



## London Borough of Hackney Pension Fund

Newsletter Summer 2016

Welcome to the annual newsletter for the London Borough of Hackney Pension Fund, which will provide you with an update on issues affecting both the Local Government Pension Scheme (LGPS) and the wider pensions landscape. It also reminds you of our contact details if you would like to get in touch with any questions or to update the details we hold for you.

## About your LGPS Pension

### CARE Scheme

The LGPS changed from a final salary to a Career Average Revalued Earnings (CARE) scheme on 1<sup>st</sup> April 2014. This affects the way your pension is calculated.

Any benefits you built up prior to 1<sup>st</sup> April 2014 are still calculated using your final salary when you retire. However, benefits built up after this point are based on your pay each year. In the new scheme, your pay over the year is divided by 49 and this amount is added to your pension account to give a total value for your annual pension. To keep pace with inflation, the total value of your pension account is revalued each year in line with the Consumer Price Index (CPI).

There are two sections to the new scheme; the main scheme and the 50:50. The main scheme is the standard CARE scheme as described above, whilst the 50:50 allows you halve your contribution rate in exchange for also building up benefits at half the normal rate.

You can find more information on the scheme at:

<https://www.lgpsmember.org/>

### Additional Voluntary Contributions

#### Thinking of saving more for your retirement?

- AVCs are a flexible way to save more – you pay extra contributions to build up a separate pot of money. You can take this a separate pension, tax free cash, or a bit of both.
- You can choose how much you pay in, up to 50% of your pay – and you can change this amount at any time.
- Your contributions are eligible for tax relief – if you are a basic rate taxpayer, each £100 of contributions only costs you £80 after tax relief.
- The Prudential are our provider for AVCs – to find out more go to [www.pru.co.uk/rz/localgov/](http://www.pru.co.uk/rz/localgov/) or call 0800 316 4411

**PRUDENTIAL** 

## Contribution Bands

If you are paying in to the scheme, the cost to you of being a member is based on a set of contribution bands, with higher earners paying a greater percentage of their gross pay. These bands move up in line with inflation; the Government has confirmed that there will be no change to the bands for 2016/17. The current bands can be found in the table below:

| LGPS Contribution Table 2016/17 |  |                                       |                    |
|---------------------------------|--|---------------------------------------|--------------------|
| Band                            | Actual pensionable pay for an employment | Contribution rate for that employment |                    |
|                                 |  | Main LGPS section                     | 50/50 LGPS section |
| 1                               | Up to £13,600                            | 5.5%                                  | 2.75%              |
| 2                               | £13,601 to £21,200                       | 5.8%                                  | 2.9%               |
| 3                               | £21,201 to £34,400                       | 6.5%                                  | 3.25%              |
| 4                               | £34,401 to £43,500                       | 6.8%                                  | 3.4%               |
| 5                               | £43,501 to £60,700                       | 8.5%                                  | 4.25%              |
| 6                               | £60,701 to £86,000                       | 9.9%                                  | 4.95%              |
| 7                               | £86,001 to £101,200                      | 10.5%                                 | 5.25%              |
| 8                               | £101,201 to £151,800                     | 11.4%                                 | 5.7%               |
| 9                               | £151,801 or more                         | 12.5%                                 | 6.25%              |

## Pensions News

### Brexit

In the referendum held on 23 June, the UK voted to leave the EU. The vote was close: 52% to 48%, and has introduced a lot of uncertainty about the future.

For the financial markets, wherever there is uncertainty, it's reasonable to expect some volatility – that is, short-term ups and downs on some investments. This has been evident in recent weeks, with big changes in the value of shares and sterling.

However, we have in place a broad and robust investment strategy that is designed to support the London Borough of Hackney

Pension Fund (the Fund) even when the world's financial markets are going through a difficult period.

The situation will develop over time, depending on how the UK negotiates its exit from the EU – and when. However, you should be reassured that, in the meantime, it is very much business as usual for the Fund. The benefits you receive through the scheme will not be directly impacted by the Brexit decision, as these are protected in law.

We will continue to work with your Employer and with our advisers to keep the Fund in good financial health. This work includes monitoring our investments closely and making any changes that we

decide are appropriate for the long-term good of the Fund.

