

Your pension

Issue 1

Autumn 2008

Is the new LGPS up and running?

The 2008 Local Government Pension Scheme (LGPS) became effective on the 1 April 2008. The majority of the provisions introduced are now up and running but there are still some areas where clarification from the Government is needed. The key benefit changes are:

- Improved benefits, which means that for every year you are a member you will earn 1/60th of your final salary as a pension;
- Increased death-in-service lump sum from 2 to 3 times final pay (actual pay for part-timers);
- Additional flexible retirement options;
- Survivors benefits, with no minimum membership restrictions, will apply for life to spouses, civil partners and from 2008 also to nominated co-habiting partners;
- A new facility to pay additional regular contributions (known as ARCs) to buy additional pension in steps of £250 up to a maximum of £5,000;
- If the Environment Agency agrees you can work beyond age 65 and when you do retire your pension will be actuarially increased;
- New ill health arrangements with improved pensions for those who are unlikely to be able to work again before age 65.

Where can I get new LGPS guides?

A new short version of the Environment Agency Pension Fund guide, covering the scheme changes from 1 April 2008 has now been produced. You can find this guide on the Environment Agency website (www.eapf.capitahartshead.co.uk) or directly on request from Capita Hartshead, their contact details can be found at the end of this newsletter.

We hope to release a full scheme guide later in the year, once the remaining statutory LGPS guidance has been issued by the Government.

Have the Environment Agency retirement, redundancy, and discretions policies changed and where can I find the updated versions?

The introduction of the 2008 LGPS meant that the Environment Agency needed to review all of the policies that are linked to pensions, including early retirement and redundancy and those relating to pensions discretions. Some of the changes that have been made are:

- Introduction of tiered contribution rates for members that are linked to earnings. We will review contribution rates annually following the implementation of the July pay award or following a contract change.
- Incorporation of the Government's change to the earliest retirement age, which for new members is 55 years (employer's consent is still required). However, protections are in place for existing members, who can leave with Environment Agency consent and receive the immediate payment of pension benefits from age 50 years onwards as long as retirement occurs before 31 March 2010. Please note, this does not apply to ill health retirements.
- The discretion for the Environment Agency to award additional pension up to a maximum of £5,000 per annum to members.
- Introduction of a process to determine the dependency/interdependency of nominated cohabiting partners on the death of a member.
- New ill health provisions (although we are still awaiting guidance from the Government on the application of some aspects of the new regulations so the Environment Agency policy is not yet finalised).
- Partial flexible retirement (again some guidance from the Government is awaited so that the Environment Agency can finalise its policy).
- The new retirement policy has incorporated all retirement options into one document, making it easier to review retirement options at a glance.

The Environment Agency's early retirement and redundancy and pension discretions policies can be found on the Easinet under the Human Resources A-Z.

How can I increase my LGPS pension?

The scheme offers two ways for you to increase your LGPS pension.

1. Additional Voluntary Contributions (AVCs) can be paid through either of the Environment Agency's in-house providers and there are a range of investment funds for you to choose from. Contributions must be made via payroll (cheque payments are not allowed) and must not exceed 50% of your pensionable pay in any one tax year. At retirement, the fund you have built up can be used to either:
 - maximise your tax-free cash, or
 - transfer into the LGPS to purchase additional pension, or
 - buy a pension on the open market or from the in-house AVC provider, or
 - a combination of one or more of the above.
2. The 2008 Regulations introduced a new facility whereby you can buy additional pension by making additional regular contributions (ARCs). You can buy pension in multiples of £250, up to a maximum of £5,000. This extra pension can be for just yourself or for you and your dependants. You can pay over a term calculated in whole years that ranges from a minimum of one whole year, to a maximum term of the period starting from the date of the first contribution until you reach age 65 rounded down to the nearest whole year.

We will be issuing another newsletter later in the year to tell you more about the options for increasing your benefits. If you would like further information in the meantime please contact Capita Hartshead.

Why do I need to complete an Expression of Wish form and where can I get one?

It is important for you to think about who you would like to receive any lump sum death grant due if you die. The Pensions Committee will consider your wishes when deciding who should receive the payment, but it can only do this if your wishes are recorded on an Expression of Wish form. You can nominate whoever you wish but if you do not complete an Expression of Wish form, the Committee can only pay the lump sum to your estate or any person appearing to the Committee to have been a relative or dependant at any time.

If you have not completed an Expression of Wish form or you want to change your existing nomination, you can use the enclosed form or get one from *Ask HR*, or the pension website www.eapf.capitahartshead.co.uk. There is a link to this site from the Easinet pension pages.

Where can I get the new Nominated Cohabiting Partner form?

With the introduction of the 2008 Scheme, benefits are now payable to nominated cohabiting partners in the event of your death. A nominated cohabiting partner is a partner of the same or opposite sex who has been nominated by you as your partner. A number of qualifying conditions must be met, for a continuous period of at least two years from the date of nomination, in order for nominated cohabiting partner benefits to be payable.

If you would like to nominate your partner you should both complete a Nominated Cohabiting Partner form, which you can get from *Ask HR*, or the pensions website www.eapf.capitahartshead.co.uk. There is a link to this site from the Easinet pension pages.

What will happen to my contributions following the 2008 pay award?

