

London Borough of Hackney Pension Fund Newsletter Summer 2023



Hackney Empire, Mare Street E8

Hello, and welcome to the annual newsletter for the London Borough of Hackney Pension Fund.

In this edition, we'll provide you with an update on issues affecting both the Local Government Pension Scheme (LGPS) and the wider pensions' landscape, and also an update on how the Hackney Pension Fund (the Fund) has performed over the last financial year.

Our contact details are at the end of this newsletter, so if you would like to get in touch, have any questions or want to update the details we hold for you, please do contact us.

Pensions News

Pension Tax Changes

You may be aware that the Spring 2023 Budget made some changes to the Pension Tax regime. You may be wondering what this means for you.



Annual Allowance

What is it and what has changed?

It is only relevant to those still paying into the Fund i.e. active members. The annual allowance is the amount your pension savings can increase by in a year without you having to pay extra tax. If your savings increase by more than the annual allowance, you will have to pay tax on the excess.

In the LGPS, the amount of annual allowance used is the growth in the value of your pension benefits over the tax year. For money purchase arrangements, such as AVC schemes, the annual allowance you use is the total contributions paid by you, and on your behalf, over the tax year. The annual allowance applies to all pension schemes, not just the LGPS. If you pay into more than one pension scheme in a year, you will need to find out the total increase in pension savings across all schemes to find out if you have exceeded the annual allowance.

The standard annual allowance increased from £40,000 to £60,000 on 6 April 2023.

Who is affected?

Most people aren't affected by the annual allowance because their pension savings don't increase by more than £40,000 (£60,000 from the tax year 2023/24) in a year. It also only affects active members of the scheme. The Fund will inform you if your LGPS pension savings exceed the standard annual allowance by sending you a pension saving statement. The statement must be sent to you by 6 October following the end of the tax year. Further details concerning the AA, including examples of how yours is calculated, can be found on the Fund website under Member Factsheets - Tax Controls on Pensions.

Lifetime Allowance (LTA)

What is it and what has changed?

The LTA was a limit on the amount of pension benefit that can be paid from pension schemes without triggering a tax charge. Pension benefits, when taken, were tested against the LTA by multiplying the pension taken by 20 and adding on any lump sum taken at the same time. The LTA was previously set to remain at £1,073,100 until April 2026, but in March 2023, the government announced that no-one will pay a lifetime allowance tax charge from 6 April 2023.

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Who is affected?

If a tax charge arose before 6 April 2023, it is still payable. The removal of the LTA now means that any pension benefits paid in excess of the LTA in the tax year 2023-24 will now be taxed at a person's marginal rate, rather than having to pay a fixed tax charge of 55% on the excess benefits. The lifetime allowance will be abolished completely from 6 April 2024.

If you are an active member of the Fund you will see that a Lifetime Allowance amount and Lifetime Allowance percentage are shown on your 2023 Annual Benefit Statement. For more information see the Tax section of the Hackney website or the national LGPS members website.

Changes to the Annual Pension revaluation date



The Government recently announced that the Annual Revaluation date for Career Average Earnings CARE benefits within the Local Government Pension Scheme (LGPS) will change from 1 to 6 April each year.

Previously, on 1 April each year, pension accounts in respect of pension benefits built up after 1 April 2014 (your CARE Pension) were revalued in line with Consumer Price Indexing (CPI). The LGPS

Regulations have been amended to change the revaluation date of pension accounts to 6 April each year.

Changing scheme regulations to move the revaluation date from 1 April to 6 April means that inflation would be reflected in the value of the pension after HMRC assesses the value of an LGPS pension for the purposes of annual allowance in tax year 2022/23. Thus, by taking revaluation out of scope of the annual allowance calculation, it will reduce the number of active members affected by pensions tax for this year as only growth above inflation is being measured.

Cost of Living Crisis

Many of us have money concerns following the pandemic and rise of living costs. The information below provides some help and guidance for managing your money.

How safe is my pension?

The LGPS is what's called a 'defined benefit' pension. The benefits you receive are set out in the rules of the scheme and are determined by a set calculation. This means that your pension doesn't rely on investment performance, so changes with the economy and investment returns will not impact your pension benefits. Your LGPS pension is a guaranteed income.

