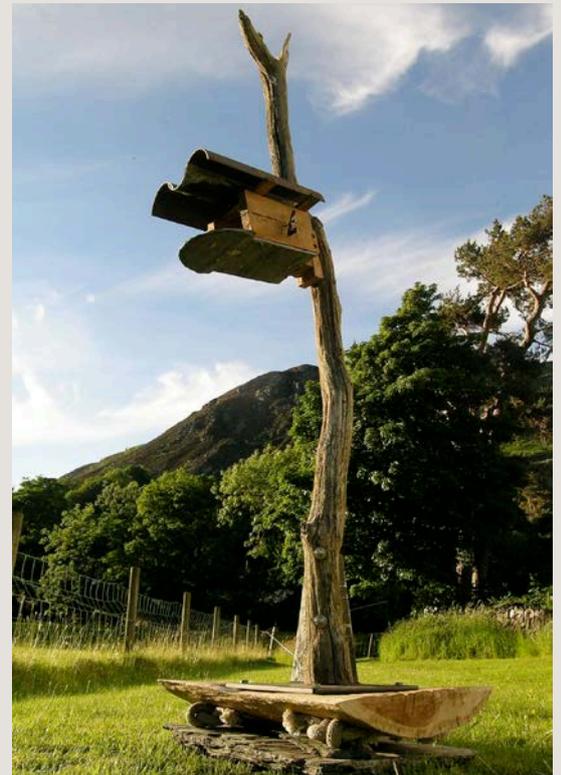


The Arts Council Retirement Plan (1994)

Trustees' Report

June 2016 | Issue 17



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A message from Chris Daykin



Welcome to the 17th edition of the Trustees' Report.

What's inside?

Update on the Plan's finances

In this edition we provide you with an update on where the Plan's funds were invested as at 31 March 2016, and how the investment market performed over the last year. You will be able to find this on page 7.

The latest Plan actuarial valuation is currently underway, the results of which we will report once they are available.

An actuarial valuation is where the Trustees work closely with the Plan actuaries to produce figures that show the value of the Plan's liabilities and assets, which will highlight any mismatch and therefore any deficit or surplus in the Plan's funds.

MNT election results

I am pleased to report that Mark Harrison has been reappointed as our Pensioner Nominated Trustee. He has made a valuable contribution to the Trustee board and we look forward to continuing to work with him.

Pension news

Over the last year, the government has made many pension changes, so we've included a reminder of the new annual allowance and lifetime allowance limits, as well as the overhaul of the State Pension Scheme, which has very recently come into effect as at April this year. This includes the introduction of one flat-rate State Pension (the 'new State Pension'), to replace the 'old' State Pension, which was previously made up of two parts: the basic State Pension and the State Second Pension. It's important to understand these changes and how they affect you, which is why these changes are explained in this latest edition on page 4.

In addition to this, there have been some changes to the State Pension Age. You can find out more about these, as well as some news from the Budget 2016, on page 5.

Chris Daykin,
Chairman of the Trustees



The Trustees are reviewing communications with members, and particularly the role of this twice a year report. We would like to move to providing most of this information by email and on the Arts Council England website – see section on page 3 about the new website. Using email may make it easier

to keep in touch with deferred members and will make some savings on expenses. We would very much like to receive your views on the way forward, by email to arts.council@hymans.co.uk or phone or mail (contact details on page 8).

Plan news

Benefits for unmarried partners

Nominate your partner for dependants' benefits

We are delighted to announce that, in collaboration with the sponsoring employers, it has been agreed that unmarried partners can now be nominated to receive benefits, which before could only be paid to a legal spouse.

If the following conditions apply, you can nominate your partner to receive your Plan benefits if you die before them and do not have a legal spouse*:

- You and your partner have been co-habiting in an exclusive, committed, long-term relationship.
- Your financial affairs are interdependent, or one of you is financially dependent on the other, and you are responsible for each other's welfare.

- Neither of you has been prevented from marrying or entering a civil partnership.
- Neither of you are married to – or in a civil partnership with – anyone else and neither of you are the nominated partner of anyone else.

