

Thinking about or approaching retirement?



About this guide

The Environment Agency Pension Fund (EAPF) is part of the Local Government Pension Scheme (LGPS), which is governed by LGPS regulations. This guide provides information for members who are approaching or thinking about retirement. It is not intended to be a definitive guide on what you need to think about but it will provide some useful information. You'll also find other guides on related topics at www.eapf.org.uk

When can I retire?

Your normal pension age (NPA) is the later of your individual state pension age (SPA) or age 65, but there is no obligation for you to retire at that age. If you want to carry on working you're free to do so, but you'll need to keep your employer informed of your plans. You must give your employer at least 3 months notice that you intend to retire, to ensure that payment of your pension is not delayed.



Please note that, although you may continue in employment beyond age 75, you must take payment of your benefits before age 75.

Alternatively, you can take your EAPF benefits from as early as age 55, without your employer's consent. However, if you choose to take your benefits before your NPA, they'll be reduced for early payment. In addition, the reductions that apply will depend on:

- your levels of protection within the fund, and
- whether you choose to take your benefits before age 60*

* Your benefits will be reduced if you choose to take payment of your benefits before age 60. However, if you have protection from early payment reductions under the '85 year rule', your employer has the discretion to apply these protections before age 60 and waive the reduction to your benefits by paying the cost themselves. You need to read your employer's policy on this for further information.

For more information on the reductions that may apply, as well information on the '85 year rule' please see the '**When can I take my LGPS pension?**' factsheet and you can also use our '**85 year rule checker tool**' at www.eapf.org.uk

The date on which you want to retire will depend entirely on your own circumstances. People are living longer and more people are carrying on working longer. It'll be up to you to decide the best time for you to retire.

What benefits do I get from the LGPS?

When you retire, you'll get a pension paid for the rest of your life, which increases each year in line with the cost of living. If you've scheme membership from before 1 April 2008, you'll get an automatic tax free lump sum. You can also give up some of your pension to provide you with, or increase your existing, tax free lump sum (subject to HM Revenue & Customs limits). If you've bought any added years or additional pension, the amount bought will also be used in calculating your final pension. If you've paid into the in-house additional voluntary contribution (AVC) scheme, you'll also have additional options, from using your AVC fund to buying extra pension, to taking some, or possibly all, of your AVC fund as a tax free lump sum.

Your last annual pension statement will give you a good guide as to the value of your pension and lump sum, and also an estimate of what you may receive if you carry on working and remain in the pension scheme until your NPA (though based on the pay you received during the most recent scheme year).

However, reductions will need to be applied to the figures on the statement if you decide to retire before your NPA.

If you're thinking of retiring in more than six months time, you can check out the EAPF's online pension calculator, which allows you to calculate an estimate of your benefits. The calculator is linked to your pension record held by Capita, so it'll take account of your own personal circumstances. To access the calculator, visit our website at www.eapf.org.uk and click on the link called 'Log in to your pension' on the right side of our homepage.

If you're thinking of retiring within the next six months, please contact Capita for an estimate of your benefits before you make a decision.

What other financial considerations should I take into account when planning my retirement?

When you're working out your finances, you'll need details of your LGPS benefits (check your annual pension statement, visit www.eapf.org.uk and head to 'EAPF Online' to calculate your own estimate, or you can request an estimate from Capita) and you'll probably want to take into account some or all of the following:

- Your State Pension (if you've reached SPA).
- Any other pensions you may have in payment, or are due to come into payment.
- Any savings income you may have.
- Any other benefits you may be able to claim.
- Income tax.
- No more travelling to work costs.
- Any discounted or free travel that you'll qualify for.
- If you've a mortgage, when is it paid up?
- If you've an endowment, will it cover all of your mortgage or will you have any excess?
- Your home fuel bills may increase in winter if you're spending more time at home.

The list is not exhaustive, and there may be other considerations for you, depending on your own circumstances. You may wish to take independent financial advice when planning your retirement (see 'Getting advice' below).

Can I take my pension, but carry on working for my employer?

