
Pension Basics

Jacinta Wilmot (EAPF) & Martyn Slaughter (Capita)



Today's session

What we'll be covering:

- What type of arrangement is the EAPF?
- Your benefits
- How much does it cost?
- Calculating your benefits
- Saving more or less
- Taking your pension
- Topical issues



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What type of arrangement is the EAPF?

- EAPF is a fund of the Local Government Pension Scheme (LGPS)
- LGPS is a '**defined benefit**' pension scheme
- Most other non-public sector pension schemes are '**defined contribution**' pension schemes

“What’s the difference?”



Difference between DB & DC Schemes

Defined Contribution (DC)



Employee



Employer



company

- Pension pot 'defined' by the 'contributions' paid in (plus investment returns)
- Annuity rates means pension @ retirement not known until you retire

Difference between DB & DC Schemes

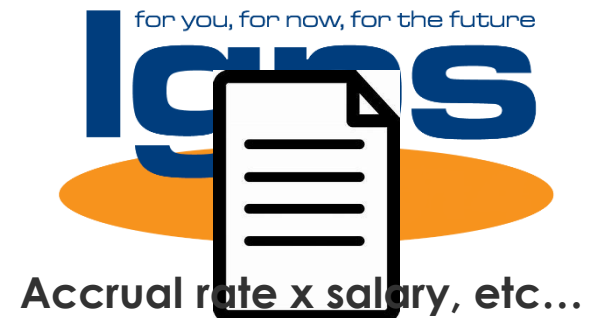
Defined Benefit (DB)



Employee



Employer



Accrual rate x salary, etc...

- Pension 'benefits' are 'defined' using a pre-determined formula – **they're not linked to what's been paid in**
- Using a pre-determined formula means benefits can be calculated in advance!

Your benefits

- Statutory pension scheme, backed by the Government
 - Pension revalued in line with inflation (CPI)
 - Exchange part of your pension to receive a (or increase your existing) tax free lump sum on retirement
 - Ill health protection before retirement
 - Protection for your family before & during retirement
 - Pay less tax
-

How much does it cost?

- Pensionable earnings determine your 'band' & the % you pay
 - Bandings revalued each year in line with inflation (CPI)
 - The % you pay **may** change over time
- Your employer pays into the Scheme, too

Band	Main Section contribution rate 1/49 th accrual	50:50 Section contribution rate 1/98 th accrual	Pensionable pay range from 1 April 2020 based on the assessed pensionable pay you receive
Band 1	5.5%	2.75%	Up to £14,600
Band 2	5.8%	2.9%	£14,601 to £22,800
Band 3	6.5%	3.25%	£22,801 to £37,100
Band 4	6.8%	3.4%	£37,101 to £46,900
Band 5	8.5%	4.25%	£46,901 to £65,600
Band 6	9.9%	4.95%	£65,601 to £93,000
Band 7	10.5%	5.25%	£93,001 to £109,500
Band 8	11.4%	5.7%	£109,501 to £164,200
Band 9	12.5%	6.25%	£164,201 or more

Contributing vs. not contributing

Example

- Pam earns £24,000 pa (£2,000 pm)
- Normal cont. rate for Pam = 6.5%

Not contributing	
Monthly pay	Deductions
£2,000	£191.60 (tax)
	£144.96 (NI)
Take home pay = £1,663.44	

Main Section – 6.5%	
Monthly pay	Deductions
£2,000	£130 (pension)
	£165.60 (tax)
	£144.96 (NI)
Take home pay = £1,559.44 (-£104)	

If you don't contribute...
 ...your employer doesn't either

Ill health protection

- Benefits can be paid from **any** age on ill health grounds
- Benefits paid on ill health are unreduced
 - May be enhanced, depending on how severe your condition is
- 3 levels of ill health that **could** be awarded:
 - **Tier 1 - Pension built to date + 100% of prospective pension to NPA***
 - **Tier 2 - Pension built to date + 25% of prospective pension to NPA***
 - **Tier 3 - Pension built to date, paid for up to 3 years (temporary), no enhancement**

*NPA = normal pension age (same as state pension age)

Protection for your family

The Scheme covers your loved ones should the worst happen, with pensions for your dependants and a life cover lump sum.

