

Shetland Islands Council

Pensioner Members - Pensions Newsletter

JUNE 2020



WELCOME TO THE JUNE 2020 PENSIONER MEMBERS NEWSLETTER. The purpose of this newsletter is to keep all of our pensioner members informed about the Shetland Islands Council Pension Fund and Local Government Pension Scheme (LGPS) matters in general.

CORONAVIRUS & SERVICE UPDATE

Following Government advice, our offices continue to remain closed until further notice, with most staff working from home to maintain our key services. The Pension Section remains functional and **pensions continue to be paid**. While the Government advice remains in place, the Pension Section is operating as follows:

- **Phone:** You can continue to contact us by phone on: **01595 744644**
- **Email:** You can continue to email us at:

Pensions-FinanceServices@shetland.gov.uk
- **Visiting:** It is still not possible for appointments, drop-ins or face-to-face meetings to take place.
- **Mail:** There is a limited mail service in operation.
- **Payslips:** We are still unable to print paper payslips.

We send our best wishes to you and your family during these unprecedented times and hope that you are staying safe and well.

THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) AND STOCK MARKETS

There has been a lot of disturbing news lately about the fall in stock markets and the potential resultant impact on **defined contribution** pensions.

The LGPS is a **defined benefit scheme**. **Defined benefit** pensions are **not** linked to stock market performance and therefore remain unaffected by any movement in financial markets.

Although short term investment values may vary, the LGPS as a long-term investor is securely managed to address any longer term impacts.

LGPS members can therefore be assured that both their contributions and their pension, whether in payment or built up to date, will be unaffected.

2020 PENSION INCREASE

The pension increase for 2020 was **1.7%**. This follows increases of 2.4 % for 2019, 3.0% for 2018, 1.0% for 2017, 0% for 2016 and 1.2% for 2015.

The 2020 increase took effect from **Monday 6 April 2020**. The increase is linked to the Consumer Price Index at September 2019. If you retired from being an active member and your pension commenced after 9 April 2019, but before 21 March 2020, you will only have received part of the annual increase.

Your June 2020 pension payment includes the increase along with arrears due for the period 6 April 2020 to 31 May 2020.

If you retired early before age 55, your pension is paid at a flat rate until age 55. It will then be increased to the level it would have been, had it been increased every year by the rise in cost of living since your early retirement.

Shetland Islands Council Pension Fund has no discretion in applying the pension increase rate. It is bound by the provisions of the Pension Increase Act of 1971 and 1974, to increase pensions as instructed by the Government.

TAX CODE QUERIES

We receive many queries about tax codes. We do not set your tax code. We must apply the tax code to your pension as advised to us by HMRC. We are unable to change tax codes without HMRC providing an updated code electronically. HMRC will not speak to us about your tax code, therefore you must contact them directly.

You can contact HMRC by telephoning them on **0300 200 3300** or visiting www.gov.uk/incometax. Please have your National Insurance number available, along with the Pension Fund's PAYE reference number which is: **961 9902097**. You can also write to them at:

H.M. Inspector of Taxes
Centre 1 Tax Office
Queensway House
East Kilbride
Glasgow
G79 1AA

One reason your tax code may change is if you have started receiving your State Pension. Any tax-free Personal Allowance you may have is allocated to your state pension first, so you may need to pay more tax on your LGPS pension.

HMRC has introduced a new service that allows people to view their own personal Tax Account. It is quick to set up and you can deal with HMRC online at a time that suits you. Go to www.gov.uk/personal-tax-account and follow the instructions.

Tax Help for Older People is a service from the charity Tax Volunteers providing free, independent and expert advice for older people on lower incomes who cannot afford to pay for professional tax advice. You can contact them on www.taxvol.org.uk.

STATE PENSION INCREASE

On 6 April 2020, the basic State Pension increased by **3.9%**. For more information on your State Pension please visit the Department for Work and Pensions at www.dwp.gov.uk or call **0345 606 0265**.

CLAIMING THE STATE PENSION FROM 6 APRIL 2016

The UK Government introduced a change to the State Pension on 6 April 2016 for those who became eligible after that date. If you reached State Pension Age after the 6 April 2016, you can claim the new State Pension. If you are currently receiving the State Pension, you will not be affected by the change.

You can still get a State Pension if you have other income like a personal pension or a workplace pension such as the one you receive from the Pension Fund.

If your State Pension is not in payment, you can check how much you'll be eligible for and when you can claim it. Visit the Government's website www.gov.uk/check-state-pension to see your forecast.

You can find out more information regarding the new state pension at www.gov.uk/new-state-pension.

RETURNING TO LOCAL GOVERNMENT TO WORK

You must notify us immediately if you retired early on the grounds of redundancy or efficiency, and then become re-employed by an organisation that participates in the LGPS.

In fact, we recommend that you check with us before commencing employment, so that we can make you aware of any pension implications.

