

# Planning for your retirement

Martyn Slaughter (Capita)



# Today's Session

What we'll be covering:

- What's the value of my pension?
- Calculating your pension benefits
- Your retirement options & taking your retirement benefits
- What happens next?



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# What's the value of my pension?

- Process for your retirement can be daunting
    - First step = finding out how much you've saved in your pension pot
  - You can do this in a number of ways:
    - Check your latest annual pension statement (to 31 March)
    - Log in to EAPF online and use the 'Retirement illustrator'
    - Request an estimate from Capita or your HR representative
  - Also, how much will you get from the DWP on reaching State Pension age?
-

# Your annual pension statement

- Helps you keep track of how much you've built up in the Scheme
  - pension statements provided every year.

## Current pension at 31 March each year:

Your benefits in detail	
<b>Your benefits at 31 March 2019</b> (payable from NPA - note 5)	
CARE pension account balance at 31 March 2018	£3,825.90
Revaluation of 3.0% applied to CARE pension account balance on 1 April 2018: (note 14)	£114.78
Pension built up in 2018/19 in the Main Section: (note 1)	£956.07
Annual final salary pension (membership up to 31 March 2014): (note 3)	£13,812.01
<b>Total annual pension of:</b> (note 4)	<b>£18,708.76</b>
<b>Plus - automatic tax free lump sum:</b> (note 2)	<b>£27,381.76</b>
<b>Current value of benefits to be measured against the lifetime allowance:</b>	<b>£401,556.96</b>
<b>Current value of benefits as a percentage of the lifetime allowance:</b>	<b>38.98%</b>

The standard lifetime allowance (LTA) for the 2018/19 tax year is £1.03m. The LTA is a limit on the amount of pension benefit that can be paid from pension schemes without triggering a tax charge.

Please note the LTA shown above doesn't cover all of your personal circumstances and only relates to your EAFP benefits. These details give estimated figures only and your actual figure will be calculated on retirement.

## An estimate of death and survivor benefits:

Life cover and survivor benefits	
A death in service lump sum of: (note 8)	<b>£140,542.68</b>
An annual survivor pension of: (notes 9 & 10)	<b>£9,966.69</b>
Expression of Wish: (note 11)	<b>Y</b>

## Potential benefits up to your NPA:

Your pension statement		Environment Agency Pension Fund
<h3>Summary of your pension benefits</h3> <p>Date you reach your normal pension age (NPA): (notes 4b &amp; 5) <b>31/07/2026</b></p>		<h3>About you</h3> <p>It's important you check that the personal details we hold for you are correct.</p> <p><b>Personal details:</b></p> <p>Name: _____</p> <p>Date of birth: _____</p> <p>National Insurance number: _____</p> <p>Employer at 31 March 2019: <b>Natural Resources Wales</b></p> <p><b>Pension details:</b></p>
<p><b>Your benefits at normal pension age</b></p> <p>Annual pension amount of: _____</p> <p><b>£26,306.60</b> (notes 4 &amp; 4a)</p> <p>With a lump sum of: _____</p> <p><b>£27,498.41</b> (notes 2 &amp; 15)</p>		

Register online to view your statements at [www.eapf.org.uk](http://www.eapf.org.uk)

# Using the retirement illustrator

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earina | Mr TN Redgrunt | Contact us | Home Log Out

## Retirement illustrator

**Personal details**

<b>Name</b>	Mr TN Redgrunt
<b>National Insurance number</b>	UZ646964C
<b>Date of birth</b>	03 Jul 1955
<b>Normal Pension Age</b>	02 Jul 2020

**My pension**

Our retirement illustrator lets you estimate the pension and lump sum you could receive if you remain a contributing member of the Scheme. You can model different retirement ages, and the illustrator will calculate any potential reductions, or increases to your pension, based on the date you want to retire. It also takes into account any 85 year rule protections that apply to you.

**What this calculator will and won't do**

<b>It will</b>	<b>It won't</b>
<ul style="list-style-type: none"> <li>Include reductions and/or enhancements</li> <li>Calculate 85 year rule protection</li> <li>Include a proportional amount of added years contracts bought</li> <li>Include a proportional amount of ARC contracts bought</li> </ul>	<ul style="list-style-type: none"> <li>Calculate under age 55</li> <li>Calculate BR10 protections</li> <li>Calculate any APC contracts</li> <li>Calculate any AVC contracts</li> </ul>

**Basic Pension and Lump Sum**

<b>You could receive an estimated annual pension of:</b>	£ 4,028.79
<b>Together with an estimated tax free lump sum of:</b>	£ 4,426.21

You can choose to increase the tax free lump sum you receive by giving up some of your pension. For each £1 of pension you give up you can increase your tax free lump sum by £12. On retirement you will be able to choose to take the basic lump sum or any amount up to the maximum lump sum.

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## Reduced Pension and Maximum Lump Sum

<b>You could receive a reduced annual pension of:</b>	£ 2,827.05
<b>Together with an estimated maximum tax free lump sum of:</b>	£ 18,847.03

**Estimate assumptions**

**When do you want to retire:**  DD/MM/YYYY

**Your actual pay:**

Please use your current annual rate of pay including all permanent pensionable allowances. If you work part-time this should be the amount you receive for working part-time and not your whole-time equivalent pay.

