

London Borough of Hackney Pension Fund Newsletter Summer 2024



Woodberry Wetlands, Nature Reserve , N16

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.

McCloud Judgment

As mentioned in previous newsletters, when public service pension schemes changed from final salary schemes to career average schemes in 2014 and 2015, older members were protected from the changes. In 2018, the Courts found that younger members had been discriminated against because the protection did not apply to them. Changes made to the LGPS from 1 October 2023 removes the discrimination found in the court case. These changes are called the McCloud remedy. Not all LGPS members are affected by the changes. You can find more information on the national LGPS website, including a short video. Please visit www.lgpsmember.org/mccloud-remedy/

If you are affected, you do not need to write into the pension fund or make any decisions. If you are contacted by a third party organisation selling a service to help you claim additional pension, you should not engage with them.

As a member of the LGPS, you do not need to take any action to claim your protection under the McCloud remedy. If you qualify, the pension fund will automatically apply the protection when you take your LGPS

Pension. 



Effective from

01.10.2023



Find out more at lgpsmember.org/McCloud-Remedy

Pension Tax Changes



HM Revenue and Customs (HMRC) governs pensions savings. There are limits on:

- the amount of pension savings you can make in a year – the annual allowance, and
- the lump sum you can take when you take your pension before you have to pay extra tax. This is in addition to any income tax you pay on your pension when it is paid to you.

There is no limit on the amount of pension contributions you can pay. You will not get tax relief on all your contributions if you pay more than your taxable pay into your pension in a tax year.

There is a limit on the amount of extra pension you can buy in the LGPS by paying additional pension contributions. The most you can currently buy is £8,344 of extra yearly pension.

Annual Allowance

The Annual Allowance (AA) is the amount by which the value of your pension savings may increase in any one year without you having to pay an excess tax charge.

The AA is set by HM Treasury, and it is £60,000 for the 2023/24 and the 2024/25 tax year.

Most people aren't affected by the annual allowance because their pension savings don't increase by more than £60,000 in a year. However, you are most likely affected if you have a

high level of final salary benefits and receive a significant pay increase, you combine a previous final salary LGPS benefit and your salary is higher than it was when you left the scheme, you pay a high level of additional contributions, you are a high earner.

The Scheme will send you a Pension Savings Statement no later than 6 October in the event your benefits accrued within the Hackney Pension Fund exceed your AA limit.

Lump Sum Allowances

Two lump sum limits were introduced from 6 April 2024 (which have replaced the previous Lifetime Allowance).

- Lump Sum Allowance (LSA)- a limit on the total amount of tax-free cash an individual can take from all their pension savings. It is set at £268,275 and there is no provision in the legislation for this limit to rise
- Lump Sum And Death Benefit Allowance (LSDBA)-a limit on the amount of tax free cash that can be taken by an individual and the lump sum death benefits that can be paid in respect of an individual when they die. It is set at £1,073,100 and there is no provision in the legislation for this limit to rise

If the total of all lump sums you take from UK pensions is more than one of these limits, you will have to pay extra tax. Tax on any excess is charged at your marginal rate.

In the LGPS, you can generally take up to 25% of the value of your benefits as a lump sum. Most members will not be affected because the maximum lump sum they can take is much lower than the limits. If you have built up a large pension in the LGPS or a different scheme, the new limits may affect you.

For more information see the Tax section of the Hackney website or the national LGPS members website.

New Code for Pension Schemes



The Pensions Regulator (TPR) has published a new code of practice for pension schemes. The new General Code of Practice ('the code') replaces Code of Practice 14 for public service pension schemes and brings together 10 previous TPR codes into one code. TPR's research on governance and administration shows that the LGPS already has high standards of governance in place. The new code gives an opportunity for funds to look at their current working practices and make sure that they meet the standards of the new code. The code sets out a 'single set of clear, consistent expectations on scheme governance and administration' to give guidance to governing bodies such as pension committees and pension boards. The new code came into force on 28 March 2024.

Pension Awareness Week- get onboard !



