

London Borough of Hackney Pension Fund Newsletter



Summer 2018

Welcome to the annual newsletter for the London Borough of Hackney Pension Fund, which provides you with an update on issues affecting both the Local Government Pension Scheme (LGPS) and the wider pensions' landscape.

Our contact details are at the end of this newsletter if you would like to get in touch, have any questions or want 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 1st April 2014. This affects the way your pension is calculated.

Any benefits you built up prior to 1st 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 to 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 (AVC)

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 100% 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/ or call 0800 032 6674 (Mon-Fri 9am to 6pm)

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 bands and contribution rates for 2018/19 are:

Contribution table 2018/19			
Band	Actual pensionable pay for an employment	Contribution rate for that employment	
		Main section	50/50 section
1	Up to £14,100	5.5%	2.75%
2	£14,101 to £22,000	5.8%	2.90%
3	£22,001 to £35,700	6.5%	3.25%
4	£35,701 to £45,200	6.8%	3.40%
5	£45,201 to £63,100	8.5%	4.25%
6	£63,101 to £89,400	9.9%	4.95%
7	£89,401 to £105,200	10.5%	5.25%
8	£105,201 to £157,800	11.4%	5.70%
9	£157,801 or more	12.5%	6.25%

Pensions News

GDPR

On 25th May 2018 the General Data Protection Regulation came into force, replacing the Data Protection Act 1998. The Regulation introduces new standards for the protection of an individual's personal data within the European Union. As part of the changes required by the GDPR the UK Government introduced The Data Protection Bill into Parliament on 14th September 2017. The Bill has passed through both the House of Lords and House of Commons, and now received royal assent becoming the new Data Protection Act 2018 on 23rd May 2018.

There are 6 key principles under the GDPR:

1. You should be processing data legally, fairly and in a transparent manner.
2. You should only use it for the purpose for which it was collected.
3. You should limit the data to what is needed, make sure it's adequate and relevant.
4. You should make sure it's accurate and kept up-to-date.
5. You should keep the data in a form that lets you delete it as soon as you're finished with it.
6. You should process the data securely.

For more information on GDPR and its impact on the Fund, please see the enclosed privacy notice.

Beware of cold-calls from fraudsters claiming to be from TPR

Fraudsters may be trying to steal your savings by falsely claiming to be calling from The Pensions Regulator (TPR).

TPR has received reports of pension holders being cold-called by individuals who have posed as TPR staff and have offered a 'free pension review' – a common warning sign of a scam. TPR never cold-calls individuals about their pensions. Such cases have been referred to the Information Commissioner's Office (ICO) for investigation.

If you are cold-called about your pension, or believe you could be the victim of pension fraud, please contact

Action Fraud on 0300 1232040.



Visit **pension-scams.com** for tips on how you can prevent yourself, your friends and your family from becoming a victim. It includes a quick 5-step guide to help protect you with some practical tips.

Five signs of a scam to be aware of are:

- a free pension review
- the promise of guaranteed returns on your investment
- low tax / tax-free rates, including tax-free lump sums
- exotic sounding and / or overseas investments
- pressure to sign up quickly to avoid missing out

Benefits for married and unmarried couples

A number of cases have recently been heard in the High Court which have a bearing on the benefits which can be paid on the death of a member of the LGPS. These have been summarised below. If you think that you may be impacted by any of these rulings you should contact the fund administrator.

Nomination forms: the requirement for an unmarried member to complete a nomination form in order for their cohabiting partner to receive a survivor pension has been ruled to be unlawful. As a result the requirement is to be removed.

Same sex partners: the Equality Act 2010 contained an exemption that allows service prior to 5th December 2005 to be disregarded when calculating benefits for a same sex partner or members of a Civil Partnership. A number of pension schemes have relied on this exemption to restrict the benefits paid out in these cases.

A recent ruling from the Supreme Court held that this restriction is unlawful. This decision means that pension schemes may be obliged to provide pensions to Civil Partners and same sex spouses based on the member's full period of pensionable service.



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 6th April 2016. This might affect you if you are a high earner.

We have provided a summary of the changes below:

	Annual Allowance (AA)	Lifetime allowance (LTA)
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 "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>Adjusted Income - your taxable income, excluding your employee pension contributions, plus the growth in your pension savings in any year</p> <p>Threshold Income - your taxable income excluding your employee pension contributions.</p> <p>This could affect some people with additional income, because adjusted income and threshold income 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 pensions@hackney.gov.uk</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.