You can only have one declared partner at a time and you can update your declaration, or cancel it, at any time. If you want to nominate your partner, a form is available from the Plan's administrators whom you can contact using the contact details on page 8.

Remember, if you want your partner to receive any lump sum death benefits when you die you must also complete a separate Nomination* Form available from the same address.

**You nominate and the Trustees will then take your nomination into account when they exercise their discretion in paying the lump sum.*

New website

The new Arts Council England website has recently gone live, and includes a page dedicated to the Plan, where you'll find lots of useful information about the Plan such as:

- A copy of the latest guide to the Plan
- The latest annual report

- Statement of investment principles
- Statement of funding principles

This is found at the following link:

www.artscouncil.org.uk/working-us/arts-council-england-retirement-plan



Eye Queue Hear

In the news

Pension changes from April 2016

Annual allowance and lifetime allowance recap

- 1. Reduction in tax relief:** tax relief is to be reduced for people with an 'income' of more than £150,000 per year. This will apply from 6 April 2016 and will be delivered by tapering off the current Annual Allowance from £40,000 for those with an 'income' of £150,000, down to £10,000 for those with an 'income' of above £210,000. Because of the definition of 'income', this is a complex area. In particular, 'income' includes all contributions to your pension over the year.
- 2. Lifetime Allowance reduction:** from April 2016 the maximum amount that can be saved into a pension tax-free over the course of a lifetime reduced from £1.25 million to £1 million. Transitional Protection will be available for some members. From April 2018 the Lifetime Allowance will rise each year in line with the annual increase in the Consumer Prices Index (CPI).

These are complicated changes. If you think you might be affected we strongly recommend that you seek financial advice. You can find an adviser near you at www.unbiased.co.uk You're responsible for paying any fees incurred.

You and the State Pension

Previously, there were two parts to the State pension:

- 1. The Basic State Pension:** a regular payment from the Government paid when you reach your 'State Pension Age'. You had to have paid, or been credited with, National Insurance contributions for the required number of years to receive it.

The most you could get was £115.95 a week (£119.30 from April 2016).

- 2. State Second Pension** (previously known as the State Earnings Related Pension Scheme

(SERPS)): this was an extra amount of money on top of the Basic State Pension. How much you got depended on your earnings and National Insurance contributions over your working life.

What's changed:

From April 2016 the Government combined the Basic State Pension and the State Second Pension into one flat-rate State Pension (the "new State Pension").

This means that in future there will be no second pension to contract-out of. So, you will now be paying full National Insurance contributions and building up credits towards the new State Pension.

You will have received a starting credit that reflected your National Insurance record up to April 2016.

Now with each year that you pay the required National Insurance contributions this will add £4.44 a week towards your new State Pension, until you reach the new maximum of £155.65 a week. This will take 35 years for someone with no starting credit. Depending on your age and the size of your starting credit, you may find that you do not reach the new maximum.

If you were contracted out of the Second State Pension in the past, then you may also receive less State Pension because you were paying less National Insurance.

For further information on the new State Pension and how your credit builds up please refer to: www.gov.uk/new-state-pension/overview

For those already in retirement, and therefore receiving the "old State Pension", from 6 April the basic State Pension will increase by £3.35, totalling £119.30 per week. The 2.9% increase is the greatest in the past 15 years.

State Pension Age

This is the age you can begin to receive your State Pension. For many years it was 65 for men and 60 for women but since 2010 the age for women has been increasing to match men's. As a result, State Pension Age will rise to:

- 65 for women by 2018;
- 66 for both men and women by 2020;
- 67 for both men and women by 2028; and
- then 68 for both men and women by 2046 (but subject to review).

The Government plans to review the State Pension Age at least once every five years,

based on life expectancy and other factors. The first review will take place in 2017. Any change would not affect the timetable for moving the State Pension Age up to 67, but it could bring forward the date when the State Pension Age is increased to 68. Further increases are likely beyond 68, affecting most probably those born in 1980 and later.