The Department for Levelling Up, Housing and Communities (DLUHC) oversees the LGPS. As a Government backed pension scheme, it is one of the safest there is.

Does high inflation affect my pension?

One of the benefits of the LGPS is that your pension is adjusted so it keeps pace with inflation.

Pensioners and deferred members

Your LGPS pension in payment, or your deferred pension, is reviewed in line with price rises. The CPI is the index used to do this and pensions are increased annually each April. It is possible that some years there might be no increase due if prices have stayed the same. But your pension won't go down if prices go down.



Consumer Prices Index (CPI)

The **CPI** is the official measure of inflation of consumer prices in the UK. This is currently the measure used to adjust the pension accounts of active LGPS members, as well as any deferred and pensions in payment. The adjustment ensures your pension keeps up with the cost of living.

Active members

When you pay into the career average scheme, we calculate the amount of pension you have earned so far on 31 March each year and adjust it in April in line with price rises. This adjustment is called revaluation. HM Treasury specifies the revaluation adjustment we must make, and it is normally based on the previous September CPI. Revaluation adjustments can be negative as well as positive, so your career average pension can be reduced as well as increased by the revaluation process.

If you have built up benefits in the previous final salary scheme, inflation proofing is achieved through the link to your final salary pay.

For more information see our member factsheet *Increases to your LGPS Pension* on our website

Can I reduce or stop my pension contributions? ↓ ↓ ↓

It's quite a concerning picture for our members, and we know that you'll be looking to make savings where you can. But we'd strongly recommend seeking guidance before deciding to stop paying into your pension as a means to save money. For example, you might not have realised that your pay is taxed after your pension contribution is deducted – meaning less of your pay is subject to tax. Tax relief on pension contributions means you wouldn't save the full value of the contributions you make if you opted out.



If you need to reduce costs, did you know we offer a 50/50 section? You pay contributions at half the rate of the main scheme and your pension also builds up at half the rate. However, you keep the same life and ill health cover as if you were in the main scheme. You can move back to the main section whenever you are ready.

!!! Remember: pension contributions attract tax relief, so it might not cost as much as you think to be in the pension scheme – whether that's the Main Section, or the 50:50 Section. !!!

You can check what you'd pay on the LGPS contributions calculator for both options
<https://www.lgpsmember.org/help-and-support/tools-and-calculators/contributions-calculator/>

Is there further help available?

The pandemic and the rising cost of living have left lots of people with new money worries. MoneyHelper provides help and guidance about managing your money in uncertain times – this includes practical advice about living on a squeezed income and help if you're struggling with bills and payments.

You can also get help from the Citizens Advice who provide information about what help is available from your local council, the Government and other forms of support. You can also check your local council website.



For pensioners there is a separate welfare benefit called Pension Credit. Pension credit provides extra income for people over State Pension age on lower incomes.

Visit [gov.uk](https://www.gov.uk) to use the online calculator to check if you are entitled to Pension Credit.

