
Pensioner member briefing 2019

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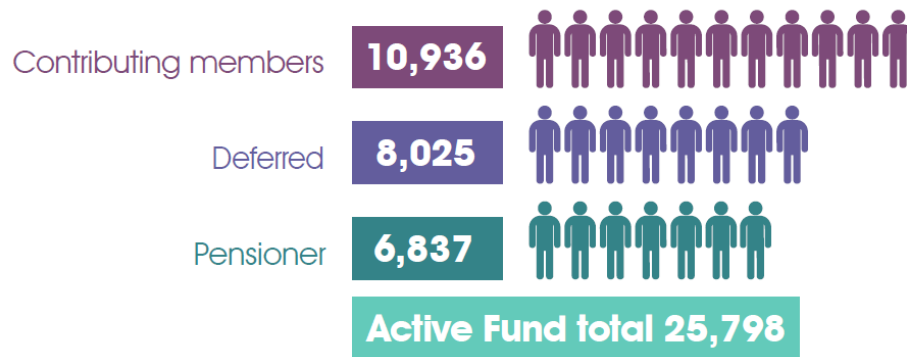
Agenda

- Our Pension Funds
 - Summary of Pension Benefits
 - Trivial Commutation & 'Small pot' Payments
 - Personal allowance & Income tax
 - Death benefits
 - Topical Changes
 - Communications
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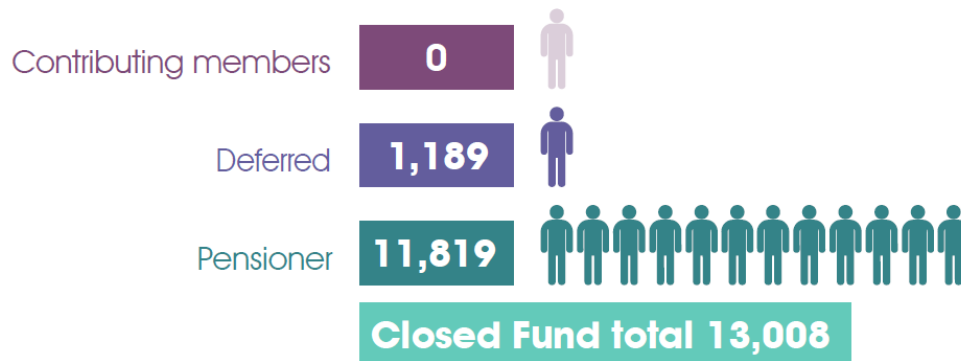
Our Pension Funds

Membership

Active Fund - as at 31 March 2019

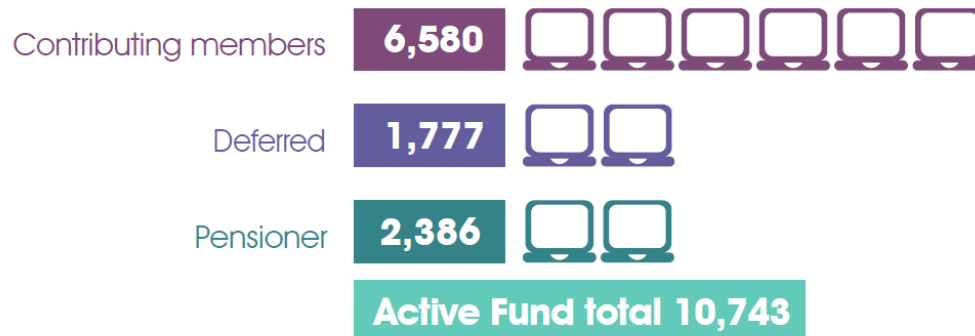


Closed Fund - as at 31 March 2019

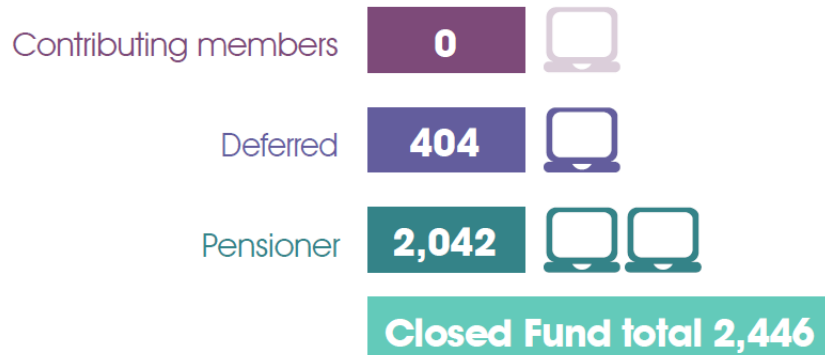


EAPF Online registered users

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

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 have built up are protected by the Government
 - Though benefits **could be reduced** on re-entering employment
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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'
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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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Pensions Increase & GMP

Met SPA before 6 April 2016

- Pre 88 GMP = no revaluation (paid by the state)
- Post 88 GMP = revalued in line with PI, up to 3% (excess paid by state)
- Pension in excess of GMP = revaluation paid by EAPF

Meet SPA between 6 April 2016 & 5 April 2021

- **All** revaluation paid for by EAPF

Meet SPA after 5 April 2021

- Consultation underway – watch this space!
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Your State Pension

Before 6 April 2016 – existing State pensioners

- State pension made up of:
 - 'Basic' state pension
 - 'Additional' state pension