Dependants' pensions are payable to:

Partners

- Spouse (including same sex marriages)
- Civil Partners
- Cohabiting Partners

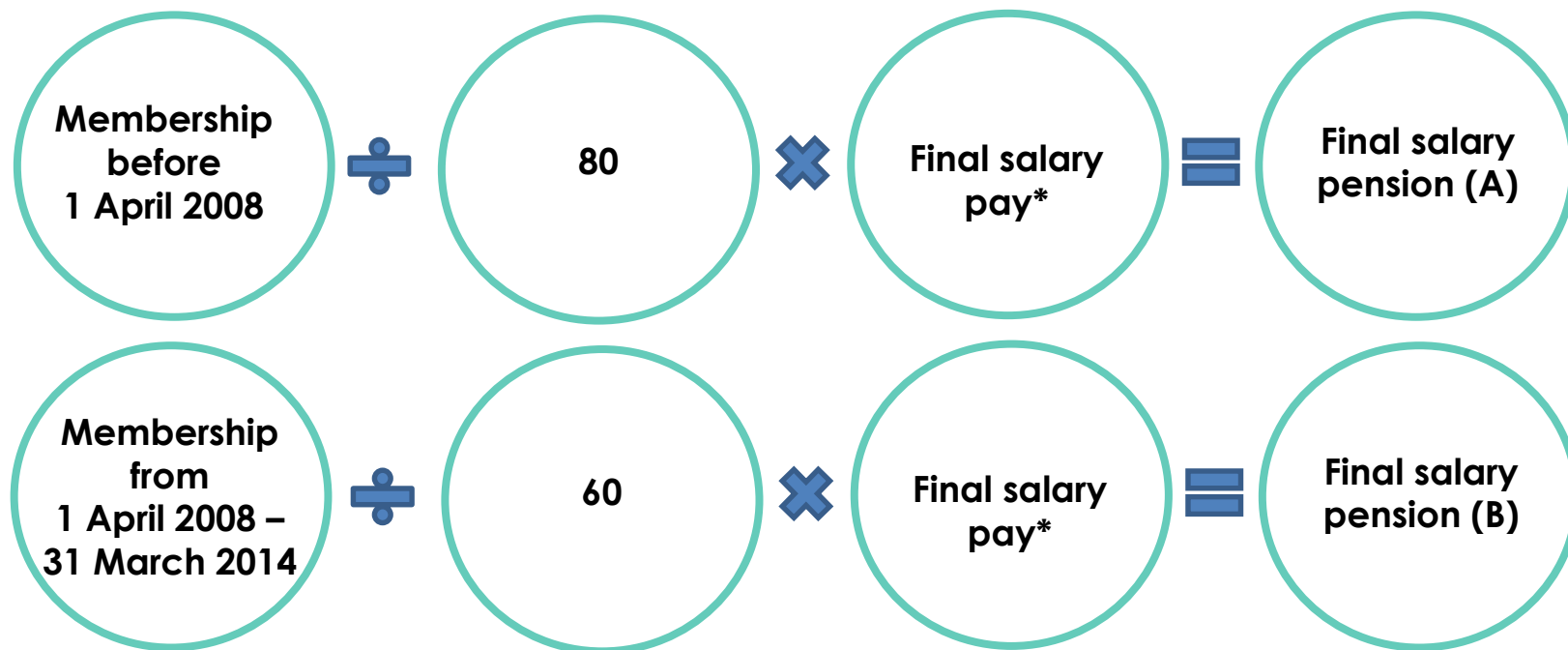
Children

- Up to age 23, if in full time education or vocational training
- Any age, if unable to work due to permanent incapacity or impairment



Calculating your benefits

Final salary benefits – built up to 31 March 2014



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

$3 \times A =$ **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 = CARE pension built up in year 1
 - Revalued in line with inflation, **plus**

Scheme year (1 April – 31 March)	Pens. Pay received in year	Divide by (accrual rate)	CARE pension built up in year	Year 1 revaluation – applied on 1 April (2.4%*)	Year 2 revaluation – applied on 1 April (1.7%*)
Year 1	£30,000	49	£612.24	£626.93	£637.59
Year 2	£30,500	49	£622.45		£633.03
					£1,270.62

- Pensionable Pay for Scheme Year 2 / 49 = CARE pension built up in year 2
 - Revalued in line with inflation, **etc...**
- Continues to retirement

*Actual % used will be based on the relevant CPI figure to apply on 1 April

Calculating your benefits

Example

Sharifa, who joined the EAPF on 1 April 2000, leaves the EA's employment on 30 September 2020.