If you can't afford to retire immediately, or you're simply not ready to retire, but you're looking to take things a bit easier, then, provided you're over age 55, your employer may be able to offer you a solution by allowing you to take 'Partial Retirement'. This allows you access to your pension while you carry on working on less hours, or on a lower grade with less responsibility. This option is at the discretion of your employer. There's more information in our '**Partial Retirement**' guide and you should ask your line manager if you're interested.

Where can I get more information or advice to help me decide?

Pre-retirement courses

The EAPF provide pre-retirement courses for contributing members. These courses cover a wide range of useful financial and lifestyle information. Dates of upcoming courses can be found on the training pages of your intranet – search using 'Pre-retirement'. If you'd like to attend, you should book using the intranet and ensure you have your line manager's approval.



Getting advice

We're unable to offer you any advice to help you in making pension decisions, but we'll provide you with information that you can use to help. You can get advice from an Independent Financial Adviser (IFA) and details of how to contact a local adviser can be found at www.unbiased.co.uk

You can also ask The Pensions Advisory Service (TPAS) for help. They are an independent non-profit organisation, providing free information, advice and guidance on the whole spectrum of pensions, including state, company, personal and stakeholder schemes. Their website is at www.pensionsadvisoryservice.org.uk

State Pension and other benefits

The Government's website www.gov.uk/browse/working/state-pension contains a wealth of information about State Pensions and various benefits that may be available depending on your personal circumstances. It can help you:

- Check when your State Pension is payable.
- Check the rules on deferring payment of your State Pension.
- Get a State Pension forecast.
- Trace previous pension rights.
- Find out about other state benefits.



Tax

Both your LGPS pension and your State Pension are taxable income. The tax code applied to your LGPS pension is normally adjusted to take account of your State Pension when it comes into payment. Your tax code and allowances may change depending on your age and your total earnings. www.gov.uk/government/organisations/hm-revenue-customs has information about tax and personal allowances, so it's worth your while checking for the latest figures.

What happens once I've decided to retire?

Once you've made your decision to retire, you should initially talk to your line manager to agree the details. Once agreed, you must give details in writing at least 3 months before your intended retirement date. When Capita receive notification of your retirement from your employer, or you've confirmed the date you wish to take payment of your deferred benefits, they'll send you an estimate of your benefits, together with forms for you to confirm your bank details (for payment of your pension), your marital/civil partnership status, details of other pensions that you may have and any other information needed.

Your estimate will include details of the pension you'll receive and the options available to you if you wish to convert some pension into a tax free lump sum. If you've AVCs, it'll also explain the options available to you regarding your AVC fund.

You'll need to make decisions on the amount of pension you wish to convert to lump sum and the options on your AVCs (if applicable).

It's important that you fully complete all of the forms that are sent to you, as any omissions could result in a delay in the payment of your benefits.

When Capita receive all the relevant documentation from you and confirmation of your pensionable pay figures from your employer's payroll department, your pension benefits will be calculated and confirmation of the actual amounts payable will be sent to you. The benefit calculations will take into account any extra years and/or pension that you may have purchased, or have been awarded by your employer.

The information on the following pages are some things you'll need to be aware of:

Tax free lump sum

You can choose to exchange some of your annual pension to provide you with, or increase your existing, tax free lump sum at retirement. Capita will provide details of the maximum amounts with your retirement estimate. You'll need to confirm in writing if you wish to take this option, and the amount of pension that you wish to convert before your pension benefits are paid.

The maximum tax free lump sum you're allowed to take is subject HM Revenue & Customs limits, and it must be no more than 25% of the Lifetime Allowance. For every £1 of annual pension you give up, you'll receive £12 additional lump sum. The maximum tax free lump sum payable is the lower of:

Automatic tax free lump sum* + $((\text{annual pension} - (0.15 \times \text{automatic tax free lump sum}^*)) \times 12) \div 2.8$

AND

25% of the Standard Lifetime Allowance which is £250,000 for the year 2017/18

*You'll only have an automatic tax free lump sum if you have Scheme membership before 1 April 2008

Calculating the maximum lump sum available – example 1



Holly

Upon retirement, Holly's **standard benefits** have been calculated as:

Annual pension: £10,000
Automatic tax free lump sum: £24,000

Holly now has the **option** to receive either her **standard benefits** (as above) **OR** the **maximum tax free lump sum option** and remaining annual pension, or alternatively she can elect to receive a value in between the two.

