
Deferred member briefing 2019

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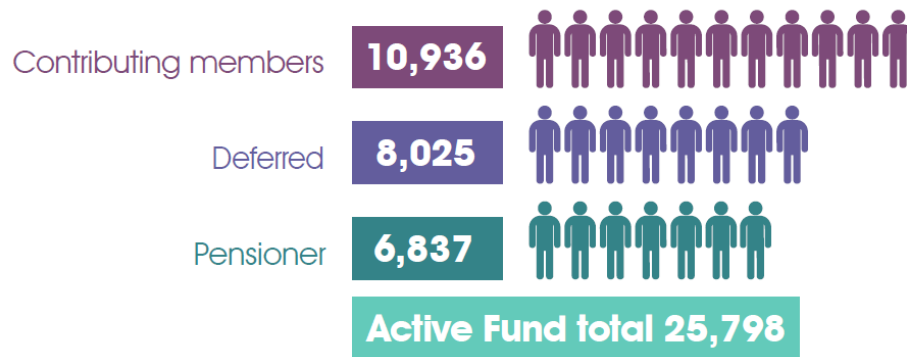
Agenda

- Our Pension Funds
 - Summary of Pension Benefits & Options
 - Death benefits
 - Topical Changes
 - Communications
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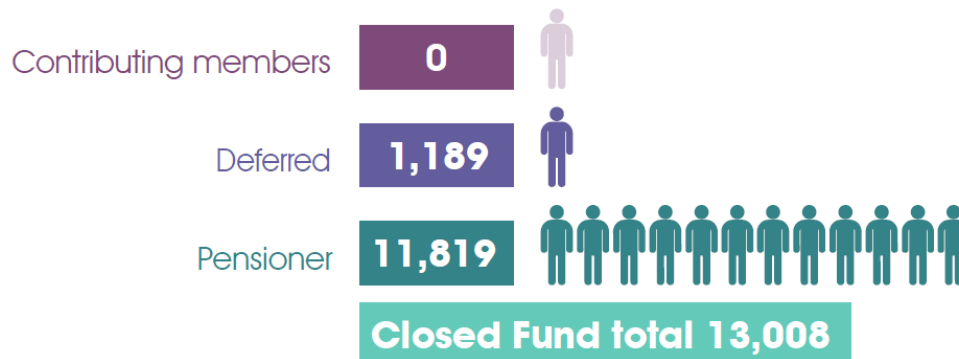
Our Pension Funds