Retirement benefits already paid can become subject to "unauthorised payment" tax charges (**at 55%**) if you are under 55 and become re-employed within 6 months in a job that is **NOT** materially different to the job you retired from.

If you retired on redundancy or efficiency grounds with additional service granted by your employer (often referred to as Compensatory Added Years (CAYs)) and you return to local government work, your additional service pension may be reduced and/or permanently suspended. Overpayments of the CAY pension element due to re-employment will have to be repaid.

Your pension will not be affected if you take up employment with an employer who is not in the LGPS.

GENERAL DATA PROTECTION REGULATIONS (GDPR)

The General Data Protection Regulation (GDPR) which came into force on 25 May 2018, has changed how organisations process and handle data, with the key aim of giving greater protection and rights to individuals. The Data Protection Act 2018 came into force on the 23 May 2018 to incorporate this new legislation.

LGPS NATIONAL INSURANCE DATABASE

The 2018 LGPS Regulations state that when a member dies, the Fund must check any other LGPS benefits held with another Scottish LGPS Fund. This is to ensure the correct death benefits are paid. This has resulted in the development of a national database. The data held is processed in accordance with the Data Protection Act 2018 and other relevant legislation.

You cannot opt out of us sharing your data, as this is required to comply with a legal requirement. The data shared is your National Insurance number, membership status, the last calendar year the membership status changed and the LGPS Fund.

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 make a nomination for the lump sum.**

Depending on the regulations you retired under, and if certain criteria is fulfilled, there may be a provision for a co-habiting partner pension. Further information on this can be obtained from the Pensions Section.

If you are the guardian of a child being paid a child's pension, please note that once they attain the age of 17, we must be told immediately if they stop full-time education or training. The pension is paid up to the earlier of the date they stop full time education or training, or age 23. Any overpayment must be repaid.

LUMP SUM PAID ON DEATH

We have ultimate discretion over who a lump sum is paid to on death. By completing a nomination form, you can tell us who you would like to receive any lump sum payable on your death. This will ensure quick and accurate payment after your death to the person or persons that you would like the lump sum to be paid to.

If you die before age 75 there may be a death gratuity payable. If there is, it is calculated based on the rules of the LGPS regulations you retired under.

If you have not completed a nomination form or want to change your nomination, a form can be obtained from our Website at: <https://www.shetlandpensionfund.org> or contact the Pensions Section and we will send you the appropriate form.

LIFETIME ALLOWANCE AND ANNUAL ALLOWANCE

If you have pension benefits that are not yet being paid, you should be aware that the UK Government sets limits on the amount of pension benefits you can save each year (the Annual Allowance), and the total savings you can build up (the Lifetime Allowance).

If these limits are exceeded, then a tax charge may be payable. If you received a Pension Savings Statement from a pension provider confirming you had exceeded your Annual Allowance, you require to declare the annual allowance tax charge on your self-assessment tax return.

SCHEME YEAR 2019/20

In the course of the year the Shetland Islands Pension Fund reduced from **£497 million** at 31 March 2019 to **£461 million** at 31 March 2020.

The table below summarises the membership of the scheme over the past 3 years.

	2017/18	2018/19	2019/20
ACTIVE	3,358	3,339	3,472
DEFERRED	2,044	2,193	2,293
PENSIONERS/DEPENDANTS	1,851	1,967	2,077
TOTAL	7,253	7,499	7,842

INVESTMENT PERFORMANCE

At the start of 2019/20 the investment markets rose reasonably steadily despite ongoing trade tensions between the US and China, and Brexit uncertainty between the UK and Europe. The protests in Hong Kong and political uncertainty in Italy brought some concern to the markets during 2019, but by the end of 2019 the main impact on the markets was the US the trade war with China which was beginning to see some resolution, and the UK election result in December 2019 that gave more clarity as to the UK's position. This had resulted in equity markets mainly rising during 2019. This equity market performance continued into the start of 2020 until around the middle of February when the global equity markets started to get very concerned about the Coronavirus pandemic. This concern increased and the resulting fall in equity markets was severe and quick just before the year end.

The best performing sector in 2019/20 was bonds with UK Index Linked Gilts producing a return of 2.4%, followed by Corporate Bonds at 1.4%. Equity markets produced a large range of returns from the Pacific Region returning -19.8% to Japan with -1.9%, but all equity markets were negative over the financial year due to the impact of the Coronavirus near the end of 2019/20. Cash returns remain low due to the current low UK interest rate position.

Over the first few months of the 2020/21 financial year equity markets have started to rise and recover some of the February/March fall, as countries have seen their lockdown measures having an effect, along with countries using various monetary options to help stimulate their economies.

The Pension Fund's investments have risen in value since March 2020, standing at an unaudited value of £510 million on the 31st May 2020.