Final salary pension

Pre 1 April 2008 pension:	8 years / 80 x £26,500	= £2,650
Post 31 March 2008 pension:	6 years / 60 x £26,500	= £2,650
		= £5,300

Automatic lump sum (before reductions)

Pre 1 April 2008 lump sum (only):	£2,650 x 3	= £7,950
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Career average pension

14/15 pension:	(£23,000 / 49) + inflation	= £514.11
15/16 pension:	(£23,500 / 49) + inflation	= £519.06
16/17 pension:	(£24,000 / 49) + inflation	= £530.63
17/18 pension:	(£24,600 / 49) + inflation	= £538.51
18/19 pension:	(£25,300 / 49) + inflation	= £537.71
19/20 pension:	(£26,000 / 49) + inflation	= £539.63
20/21 pension:	(£13,500*/ 49)	= £275.51
		= £3,455.16

Total annual pension (before reductions): = **£8,755.16**

*Left on 30 September 2020, so only ½ year's pay from 1 April – 30 September 2020

Calculating your benefits

Example – part-time member for the full period

Sharifa, who joined the EAPF on 1 April 2000, leaves the EA's employment on 30 September 2020.

Final salary pension

Pre 1 April 2008 pension:	4 years / 80 x £26,500 (FT pay)	= £1,325
Post 31 March 2008 pension:	3 years / 60 x £26,500 (FT pay)	= £1,325
		= £2,650

Automatic lump sum (before reductions)

Pre 1 April 2008 lump sum (only):	£1,325 x 3	= £3,975
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Career average pension

14/15 pension:	(£11,500 / 49) + inflation	= £257.06
15/16 pension:	(£11,750 / 49) + inflation	= £259.53
16/17 pension:	(£12,000 / 49) + inflation	= £265.32
17/18 pension:	(£12,300 / 49) + inflation	= £269.26
18/19 pension:	(£12,650 / 49) + inflation	= £268.86
19/20 pension:	(£13,000 / 49) + inflation	= £269.82
20/21 pension:	(£6,750* / 49)	= £137.76
		= £1,727.61

Total annual pension (before reductions): = **£4,377.61**

*Left on 30 September 2020, so only ½ year's pay from 1 April – 30 September 2020

Calculating your benefits

Example – part-time member for the final 2 ½ years

Sharifa, who joined the EAPF on 1 April 2000, leaves the EA's employment on 30 September 2020.

Final salary pension

Pre 1 April 2008 pension:	8 years / 80 x £26,500 (FT pay)	= £2,650
Post 31 March 2008 pension:	6 years / 60 x £26,500 (FT pay)	= £2,650
		= £5,300

Automatic lump sum (before reductions)

Pre 1 April 2008 lump sum (only):	£2,650 x 3	= £7,950
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Career average pension

14/15 pension:	(£23,000 / 49) + inflation	= £514.11
15/16 pension:	(£23,500 / 49) + inflation	= £519.06
16/17 pension:	(£24,000 / 49) + inflation	= £530.63
17/18 pension:	(£24,600 / 49) + inflation	= £538.51
18/19 pension:	(£12,650 / 49) + inflation	= £268.86
19/20 pension:	(£13,000 / 49) + inflation	= £269.82
20/21 pension:	(£6,750* / 49)	= £137.76
		= £2,778.75

Total annual pension (before reductions): = **£8,078.75**

*Left on 30 September 2020, so only ½ year's pay from 1 April – 30 September 2020

Exchanging pension for lump sum

- Get a £12 lump sum for every £1 of pension that you choose to give up
 - Maximum lump sum allowed is 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
-

Pension breaks

- Breaks in pension will occur if you:
 - Are on 'additional' child related leave and receiving no pay
 - Take a period of authorised unpaid leave
 - Take a period of unauthorised unpaid leave
 - Go on strike
 - Any 'lost' pension can be bought back with Additional Pension Contributions (APCs):
 - Up to the amount of pension 'lost' during the absence
 - Counts towards total APC limit
 - In some cases, your employer will pay 2/3rd of the cost
 - APC calculator - www.lgpsmember.org/more/apc/index.php
-

Paying in more or less

Pay in more = get more out!