Membership

Active Fund - as at 31 March 2019

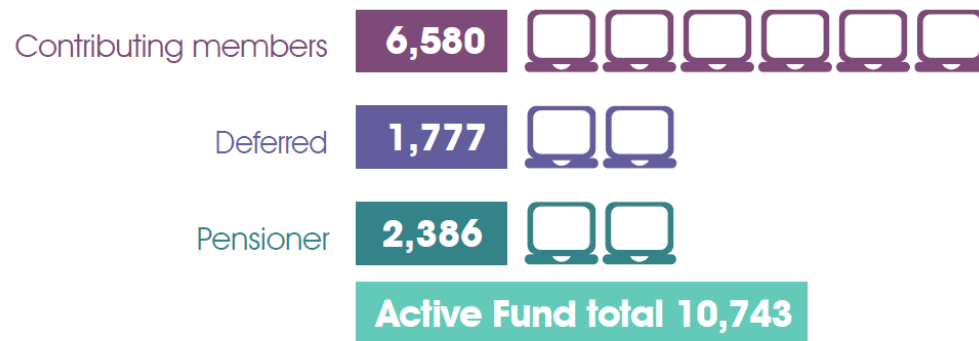


Closed Fund - as at 31 March 2019

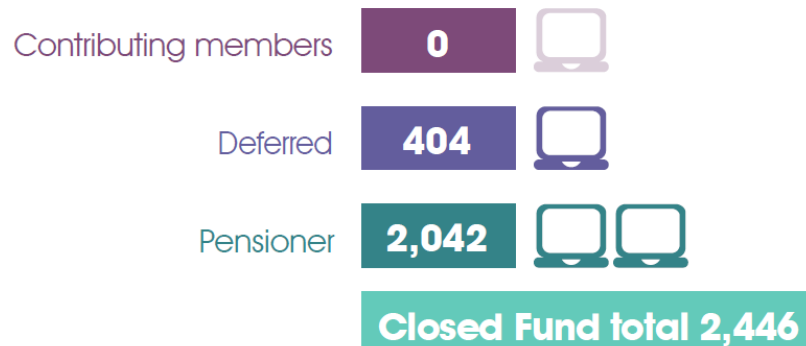


EAPF Online registered users

Active Fund - as at 31 March 2019



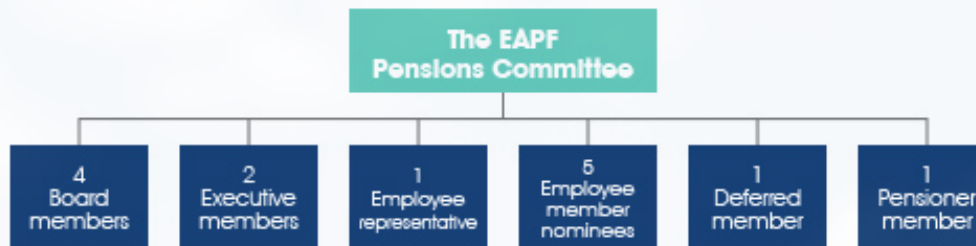
Closed Fund - as at 31 March 2019



Governance

The Pensions Committee principal aim is to consider pension matters and safeguard the interests of all pension fund members.

The Committee has 14 members:



The Pension Board has 10 members:



Membership of the Pension Board will be the members of the Pensions Committee less the 2 Executive Directors members of the Environment Agency and 2 Active Scheme Members, so the Pension Board will normally be 10 remaining Pensions Committee Members.

Valuation Results

- Our last triennial valuation was in March 2016, where our assets were valued at around £3.5 billion and a funding ratio of 103%
 - We were one of the two highest with funding level across the Local Government Pension Scheme (LGPS)
 - Funding levels at the previous Fund valuation in 2013 was 90%
 - We are currently working on our 2019 valuation, with results expected in March 2020
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Investment Performance

- Over the twelve month period to 31 March 2019, the Fund returned 8.0% outperforming the benchmark by 1.1%
- Over a three year period the Fund outperformed its benchmark by 0.6% p.a., returning 10.5% p.a.

The total return of the Fund over the three years to 31 March 2019 is as follows:

Financial Performance	2019 %	2018 %
1 year		
Fund performance	+8.0	+4.4
Benchmark performance	+6.9	+2.5
Active fund relative performance	+1.1	+1.9
3 year		
Fund performance	+10.5	+8.5
Benchmark performance	+9.9	+7.4
Active Fund relative performance	+0.6	+1.1

Commendations

The Environment Agency Pension Fund (EAPF) has been identified as 'Best in Class' in a recent report on Responsible Investment in the LGPS, which was an analysis of the Investment Strategy Statements of Local Government Pension Funds (LGPS) undertaken by ShareAction & UNISON.

The EAPF are acknowledged as recognising climate change as a key risk, considering divestment from carbon intensive industries and investing in low carbon alternatives.

'The Fund identifies clear investment beliefs regarding climate risk, seeing climate change as a systemic risk to the environmental, societal and financial stability of every economy and country on the planet, with the potential to affect their members, employers and all holdings in the portfolio'.



Brunel Pension Partnership

- The Government introduced regulations that require Local Government Pension Scheme (or LGPS) funds to pool investments to improve efficiency.
- The Brunel Pension Partnership (consisting of 10 LGPS Funds largely based in the South West) was formally created on 18 July 2017, with the EAPF being one of its founding members.
- As part of Brunel Pension Partnership, we'll have greater scale to negotiate fee reductions or concessions with investment managers.
- More info at www.brunelpensionpartnership.org



Summary of Pension Benefits & Options

Summary of pension benefits

- Pension for life, revalued in line with cost of living
 - Optional lump sum at retirement
 - Automatic lump sum if you were a member before 1 April 2008
 - Pension for dependants
 - All the benefits that you've built up are protected by the Government
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Cost of living revaluation

LGPS pension and deferred lump sum

- Pension revalued by Pensions Increase (Review) Orders (currently CPI)

Guaranteed Minimum Pension (GMP)

- Revalued as above, shared between EAPF and State pension
- Changes currently taking place as to who picks up the 'tab'