**Change these assumptions**

**Assumptions**

This retirement illustrator makes a number of assumptions:

<b>It will assume:</b>	<b>It won't assume:</b>
<ul style="list-style-type: none"> <li>You'll receive today's salary until retirement</li> <li>You'll remain a contributing member of the Scheme to the retirement age you've selected</li> </ul>	<ul style="list-style-type: none"> <li>Any future salary increases</li> <li>Cost of living increases to CARE benefits</li> <li>Any family benefits</li> <li>Any potential tax charges that may be applied if you exceed HMRC limits</li> </ul>

**Early retirement**

You can request payment of your benefits from age 55 onwards, though they may be reduced if they are paid to you before your NPA. You can also request payment at any age if you are unable to work due to ill health or incapacity.

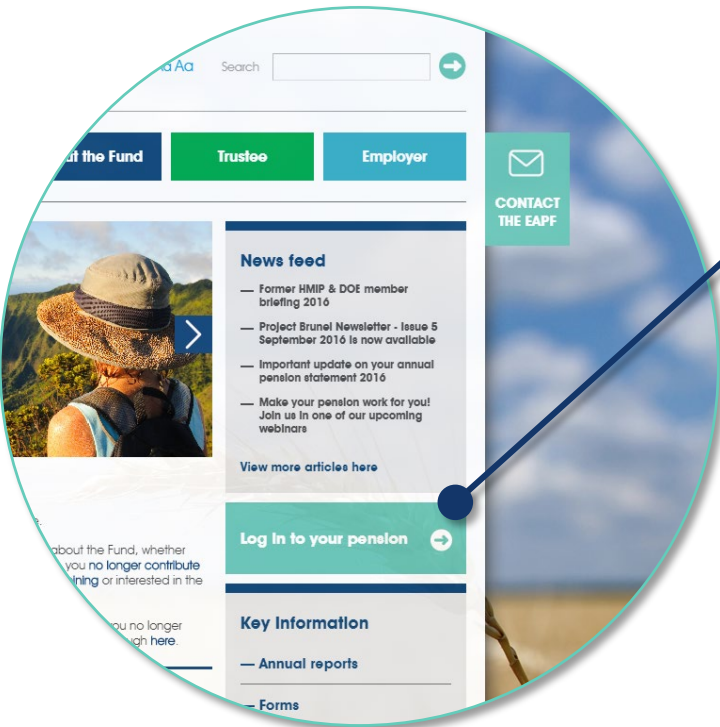
# Registering for EAPF Online

If you haven't registered for EAPF Online, don't worry it's easy!

All you need to do is go to our pension website at [www.eapf.org.uk](http://www.eapf.org.uk)

Click  
Register


Click  
'Log in  
to your  
pension'



# Registering for EAPF Online

Be 8 or more characters long

- Must contain number(s)
- Must contain lower case letter(s)
- Must contain an upper case letter OR punctuation
- It is strongly advised you do not enter a Password that is the same as your Email address



Refresh

Please enter the Security Code shown above

Security Code:

Repeat security code here

Enter personal details

Personal Details

Login Name

Password

Confirm Password

Security Question

Security Answer

Contact Details

Email address

# Would you live comfortably on your estimated pension?

- The EAPF's retirement budget planning tool helps you consider expenditure now vs in retirement
- You can input other savings held elsewhere for an accurate picture
- Great tool for general financial awareness and future planning

Enter to the nearest £1 how much you intend to spend per month in today's terms.

### The bare essentials

Home - per month		Utilities - per month		Shopping - per month	
Mortgage / Rent	£ <input type="text"/>	Phone / TV / Broadband	£ <input type="text"/>	Clothing	£ <input type="text"/>
Council tax	£ <input type="text"/>	Utilities	£ <input type="text"/>	Groceries	£ <input type="text"/>
Insurance	£ <input type="text"/>	Mobile phone	£ <input type="text"/>	CDs/DVDs/Other entertainment	£ <input type="text"/>
General repairs & maintenance	£ <input type="text"/>	Other	£ <input type="text"/>	Household items	£ <input type="text"/>
Other	£ <input type="text"/>			Gifts	£ <input type="text"/>
				Other	£ <input type="text"/>

#### CALCULATOR

Usually pay yearly or weekly? Enter costs here and see how much they cost each month.

£  a week

£  a month

£  a year

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## Your breakdown

You'll need a total of:

# £21,444

per annum to cover your expected expenditure in retirement. This is in today's terms.

You'll need to increase your annual income by:

# £1,177

What happens next?

Don't forget that inflation will mean these amounts may be higher by the time you retire.