Since 6 April 2016 – new State pensioners

- State pension is a flat rate 'single tier' pension of £168.60 pw (2019/20 rate)
- Need 35 qualifying years for a full pension
- Applies to:
 - Women born after 5 April 1953
 - Men born after 5 April 1951

To calculate or forecast your State pension, contact www.gov.uk/check-state-pension

Topping up your State Pension

- You **may** be able to pay contributions to fill any 'gaps' in your National Insurance records
 - The rules concerning eligibility are complex and differ depending on your circumstances
 - For more information
 - Visit www.gov.uk/check-state-pension
 - Contact the 'Future pension centre' on 0800 7310175
 - Complete an online enquiry form at www.gov.uk/future-pension-centre
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Re-entering employment

- If, having taken your LGPS pension, you enter:
 - **Non-LGPS employment** – no issue
 - **LGPS employment** – you **must** tell the EAPF
- Re-entering LGPS employment – if you stopped contributing:
 - **Before 1 April 1998** – your LGPS benefits **may** be affected
 - **After 31 March 1998** – your LGPS benefits **won't** be affected*, **unless** you:
 - Retired on Tier 3 ill health; or
 - Were awarded Compensatory Added Years on retirement

*If you receive a LGPS pension from another fund, their policy may be different

Trivial Commutation & 'Small pot' Payments

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 pensioner member, age 60

- £750 annual pension (age 60 unisex factor = 20.56)
- £375 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**

- $(£750 \times 20.56) + (£375 \times 1.90) = \mathbf{£16,132.50}$
- Full amount subject to tax
- **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 pensioner member, age 65

- £500 annual pension (age 65 unisex factor = 18.04)
- £250 spouse's pension (age 65 unisex factor = 1.94)

Meets 'small pot' criteria

- $(£500 \times 18.04) + (£250 \times 1.94) = \mathbf{£9,505}$
- Small pot payment **can be made** (less than £10,000)
- Full amount subject to tax



Personal Allowances & Income Tax

Income Tax

All income is taxable including:

- State pension
- Occupational or personal pension
- Employment income
- Savings interest in excess of £5,000, etc.

The amount you can earn before you pay tax is shown on the following slides.

Personal Allowances & Income Tax – Thresholds (E & W)

Personal allowance	2019/20	Income limit
Basic*	£12,500	£100,000
*Applies to everyone, whatever your date of birth		
Income Tax	Rate	2018/19
Basic rate	20%	£12,501 – £50,000
Higher rate	40%	£50,001 – £150,000
Additional rate	45%	Over £150,000

Death Benefits

Death Grants

Date of Leaving	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 <p>But not always payable</p>
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)
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...**

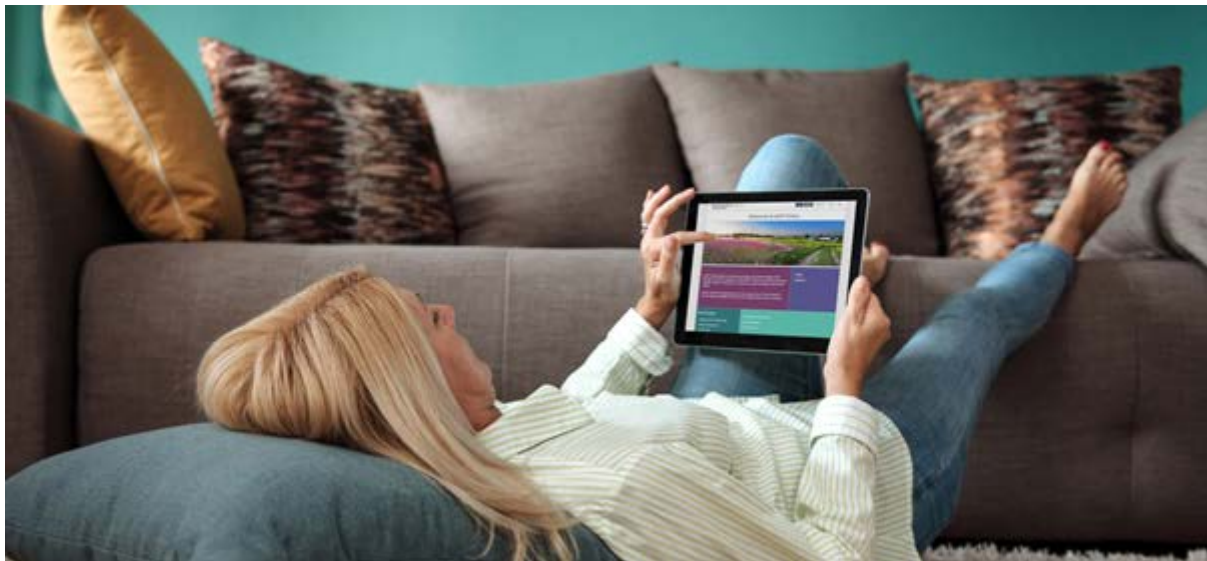
Changes to LGPS protections?

- 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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Communication

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



Pensioner newsletter

- Newsletter sent to our retired members in April
- It has important information on women's State Pension Age (SPA) and on Survivor Benefits 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 giving greater protection and rights to individuals
- EAPF is a Data Controller under these regulations
 - We store, hold and manage your personal data in line with statutory requirements
 - Enables us to provide you with pension administration services
- We are 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
- Change your bank account
- 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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If you require advice on this subject you should contact an independent financial adviser.