State pension

- Higher of Pension Increase (Review) Orders (currently CPI), average earnings or 2.5%
 - 'Triple lock guarantee'
-

Cost of living revaluation – April 2019

CPI

- Period assessed = October 2017 – September 2018
- CPI = 2.4%
- Applied in April 2019

Impact on contributing members

- Career average benefits increased by 2.4%

Impact on deferred & pensioner members

- Benefits increased by 2.4%
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Options for deferred members

- Taking your pension benefits
 - Payable from Normal pension age (NPA)
 - Can be paid earlier or later than NPA
 - Re-joining the LGPS
 - Transferring out
 - Exchanging your pension rights for a 'one off' lump sum
 - Trivial Commutation & 'small pot' payments
-

Normal Pension Age (NPA)

Date of leaving	NPA
After 31 March 2014	Later of 65 or State Pension Age
Between 1 October 2006 & 31 March 2014	Age 65
Before 1 October 2006	Between age 60 and 65, depending on date of joining

Early payment of benefits

Type	Age	Former employer's consent required
Early payment (voluntary)	55 to NPA	No
Ill health	Any age	Yes

If you take up new employment you must tell the Pension Fund, however your pension will not usually be affected.

Early retirement reductions

Years Early	Pension Reduction (%) (Unisex)	Lump Sum (Unisex)
0	0	0
1	5.1	2.3
2	9.9	4.6
3	14.3	6.9
4	18.4	9.1
5	22.2	11.2
6	25.7	13.3
7	29	15.3
8	32.1	17.3
9	35	19.2
10	37.7	21.1
11	41.6	N/A
12	44	
13	46.3	

Deferring payment – ‘late’ retirement

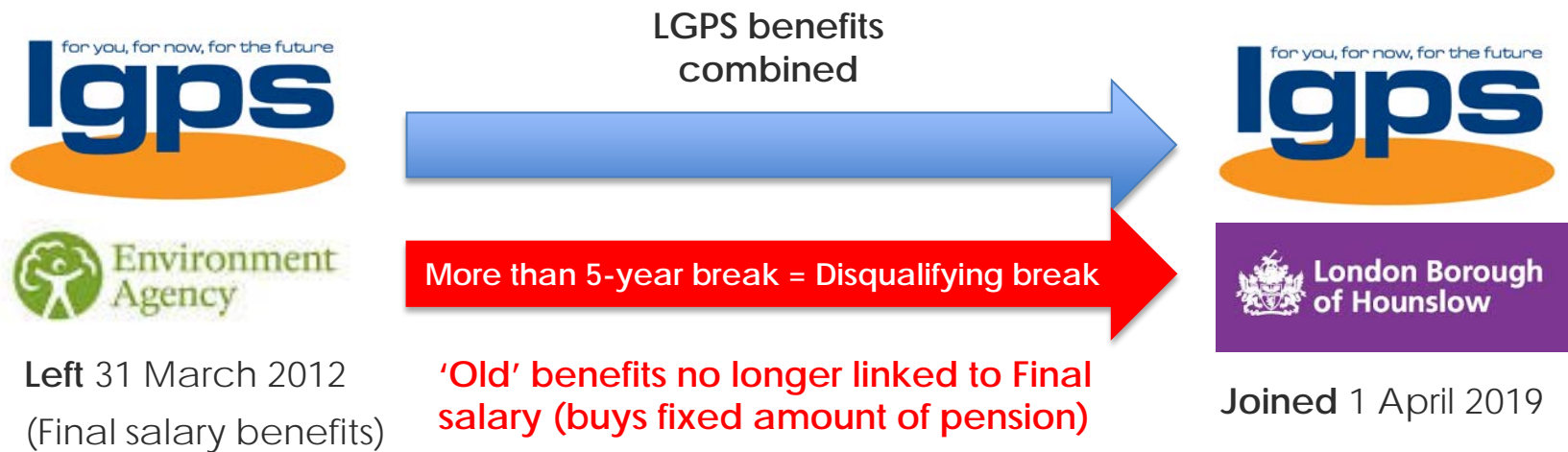
- Option for you, if:
 - You stopped contributing to the Scheme **after** 31 March 1998, and
 - Your EAPF pension hasn't come into payment yet, and
 - You don't want to receive your EAPF pension on reaching NPA
 - To defer payment beyond NPA, must elect to do so
 - Where benefits deferred beyond NPA
 - Pension & lump sum increased for each day of deferment
 - Must be in payment by age 75
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Re-joining the LGPS