## New State Pension

The Government introduced a new single state pension from 6<sup>th</sup> April 2016. This means that anyone reaching State Pension Age after this date will be eligible to receive it, providing they have at least 10 qualifying years of National Insurance (NI) contributions on their record.

It also means that NI payments for contributing members of the LGPS have changed. With the introduction of a single state pension, the LGPS can no longer be 'contracted out' of the second state pension; LGPS members are therefore now required to pay slightly more in NI contributions.

You can find more information on the new state pension at:

<https://www.gov.uk/new-state-pension/overview>

## Investment Pooling

The way we invest the Pension Fund's assets is changing. In 2015, the Government asked the 89 LGPS funds in England and Wales to pool their investments to help reduce management costs. Therefore, instead of investing directly with Investment Companies, we will be investing in newly created LGPS Asset Pools.

Each of the pools will have a minimum of £25 billion in assets as the size of the pool's assets is key to getting the reduction in

costs. This will have no impact on the value of your benefits as it is only the vehicle that the fund invests through that is changing.

The LGPS funds in England and Wales have formed 8 regional investment pools and the London Borough of Hackney fund has joined the London CIV. This is formed of all 32 of the London Boroughs, plus the City of London, and is the most advanced in its plans of all the pools. It is already able to accept investments from funds.

All of the pools had to submit their detailed proposals to government by 15 July and feedback is expected in the autumn. We will keep you updated in future newsletters as things progress with the London CIV and pooling in general.



## Pension Taxation Reminder

In 2015 the Government announced a reduction in the maximum levels of pension saving eligible for tax relief to take effect from 6<sup>th</sup> April 2016. This might affect you if you are a high earner.

We have provided a summary of the changes below:

|                         | <b>Annual Allowance (AA)</b>   | <b>Lifetime allowance (LTA)</b>  |
|-------------------------|--|--|
| What is it?             | 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.  | 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. |
| What's changed?         | <p>From April 2014 the AA was reduced to £40,000.</p> <p>From April 2016, the AA is "tapered" down for anyone who has "<b>adjusted income</b>" of over £150,000 per year, if their "<b>threshold income</b>" is over £110,000 per year. The minimum annual allowance (for the highest earners) will be £10,000.</p> <p><b>Adjusted Income</b> - your taxable income, excluding your employee pension contributions, plus the growth in your pension savings in any year</p> <p><b>Threshold Income</b> - your taxable income excluding your employee pension contributions.</p> <p>This could affect some people with additional income, because <b>adjusted income</b> and <b>threshold income</b> include all taxable income (not just in your Hackney LGPS employment).</p> |  |
| What do you need to do? | <p>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.</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>If you think you could be affected please contact <a href="mailto:pensions@hackney.gov.uk">pensions@hackney.gov.uk</a></p>  | <p>The LTA reduced from £1.25 million to £1 million from 6 April 2016. It will increase annually in line with CPI inflation, starting from April 2018.</p>             |

## About the Fund

### Fund Value 31<sup>st</sup> March 2016

£1,172m

The value of the Fund has dropped slightly (from £1,175m) over the past year as a result of difficult conditions in investment markets. However, this won't affect the value of the benefits you receive, as these are set out in law.

## Contributions and Benefits

Contributions are paid into the Fund by employers, employees and transfers in from other pension funds. There were 31 employers in the Fund at the end of the financial year.

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.

The tables above give an overview of the Fund's income and expenditure during the year to 31<sup>st</sup> March 2016.

## Income

|                        |        |
|------------------------|--------|
| Employer contributions | £62.2m |
| Employee contributions | £12.3m |
| Transfers in           | £5.9m  |
| Investment income      | £14.8m |

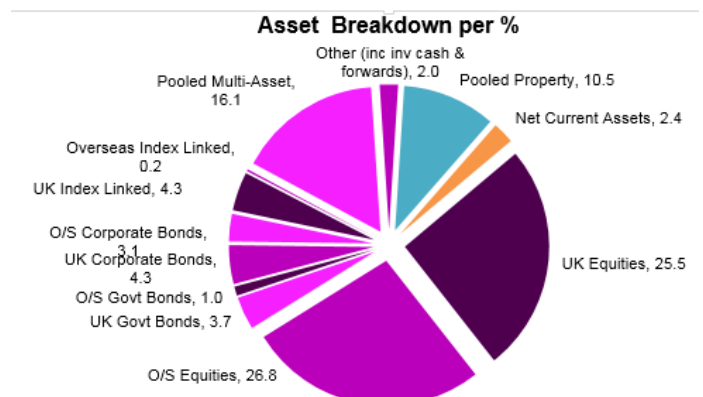
## Expenditure

|                  |        |
|------------------|--------|
| Annual Pensions  | £39.6m |
| Lump Sums        | £10.9m |
| Death Benefits   | £2.0m  |
| Transfers out    | £5.0m  |
| Management costs | £5.4m  |