Since 1 April 2008 your pension contribution rate has been determined by the earnings band into which you fall. The contribution rate fact sheet included with your March payslip explained how and when your contribution rate would be reviewed. The first assessment took place on 1 April 2008 and we told you that your payslip would detail your contribution rate and the pay used to determine that rate (annual salary plus permanent pensionable allowances). If you would like more information, the contributions policy is available on the Easinet under the Human Resources A-Z.

The next review of your pension contribution rate will take place as part of the July 2008 pay award. If the pay award moves you into a higher earnings band your contribution rate will increase and the change will be effective from 1 July 2008. Your revised contribution rate and the assessed pensionable pay that has been used to determine this rate will be detailed in the payslip that you receive following the implementation of the pay award. This payslip will also show the retrospective pension contributions that you have paid to cover the period from 1 July 2008 to the date that the pay award is implemented.

If you have a change to your contract of employment during the year, we will review whether the change moves you into a different earnings band. Your new contract of employment will refer you to your payslip, which will confirm any change to your contribution rate.

What is awaited from the Government?

We are still waiting for further information from the Department for Communities and Local Government (DCLG) for two elements of the 2008 scheme.

1. New ill health provisions became applicable from 1 April 2008 and they are substantially different from the old rules. DCLG has given us an indication of how they intend the new rules to work and they are currently consulting on some Statutory Ill Health Guidance for employers and independent registered medical practitioners. The guidance will provide advice on what they must take into account when considering cases under the new three-tier ill health arrangement. We expect the final version of this guidance to be in place later in the year.
2. We are also waiting for further clarification/guidance on partial flexible retirement. The Environment Agency is in the process of finalising its policy on flexible retirement and will review the policy once the Government Actuary's guidance has been received.

Tax on pension benefits for high earners – deadline for applying for protection

In April 2006, Her Majesty's Revenue and Customs (HMRC) changed the way that tax applied to pension benefits. This means that, when you retire, the value of all your pension benefits, whether in the LGPS or any other pension arrangements, will be calculated. If the value exceeds what is called the 'lifetime allowance' you will become liable to tax charges. Your benefit statement now shows the percentage of the lifetime allowance used up by your EAPF benefits (excluding any payments you may have made to the Environment Agency's in-house AVC providers). Tax charges will only very rarely apply but, for example, those with very high earnings could exceed the lifetime allowance by the time they retire.

Because some people could be in a worse position than was the case before the April 2006 changes, HMRC introduced a number of transitional arrangements to protect people who might have been in a better situation under the prior arrangements that were in place. You must register if you want any of the transitional protection arrangements to continue and this must be done before 5 April 2009.

The various types of protection are summarised below, and it is possible to apply for more than one type of protection.

Types of protection:

- primary protection – if the value of your pension rights as at 5 April 2006 exceeded the lifetime allowance of £1.5million;
- enhanced protection – if the value of your pension rights at the time of retirement is expected to exceed the lifetime allowance at that time;
- lump sum protection – if your accrued lump sum as at 5 April 2006 exceeded £375,000 or 25% of the value of your pension rights;
- pension credit protection – if you were awarded a pension credit (due to a divorce) prior to 6 April 2006.

The rules relating to these protections are very complicated. You can find more information by going to the HMRC website at www.hmrc.gov.uk/manuals/rpsmanual and clicking on the link to "member pages". There may be implications in applying for protection, particularly if you were a high earner prior to 6 April 2006. We recommend that you seek independent financial advice if you think you might need to apply for protection. If you decide to proceed with the registration process, Capita Hartshead will be able to carry out certain calculations relating to your LGPS benefits as at 6 April 2006 if you find you need it for declaring on the registration form.

If you decide to proceed with registering for protection, you must complete and return the relevant registration form to HMRC before 5 April 2009. The registration forms can be found at www.hmrc.gov.uk/pensionschemes/protection.htm.

What is happening with the Equitable Life with-profit AVC fund?

Those of you who have or had investments in Equitable Life's with-profit fund via the in-house AVC scheme may have seen the recent press coverage of the report by the Parliamentary Ombudsman, who found that the Financial Services Authority and the Government Actuary's Department failed in some of their duties. It recommends a number of action points, including the setting up of a process to assess claims for compensation. The next step is that the Government will review and respond to this report so it is unlikely that anything will happen until this has been completed, which could take some time. Please rest assured that we will continue to monitor the situation and let you know if you need to take any action.

Contact Details

Further information about the LGPS is available at the following web addresses:

- Pensions forms – email *Ask HR*
- Member information – www.eapf.capitahartshead.co.uk
- Financial information and policy statements – www.environment-agency.gov.uk/pensions
- General LGPS information – www.lgps.gov.uk

Enquiries about the EAPF or entitlement to benefits should be addressed to:

Environment Agency Pensions Team

Capita Hartshead
257 Ecclesall Road
Sheffield
S11 8NX

E-mail: eapf@capita.co.uk

Tel: 0114 273 7331

Fax: 0114 273 0299

Enquiries about Environment Agency employment issues should be addressed to:

Pensions Team

Rio House
Waterside Drive
Aztec West
Almondsbury
Bristol BS32 4UD

E-mail: pensions.team@environment-agency.gov.uk

Tel: 01454 624 428

Fax: 01454 624 479

Acknowledgement and Disclaimer

The content of this issue of Your pension is based on the Environment Agency and Capita Hartshead's understanding of the legislation and events as at July 2008. Nothing in this newsletter can override legislation. It is not intended to constitute advice and should not be considered as a substitute for specific advice in relation to individual circumstances.