for segregated management of the fund's assets, in place at 31 March 2016, are set out below. Portfolio values include cash at the balance sheet date.

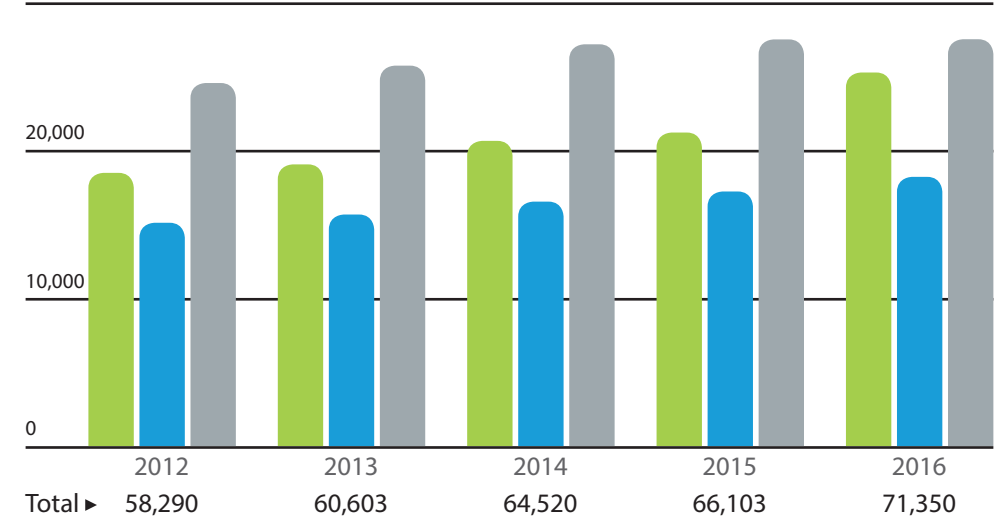
Segregated investment management mandates				
Asset class	Manager	Market value £m	% of the fund	
UK equities	Lincolnshire County Council	332.9	18.9	
Global equities – (Ex UK)	Invesco	365.3	20.8	
Global equities – all countries	Neptune	81.7	4.6	
Global equities – all countries	Schroders	88.5	5.0	
Global equities – all countries	Threadneedle	94.7	5.4	
<b>Total segregated equities</b>		<b>963.1</b>	<b>54.8</b>	
Pooled funds				
The fund also invests in a number of asset classes by means of collective investment vehicles, also known as pooled funds.				
Asset class	Manager	Market value £m	% of the fund	
Property and infrastructure	Franklin Templeton	8.9	0.5	
	Igloo	4.4	0.3	
	Innisfree	27.4	1.6	
	Aviva	41.8	2.4	
	Royal London	21.2	1.2	
	Rreef	3.2	0.2	
	Blackrock	20.4	1.2	
	Standard Life	72.1	4.1	
	<b>Total UK property</b>		<b>199.3</b>	<b>11.3</b>
	Private equity	Capital Dynamics	15.8	0.9
Pantheon		27.2	1.5	
Standard Life		12.1	0.7	
EIG		1.2	0.1	
<b>Total private equity</b>		<b>56.3</b>	<b>3.2</b>	
Alternatives	Morgan Stanley	183.4	10.4	
<b>Total alternatives</b>		<b>183.4</b>	<b>10.4</b>	
Global equities	Morgan Stanley	99.0	5.6	
<b>Total global equities</b>		<b>99.0</b>	<b>5.6</b>	
Fixed interest	Blackrock	119.6	6.8	
	BMO	108.0	6.1	
	<b>Total fixed interest</b>		<b>227.6</b>	<b>13.0</b>

## Local Government Pension Scheme membership

There were 71,350 members and beneficiaries from 225 employers at 31 March 2016. The fund is reasonably mature, with deferred members (those no longer in the scheme but entitled to a pension at some point in the future) making up 39% of the overall membership, and pensioner members 26%.



30,000



The government's Freedom and Choice reforms offered some people more flexibility to access their defined contribution pension savings from April 2015. But if you're wondering if these new freedoms include you, the short answer is that they don't. The LGPS is a **defined benefit** pension scheme and Freedom and Choice is only for members of **defined contribution** schemes.

- But you do have some options in the LGPS:
- You can give up some of your pension to get a lump sum when you retire
  - If you have AVCs you may be able to take them all as cash from age 55 when you retire
  - You have the right to transfer your pension and/or AVCs to another arrangement with flexible benefits if you leave the LGPS.
- Take advice before doing anything.

Read more at [www.wypf.org.uk/FreedomAndChoice](http://www.wypf.org.uk/FreedomAndChoice)  
[www.pensionwise.com](http://www.pensionwise.com)

~ Always take independent financial advice ~



**Pension scams – don't fall prey**

Pension liberation fraud is when 'scammers' use incentives to entice you to transfer your pension savings, and it's on the rise. For most people the offers will be bogus. Fall for it and you'll probably lose most, if not all of your pension savings. You could also be charged over half the value of your pension in tax.