	AVC	APC (extra)	APC (lost)
What you'll get	Value of contributions paid & investments	Guaranteed pension	Guaranteed pension
What are the good points?	<ul style="list-style-type: none"> • Flexible contributions • Different ways of using it (inc. 100% tax free cash) 	<ul style="list-style-type: none"> • Additional pension • Inflation proofed • Ill health cover 	<ul style="list-style-type: none"> • ER contributes 2/3rds • Additional pension • Inflation proofed • Ill health cover
What are the bad points?	<ul style="list-style-type: none"> • Few guarantees • Value of pot can go up & down 	<ul style="list-style-type: none"> • Can be expensive • Once started, not flexible • Reduced if taken early 	<ul style="list-style-type: none"> • Once started, not flexible • Reduced if taken early
Limits on what you can you buy/pay?	100% gross pensionable pay	£7,194 extra pension	Amount of lost pension (falls within £7,194 limit)

Paying in more or less

Pay in less: the 50:50 option

- You can **choose** to pay $\frac{1}{2}$ your contribution rate to get $\frac{1}{2}$ the benefit
 - Life cover & ill health benefits **aren't** affected
 - You can **choose** to go back into the Main section from the 1st of the next month
 - However, you'll be put back into the Main Section **automatically** if:
 - You pass your employer's re-enrolment date
 - You're on sick or child-related leave **and** your pay is reduced to nil
-

Main Section vs 50:50 Section

Example – coming back to Pam...

- Pam earns £24,000 pa (£2,000 pm)
- Normal cont. rate for Pam = 6.5%

Not contributing

Monthly pay	Deductions
£2,000	£191.60 (tax)
	£144.96 (NI)
Take home pay = £1,663.44	