The following statements suggest that many people are not prepared for retirement and are not taking steps to plan their pensions and communicate with their pension providers:

- Research showed that 77% of savers don't know how much they'll need in retirement.

Source: retirementlivingstandards.org.uk

- Five million people approaching retirement are at risk of not having "adequate" pension income. Source: ageing-better.org.uk

- One in six over-55s have no pension savings yet.

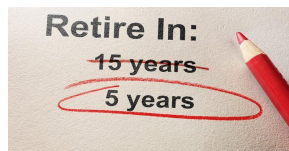
Source: unbiased.co.uk

Pension Awareness Week returns from 9 September 2024. Support ranging from webinars to toolkits will be available on the website at www.pensionawarenessday.com

During Pension Awareness Week, organisations from across the pensions industry hold free events, webinars and pension clinics to help members understand pensions and how to achieve the retirement they want. The aim is to boost people's interest in their pensions. You may be able to help a colleague, family member or friend by encouraging them to get in touch with their pension providers. Or, you may want to do something as simple as checking your State Pension (gov.uk/check-state-pension).

Minimum Retirement Age

The Normal Minimum Pension Age (NMPA) is changing... The Government has announced the earliest age that you can take your pension will increase from age 55 to 57 from 6 April 2028. Please note...This change will not affect ill health retirements. Special rules apply if you have to retire because of ill health. We will keep you informed as we receive more guidance around this change. 📅📅📅

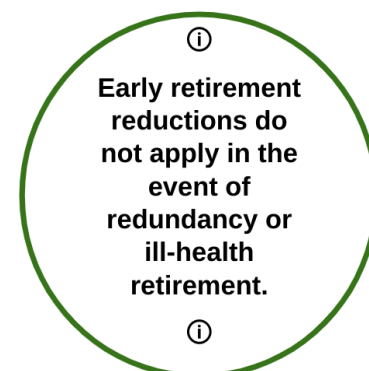


Early Retirement Reduction Factors

If you claim your pension from age 55 onwards, before you have reached your Normal Pension Age, they'll normally be reduced because your pension will be paid for longer. The reductions are applied in line with percentages supplied to us by the Government Actuary's Department (GAD). The government changed the reductions on 3 July 2023.

Number of years early	Pension Reduction	Lump sum Reduction %
0	0.0%	0.0%
1	4.9%	1.7%
2	9.3%	3.3%
3	13.5%	4.9%
4	17.4%	6.5%
5	20.9%	8.1%
6	24.3%	9.6%
7	27.4%	11.1%
8	30.3%	12.6%
9	33.0%	14.1%
10	35.6%	15.5%
11	39.5%	n/a
12	41.8%	n/a
13	43.9%	n/a

The reductions apply to retirements from that date. The table shows the reduction percentages in whole years, but any reduction applied to your pension benefits will be calculated based on your exact retirement date



Tracing lost or old pensions

Do you or your friends have any pensions you have lost contact with over the years? If so why not contact the Pension Tracing Service.

The service is free and helps reunite people with their lost pensions, giving details of providers to help people track them down.

Trace contact details for lost pensions by using the online service: www.gov.uk/find-pension-contact-details or over the phone 0800 731 0193

Can I increase my LGPS benefits?

If you are an active member of the LGPS, paying more to your LGPS pension is one way of increasing your retirement benefits. It can be a cost effective way to do this as your pension contributions qualify for immediate tax-relief through your employers PAYE system. For a standard rate taxpayer, a £10 pension contribution will only result in an £8 decrease in your pay due to the tax saving.

There are two ways to increase your LGPS pension:

❖ Additional Pension Contributions (APCs)



If you are an active member in the MAIN Section of the LGPS you can pay extra contributions to purchase additional annual pension - APCs. You can pay APCs as regular monthly contributions over a number of complete years (minimum 12 month term)

or you can pay a one-off lump sum. The cost is determined by your age, term of payment and the amount you wish to purchase.