There is a calculator to help you work out your personal State Pension Age (based on current legislation) at:

www.gov.uk/calculate-state-pension

Budget 2016

Introducing the Lifetime ISA

The major 'pension' news from the March 2016 budget was the introduction of a 'Lifetime ISA'.

An ISA is a tax-free way of saving money each year. They've been around for years.

So what's new about this ISA?

From April 2017, if you're under 40 you'll be able to save up to £4,000 a year into this new ISA:

- The Government will also top up your savings by 25% each year until your 50th birthday. So for every £4 you pay in, the Government pays in £1.
- You would need to decide where to invest your lifetime ISA.

What can I do with the money I save into the lifetime ISA?

You can either use the money in your Lifetime ISA:

- to buy your first home (maximum price of £450,000); or
- take it as cash when you're 60 or older – a bit like taking your money from a pension plan.

Anything else I need to consider?

You can take your money at any time and use it for other reasons, but you should bear in mind that the advantages will no longer apply:

- You'll lose the top-up money that the Government has paid in.
- You'll pay an early withdrawal charge of 5%.
- You'll lose any extra money you made from investing it.

Also, you should be aware that any money you save into a Lifetime ISA will reduce the amount you can save into any other ISA arrangement each year. (The total annual amount you'll be able to save into all ISAs from April 2017 is £20,000.)

If you'd like to know more about the 'Lifetime ISA', you can find more information at:

www.gov.uk/government/publications/lifetime-isa-explained

Pensions and Financial Advice

For advice and further information on pensions and financial planning the two websites usually recommended are:

www.moneyadviceservice.org.uk – for advice on retirement and financial planning.

Budget 2016 continued

www.pensionwise.gov.uk – a free and impartial service provided by the Government to help you understand what your retirement choices are if you have defined contribution pensions savings.

However, as part of the budget, it was announced that The Money Advice Service, Pensions Advisory Service and Pension Wise

will be restructured to create a new, single organisation, which will provide official pensions guidance for people of any age.

The Government will also ensure that the pensions industry launches a 'pensions dashboard', from which people will be available to obtain information about their total retirement savings, by 2019.



Deblozay - LIFT. London International Festival of Theatre 2014 © Bushido

Jargon alert

Absolute return

Describes funds that invest in a range of different asset classes simultaneously with the objective of generating equity-like returns over the long-term, but with lower volatility than equities. Asset classes held within absolute return funds include equities, bonds, commodities and hedge funds.

Equities

Also known as shares, these are a type of security that indicates ownership in a company and represents a claim on part of the company's assets and future earnings.

Gilts

Bonds issued by the British Government. They are effectively loans to the British Government which provide a fixed rate of interest (or, in the case of index-

linked gilts, interest which goes up in line with the Retail Prices Index) and a final repayment on maturity, either fixed or index-linked.

Infrastructure

A specialist asset class that invests in a range of physical structures needed for the economy to function, such as airports, toll roads, rail, ports, energy resources and mobile phone masts.

These investments are long-term projects that are expected to generate returns that exceed inflation.

Corporate bonds

These are loans issued by companies, banks and large organisations. At a specified date the owner of the loan is paid a fixed amount of money. A rate of interest is usually paid on the money loaned.

Investment report

In this section we provide you with an update on the performance of the Plan's investments for the year to 31 March 2016. If you would like any more information, please contact us using the details on page 8.

Investment performance update

As you will see in the table below, the Plan's assets have generated a positive return over the last year, delivering a total return of 1.9% compared to the total benchmark return of 1.2%.

The Plan's infrastructure investments performed particularly well over the year due largely to a combination of a fall in sterling and the sale of one of the assets at a good price. The property holdings also performed strongly, continuing the trend seen over recent years.