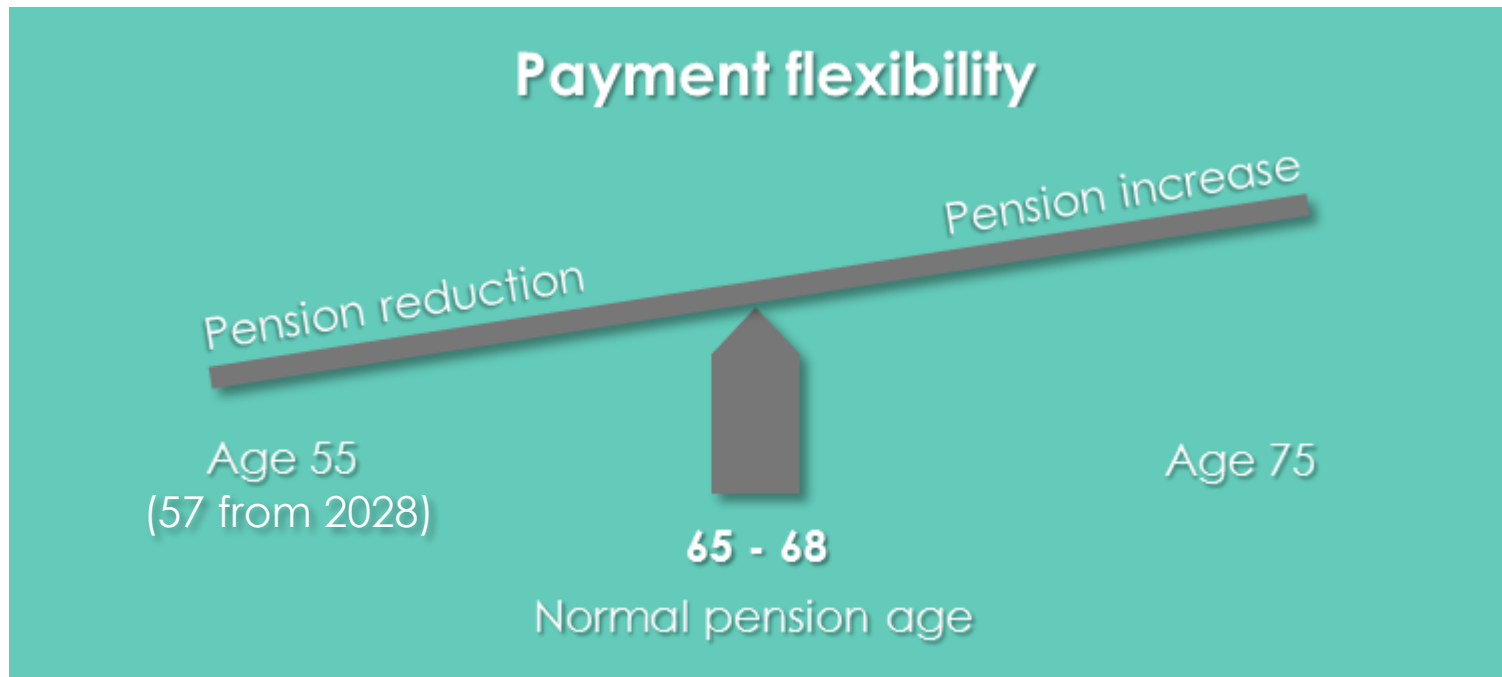
Main Section – 6.5%

Monthly pay	Deductions
£2,000	£130 (pension)
	£165.60 (tax)
	£144.96 (NI)
Take home pay = £1,559.44 (-£104)	

50:50 Section – 3.25%

Monthly pay	Deductions
£2,000	£65 (pension)
	£178.60 (tax)
	£144.96 (NI)
Take home pay = £1,611.44 (-£52)	

Do you know when you can retire?



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

Protection for retiring early

85 year rule protections

- [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/publications

The screenshot shows the Environment Agency Pension Fund website. The main navigation bar includes 'Member', 'Investment', 'About the Fund', 'Trustee', and 'Employer'. The 'Retiring early' section is highlighted, with a sub-section for 'Reductions for early leavers & protections'. Below this, there are sections for 'Retiring late', 'Pension calculators', 'Ill health', 'Death and dependents', 'Tax allowances', and 'Pension saving statement'. A 'Check if you're protected under the 85 year rule' section is also visible, which includes a link to the '85 year rule eligibility checker'.

The screenshot shows the '85 year rule eligibility checker' tool. The title is '85 year rule eligibility checker'. The question is 'Did you join the Local Government Pension Scheme (LGPS) before 1 October 2006?'. There are two buttons: 'Yes' and 'No'. Below the checker is the '85 year rule explained' flowchart. The flowchart title is '85 year rule explained' and the subtitle is 'A helpful guide to see if you're protected'. The flowchart features a background image of a field of daisies under a blue sky.

‘McCloud’ – the (brief) return of final salary

- High profile Supreme Court cases involving Firefighters' & Judges' pensions
- Arguments date back to when public service pension schemes (PSPS) changed from final salary to CARE
 - Final salary protections extended to 2022 for 'older' public service workers
- Supreme Court **ruled that younger members were discriminated against**
 - These members should be offered 'appropriate remedies'
- Government currently consulting on the 'appropriate remedies'
 - **In a nutshell** – Certain members who leave before 1 April 2022 will get the **better of** final salary or CARE
- 'Certain members'?
 - Contributing to a PSPS on 31 March 2012 **and** after 31 March 2014; **and**
 - Haven't had a break in contributory membership of a PSPS for more than 5 years between 31 March 2012 and 31 March 2022

‘McCloud’ – the (brief) return of final salary

- **Very few** people are expected to benefit from the Judges' ruling
 - *But why? – surely, final salary is better than CARE?*
- **Final salary**
 - Period 1 April 2014 to date of leaving (before 1 April 2022) = max. 8 years
 - Final salary @ leaving will be used to calculate pension over the period
 - 60th accrual rate
 - Normal pension age = 65
- **CARE**
 - Pension calculated on a yearly basis, based on pay received in **that** year
 - Pension built up each year revalued on a yearly basis
 - 49th accrual rate (**+20% better than final salary**)
 - Normal pension age = State Pension age (65 - 68)

Rest assured, anyone who benefits from the protection will be informed of it

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 to log in or register.