## Asset Allocation

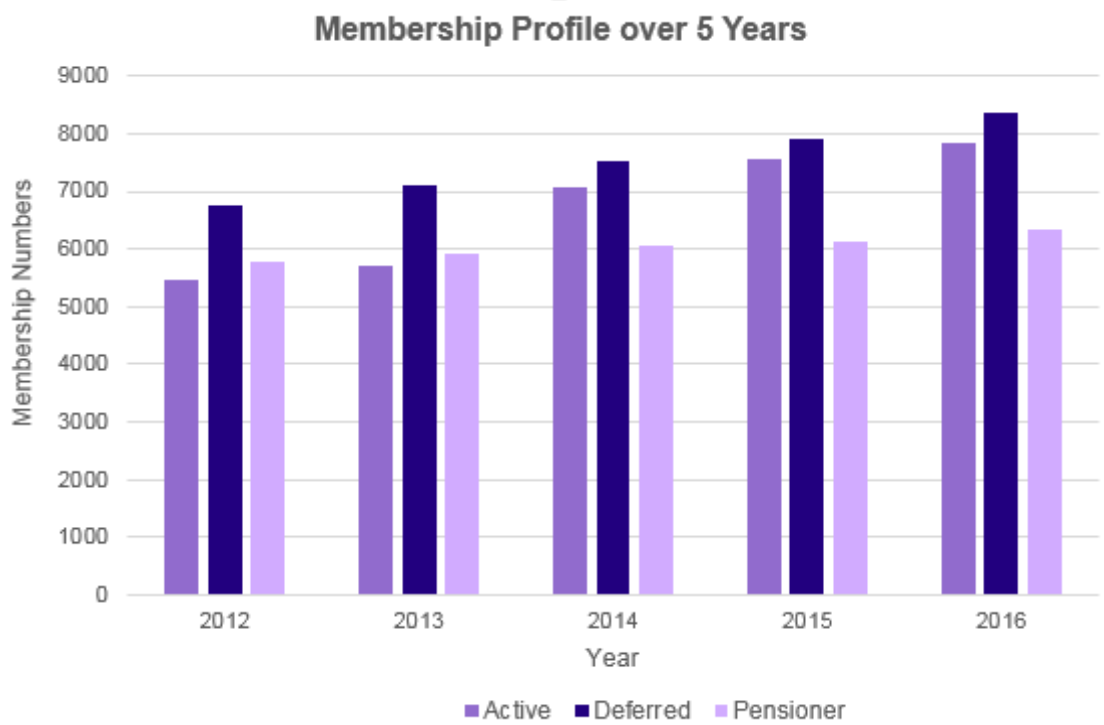
The Fund's assets are invested across a variety of asset classes with different risks and returns taking into account advice from its specialist investment consultant. However the performance of investments do not affect individual's pensions' benefits as these are set out in law.

The split between different asset classes at 31<sup>st</sup> March 2016 is shown below



## Fund Membership

Scheme membership has continued to increase, partly as a result of automatic enrolment. 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.



## Housekeeping

### Life Cover

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 Hackney Pensions 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.



### Keep in Touch

Don't forget - you can contact the Hackney Pensions Team, or Equiniti, the administrators using the contact details below

Hackney Pensions Team  
4<sup>th</sup> Floor, Hackney Service Centre  
1, Hillman Street  
London  
E8 1DY  
[pensions@hackney.gov.uk](mailto:pensions@hackney.gov.uk)

Equiniti Pension Solutions  
Sutherland House  
Russell Way  
Crawley  
RH10 1UH  
[hackney.pensions@equiniti.com](mailto:hackney.pensions@equiniti.com)