### Essentials

Home	Shopping	Utilities
Mortgage / rent	Clothing	Phone / TV / broadband
Council tax	Groceries	Utilities
Insurance	CD's / DVD's / other entertainment	Mobile phone
General repairs & maintenance	Household items	Other
Other	Gifts	
	Other	

The bare essentials	Other spending	Having fun

WHAT HAPPENS NEXT >
< RETURN TO PLAN MY RETIREMENT

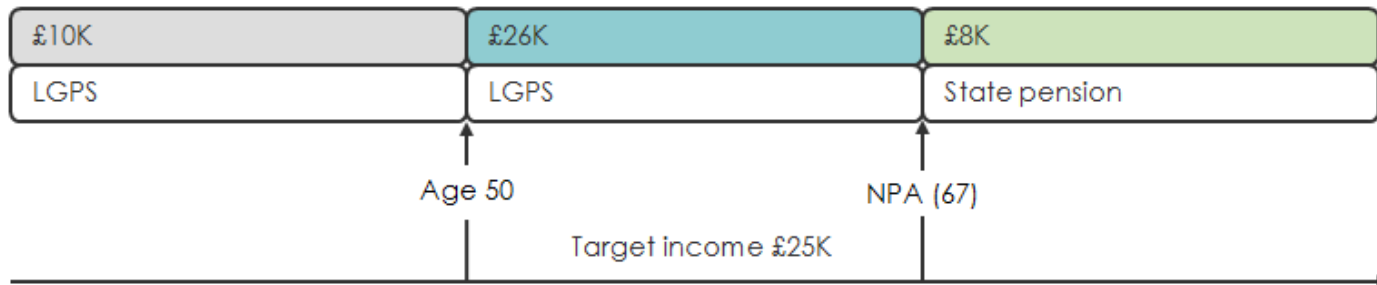
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Find the tool online to budget for your retirement  
[www.budgetplanner.eapf.org.uk/](http://www.budgetplanner.eapf.org.uk/)



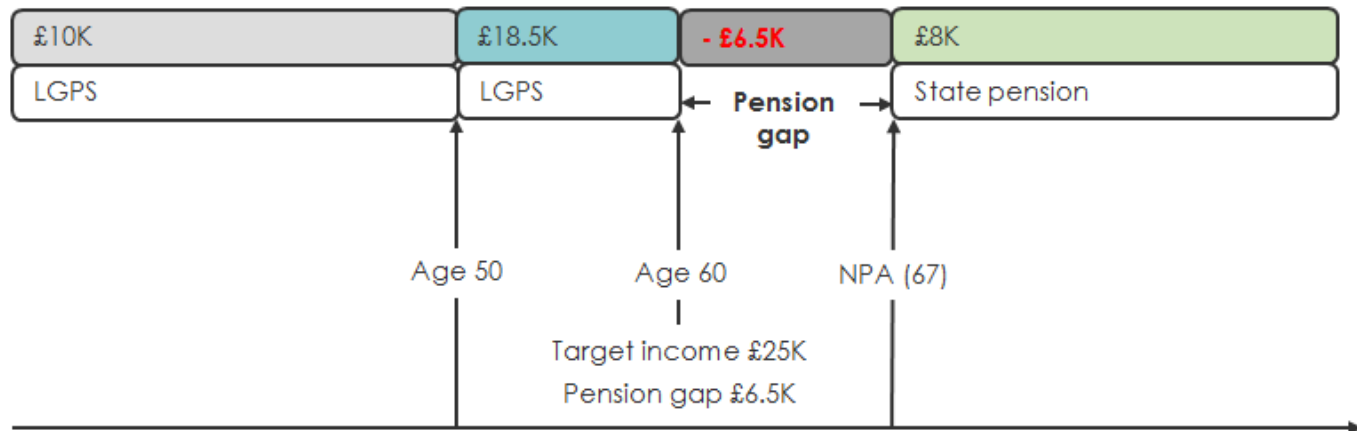
# What you want vs. what you'll get – identifying your 'gap'

