



Your pension - issue 4

Autumn 2010

Introduction

With so much happening on pensions at the moment, the Pensions Committee wanted to update all active, deferred and pensioner members on the current position. Below we cover some changes announced in the June Budget and various Government reviews and public consultations that are currently underway. We will tell you as soon as we can when we have firm information on any legislative changes, or changes to the Local Government Pension Scheme (LGPS) arising from the following developments that may affect our pension arrangements.

LGPS cost sharing

In April 2009 the Government introduced a mechanism into the LGPS Regulations to enable increases in future costs to be shared between employers and pension fund members, as is already the case on other public sector pension schemes. This was known as “cost sharing” but is now called “cap and share”. It may result in some changes to contribution levels for active members and employers. It will not affect deferred or pensioner members. We expect to have more information in Spring 2011.

Tax relief on pension contributions

In the June 2010 Budget, the Government announced plans to review the limits on tax relief on pension contributions set out in the Finance Act 2010, with a view to simplifying them whilst still seeking to raise the same level of revenue. The Government is expected to outline its new approach in late autumn with changes due to come into effect from April 2011. We will only be able to assess the likely impact when we have more detail on the proposals. We will keep those who could be affected by these changes informed when Her Majesty’s Revenue & Customs (HMRC) publishes final guidance.

Annual pension increases

In June 2010 the Government announced that it will change the method of indexation that it uses for occupational pensions from April 2011. This means that increases to pensions in payment and deferred pensions under the LGPS will be linked to the rise in the Consumer Prices Index (CPI), rather than to the rise in the Retail Prices Index (RPI). This change will apply to EAPF pension increases from April 2011. Although both indices are measures of inflation, RPI and CPI are calculated using different methods and include different items.

State pensions

Starting from April 2010 the State pension age for women is gradually changing from 60, so that by 2020 State pension age for men and women will have been equalised at age 65. In addition, State pension age for men and women is set to rise to age 66 by 2026, to age 67 by 2036 and to age 68 by 2046. The Government has announced it will review whether the date at which State pension age will increase from age 65 to age 66 should be brought forward.

However from April 2011, there will be a ‘triple guarantee’ so the basic State pension will rise by the higher of either a) earnings – the average increase in UK wages that year; b) prices – how much the cost of living increases that year; or c) 2.5 per cent.

Review of public service pensions

In July 2010 the Government created an independent Public Service Pension Commission, headed by Lord Hutton, to undertake a fundamental, structural review of public service pensions. The Commission is tasked with assessing current public service pension schemes, including the LGPS, and making recommendations for future public service pension arrangements that are sustainable and affordable in the long-term as well as fair to the public service workforce and the taxpayer. Lord Hutton has said that “existing accrued pension rights will be protected” . He is expected to report in Autumn 2010 and make recommendations in Spring 2011.

Pensions Committee

The Pensions Committee is keeping a very close watch on all the above developments, and will continue to be proactive in respect of consultations on the future of public sector pension schemes and the LGPS. We are in a good position to influence the debate as a leading LGPS fund and a member of the national LGPS Policy Group.

The Pensions Committee has agreed that there are considerable continuing strategic benefits to the Environment Agency of being a statutory member of the LGPS. If, later in 2010 or in 2011, the Government decides to make any significant changes to the LGPS, the Pensions Committee will discuss the changes and advise the Board on the likely impact on the Environment Agency, our pension funds and their members. Changes would need to be very detrimental, which is unlikely, before we would reconsider our statutory membership of the LGPS.

The Pensions Committee also agreed that statutory communications to Environment Agency Pension Fund members are very important. The Chairman of the Pensions Committee, on behalf of the Environment Agency Board, will lead on communicating information on any public sector pensions or LGPS changes and their impact to all fund members.

Contact Details

If you have any questions regarding this newsletter, your pension entitlement or about the scheme in general, please contact either Capita Hartshead or the Environment Agency as appropriate: -

Enquiries about the Environment Agency Pension Fund or entitlement to your benefits should be addressed to:

Environment Agency Pensions Team
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Hartshead House
2 Cutlers Gate
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Enquiries about Environment Agency employment issues should be addressed to:

The Benefits Team
Environment Agency
Rio House, Waterside Drive
Aztec West, Almondsbury
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Telephone: 01454 624445

Acknowledgement and Disclaimer

The content of this issue of Your pension is based on the Environment Agency and Capita Hartshead understanding of the legislation and events as at September 2010. 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.