Environment Agency
Pension Fund

Winter 2015

Your Pension

News from the Environment Agency Pension Fund

Contents

Chairman's welcome

As the new Chairman of the Environment Agency's Pensions Committee, I take pleasure in presenting to you our winter newsletter highlighting key pension topics for your information.

This is my first pension newsletter and I take this opportunity to introduce myself, and share some of my background. I am a CIMA qualified accountant and a former Group Financial Controller of United Utilities Group plc. I chaired the audit committee of a Department of State for five years and in 2011 I became a Board member of the Environment Agency, and became chair of the Investment Sub-Group in 2012.

Over the past decade I have seen the Fund become a global leader in responsible investment, achieving good returns and making sure our communications keep up with technology to increase our reach to you, our members. My fellow committee and pension board members are committed to embracing the economic challenges and opportunities that we all face. I am pleased with the further progress we have made this year and I share a few examples below.

The Fund transitioned its portfolio of passively managed global equities to a new fund, and this is measured against the new MSCI Low Carbon Target World Index. It continues the next step in our strategy to manage and reduce climate risk in our investments.

We have published our Policy to Address the Impacts of Climate Change, demonstrating to our members that we have a credible plan to deliver strong, long term financial returns, as the impacts of climate change materialise.

The Government has issued a consultation on the proposed reforms to the Local Government Pension Scheme (LGPS) Investment regulations, and the pooling of funds. We welcome the opportunity to respond to the consultation and are working closely with other pension funds on how we can best achieve this.

Our work has received recognition through winning a number of investment awards this year, and perhaps most notably, the Institutional Investor Europe (IIE) award for Best Environment & Social Governance. These are voted for by other institutional investors and we feel privileged to be recognised by our peers.

Our communications have received very positive feedback, culminating in the EAPF receiving recognition from Professional Pensions magazine for Best Communications for the Public Sector 2015. The team has also been recognised for its member engagement and digital strategy and you can read more about this on page 6.

I hope that you will find this newsletter useful and informative. We do value your feedback, so please get in touch with any comments or suggestions via the contact details on the back page.

Clive Elphick

Chairman of the Pensions Committee

How we invest

Placing responsible investment at the heart of what we do

During 2015 the Fund celebrated its 10th anniversary of implementing a responsible investment strategy.

What does it mean to be a responsible investor?

Put simply, it describes the way we approach our investment work by:

- Considering a wide range of issues such as environmental or social impacts and what financial impact they could have both in the short and long term
- Looking to work with and influence others
- Acting as good owners of the companies, assets and funds in which we invest
- Operating in an open and transparent way

Stewardship

We have now published Chapter 2 of the 10 chapters celebrating 10 years of responsible investment.

This second chapter demonstrates the power of engagement and voting. It focuses on the Fund's work in co-ordinating the engagement and voting activity in companies, demonstrating its importance to the Fund and the interests of our Fund members. The paper features an interview between Martin Parsons (EAPF) and Colin Melvin from our provider Hermes EOS.

Sustainable investment

In 2015 we achieved our target of 25% of our investments in clean technology and other sustainable opportunities – far more than any other pension fund worldwide. Investments include:

- Property opportunities targeting energy efficiency, urban regeneration and sustainability
- Venture capital funding the next generation of technologies – such as electric vehicles and LED lighting
- Long term sustainable infrastructure, such as renewable energy and energy efficiency
- Listed companies demonstrating best practice in sustainability, improving efficiency and reducing social and environmental impacts

Climate change policy

Managing climate risk is a top priority for us. We have been managing climate risk in the Fund since 2001 when we became a founder member of the Institutional Investor Group on Climate Change (**www.iigcc.org**).

The EAPF is the first Fund to run its assets in accordance with the UN-agreed principle of preventing global temperatures rising by more than 2°C. We will integrate the impacts of climate change into our investments. Our policy sets a broad objective of ensuring that investments are aligned with limiting climate change to a 2°C warming whilst focussing on low carbon investment, decarbonisation and engagement with industry.

This new policy means that the Fund will have its investment to coal reduced by 90% over the next five years, and our investment to oil and gas reduced by half.

This target is compatible with generating good financial returns, avoiding long term risk and will meet our fiduciary responsibilities. For more information please visit our website.

Latest pension news

Consumer Price Index (CPI) to September 2015 is -0.1%

This does not affect any deferred pensions or any pensions already in payment, and your pension will not go down.

In periods of negative inflation your career average pension (the pension that you build up after 1 April 2014) can be reduced. We believe that a nil increase is most likely but we will keep you informed if this changes.