PENSION FUND ACCOUNTS 2019/20

The Pension Fund accounts have been prepared with regard to statute and the Code of Practice on Local Authority Accounting in the United Kingdom and summarise the transactions and net assets of the Fund. An extract from the Pension Fund accounts is shown in this leaflet, with a full copy of the accounts being available from 20 July 2020 on the Council's website at the following link: http://www.shetland.gov.uk/about_finances/

At the end of March 2020 the Pension Fund was invested as follows:

	£000	%
Managed Funds	167,442	36.5
Unit Linked Insurance Policies	192,030	41.8
Pooled Property Unit Trust	51,401	11.2
Fixed Income Unit Trusts	38,023	8.3
Property income due	133	0.0
Unitised Liquidity Fund	206	0.0
Property Debt	2,243	0.5
Cash deposits	7,882	1.7
Total	<u>459,360</u>	<u>100.0</u>

Performance

The fund's overall performance is measured against an agreed performance benchmark (i.e. market return where funds invested) and recorded on a quarterly basis. The following table compares the performance of the SIC Pension Fund against the set benchmark over the past five years.

	2015/16	2016/17	2017/18	2018/19	2019/20	3 Year Annualised	5 Year Annualised
	%	%	%	%	%	%	%
Fund Return	1.0	19.0	2.3	8.1	(7.3)	0.8	4.3
Fund Benchmark	2.0	19.1	3.3	8.9	(3.6)	2.7	5.6
Performance	<u>(1.0)</u>	<u>(0.1)</u>	<u>(1.0)</u>	<u>(0.8)</u>	<u>(3.7)</u>	<u>(1.9)</u>	<u>(1.3)</u>

YEAR ENDED 31 MARCH 2020

	2019/20		2018/19	
	£'000	£'000	£'000	£'000
Dealings with members, employers and others directly involved in the scheme				
Contributions	(18,573)		(17,694)	
Transfers in from other pension funds	(1,371)		(1,503)	
Other income	<u>(0)</u>		<u>(1)</u>	
		(19,944)		(19,198)
Benefits Payable	15,427		14,509	
Payments to and on account of leavers	719		525	
Management expenses	1,929		1,917	
Other payments	<u>31</u>		<u>170</u>	
		<u>18,108</u>		<u>17,121</u>
Net (additions)/withdrawals from dealings with Members		(1,838)		(2,077)
Returns on investments				
Investment income	(4,130)		(3,417)	
(Profits) and losses on disposal of investments and change in their market value	<u>42,400</u>		<u>(31,419)</u>	
Net returns on investments		<u>38,270</u>		<u>(34,836)</u>
Net (increase)/decrease in net assets available for benefits during the year		<u>36,432</u>		<u>(36,913)</u>
Opening net assets of the scheme		(497,132)		(460,219)
Closing net assets of the scheme		(460,700)		(497,132)

**NET ASSETS STATEMENT
AS AT 31 MARCH 2020**

	2019/20		2018/19	
	£'000	£'000	£'000	£'000
Investment Assets		459,360		459,465
Current assets				
Debtors	1,722		1,970	
Bank Current Accounts	<u>1,572</u>		<u>1,788</u>	
		3,294		3,758
Current liabilities				
Sundry Creditors	(468)		(495)	
Benefits Payable	<u>(1,486)</u>		<u>(1,596)</u>	
		<u>(1,954)</u>		<u>(2,091)</u>
Net Assets of the Fund available to fund benefits at financial year end		<u>460,700</u>		<u>497,132</u>

The 2019/20 figures are unaudited.

COMMENTS AND SUGGESTIONS

Please get in touch with us if you have any comments or suggestions about this newsletter or our website.

ANY QUESTIONS?

If you have any questions after reading this newsletter, please do not hesitate to contact the Pensions Section, who will be pleased to help.

CHANGE NAME/ADDRESS/MARITAL STATUS/GENDER

If you change your name, address, marital status or gender, please remember to advise the Pensions Section.

CHANGE OF BANK ACCOUNT DETAILS

If you change your bank account details, please either write to us or contact us for a new bank mandate. We cannot accept changes over the phone however due to the current Covid-19 situation, we may be able to accept changes electronically.

If you would like to submit bank details electronically the please phone the Pensions Section first to discuss.

CONTACTING THE SHETLAND ISLANDS COUNCIL PENSIONS SECTION

Team Leader – Expenditure:	Mary Smith	Tel: 01595 74 4644
Pensions Supervisor:	Lisa Chapman	Tel: 01595 74 4662
Pensions Officer:	Gavin Philip	Tel: 01595 74 4693
Pensions Officer:	Ruth Wood	Tel: 01595 74 4619
Pensions Officer:	Sandra Eldridge	Tel: 01595 74 4652
Pensions Assistant:	Martin Lumsden	Tel: 01595 74 4663

Address: Shetland Islands Council, Corporate Services – Finance: Pensions Section, 8 North Ness Business Park, Lerwick, Shetland, ZE1 0LZ

Website: <https://www.shetlandpensionfund.org/>

We are confident that at the time of publishing the information contained in this Newsletter is accurate, but you should be aware that nothing within can override the regulations governing the scheme.