About the Fund

Fund Value

31st March 2018 = £1,475m

The value of the Fund has increased by 6.06%, (from £1,391m at end of March 2017), despite a turbulent year in the investment markets. However, the value of the benefits you receive are set out in law, and are not dependent on the performance of the Fund

Contributions and Benefits

Contributions are paid into the Fund by employers, employees and transfers in from other pension funds. There were 35 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 give an overview of the Fund's income and expenditure during the year to 31st March 2018.

Income

Employer contributions	£62.7m
Employee contributions	£12.1m
Transfers in	£8.0m
Investment income	£15.6m

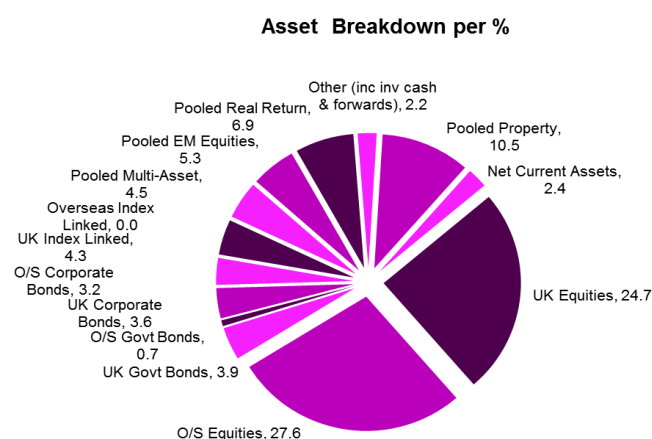
Expenditure

Annual Pensions	£42.5m
Lump Sums	£8.7m
Death Benefits	£1.1m
Transfers out	£5.7m
Management costs	£8.7m

Asset Allocation

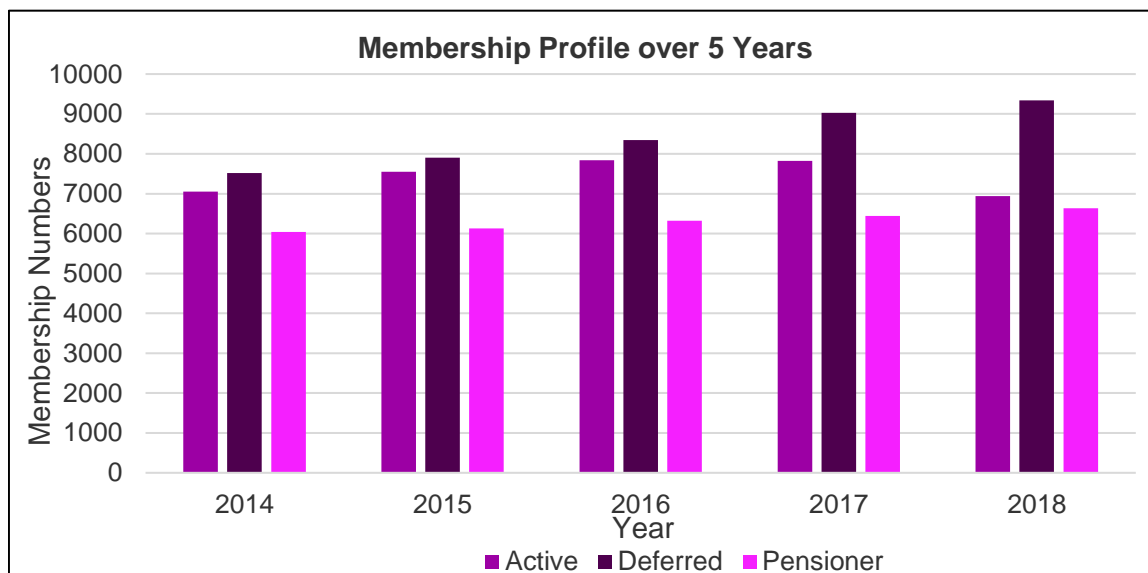
The Fund's assets are invested across a variety of asset classes with different risks and returns taking into account advice from its specialist investment consultant. However, the performance of investments do not affect individual's pensions' benefits as these are set out in law.

The split between different asset classes at 31st March 2018 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.



What you need to do if things change

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 3 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.

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.



Contact Us

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

pensions@hackney

Hackney Pensions Team
4th Floor, Hackney Service Centre
1, Hillman Street
London
E8 1DY
pensions@hackney.gov.uk

EQUINITI

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