National Insurance database

Our Fund participates in a data sharing project with other LGPS pension funds in England, Wales and Scotland in order to comply with legal provisions contained in our Scheme's regulations. This means that if a member of the Scheme dies, our Fund will need to know if the individual also had other periods of LGPS membership elsewhere in the country so that the right death benefits can be paid to the deceased member's dependants.

A national database has been created to enable funds to check if their members have LGPS pensions records in other pension funds. The database is hosted at the South Yorkshire Pensions Authority.

An extract from this database will periodically be shared with the Department for Work and Pensions (DWP) as part of the Tell Us Once service. Tell Us Once is a service offered in most parts of the country when an individual registers a death. When the Fund joins this service the DWP will ensure that we are informed of the death, so that the member's records can be processed efficiently.

If you wish to see more information on the way this data is shared, then the full privacy notice may be found at **www.eapf.org.uk**

Changes to tax relief

These tax changes are unlikely to affect the majority of members, and we will contact individuals who are likely to exceed these tax limits directly.

There are two restrictions on the amount of tax relief you receive on your pension savings, an annual allowance and a lifetime allowance.

The annual allowance limits the amount of tax relief you can receive on your pension savings each year. From 6 April 2016 we will calculate the annual growth in your pension each tax year instead of each scheme year. For 2015/16 this tax relief is split into two different annual allowance periods. This is due to the introduction of the tapered annual allowance from April 2016, which restricts tax relief for individuals with 'adjusted' incomes above £150,000.

'Adjusted' income includes pension contributions from both you and your employer. The tax relief is reduced by £1 for every £2 that your adjusted income is over £150,000 up to £210,000.

Anyone with income below £110,000 (including income from savings and other investments) will not be affected by the tapered annual allowance.

The lifetime allowance is a limit on the amount of pension benefits that can be built up over your lifetime without incurring a tax charge, and the allowance will be reduced from April 2016 to £1m. Protections are available for anyone who has already exceeded the limit by 5 April 2016. Future lifetime allowance limits are likely to increase annually in line with the Consumer Price Index from 6 April 2018.

We've moved!

If you are writing to us, our new address is:

11b Lingfield Point
Darlington
DL1 1AX

Our telephone number hasn't changed and remains as **0800 1216593**.

You don't need to do anything, just write to us at this address and we look forward to receiving your post.

Annual benefit statements

This year's benefit statements have been sent out to both current and previous members of the Fund. Your statement details the pension benefits that you have built up through your membership of the EAPF up to 31 March 2015.

Re-enrolment into the LGPS

The Government introduced auto enrolment rules in 2012 to make all employers automatically enrol eligible employees into their pension scheme. Employers are required every three years to re-enrol eligible employees who have opted out of the scheme for more than 12 months.

The LGPS requires that all employees who are not contributing members, but are eligible to be members, are enrolled on the re-enrolment date. Additionally, any members of 50:50 Section must also be re-enrolled into the main scheme.

The Environment Agency introduced auto enrolment in March 2013 and the next re-enrolment date is 1 March 2016.

Shared Service Connected Limited will be introducing auto enrolment from 1 May 2016.

Natural Resources Wales will be introducing auto enrolment from 1 July 2017.

You will receive a letter to confirm if this affects you and the options that you have.

You can join the Fund's main scheme or 50:50 Section at any time by completing the forms on our website **www.eapf.org.uk**

The new State pension from 6 April 2016

We have mentioned in previous newsletters that the State pension is changing next year, anyone retiring after this date will receive one State pension that replaces the current Basic State Pension and any previous top up arrangements such as the State Second Pension (S2P) and State Earnings Related Pension Scheme (SERPS).

You will need 35 qualifying years of paid national insurance contributions to qualify for the maximum new State pension which will be no less than £155.65 per week. However, if you have been a member of a contracted out scheme (like ours), then you may receive less than this. This is because during your membership of the EAPF you did not pay national insurance contributions towards the top up arrangements. Instead, the EAPF promises to give you an equivalent or higher amount of pension than you would have received from the State and, in return, you receive a national insurance rebate of 1.4%.

When the top up arrangements end in April 2016 you will no longer receive the national insurance rebate and you will start to build up qualifying years of paid national insurance contributions towards the new State pension. The value of any qualifying years that you built up in the EAPF before April 2016 will count towards the new State pension, less the pension value of the rebate you have already received.

The table below is a guide to how you may be affected when the national insurance rebate stops.

Earnings	National insurance payable currently by employee	National insurance payable from 6 April 2016	Difference
£15,000 per year (£1,250 per month)	£58.66 per month	£69.36 per month	£10.70 per month
£27,000 per year (£2,250 per month)	£164.66 per month	£189.36 per month	£24.70 per month
£45,000 per year (£3,750 per month)	£307.65 per month	£347.56 per month	£39.91 per month

The maximum reduction is £39.91 a month for earnings over £45,000 a year.