McCloud Judgment

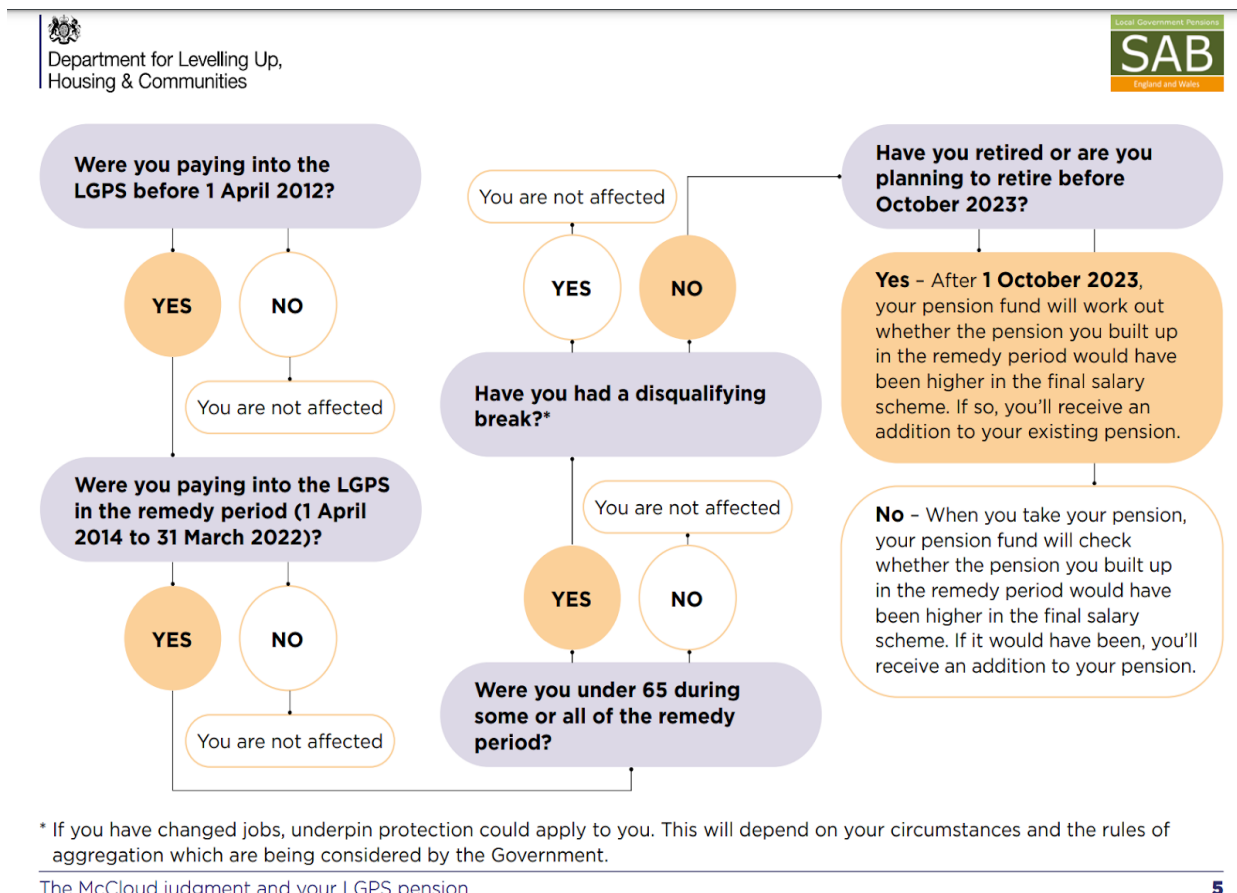
When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older scheme members were introduced. Similar protections were provided in other public sector pension schemes. The Court of Appeal ruled that these types of protections were age discriminatory and the Government confirmed that all main public sector schemes, including the LGPS, need to be changed to remove this discrimination. This ruling is often called the 'McCloud judgement'.



We're still awaiting final legislation on the updates to the LGPS, which is expected later this year, with the coming in force date of the regulations expected to be 1 October 2023. However, the Government has confirmed the general criteria for those affected by the changes, and we're currently in the process of identifying members who may be affected by it. Despite the changes, very few people will benefit from the McCloud remedy, as most people receive a better pension through the career average scheme

The Department of Levelling up, Housing and Communities (DLUHC) has provided a member factsheet which explains in more detail about the McCloud remedy, who will be affected, and a timeline for delivery. The factsheet can be found on the News section of the Hackney Pension website. Below is taken from the factsheet and is a helpful illustration of who may be affected by the changes.

If you qualify for protection it will apply automatically - you do not need to make a claim.



Don't let a scammer get their hands on your pension

In recent years the pensions industry has seen a dramatic rise in pension scams. Don't fall victim to a scammer, who doesn't deserve your hard-earned pension!



The Pensions Regulator (TPR), Financial Conduct Authority (FCA) and the Money and Pensions Service (MaPS) issued a warning in late 2022 due to fears that recent headlines over squeezed household finances may leave savers more vulnerable to scammers.

