

London Borough of Hackney Pension Fund

PENSIONS NEWSLETTER

2014 Scheme – Career Average Revalued Earnings (CARE)

Just as a reminder, the new CARE Scheme came into effect on 1st April 2014, replacing the Final Salary Scheme, however, benefits built up before that date continue to be based on the Final Salary Scheme. For information on the new Scheme and what it means for you, please see <http://www.lgps2014.org/>



The cost to you

The cost to you of being in the Scheme is based on a series of contribution bands – a feature of the Scheme since 2008. Each year the bands nudge up in line with prices, to help make sure that if you get an ordinary pay award, it doesn't push you into a higher percentage band. Here are the bands which came in on 1st April 2015.

Your <u>Actual</u> Pensionable Pay	Main section %	50/50 section %
Up to £13,600	5.50	2.75
£13,601 to £21,200	5.80	2.90
£21,201 to £34,400	6.50	3.25

£34,401 to £43,500	6.80	3.40
£43,501 to £60,700	8.50	4.25
£60,701 to £86,000	9.90	4.95
£86,001 to £101,200	10.50	5.25
£101,201 to £151,800	11.40	5.70
£151,801 or more	12.50	6.25

Annual Pensions Statements

Active and deferred members of the Pension Scheme, will receive an annual benefit statement which gives an estimate of your individual benefits.

In the new CARE Scheme, your pension benefits after 1st April 2014 are based, each year, on your pay for that year, so it is even more important that we get accurate pay information from your employer. If your pay figure on the statement looks wrong, please query it with your employer as soon as possible. If you're still not satisfied, you do have a right of appeal.



Keeping your house in order



Don't forget you have lump sum life cover as a member! This means that if you die in service we will normally pay out a lump sum of three times your pay.

But have you thought about who this lump sum payment would go to if you died? There's an easy way of letting us know your wishes, and that's by filling in an expression of wishes form and telling us who you want

to nominate.

Even if you have already filled in a form, please do remember to keep it up to date - this is especially important if your circumstances change, or the person you've already nominated has died. If you want to change a nomination, all you need to do is fill in a new form, and that replaces any earlier ones.

You can find the form on the pension website:

<http://hackney.xpmemberservices.com/Members/Member-Forms.aspx>

If you don't fill in a nomination form, we will still pay out the lump sum, but we will use our discretion to decide who to pay it to - normally a spouse, partner, or your Executors. But it's far better to let us know your wishes.

Moving House – Do we have your correct address? Don't forget to let us know when you move house, otherwise we can't keep you informed about your benefits and update you with news that might affect you.



Summer Budget 2015 – How the announcements could affect your pension savings

The Government has announced further changes to the taxation of pension savings in the 2015 Summer Budget. The major change is the reduction in the maximum levels of pension savings which are eligible for tax relief. These changes take effect from 6th April 2016.

Scheme members who become subject to these tax charges have a responsibility to report them to HMRC on their annual tax return. If you have pension savings with other pension schemes or arrangements, you will need to total up all your pension savings to carry out this check yourself.

	Annual Allowance (AA)	Lifetime allowance (LTA)
What is it?	<p>The AA is the upper limit on the amount of benefit you can build up in any one year from all of your registered pension schemes, without incurring an additional tax charge. It is the 'value' of the growth in your pension benefits – not the amount you pay into the scheme. The AA can be affected depending on the level of your adjusted income and threshold income.</p> <p>Adjusted Income - Broadly speaking, this is your taxable income, excluding your employee pension contributions, plus the growth in your pension savings in any year.</p> <p>Threshold Income - Broadly speaking, this is your taxable income excluding your employee pension contributions.</p>	<p>This is the total value of all of the pension savings (excluding any state pension) you can build up by the time of your retirement before having to pay an additional tax charge.</p>