Go digital

Take your pension on the road!

With 66% of people now owning a smartphone, we want to help you take control of your retirement savings. You can now check the value of your pension benefits securely using your tablet or smart-phone, either at home or on the go.

Since the launch of our pension website in December last year, online registrations have increased to 20% of membership and we would now like more of you to experience it for yourself.

It takes just a few minutes to register – all you need is your National Insurance number and a valid email address.

We will send you a PIN to help keep your details secure.

Then, at the click of a button you will be able to:

- View your online benefit statement
- Use our modelling tool to work out when you can retire and how much you might get
- Select a preference of how you wish to be communicated with – go digital!
- Pensioners can view their payslips and P60s
- Contact Capita, our administrator directly

If you forget your access details (login name, password or PIN), you can go to the website to request a reminder.

Top tip

You can use your work email address to register for EAPF Online, but using a personal email address means you can access your information 24 hours a day. Over 61% of people use their mobiles to access the internet, and now you can use yours to access EAPF Online too.

What is the 50:50 Section?

The 50:50 Section provides the option to pay less contributions in return for less pension

A case study

Erin has left university and has taken up her first job with the Environment Agency.

She is aware that her employer provides an excellent pension and understands that it's important to save for her retirement. She is reluctant to join the pension scheme as she hopes to build up some savings as a deposit for her first home and she also has student debts.

Erin is now able to join the 50:50 Section which allows her to pay half her normal contribution for half the amount of pension; however, she will retain the other benefits in the scheme in exactly the same way as she would if she were paying full contributions.

She retains ill health cover if she suffers from serious ill health, and she still has the protection of 3 times her assumed pensionable pay as life cover, plus pensions for any dependants in the event of her death.

Should Erin forget to rejoin the main section of the Scheme, she will automatically be re-enrolled on her employer's next re-enrolment date.

Hopefully by that stage she will feel more financially secure, or she can make another election to rejoin the 50:50 Section.

Nominating beneficiaries

Did you know that you have life cover of 3 times your assumed pensionable pay?

It is important that you nominate who you wish to receive this life cover payment. You can nominate more than one person, or an organisation, such as a charity. The Fund's Pensions Committee will make the final decision on who receives any payments, but will try to follow your wishes.

Complete an Expression of Wish form to let us know your nomination(s) and to ensure the money is paid swiftly without having to wait for probate. You can download a form from our website, **www.eapf.org.uk/forms**, and please remember to keep your nominations up to date.

Pensioner and deferred members

Your EAPF pension

Don't forget that the EAPF provides generous benefits to your dependants on death. Lump sum benefits are free from inheritance tax, as they are discretionary, and pensions are also payable to your partner and dependent children.

You can find out more about the benefits available to you from the Pensioner section of our website at **www.eapf.org.uk** and you can get a form to nominate who you would like to receive any lump sum payments at **www.eapf.org.uk/forms**.

Tell Us Once (TUO)

TUO is a service that lets you report a death to most government organisations. You only have to report it once and the TUO service will relay this to all relevant government departments (including HMRC, DWP, the Passport Office and DVLA). Your local registrar will give you a unique reference number to access the Tell Us Once service online or by telephone.

Public Sector Pension Schemes are working with the Department for Work and Pensions to offer this service to our members and this will come into force this winter. We will notify members on our website when this service goes live.

Passing on your pension benefits

Your dependants may be able to inherit your workplace, personal and State pensions after you die.

State pension

Your surviving spouse or civil partner may be entitled to part of your Basic State Pension if they haven't built up enough NI contributions and you have. Also if you have contributed to the State Second Pension your spouse or civil partner may be able to inherit half of this, and possibly more if you were born before 1945.

Personal pension

You can now pass on your personal pension savings, tax free if you die before buying an annuity with them and before age 75. If you die after age 75 your beneficiary will pay 45% on any lump sums payable, and income tax on any income taken from your fund. Most personal pension payments are also free from inheritance tax if they were 'discretionary', which means that the pension provider had the final say in who receives the benefit.

Deferred members

Annual benefit statements

This year's benefit statements were sent out to previous members of the Fund from 31 August, and it has come to our attention that some statements may not be reflecting accurate indicators for those members who have made nominations for death benefits. This is an oversight on this year's statement and we wish to reassure members that this will be reflected correctly on next year's statement.

If you have any concerns then please contact Capita.

Contact details

If you have any questions regarding your pension entitlement you can contact our pension administrator, Capita, by:

Using the '**Contact the EAPF**' button at **www.eapf.org.uk**

Emailing **info@eapf.org.uk**

Calling **0800 1216593**

Sending your query to
Capita, 11b Lingfield Point, Darlington, DL1 1AX