To NPA



# What you want vs. what you'll get – identifying your 'gap'

To age 60

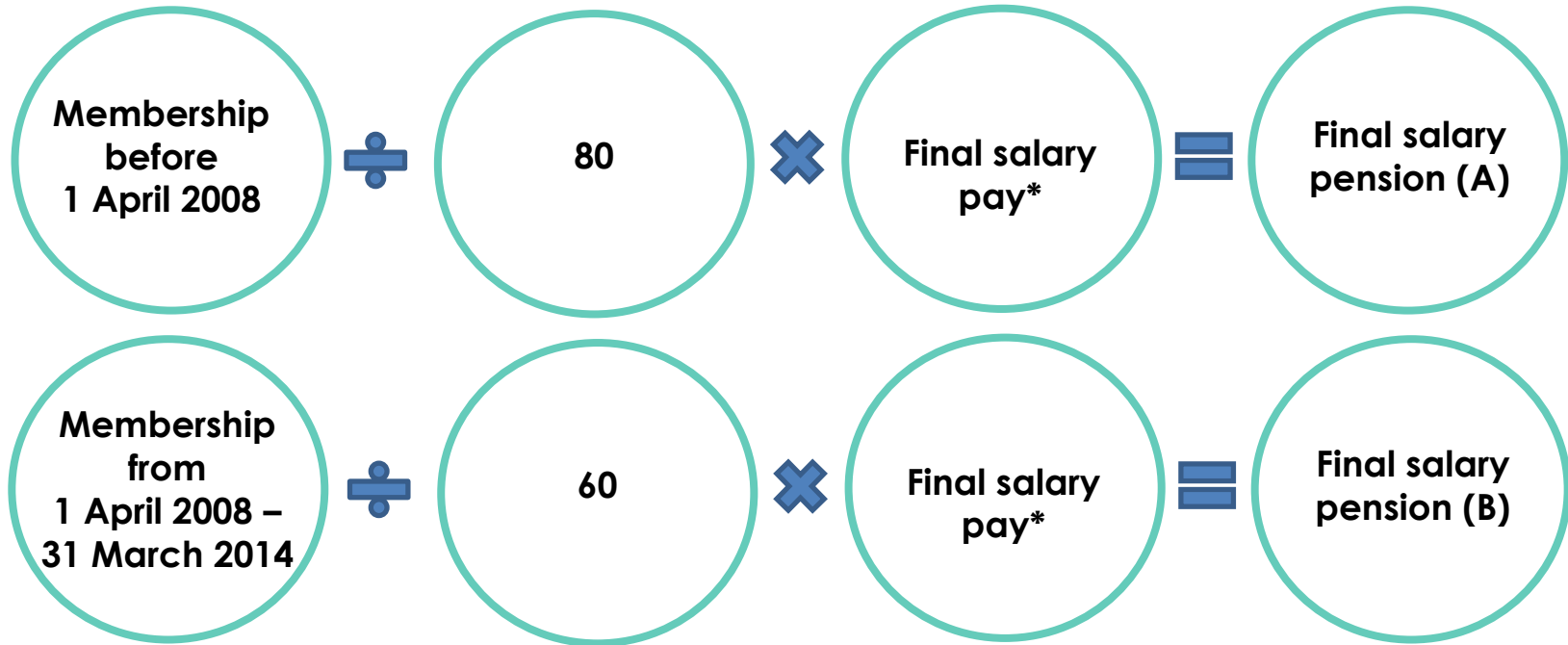


# Pay in more = get more out!

	AVC	APC (extra)	APC (lost)
<b>What you'll get</b>	Value of contributions paid & investments	Guaranteed pension	Guaranteed pension
<b>What are the good points?</b>	<ul style="list-style-type: none"> <li>• Flexible contributions</li> <li>• Different ways of using it (inc. 100% tax free cash)</li> </ul>	<ul style="list-style-type: none"> <li>• Additional pension</li> <li>• Inflation proofed</li> <li>• Ill health cover</li> </ul>	<ul style="list-style-type: none"> <li>• ER contributes 2/3rds</li> <li>• Additional pension</li> <li>• Inflation proofed</li> <li>• Ill health cover</li> </ul>
<b>What are the bad points?</b>	<ul style="list-style-type: none"> <li>• Few guarantees</li> </ul>	<ul style="list-style-type: none"> <li>• Can be expensive</li> <li>• Once started, not flexible</li> <li>• Reduced if taken early</li> </ul>	<ul style="list-style-type: none"> <li>• Once started, not flexible</li> <li>• Reduced if taken early</li> </ul>
<b>Limits on what you can you buy/pay?</b>	100% gross pay	£7,026 extra pension	Amount of lost pension (falls within £7,026 limit)

# Calculating your benefits

## Final salary benefits – built up to 31 March 2014



A + B = **Total final salary pension**

3 x A = **Automatic lump sum**

**PLUS – there's the career average pension, you've built up, too!**

\*Linked to final salary on leaving contributing membership

# Calculating your benefits

## Career average pension – built up from 1 April 2014

Pensionable Pay for Scheme Year 1 / 49 = Annual Pension

Pensionable Pay	Divided by	Annual pension	Total in account @ end of year 1
£23,000	49	£469	£469

Pensionable Pay for Scheme Year 2 / 49 = Annual Pension

**Plus**, Revalued Annual Pension for Year 1

Pensionable Pay	Divided by	Annual pension	Revalue previous year(s)	Previous year(s) revalued pension	Total in account @ end of year 2
£23,500	49	£480			
			£469 + 1.2% =	£475	<b>£955</b>

Continues to retirement  
Revalued in line with CPI



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# Calculating your benefits

## Example

Emma, who joined the EAPF on 1 April 2000, leaves the EA's employment on 30 September 2019.

### Final salary pension

Pre 1 April 2008 pension:	8 years / 80 x £25,800	= £2,580
Post 31 March 2008 pension:	6 years / 60 x £25,800	= £2,580
		= <b>£5,160</b>

### Automatic lump sum (before reductions)

Pre 1 April 2008 lump sum (only):	£2,580 x 3	= <b>£7,740</b>
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### Career average pension

Let's take a look overleaf...