Maximum tax free lump sum: **£51,428.57**
 $£24,000 + (((£10,000 - (0.15 \times £24,000)) \times 12) \div 2.8) = £51,428.57$

Remaining annual pension: **£7,714.29**
 $(£51,428.57 - £24,000) \div 12 = £2,285.71$
 $(£10,000 - £2,285.71 = £7,714.29)$

Calculating the maximum lump sum available – example 2



Zachary

Upon retirement, Zachary's **standard benefits** have been calculated as:

Annual pension: £9,000

Zachary doesn't have any Scheme membership before 1 April 2008, so hasn't built up any automatic tax free lump sum

Zachary now has the **option** to receive either his **standard benefits** (as above) **OR** give up some of his annual pension to receive a tax free lump sum, up to the **maximum tax free lump sum** allowed.

Maximum tax free lump sum: **£38,571.29**
 $£0 + (((£9,000 - (0.15 \times £0)) \times 12) \div 2.8) = £38,571.29$

Remaining annual pension: **£5,785.71**
 $(£38,571.29 - £0) \div 12 = £3,214.29$
 $(£9,000 - £3,214.29 = £5,785.71)$

Additional Voluntary Contributions (AVCs)

If you've been paying AVCs, you'll need to decide how you wish to receive those pension benefits.

You can use the money in your AVC fund to:

- Buy an annuity to provide a separate pension
- Buy a top up LGPS pension
- Buy extra membership in the LGPS (though only if you were paying AVCs before 13 November 2001)
- Provide or increase your tax free lump sum without giving up any of your pension

For more information, please see our '**Topping up my LGPS**' guide at www.eapf.org.uk/publications

In addition to the above AVC options, you also have the option of transferring your AVC fund to another pension scheme. For more information, please see our '**Transferring out of the EAPF**' guide at www.eapf.org.uk

Guaranteed Minimum Pension (GMP)

If you have membership in the Fund before 6 April 1997, you may have a GMP element within your annual pension. Increases in respect of the GMP are made in accordance with Government orders, called statutory requirements. More details on how your GMP is increased can be found in our '**Pension revaluation**' guide' at www.eapf.org.uk/publications

Pension sharing orders

If your pension was subject to a Pension Sharing Order following a divorce or the dissolution of a civil partnership, then any pension 'debits' that have been made against you will be deducted from your pension benefits when they're paid. This will also reduce any future survivor's benefits payable if you remarry, enter into a new civil partnership, or choose to live with your partner. Pension benefits paid to eligible children will not, however, be reduced because of a Pension Sharing Order.

How will my pension be paid?

Once all the paperwork is complete, your pension will be paid directly into your bank account on the last working day of each month for the rest of your life.

Will my pension increase?

Your pension will normally be increased in April each year.

The increase is based on the increase in cost of living to the previous 30 September, as quoted in the annual Pensions Increase (Review) Order, which is published by HM Treasury. The amount of increase is currently linked to the Consumer Price Index. More details on how pension increases are applied can be found in our '**Pension revaluation**' Guide at www.eapf.org.uk/publications

Is there anything else I'll need to do?

It is a good idea to make sure your 'Expression of Wish' form is up to date. If you die within ten years of retiring, a lump sum death grant will be payable and the EAPF has absolute discretion in deciding who should receive that lump sum. Although not binding on the EAPF, an up-to-date Expression of Wish form will clearly indicate your wishes and will help decide who should receive the death grant.

If you've not yet sent a completed form, or you wish to change your existing nomination, contact Capita for a form or download one from www.eapf.org.uk/forms

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 1216593**

 Sending your query to
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11b Lingfield Point,
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