The three bodies, all members of the Pension Scams Action Group – a multi-agency taskforce dedicated to keeping savers safe from scams – are concerned that fears over the economy, such as recent extreme movements in gilt yields, may prompt savers to incorrectly decide there is a risk to their retirement pots and make rushed decisions about their finances.

Scammers are now more sophisticated than ever before. They can be articulate and financially knowledgeable, with impressive websites making it really quite difficult to suspect anything untoward. The Financial Conduct Authority (FCA) have published a leaflet pointing out things to look out for and advise on how to protect yourself from a scam.

Common signs of a pension scam include: ⚠️ ⚠️ ⚠️

- being contacted out of the blue
- phrases like 'pension liberation', 'loan', 'loophole', 'savings advance', 'one-off investment', 'cashback'
- guarantees of better returns
- help to release cash from a pension before the age of 55, with no mention of the HMRC tax bill that can arise
- high-pressure sales tactics – time-limited offers to get the best deal; using couriers to send documents, who wait until they're signed
- unusual high-risk investments, which tend to be overseas, unregulated, with no consumer protections
- complicated investment structures
- fixed-term pension investments – which often mean people who transfer in do not realise something is wrong for several years

Savers should also be on guard against recovery room scams or secondary scamming – which sees fraudsters approach people who have already been scammed and offer to help them get their money back in return for a fee.

If something seems too good to be true, unfortunately it probably is. You can also find out more about pension scams by visiting www.pension-scams.com www.fca.org.uk/scamsmart

Please take a few minutes to look at the FCA website, it could save you thousands!! ✓✓✓

About the Pension Fund- as at 31 March 2023

Fund Valuation Results

Every three years the Fund undergoes a valuation in conjunction with our Actuary, Hymans Robertson LLP.

The valuation is a health check to see if the Fund's assets (*money in the fund*) are sufficient to meet its liabilities (*current and future pensions payable*). We use the results to set employer contribution rates for the period April 2023 to March 2026. Our 2022 valuation shows a funding level of 106%, which is excellent news (in 2019 it was 92%).

The full valuation report can be found on the Fund's website.

Contributions and Benefits

Contributions are paid into the Fund by employers, employees and transfers in from other pension funds. 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 below give an overview of the Fund's income and expenditure during the year to 31 March 2023.

Income

Income Type	2023	2022
Employer contributions	£66.5m	£61.4m
Employee contributions	£15.8m	£14.6m
Transfers in	£8.6m	£5.0m
Investment income	£21.9m	£19.2m

Expenditure

Expenditure Type	2023	2022
Annual Pensions	£53.9m	£51.2m
Lump Sums	£8.9m	£9.2m
Death Benefits	£1.9m	£2.2m
Transfers out	£10.9m	£8.4m
Management costs	£14m	£15.2m

Quick Q and A

What type of scheme is the LGPS? - the LGPS is a Defined Benefit (DB) Scheme which means the benefits you build up are defined in legislation and therefore set out in law. There are set formulae and strict regulations governing how benefits are calculated and paid.

Do I have a pension pot? - no, under the LGPS you do not build up a pension pot value. Instead you build up pension income every year based on your earnings and a set formula. Your pension is not based on investment return, stock markets or annuity rates.

Does my employer match my pension contribution? - your employer pays the balance of the cost of providing pension benefits payable on retirement. The contributions you and your employer pay do not go towards the calculation of your pension.