The image displays two screenshots from the Environment Agency Pension Fund website. The top screenshot is a 'Your pension statement' showing a summary of benefits and personal details. The bottom screenshot is the 'Retirement illustrator' tool, which provides an estimate of pension and lump sum payments based on personal details and pension options.

Your pension statement

Environment Agency Pension Fund

Summary of your pension benefits

Date you reach your normal pension age (NPA): (notes 4b & 5) **x**

Your benefits at normal pension age

Annual pension amount of: (notes 4 & 4a)	£ 30000
With a lump sum of: (notes 2 & 15)	£ 30000

Or if you exchange pension for a higher lump sum:

A maximum lump sum of: (notes 2 & 15)	£ 30000
With a reduced pension of: (notes 4 & 4a)	£ 30000

Life cover and survivor benefits

A death in service lump sum of: (note 8)	£
An annual survivor pension of: (notes 9 & 10)	£
Expression of Wish: (note 11)	

Current value of benefits

Annual pension of:	
With a lump sum of: (notes 2 & 15)	

Your pension statement

About you

It's important you check that the personal details we hold for you are correct.

Personal details:

Name:	<input checked="" type="checkbox"/>
Date of birth:	<input checked="" type="checkbox"/>
National Insurance number:	<input checked="" type="checkbox"/>
Employer of 31 March 2020:	<input checked="" type="checkbox"/>

Pension details:

Date joined Fund in this employment: (note 1c)	<input checked="" type="checkbox"/>
Section of Fund:	<input checked="" type="checkbox"/>
BIPO letter issued: (note 1d)	<input checked="" type="checkbox"/>
Former NIWP employee: (note 4b)	<input checked="" type="checkbox"/>

Pay used to work out this year's benefits

Environment Agency Pension Fund

Retirement illustrator

Personal details

Name	M-Tiv Regdunt
National Insurance number	U2646944C
Date of birth	03 Jul 1958
Normal Pension Age	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

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

Basic Pension and Lump Sum

You could receive an estimated annual pension of:	£ 4,207.08
Together with an estimated tax free lump sum of:	£ 4,647.58

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.