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# Calculating your benefits

## Career average (CARE) pension – built up from 1 April 2014

Scheme year (1 April – 31 March)	Pens. Pay received in year	Divide by (accrual rate)	CARE pension built up in year	Inflation applied to CARE pension on 1 April each year				
				2015 (1.2%)	2016 (-0.1%)	2017 (1%)	2018 (3%)	2019 (2.4%)
2014/15	£23,000	49	<del>£469.59</del>	<del>£475.02</del>	<del>£474.55</del>	<del>£479.29</del>	<del>£493.67</del>	£505.52
2015/16	£23,500	49	<del>£479.59</del>		<del>£479.11</del>	<del>£483.90</del>	<del>£498.42</del>	£510.38
2016/17	£24,000	49	<del>£489.80</del>			<del>£494.69</del>	<del>£509.53</del>	£521.76
2017/18	£24,600	49	<del>£502.04</del>				<del>£517.10</del>	£529.51
2018/19	£25,300	49	<del>£516.33</del>					£528.72
2019/20	£12,850*	49	£262.24					

\*Leaves on 30 September 2019

**Total CARE pension = £2,858.13**

## Calculating your benefits

### Example (continued)

Emma, who joined the EAPF on 1 April 2000, leaves the EA's employment on 30 September 2019.

### Final salary pension

Pre 1 April 2008 pension:	8 years / 80 x £25,800	= £2,580
Post 31 March 2008 pension:	6 years / 60 x £25,800	= £2,580
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### Automatic lump sum (before reductions)

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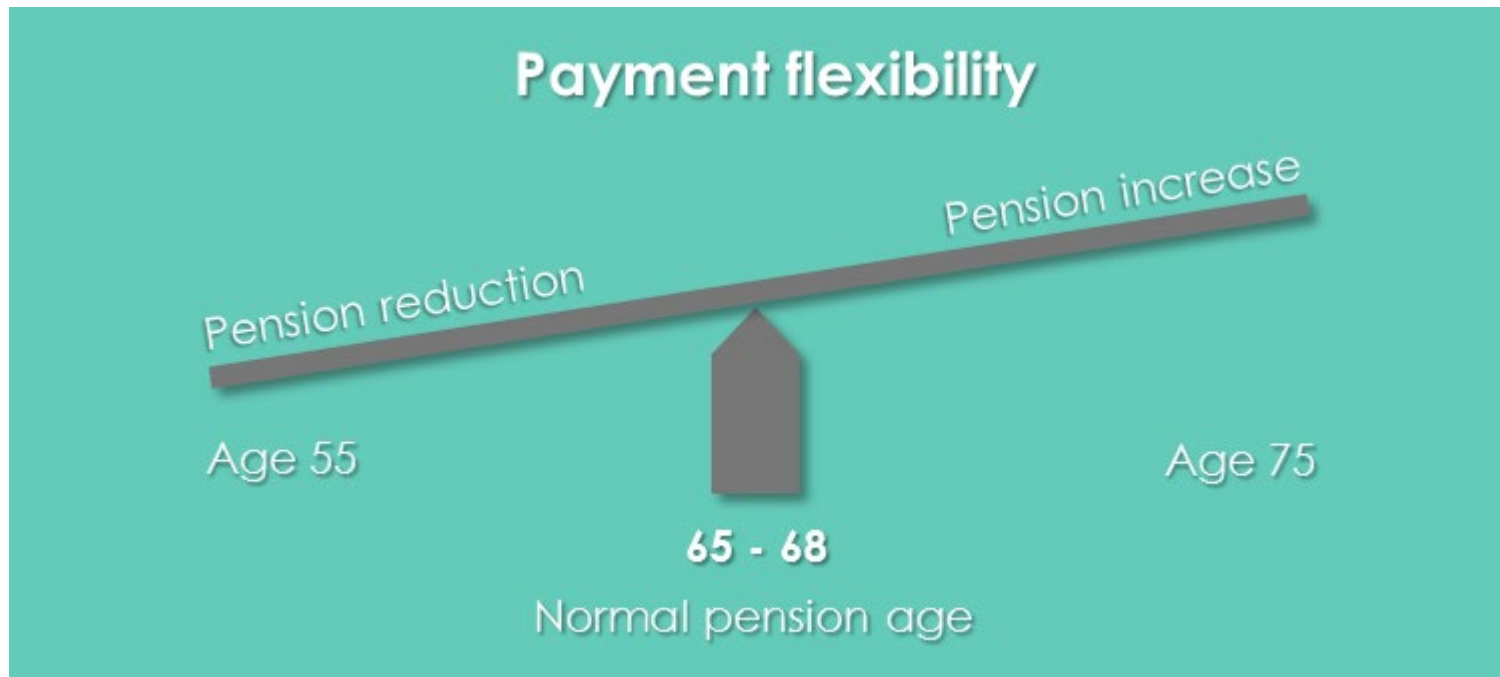
### Career average pension

14/15 pension:	(£23,000 / 49) + inflation	= £505.52
15/16 pension:	(£23,500 / 49) + inflation	= £510.38
16/17 pension:	(£24,000 / 49) + inflation	= £521.76
17/18 pension:	(£24,600 / 49) + inflation	= £529.51
18/19 pension:	(£25,300 / 49) + inflation	= £528.72
19/20 pension:	(£12,850 / 49)	= £262.24
		= <b>£2,858.13</b>

<b>Total annual pension (before reductions):</b>		= <b>£8,018.13</b>
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# Do you know when you can retire?