- Build up a new pension
 - Separate deferred pension
 - Option to aggregate (combine) deferred and 'new' LGPS benefits
- Benefits acquired on aggregation determined by:
 - 'Make up' of the deferred benefit; and
 - Any 'Disqualifying breaks' between leaving and re-joining LGPS
- 'Disqualifying break'
 - A single break in active membership of a public service pension scheme > 5 years
- If deferred benefit contains final salary benefits and :
 - **No disqualifying break** – deferred benefit linked to final salary in new employment
 - **A Disqualifying break** – no final salary link, deferred benefit re-shaped and transferred across as a fixed amount of pension

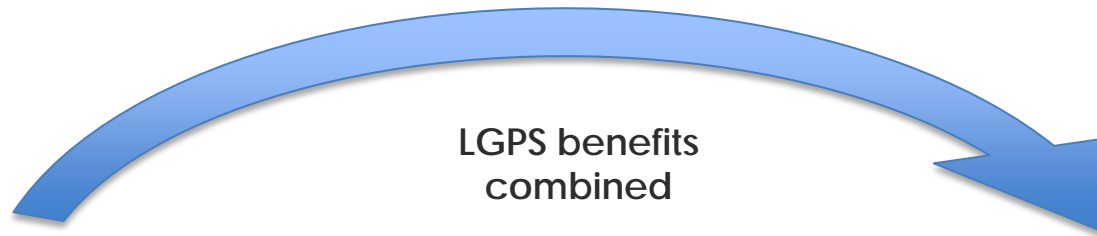
Re-joining the LGPS

Example



Re-joining the LGPS

Example



Left 31 March 2012
(Final salary benefits)



Civil Service

1 April 2015 – 31 March 2017
(joined pension scheme)



Joined 1 April 2019

'Old' benefits linked to Final salary in
new job

Transferring out of the LGPS

- May transfer to:
 - Another public sector scheme (final salary link still possible)
 - A private sector scheme
 - A HMRC approved overseas pension scheme
- HMRC restrictions on transferring out
 - Also, new scheme may impose time limits on transferring in
- Financial advice **required** (which **you** must pay for) if:
 - Transferring to a money purchase scheme; and
 - Transfer value is **more** than £30k

Beware of the potential risks and scams associated with transferring out!

Trivial Commutation

Member may give up pension entitlement for a one off lump sum

- Applies to new & existing pensioners
- Strict eligibility criteria applies
- Capital value of LGPS and other pension rights must be £30,000 or less

Eligibility criteria

- Age 55 or over (must be over 'GMP age' if benefits contain GMP)
 - If under age 55, must meet ill health conditions
 - Must have some lifetime allowance available
 - Must extinguish all entitlement within the LGPS
 - A trivial commutation lump sum must not have been paid by another scheme, **but**
 - If one has already been paid, there is a 12 month window to commute all remaining benefits
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Trivial Commutation - Example

Female deferred member, age 60

- £1,000 annual pension (age 60 unisex factor = 20.56)
- £3,000 automatic tax-free lump sum
- £500 spouse's pension (age 60 unisex factor = 1.90)

Capital value of LGPS & other pension rights = £29,000

Trivial commutation lump sum payment **can be made**

- $(£1,000 \times 20.56) + (£500 \times 1.90) + £3,000 = \mathbf{£24,510}$
- 25% paid tax-free, 75% taxed at your normal rate
- **Any survivors'/dependants' pensions are forfeited**



'Small pot' Payments

Small pot payment must be £10,000 or less

- Only LGPS rights need to be considered
- Strict eligibility criteria applies

Eligibility criteria

- Stopped contributing after 31 March 2008
- Age 55+ (must be over 'GMP age' if benefits contain GMP)
- Must not be a controlling director/sponsoring LGPS employer (or connected to such a person)
- Must extinguish all entitlement within the LGPS
- Must not have transferred out of LGPS within last 3 years

'Small pot' Payment - Example

Male deferred member, age 55

- £350 annual pension (age 55 unisex factor = 22.89)
- £600 automatic tax-free lump sum
- £156 spouse's pension (age 55 unisex factor = 1.82)