You can find out the cost of buying additional annual pension by using an online APC calculator. <https://lgpsmember.org/more/apc/extra.php> Any amount of additional annual pension purchased, will be subject to a percentage reduction if payment of your pension benefits commences before your Normal Pension Age.

❖ Additional Voluntary Contributions (AVCs)



If you are an active LGPS member, you can pay AVCs to our in-house scheme run by Prudential. You can pay a monthly contribution and choose how you would like your contributions to be invested. AVCs are invested separately from the main LGPS Fund and a number of investment

opportunities are available to you. AVCs are deducted from your monthly salary so you will receive tax relief automatically on the contributions you pay at your marginal rate. You can vary or cease payments at any time whilst you are contributing to the LGPS.

As AVCs are investment based, it's important to remember that the value can go down as well as up and you may not get back the amount you put in. If you have an AVC fund with Prudential, you have a number of options available at retirement as to how you take your AVC Fund.

To find out more about AVCs and how to start contributions visit <https://www.pru.co.uk/rz/localgov/> or contact the Prudential on 0345 600 0343.

You can find more information on both APCs and AVCs on our website.

What are the benefits of the LGPS?

- **A secure pension** payable for life
- **Life cover** from day one of your membership
- **Tax relief** on your contributions
- **Early retirement** options
- **Inflation proofed** in line with CPI
- Options to exchange annual pension for **tax-free cash**
- Option to **buy additional pension**
- Option to **pay less**

Keep your Pension safe- ScamWarning

Pension scams can be hard to spot. Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Anyone can be the victim of a pension scam so it's important that everyone can spot the warning signs. The tactics used by pension scammers to encourage people to transfer their pension savings to them are constantly changing. Some of the signs to look out for include: ⚠️ ⚠️ ⚠️

- offering free pension reviews or health checks
- promises of high guaranteed returns on savings
- unlocking pensions before age 55, tax loopholes, pension loans or upfront cash
- time limited offers or forcing you into a quick decision; using couriers to send documents, who wait until they are signed
- contact out of the blue – cold calling about pensions is against the law.

!! If you suspect a scam report it to the Financial Conduct Authority by contacting their consumer helpline on 0800 111 6768 or using the reporting form at www.fca.org.uk !!

Check who you are dealing with....

Check the Financial Services Register - <https://register.fca.org.uk/s/> to make sure that anyone offering you advice or other financial service is FCA authorised.



About the Pension Fund- as at 31 March 2024

Fund Value at 31 March 2024 = £2,051m

The value of the Fund has increased from £1,871m at end of March 2023, following a strong 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. 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 2024.

Income

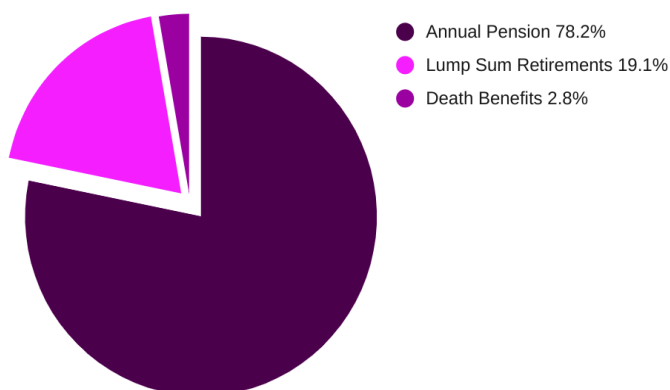
Income Type	2024	2023
Employer contributions	£65.6m	£66.5m
Employee contributions	£16.7m	£15.8m
Transfers in	£6.3m	£8.6m
Investment income	£34.6m	£21.9m

Expenditure

Expenditure Type	2024	2023
Annual Pensions	£59.5m	£53.9m
Lump Sums	£14.5m	£8.9m
Death Benefits	£2.1m	£1.9m
Transfers out	£9.9m	£10.9m
Management costs	£13.1m	£14m

Benefits Paid Out from the Fund

Benefits Paid Out in 2023/24



The breakdown of the benefit types paid out of the Pension Fund up until 31 March 2024 is shown alongside; the largest is annual pension, however lump sum benefits have increased from last year