	<p>For example, a new Hackney Pension Fund member who earns £50,000 (after pension contributions have been deducted), has no other taxable income, and has an annual pension savings value of just over £16,300 i.e. a total "adjusted income" of over £66,000. Their "threshold income" will be £50,000.</p>	
<p>What's changed?</p>	<p>From April 2014 the AA was reduced to £40,000.</p> <p>From April 2016, the AA will be "tapered" down for anyone who has "adjusted income" of over £150,000 per year, if their "threshold income" is over £110,000 per year. The minimum annual allowance (for the highest earners) will be £10,000.</p> <p>This could affect a number of people with additional income, because adjusted income and threshold income include all taxable income (not just in your Hackney LGPS employment).</p>	<p>There have been no further changes to the LTA as a result of the new Budget, but in line with previous Budget announcements, the LTA will reduce from £1.25 million to £1 million from 6 April 2016. It will then increase annually in line with CPI inflation, starting from April 2018.</p>
<p>What do you need to do?</p>	<p>The AA continues to be at a lower level than in previous years. Pension savings in excess of the AA will potentially trigger a tax charge, although any unused AA from the previous three tax years can be carried forward and may help to reduce this charge. This could, for example, impact those middle level earners with long service who have received large pay increases in a short period of time (see the example* below)</p> <p>If you think you may have an "adjusted income" above £150,000 and threshold income above £110,000 but are uncertain of the exact level, you will not know for sure until the tax year is finished what your AA will be. You may wish to speak to Equiniti for help in estimating this more accurately.</p> <p>We have invited individuals who potentially will be affected by these tax charges to workshops during August. If you think you could be affected but have not been invited, and would like more information please contact pensions@hackney.gov.uk</p>	

**For example, a member with 26 years' service on 1 April 2016 who has a pay rise from £25,000 to £45,000 would have a growth in the member's annual pension saving of over £130,000 (this is large due to the impact of the increased salary on the member's Pre 2014 final salary benefits).*

The member would have to pay a tax charge on around £36,000 of his annual pension saving (assuming he had no unused annual allowance from previous years which could help to reduce this charge). Even if he did have unused allowance from previous years, a further big promotion (say to £60,000) in the following year would more than likely result in a tax charge. A tax charge can usually be paid through a reduction in pension benefits, rather than as a one-off lump sum.

Other changes in the Budget announcements included an extension of the 'Pension Wise' advice service to those aged 50 and above. Also, in future years the period of time over which you measure the AA will change – we'll give more details to members who may be affected in the workshops mentioned above.

Want to build up a bigger savings pot for retirement?

Tax free cash as easy as AVCs – AVC stands for additional voluntary contributions and it's one of the ways of topping up your benefits.

AVC FAQs

I've not looked into AVCs before.... what are they?

Short for Additional Voluntary Contributions, AVCs are simply a form of investment to build up a separate pot of money, which you draw as a separate pension, as tax free cash, or a bit of both. Funds like us use outside companies to run their in house AVC schemes, and Prudential is our AVC provider



Can I choose who to pay AVCs with?

No, if you want to have the kind of flexibility shown here, you need to pay AVCs with London Borough of Hackney's AVC provider, Prudential.

Can I choose how much or how little to pay in?

Within reason, yes. Although a very small AVC of say £1 a month would hardly be worthwhile. And at the other end of the scale, all members can pay up to 50% of their pay, and in some cases, even more.

Do I get tax relief?

Yes. If you are a basic rate tax payer, every £100 you pay in costs you £80 after tax relief. And as a higher rate tax payer, the cost is £60.

Can I change how much I pay in AVCs?

Yes - the beauty of AVCs is that they are very flexible - you aren't paying in a set contribution to get a set benefit. So you can easily increase or decrease what you pay in.

To find out more...

Simply go to Prudential's local government AVC website, where you can join online, or call the number shown.

www.pru.co.uk/rz/localgov/

Tel: **0800 151 3928**

Further Information & Contact Details

LBH Pension Fund Report & Accounts <http://hackney.xpmeberservices.com>

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London Borough of Hackney Pension Fund

Summary of Report and Accounts 2014-15



Investment
Awards 2013



WINNER

This newsletter summarises the Pension Fund's annual report and accounts for the year ending 31st March 2015. The full report can be found on the Fund's website <http://hackney.xpmemberservices.com>

The London Borough of Hackney (LBH) is the administering authority of the LBH Pension Fund.

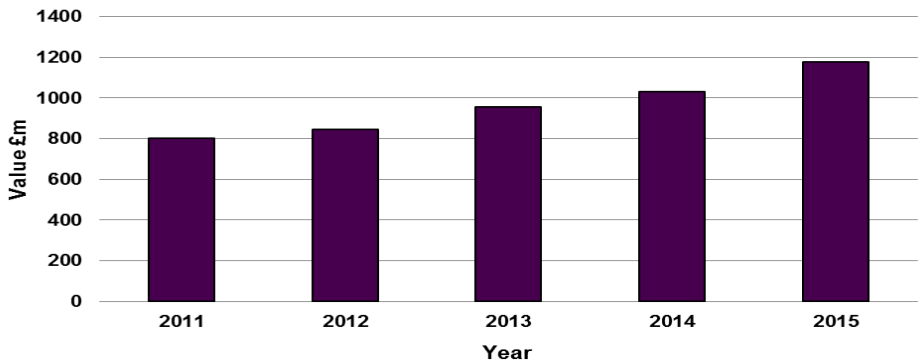
Fund Value
£1.175 billion

Fund Membership
21,581

Fund Value

The Fund has continued to grow over the last 5 years with an increase of 14% in the value of the Fund over the last year.