Meets 'small pot' criteria

- $(£350 \times 22.89) + (£156 \times 1.82) = \mathbf{£8,295.42}$
- 'Small pot' payment **can be made** (less than £10,000)
- 25% paid tax-free, 75% taxed at your normal rate
- **Any survivors'/dependants' pensions are forfeited**



Death Benefits

Death Grants

Date of Leaving	Deferred members
Before 01/04/2008	Equivalent to scheme lump sum (usually 3 x deferred annual pension)
After 31/03/2008	5 x deferred annual pension
Pensioner members	
Before 01/04/1998	Dependant on: <ul style="list-style-type: none"> • Period of membership • Reason for retirement • Age at date of retirement • Pay at leaving But not always payable
01/04/1998 to 31/03/2008	5 x pension less any pension already paid
After 31/03/2008	10 x pension less any pension already paid

DEATH GRANTS CANNOT BE PAID AFTER AGE 75

Nominating Beneficiaries

- Nominate who you wish to receive a death grant in the event of your death
 - Not legally binding, but the Environment Agency Pensions Committee will endeavour to abide by your wishes
 - **May** enable payment to be made to your loved ones more quickly
 - Payments made in this manner are not subject to inheritance tax
 - Forms available at www.eapf.org.uk
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Survivors' Pensions

Spouse/partner (payable for life)

- Husband/wife
- Civil Partner
- Cohabiting partner
 - Leavers after 31 March 2008 only

Eligible child

- Up to age 18, or age 23 if in full time education
- Any age, if unable to work due to permanent incapacity/impairment at member's date of death)

Survivors' pensions revalued each year in line with inflation (currently CPI)

Survivors' Pensions

Normally...

	Benefits built before 01/04/2008	Benefits built between 01/04/2008 & 31/03/2014	Benefits built after 31/03/2014
Member	final salary, 80 th	final salary, 60 th	Career average, 49 th (main) / 98 th (50:50)
Spouse/ Partner*	50%*	37.5%	30.625% (of main section)
Eligible children**	50%, Split between 2+ eligible children	37.5%, Split between 2+ eligible children	30.625%, Split between 2+ eligible children

*Spouse/partner's pension *may* not be based on all of your pre 1 April 2008 benefits

**May be higher if no spouse/partner's pension payable

Topical Changes

Impact of 'Brexit'

- UK due to leave the European Union (EU) on **31 October 2019**
- DWP have advised that Brexit will **not** affect payments to overseas pensioners
- Brexit expected to have **no direct impact on LGPS benefits**
 - LGPS is a **statutory** scheme, backed by a government promise
 - **No risk to members' benefits**

LGPS benefits are fully protected!



Changes to survivors' pensions

- Amendment regulations laid in December 2018
 - Made on the back of a Supreme court ruling in 2017 (Walker vs Innospec)
 - Civil partners and survivors of a same-sex marriage are now treated the **same** as a widow of an opposite-sex marriage
 - Pension based on **all** membership; or
 - **Post 5 April 1978** membership
 - Changes backdated to when civil partnerships & same-sex marriages became law
 - EAPF & Capita are working together to identify affected pensioners currently in receipt of a survivor's pension
 - Also affects past cases where actuarial assumptions were based on the member being/having been in a civil partnership or same-sex marriage
 - **Currently waiting on Scheme guidance from the Government on how to rectify this**
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Changes to LGPS benefit structures

- Government introduced a 'cost cap' mechanism for public service pensions schemes in 2013
 - Estimated in 2013 that it would cost 19.5% of an employee's salary to fund future pension benefits
- 'Cost cap' tolerance limit set at 2%
 - Within 2% at next valuation = No change
 - Outside 2% at next valuation = Scheme changes **need** to be made
- Latest valuation found that it costs **less** than 17.5% to fund future pension benefits
 - Outside 2% tolerance - **in members' favour!**
 - **Positive change required for benefit accrued from 1 April 2019**
- LGPS has consulted on possible changes to Scheme design; **but**
 - A high profile court case has led to the **changes being put on hold...**