Normal pension age = Later of 65 or state pension age ([www.gov.uk/new-state-pension](http://www.gov.uk/new-state-pension))

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# Different ways of taking your pension

## Voluntary Options

- **Voluntary retirement**
    - Can choose to retire from age 55
    - May be reduced for early payment
  - **Transfer out**
    - Can choose to transfer your EAPF benefits to another pension scheme
    - Must do by no later than
      - 1 year before your NPA
      - Before 75 (if transferring AVCs)
    - Some defined contributions scheme may allow for your transferred pension pot to be accessed under 'Pension freedoms'
-

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# Different ways of taking your pension

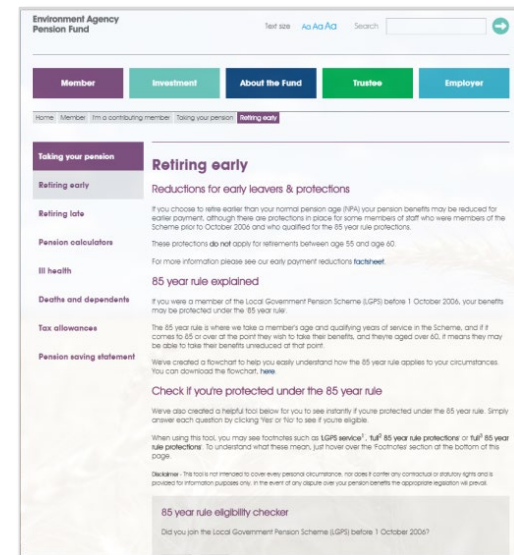
## Employer Consent

- **Ill health cover**
    - Payable from any age
    - May be enhanced depending on the severity of your condition
  - **Voluntary Early Retirement Scheme**
    - If you are 55 or over, and you are retired on grounds of business efficiency
    - Benefits are paid with no reductions
  - **Partial retirement**
    - If you reduce your hours or move to a less senior position on or after age 55, you can, if your Scheme employer agrees, draw some or all of your benefits
    - May help ease you into retirement
    - Benefits you receive at that time may be reduced for early payment
-

# Protection for retiring early

## 85 year rule protections

- Age + service = 85+ (in whole years)
- Over 60
- Member before 1 October 2006
- Protected benefits unreduced from that point
- Reduced protection between age 55 – 60
- [Checker tool available online](#), to see instantly if you're protected under the 85 year rule
- '85 Year rule explained' flowchart at [www.eapf.org.uk](http://www.eapf.org.uk)



**85 year rule eligibility checker**

Did you join the Local Government Pension Scheme (LGPS) before 1 October 2006?

Yes No

# Protection for retiring early

## Example

Emma is retiring at 56, but meets the 85-year rule at age 62

Emma is a 'group 3' member, so:

Period	Retirement age	% reduction (pension)	% reduction (lump sum)
To 31 March 2008	62 (85yr)	25.7% (6yrs)	13.3% (6yrs)
1 April 2008 to 31 March 2014	65	35% (9yrs)	
1 April 2014 -	67	41.6% (11yrs)	

## Emma's pension benefits at retirement (after reductions):

Pre 1 April 2008 pension:	£2,580	- 25.7%	= £1,916.94
Post 31 March 2008 pension:	£2,580	- 35%	= £1,677
Career average pension:	£2,858.13	- 41.6%	= £1,669.15
<b>Total pension:</b>			<b>= £5,263.09</b>
<b>Automatic lump sum:</b>	£7,740	- 13.3%	<b>= £6,710.58</b>

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# Exchanging pension for lump sum

- Exchange rate is £1 pension = £12 lump sum
  - Maximum lump sum subject to HMRC limits
    - Up to 25% of the 'capital value' can be taken as a lump sum
    - All lump sums within HMRC limits = tax free!
  - Can use in-house AVCs to provide additional lump sum
    - In some cases, up to 100% of AVC fund can be paid as a (tax free) lump sum
-

# Exchanging pension for lump sum

## Example – no AVCs

Emma's pension benefits at retirement (after reductions):

Pension	= £5,263.09	
Automatic lump sum	= £6,710.58	
<b>Maximum lump sum</b>	<b>= £24,952.74</b>	<b>(+£18,242.16)</b>
<b>Residual pension</b>	<b>= £3,742.91</b>	<b>(-£1,520.18)</b>

Emma has the option to receive:

- A pension of between £3,742.91 & £5,263.09; **and**
- A tax free lump sum of between £6,710.58 & £24,952.74

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# Exchanging pension for lump sum

## Example – using AVCs

Emma's pension benefits at retirement (after reductions):

Pension	= £5,263.09
Automatic lump sum	= £6,710.58

Emma also has an in-house AVC fund of £15,000

<b>Maximum lump sum</b>	<b>= £30,309.88</b>	<b>(+£23,599.30)</b>
<b>Residual pension</b>	<b>= £4,546.48</b>	<b>(-£716.61)</b>

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# Your State Pension

- State pension is a flat rate 'single tier' pension of **£168.60 pw** (2019/20 rate)
- Need 35 qualifying years for a 'full' pension
  - However, you won't get the full amount if you were a member of a 'contracted out' pension scheme before 6 April 2016
- 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](https://www.gov.uk/check-state-pension)