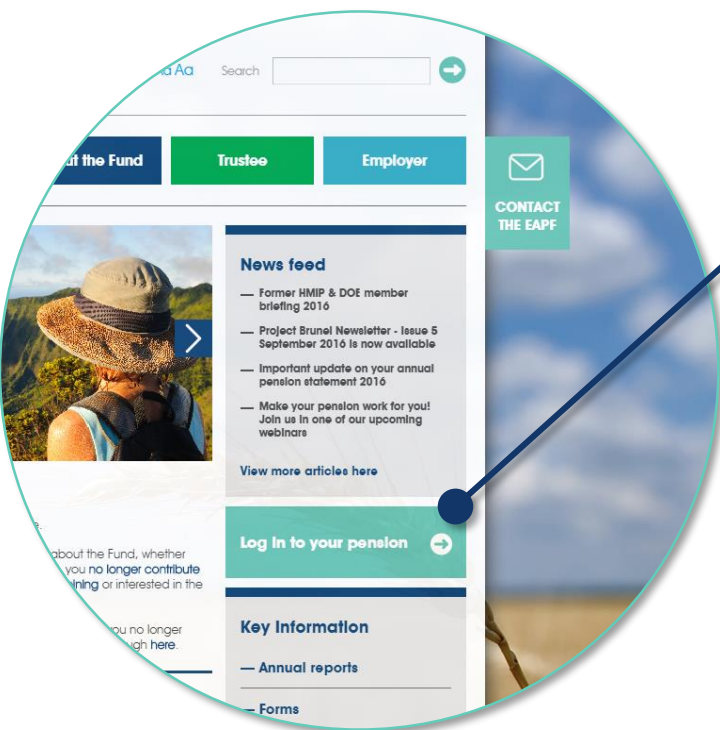
Registering for EAPF Online

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

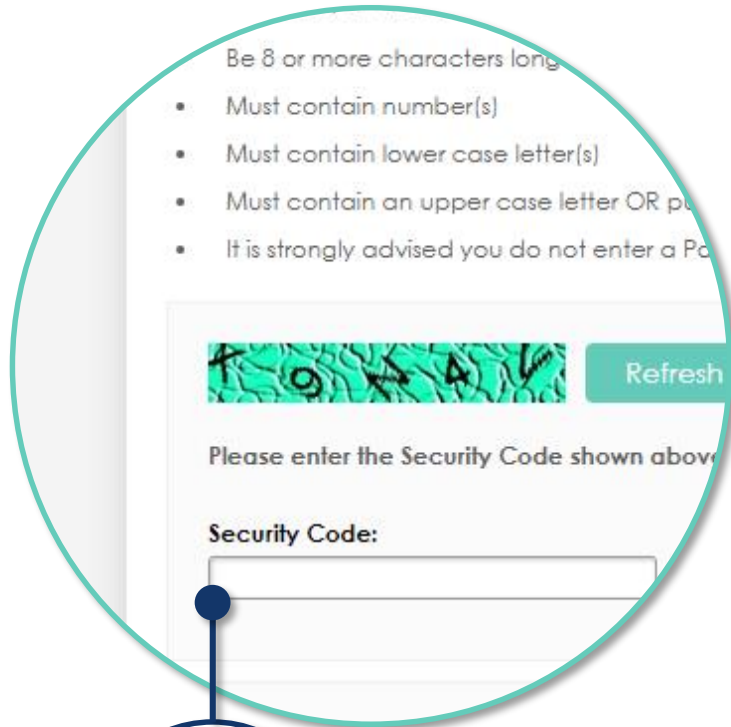
All you need to do is go to our pension website at www.eapf.org.uk

Click
Register

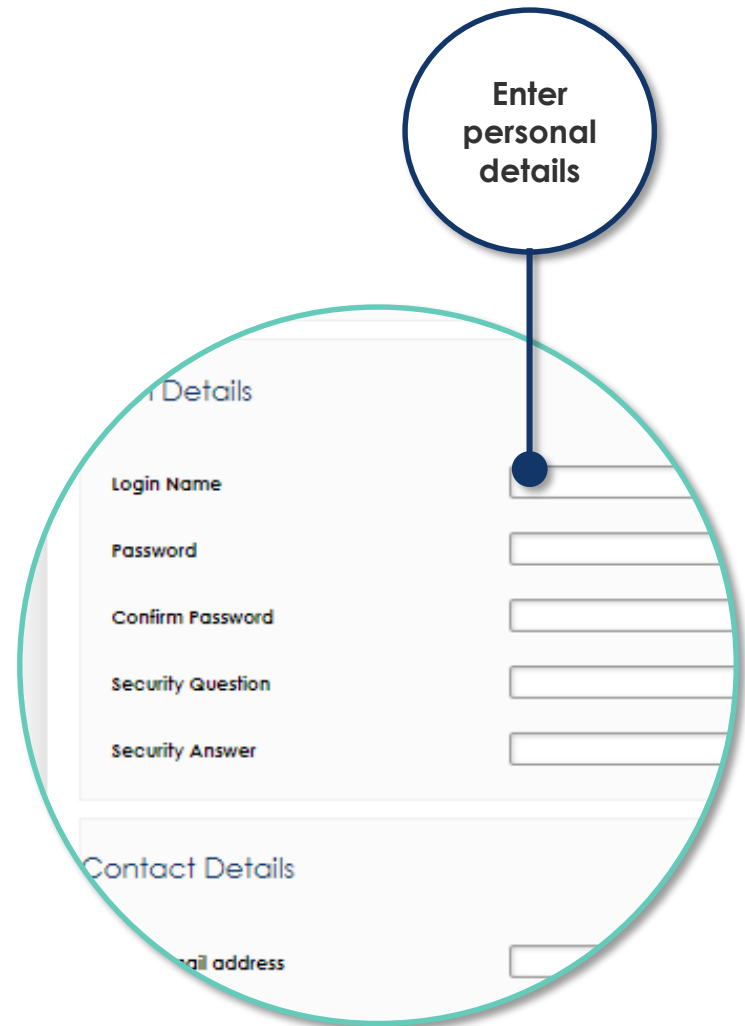
Click
'Log in
to your
pension'