See [www.pension-scams.com](http://www.pension-scams.com) for the facts.

CONTRIBUTIONS

**How much do I pay?**

Your employer decides your contribution rate based on which 'band' your pay is in. The bands, not the rates, are revalued each year.

From 1 April 2016 to 31 March 2017

Pay	Contribution rate
Up to £13,600	5.5%
£13,601 to £21,200	5.8%
£21,201 to £34,400	6.5%
£34,401 to £43,500	6.8%
£43,501 to £60,700	8.5%
£60,701 to £86,000	9.9%
£86,001 to £101,200	10.5%
£101,201 to £151,800	11.4%
More than £151,801	12.5%

THE 50/50 SECTION

**Can I pay less for a while?**

Go 50/50 and you can pay half your regular pension contributions for a while. Continue building up some pension and keep the full protection of the pension scheme's generous death benefits. But think carefully – you will get half the pension for the contributions you pay while you're in the 50/50 section.

TAX ALLOWANCES

**2016/17 HMRC allowances**

- Annual Allowance – £40,000 but with a tapered reduction to a min of £10,000 depending on earnings.
- Lifetime Allowance – £1m

Pension scheme at-a-glance

- Build up rate of 1/49th of your pay a year
- Revalued yearly by treasury order
- Build up rate for survivor benefits 1/160th
- Pensions in payment go up yearly by CPI

**What pay counts towards my pension?**  
Actual pay including overtime, and additional hours if you're part time

**Can I reduce my contributions?**  
You can temporarily pay 50% contributions to get 50% pension

**What's my normal pension age?**  
Your state pension age (minimum 65)

**Can I trade pension for lump sum?**  
Yes – get £12 lump sum for every £1 pension you trade

**What death grant's paid if I die 'in service'?**  
A lump sum of at least three times your pensionable pay

**How's my pension enhanced if I retire because of ill health?**  
Depends if it's tier ①, ② or ③...  
① ... enhancement to normal pension age  
② ... 25% enhancement to normal pension age  
③ ... temporary payment of pension for up to three years

**How long do I have to pay in to be entitled to a pension?**

Two years



# Pension fact card

Once again we're including a copy of our pension fact card in this newsletter that you can cut out, fold up and keep handy if you want to. It has all our contact details, your contribution rates for the year, reminders about key issues and a summary of the main features of the pension scheme.

**Don't forget to follow us on Facebook and Twitter. We won't overwhelm your feeds with stuff about pensions, but we will make sure you don't miss out on anything important.**

**For everything else, join us at [www.wypf.org.uk](http://www.wypf.org.uk)**

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The information in this newsletter relates to active members only and can't be treated as a statement of law.

Please contact us if you would like this newsletter in large type, Braille, on tape or in another language.

# Pension scams

## Don't be a victim!

A joint pensions industry and government operation is working to stamp out pension scams, also known as **pension liberation fraud**.

Pension scammers use incentives to entice members to transfer their pension savings. For most people the offers will be bogus.

They claim they can help members access their pension before the legal minimum age of 55. But it's normally only in rare circumstances, such as ill health, that you can take retirement benefits before age 55.

If you are taken in by a pension scam and agree to transfer, you will probably lose most, if not all, of your pension savings. You could also receive tax charges of over half the value of your pension.

## Transfer time limit warning

If you do decide to transfer your pension after taking appropriate advice, please bear in mind that except for transfers to 'Club' schemes, you must leave the scheme and choose to transfer your pension at least one year before your Normal Pension age. You can read more about all the issues on our website and at the official scams site –

[www.pension-scams.com](http://www.pension-scams.com)

## DEATH BENEFITS

### What does my family get if I die?

If you die while you're paying in, we'll pay a death grant of at least three years' pay to those you leave behind. Just make sure you tell us who should get the money by filling in a death grant 'expression of wish' form (you can get one from [wypf.org.uk](http://wypf.org.uk) where you'll find more info about dependants' pensions too).

## PAYING EXTRA

### How can I get a bigger pension?

There are two ways to pay extra and get a bigger pension.

#### APCs

Buy up to £6,675 of guaranteed extra yearly pension in the LGPS with additional pension contributions. Pay monthly or by lump sum. The pension you buy is inflation-protected, both before and after retirement.

Find out more at [www.wypf.org.uk](http://www.wypf.org.uk).

#### AVCs

With additional voluntary contributions you can buy extra pension and lump sum at retirement. You pay a percentage of your salary or a set amount through one of our AVC providers. AVCs are flexible – you can change your payments, take a break, or stop paying at any time.

Read more at:

[www.pru.co.uk/localgovavc](http://www.pru.co.uk/localgovavc)

## Contact

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Weekdays 8.00am to 5.15pm (4.45pm Fridays)  
Ask at reception for the pensions team

See [www.wypf.org.uk](http://www.wypf.org.uk) for more about the information covered in this leaflet



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[facebook.com/westyorkshirepensionfund](https://facebook.com/westyorkshirepensionfund)

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# Pension fact card



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