# Will I get the 'full' State Pension?

## Before 6 April 2016

- State pension made up of:
  - 'Basic' state pension (BSP) = flat rate
  - 'Additional' state pension (ASP) = earnings related
- ASP not built up if you were a member of a scheme that was 'contracted out' of the ASP
  - You paid **less** NI, so no ASP built up for that period
  - LGPS was 'contracted out' of ASP



# Will I get the 'full' State Pension?

## Since 6 April 2016

- State pension is a flat rate 'single tier' pension of **£168.60 pw** (2019/20 rate)
  - Combination of both the 'old' BSP & ASP
  - No ASP to 'contract out' of
  - NI conts. increased for members of schemes that were previously 'contracted out'
- If:
  - You were a member of a 'contracted out' pension scheme before 6 April 2016; or
  - You haven't paid, or been credited with, NI conts. for at least 35 years

your flat rate State pension **will be less** than the full £168.60

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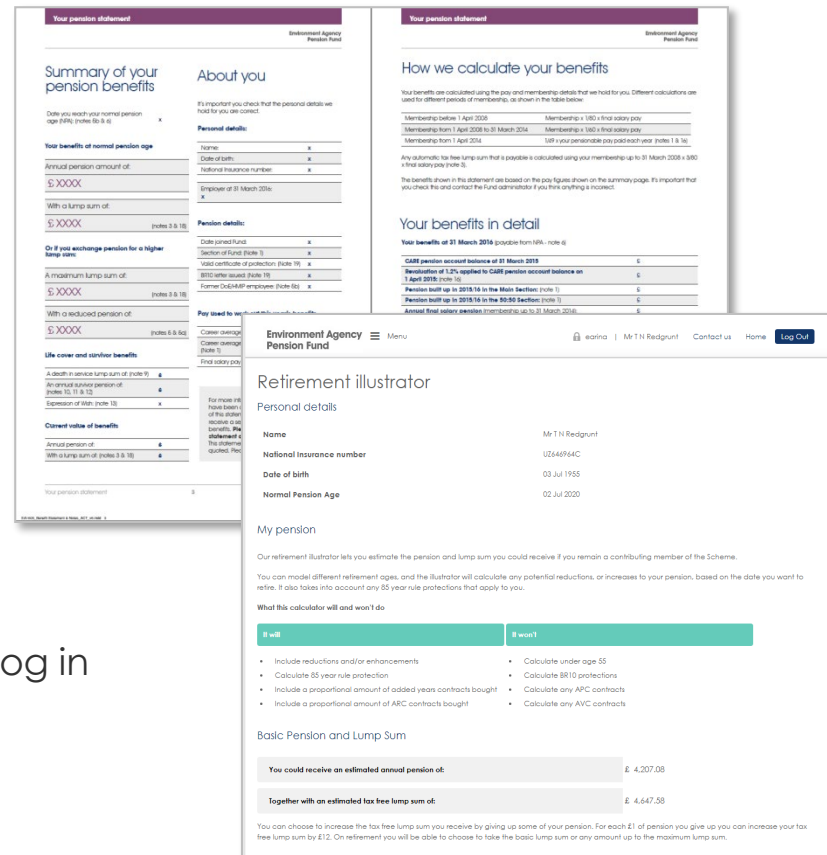
# Topping up your State Pension

- 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](http://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](http://www.gov.uk/future-pension-centre)
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# Keeping your savings on track