Fund	Fund performance (%)	Benchmark performance (%)	Proportion of Plan's funds* (%)
Legal & General			
UK equity	-3.9	-3.9	13.2
Overseas equity (hedged)	-4.5	-4.6	13.1
Overseas equity (unhedged)	0.4	0.3	13.9
Corporate bonds	-0.7	-0.8	9.9
Fixed interest gilts	4.1	4	6.5
Index-linked gilts	1.9	1.9	14.1
Cash	0.4	0.4	0
Baillie Gifford			
Absolute return	-1.1	0.5	7.4
Newton			
Absolute return	1.7	4.6	7.6
Aviva			
Property	10.3	10.6	10.5
Arcus			
European infrastructure	37.5	6.7	3.9
Total Fund	1.9	1.2	100

*Total does not sum to 100% due to rounding.

Contact us

If you have any questions about the information included in this Trustees' Report, about the Plan or your benefits please contact the Administration team:



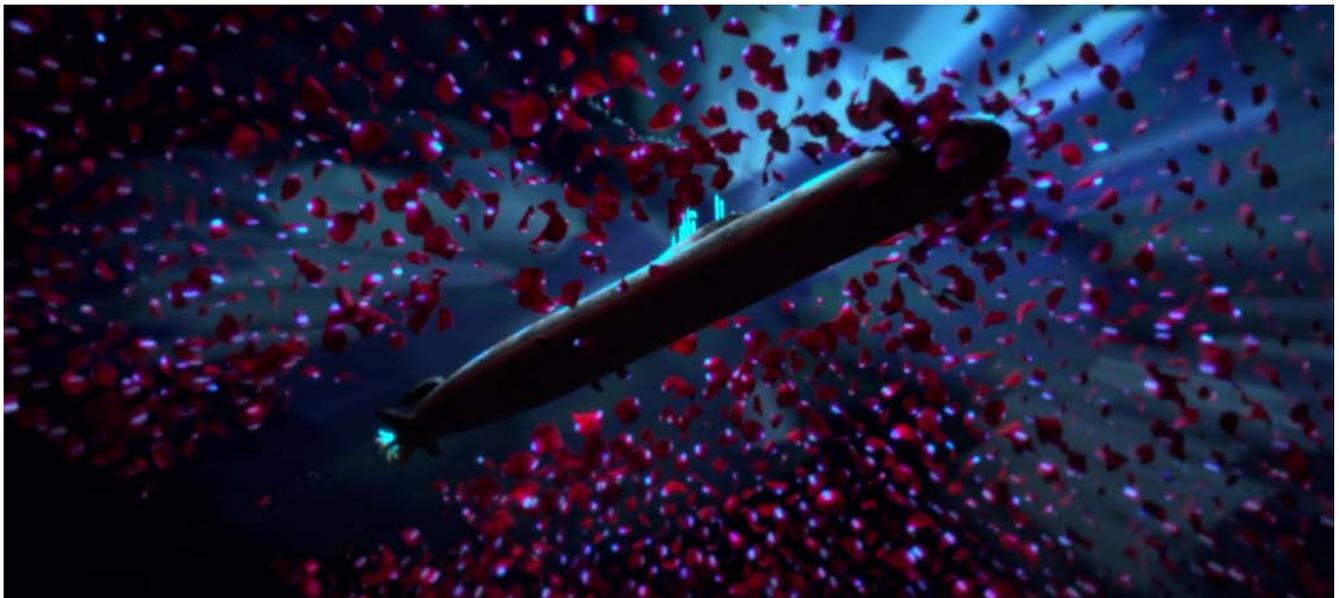
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Akula Dream Video. George Barber at Chapter, Cardiff

Cover images

Top left: Beamish, The Living Museum of the North

Top right: Coeden Symudol, a test piece for an animation installation The Wilderness - Sean Harris

Bottom: Music Plus recording day at Gorbals Sound, Scottish Music Centre. Credit: Scottish Music Centre

The Trustees' Report is available in large print, braille and audio formats. Please contact the Administration Team using the details above if you require any of these versions.

This report has been produced using paper from well managed forests.

The images in this Trustees' Report are provided to us free of charge by Arts Council England, Arts Council of Wales and Creative Scotland.