Registering for EAPF Online



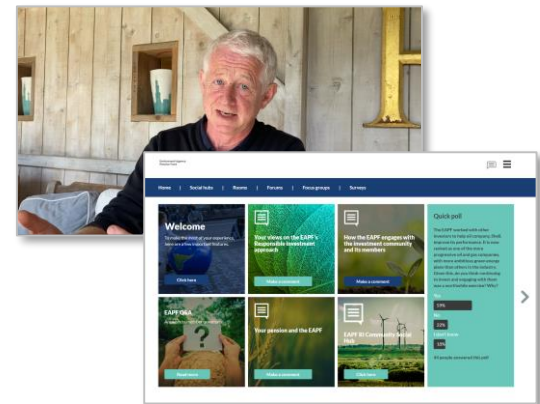
Repeat security code here



EAPF is a leader in ‘Responsible Investment’

- EAPF's **desire** is to contribute to:
 - A strong economy;
 - A healthy environment; and
 - A fair society
- EAPF sought **your** views on investing responsibly
 - Results can be found at www.eapf.org.uk/members/videos-and-presentations/surveys
- Our approach to Responsible Investment is widely respected
 - Seeking members' views on funding is uncommon through the industry
 - The EAPF has been highly praised for its initiative
- Richard Curtis is a big supporter of the EAPF's views
 - In his video on the EAPF website, he points out that:

“Making your pension ethical and sustainable...is 27 times more effective than giving up flying and eating meat!”



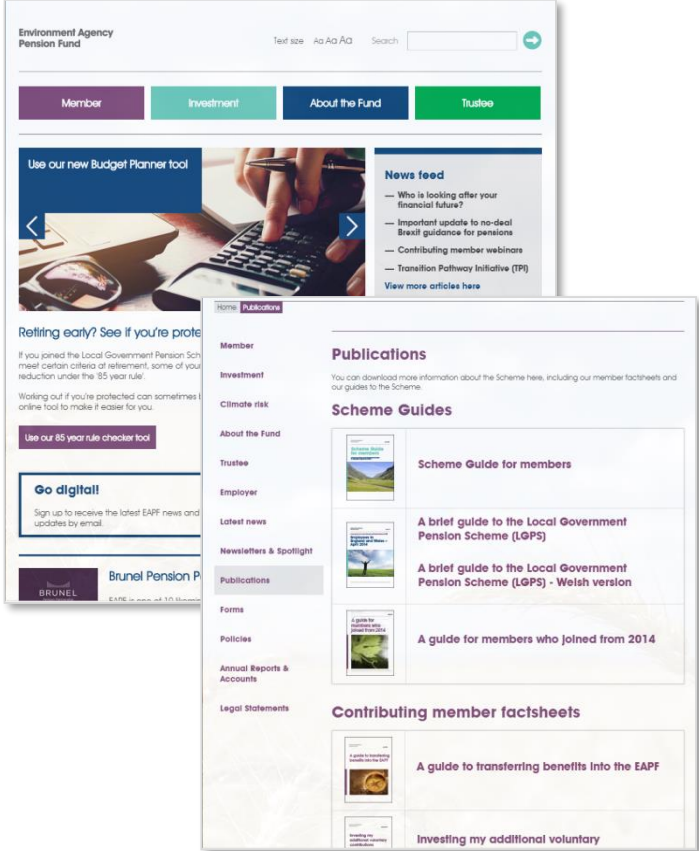
Resources to find out more

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



The screenshot shows the Environment Agency Pension Fund website. At the top, there is a navigation bar with tabs for 'Member', 'Investment', 'About the Fund', and 'Trustee'. Below this is a 'News feed' section with several articles. The main content area is titled 'Publications' and lists various resources available for download, including 'Scheme Guides', 'Contributing member factsheets', and 'Annual Reports & Accounts'. A sidebar on the left contains a 'Retiring early?' section with a 'Use our 85 year rule checker tool' button, a 'Go digital!' section, and a 'BRUNEL' logo.

Email for specific queries

Any specific questions email:

Jacinta.Wilmot@environment-agency.gov.uk

Find in outlook for EA employees

Any questions?

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 1 October 2020.
- HMRC policy, practice, and legislation may change in the future.

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