Fund Value Over 5 Years to 31st March



Contributions and Benefits

Contributions are paid into the Fund by employers, employees and transfers in from other pension funds. Three new employers joined the scheme this year bringing the total number of employers to 25 including LBH.

Benefits are paid out of the Fund as annual pensions, lump sum payments to retirees and death benefits.

The Fund generates income from contributions and investment income and has to spend money on benefits, transfers to other schemes and the cost of running the scheme including: investment managers, administration and governance and oversight.

Employer contributions	£60.2m
Employee contributions	£12.0m
Transfers in	£4.9m
Investment income	£14.9m

Annual pensions	£38.6m
Lump sums	£7.5m
Death benefits	£1.2m
Transfers out	£5.0m
Fund Oversight & Investment costs	£4.4m

Fund Performance

The Fund has increased its net assets by 14% from last year to a total value of £1.175bn at 31st March 2015.

Pension Committee

Decisions made about the Fund are made by Pension Committee Members including the strategic direction, choice of advisers and investment managers.

Pension Committee Members = (6 Elected Councillors) + (1 co-opted employer representative and 1 co-opted scheme member representative).

The day to day management and administration of the Fund is delegated to the Corporate Director of Finance & Resources and the Financial Services Section.

Pensions Board

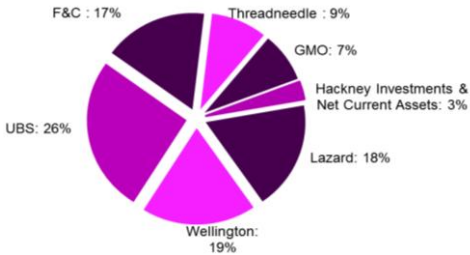
The Pension Board has oversight of the decisions made by the Pensions Committee, and is there to assist the Council in its oversight of the Pension Fund. The Board was established on 1st April 2015 with the first Pension Board meeting taking place on 28th July 2015.

Pension Board Members = (2 employer reps) + (2 scheme member reps).

Investment Managers

The Fund uses external fund managers to manage the assets of the Fund: - Lazard Asset Management, Wellington Management, UBS, F&C Investments, Threadneedle Investments & GMO

Investment Manager Breakdown %

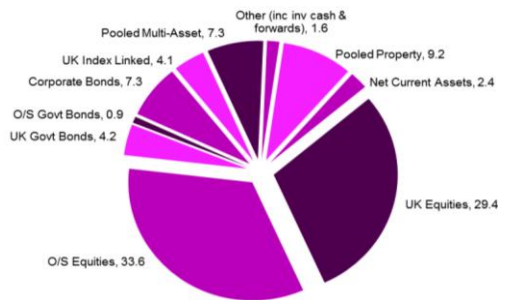


Performance of Managers is reviewed quarterly at Pension Committee meetings. At the start of the year, the Fund disinvested from PIMCO and spread the proceeds among its remaining existing managers.

Asset Allocation

The Fund's assets are invested across a variety of asset classes with different risks and returns taking into account advice from its specialist investment consultant. However the performance of investments do not affect individual's pensions' benefits as these are set out in law.

Asset Breakdown %



London Collection Investment Vehicle (CIV)

The Fund has been exploring ways to deliver efficiency by collaborating with other funds, both in the investment area and also in procurements. The London CIV has been established by London Councils with nearly all London Boroughs signed up. The London CIV will create a larger pool of investments which can provide greater efficiency with wider benefits and cost savings for the LGPS.

Pension Administration

Equiniti are the 3rd party administrators who carry out the day to day administration of the pension benefits on behalf of the LBH Pension Fund. The Financial Services Section monitor their levels of service to scheme members.

Scheme Membership

Scheme membership has continued to increase, partly as a result of automatic enrolment. Please be aware that AE occurs every 3 years after your employer's staging date for eligible members, so even if you've previously opted out you may be re-enrolled at a later date.

The membership of the Fund is broken down between active members (those still employed and paying into the pension scheme), deferred members (those who are no longer active members, but are yet to draw their pension benefits) and pensioners.

Membership Profile Over 5 Years