## Top things to check:

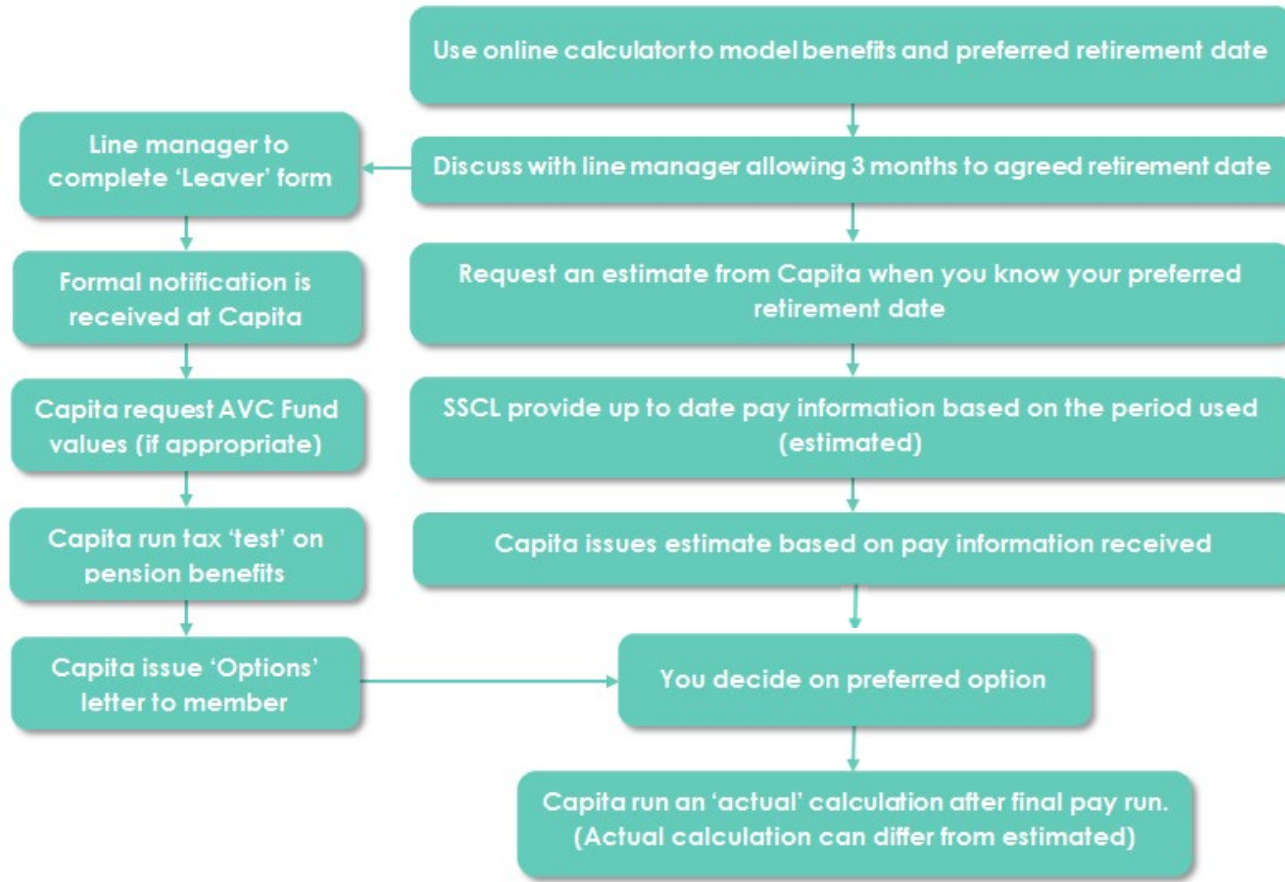
- Pension statement
- Register EAPF Online
- Retirement illustrator
- Nominations
- Pay used to work out benefits



Using our Retirement illustrator lets you have an estimate instantly online.

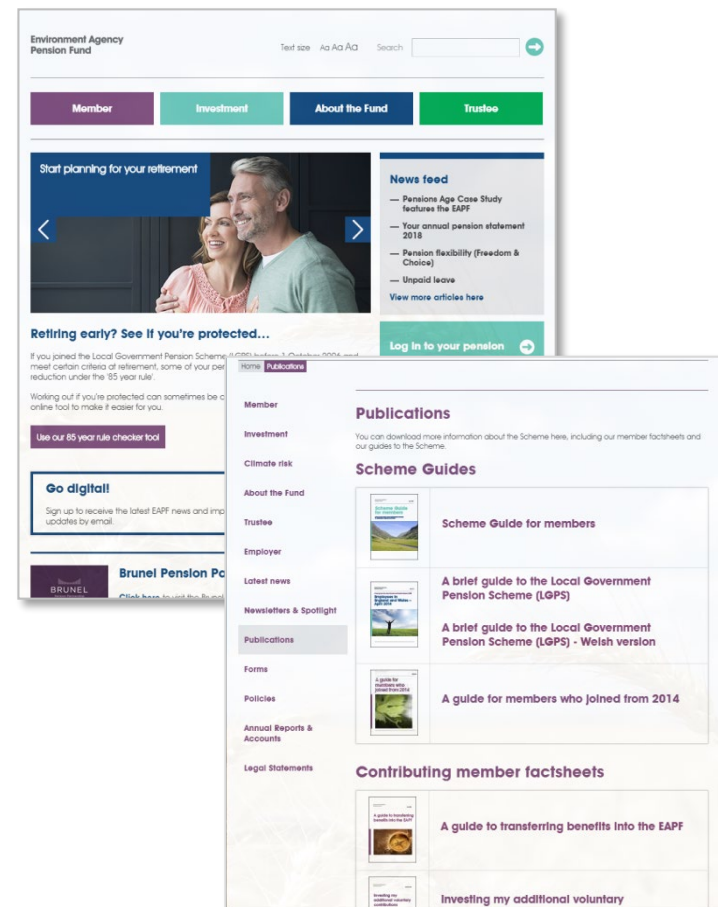
Visit our website at [www.eapf.org.uk](http://www.eapf.org.uk) to log in or register.

# Do you know how to apply?



# Resources to find out more

- Visit [www.eapf.org.uk](http://www.eapf.org.uk) to check out our helpful tools and [videos](#)
- [Publications](#) available online:
  - Explanatory guides & presentations
  - 85 year rule click tool
  - Scheme guides & factsheets



**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](http://www.eapf.org.uk)
- Emailing [info@eapf.org.uk](mailto:info@eapf.org.uk)
- Following on twitter [@EAPensionFund](https://twitter.com/EAPensionFund)
- Calling **0800 121 6593**
- Sending your query to **Capita**  
**11b Lingfield Point**  
**Darlington, DL1 1AX**

# Thank you

## Regulatory Statement

- The information contained within this presentation does not constitute financial advice.
- The information provided is based on Capita's understanding of current law and LGPS Regulations, as at 14 October 2019.
- HMRC policy, practice, and legislation may change in the future.

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