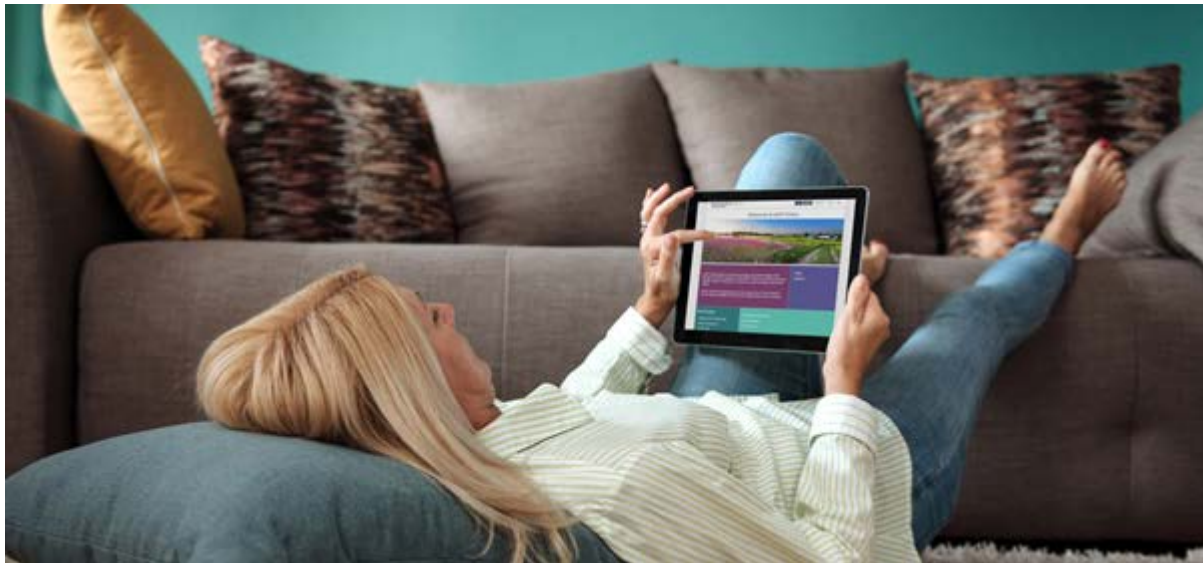
Changes to LGPS protections?

- High profile Supreme Court cases involving Firefighters & Judges' pensions
 - Arguments date back to when the public service pension schemes moved from being final salary to career average
 - Additional retirement protections given to 'older' public service workers - **age discriminatory?**
 - Supreme Court ruled in late 2018 that both firefighters and judges had been unfairly discriminated against
 - The Government are in the process of appealing against this decision
 - **Ruling raises many questions on how members' benefits should be rectified**
 - Affects **all** members who left contributing membership after 31 March 2014
 - Consequently, 'cost cap' changes put on hold, pending the outcome of the Government's appeal
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Communications

Web Portal

- EAPF Online changed in November last year
- Look and feel is different but contains the same level of services as before – but should be easier to navigate, and we hope, more intuitive
- If you've any suggestions for improvement or any comments please contact us at Engage@eapf.org.uk



Deferred member newsletter

- Newsletter sent to our deferred members in May
- It has important information on changes to Early Retirement options and Survivor Benefits for same sex marriage and Civil Partnerships
- We'd like to hear your suggestions for content or how we can improve?



Protecting personal data

General Data Protection Regulation (GDPR)

- New data protection regulations came into force from 25 May 2018.
- Changed how organisations process and handle data
 - Key aim = giving greater protection and rights to individuals.
- EAPF is a Data Controller under the General Data Protection Regulations
 - We store, hold and manage your personal data in line with statutory requirements
 - Enables us to provide you with pension administration services.
- We're required to share your information with certain bodies, but will only do so in limited circumstances.

You can find out more about how we hold your data, who we share it with and what rights you have to request information from the Fund, by visiting

www.eapf.org.uk/privacy-policy

Contact us

Please contact us if you:

- Move house
- Have a change in circumstances, such as marriage/divorce or enter/dissolve a civil partnership

Please make sure your dependents/carer know they should contact Capita with details of:

- Your death – they should provide original/certified copy of death certificate
- You becoming incapable of looking after your own affairs – they should provide copy of Enduring Power of Attorney

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 on the website at www.eapf.org.uk



Emailing
info@eapf.org.uk



Calling
0800 121 6593



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



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