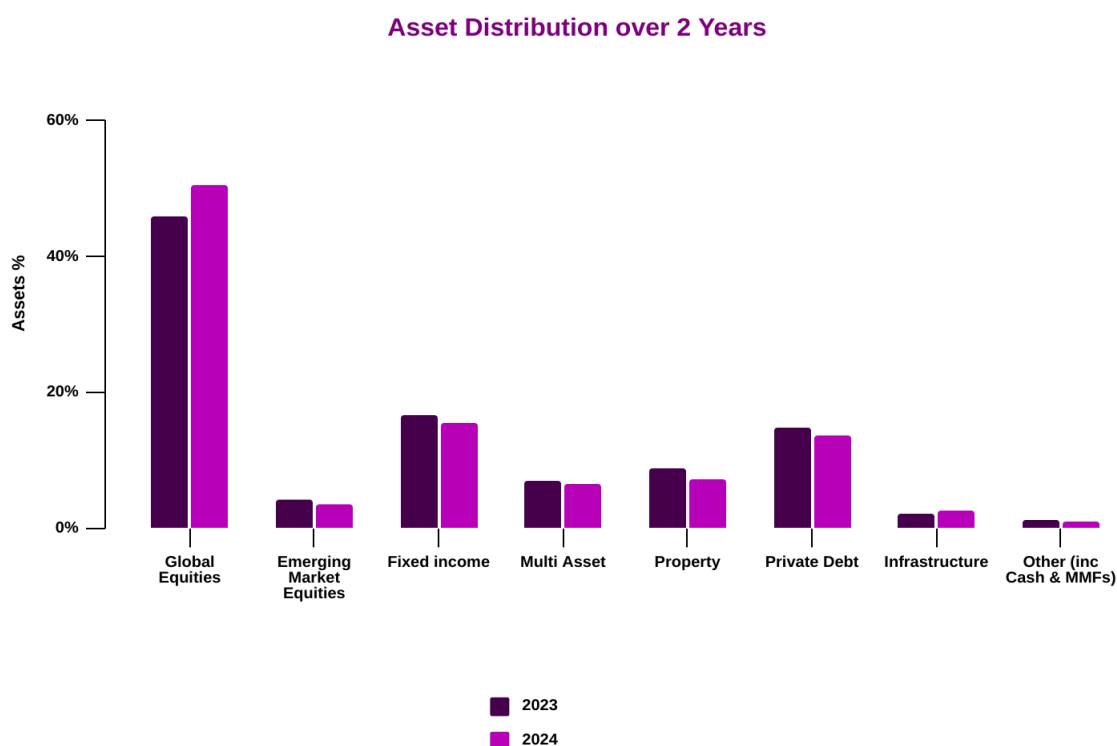
Fund Membership

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 2023-24 are subject to finalisation of the accounts and audit

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>

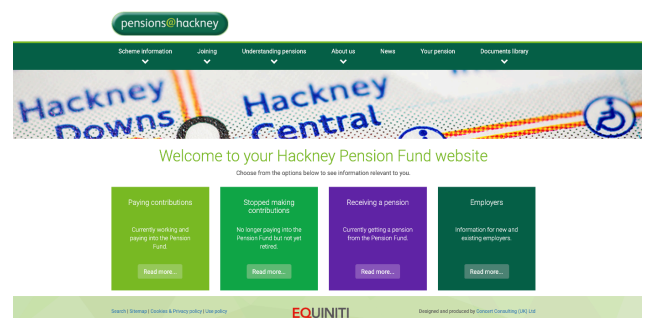


Moving House?

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:

London Borough of Hackney Pension Fund Team
4th Floor, Hackney Service Centre
1, Hillman Street
London
E8 1DY
pensions@hackney.gov.uk
Tel: 020 8356 2521

[pensions@hackney](mailto:pensions@hackney.gov.uk)

The scheme member representatives on both the Pensions Committee and Pensions Board can be contacted at the pensions@hackney.gov.uk email address.

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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).

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