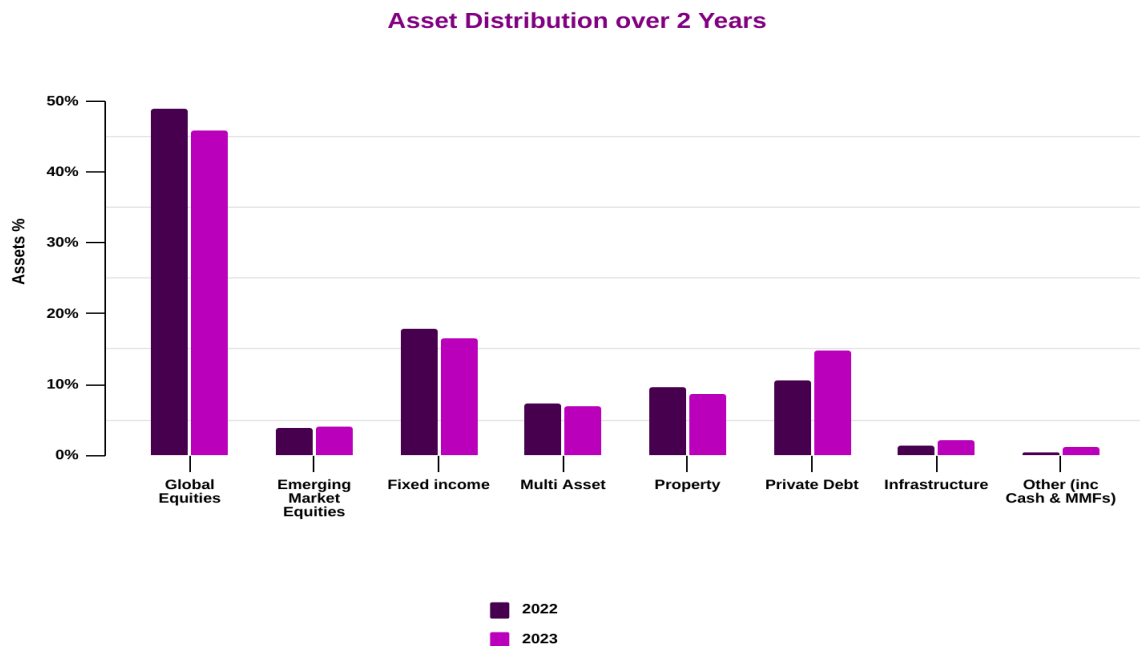
Fund Membership

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. The breakdown over the last 5 years is as follows:



Asset Distribution

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. The split between different asset classes over the last 2 years is shown below:-



Please note that the above Pension Fund figures for 2022-23 are unaudited figures and could be subject to change.

Protection for your family

What benefits will be paid if you die?

On your death, pensions will be paid to your:

- eligible children
- spouse, civil partner, or, if certain conditions are met, eligible cohabiting partner.



A lump sum death grant will also be paid if you–

- die in service as a member of the LGPS
- leave before retirement with deferred benefits and die before receiving them
- die after receiving your pension, before age 75, if less than ten years' pension has been paid.

Who is the lump sum death grant paid to?

This is usually paid to the person who you choose to nominate. You should let us know who you'd like to nominate by completing the **expression of wishes form**.

Always review
your wishes
form after big
life events!

You can change your nomination at any time by completing a new form: the form is on the Hackney Pensions website. If you don't fill in an **expression of wishes form**, we will still pay out the lump sum but we will use our discretion to decide who to pay it to - normally your Executors.

You can find out more about the protection available in the video "Protection for you and your family"
<https://www.lgpsmember.org/more/Videos.php>

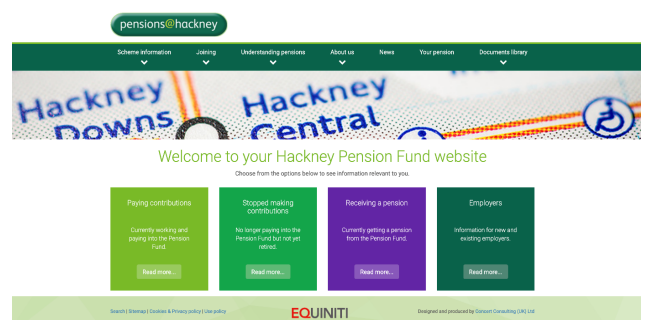
Moving House?



Update us! 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. You can download a change of address form from our website.

Hackney Pension Fund Website

The Hackney Pension Fund website contains lots of information about the fund plus useful member forms and factsheets which you can download. Whether you are an active member, have left the LGPS and have deferred benefits, or if you are already in receipt of your pension – the website has everything you need!! Visit it today at www.hackneypension.co.uk



Contact Us

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

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The Equiniti enquiry team are available from 9 am - 5 pm Monday to Friday (with the exception of Wednesday which is a 4.30 pm closure to allow for training).

This newsletter is also available on the Fund's website www.hackneypension.co.uk

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