Environment Agency
Pension Fund

June 2017

How is my pension worked out?

For contributing members

How does my LGPS pension work?

Introduction

This is a general factsheet designed for our 'Contributing' members of the Environment Agency Pension Fund (EAPF); it gives you useful information to help you calculate your LGPS benefits.

The Local Government Pension Scheme (LGPS) changed from a final salary scheme to a career average revalued earnings (CARE) Scheme on 1 April 2014. This means that, if you were a contributing member of Scheme before 1 April 2014 and after 31 March 2014, you'll have a mixture of both final salary and CARE benefits.

What's the normal pension age (NPA) on my pension?

For pension built up:

- **From 1 April 2014** - your NPA is the later of age 65 or your state pension age (SPA). It's worth being aware that your SPA today may not be the same as your SPA in the future. This will be confirmed when you come to retire
- **Before 1 April 2014** – your NPA is age 65

You can choose to retire before your NPA, though your pension will be reduced for being paid early. If your SPA is greater than 65 and you've been a contributing member of the Scheme since before 1 April 2014, then any reductions applied for retiring early will be applied differently across your benefits, as your benefits built up before 1 April 2014 will have an earlier NPA (65) than your benefits built up since 1 April 2014 (linked to SPA).

In addition, if you've been a contributing member of the Scheme since before 1 October 2006, you'll be entitled to protection under the '85 year rule', meaning your benefits may be payable earlier than your NPA with a smaller reduction for retiring early.

Check if you're protected by using our helpful **'85 year rule eligibility checker'** tool online.

For more information on early retirement reductions and 85 year rule protections, please visit **www.eapf.org.uk/publications** to view our 'When can I take my pension?' and '85 year rule explained' factsheets.

How is my final salary pension worked out?

The benefits you built up before 1 April 2014 are still worked out using:

- Your final year's pensionable pay at the point that you stop contributing to the Scheme (known as 'final pay', which is calculated over a rolling year; in some cases, an earlier year's pay may be used instead); and
- Your membership of the Scheme up to 31 March 2014; please note that for membership built up:
  - **Before 1 April 2008** – your pension is calculated as **(Membership / 80) x final pay**

    You'll have also built up an **automatic lump sum of 3 times your 80th pension**
  - **From 1 April 2008 – 31 March 2014** – your pension is calculated as **(Membership / 60) x final pay**

For more information on how your final pay is determined and the final pay protections that may apply, please visit **www.eapf.org.uk/publications** to view our 'A guide to final pay & protections from 2014' factsheet.

How is my CARE pension worked out?

The CARE pension you build up from 1 April 2014 is worked out annually using the pensionable pay you receive in the period 1 April to 31 March each year (the 'Scheme Year'). We'll then divide this by 49 and add it to your pension account* (unless you're in the 50:50 Section of the Scheme, in which case, we'll divide your pay by 98 – more information on the 50:50 Section can be found in our 'How much will I pay into the LGPS?' factsheet at **www.eapf.org.uk/publications**).

*As a member of the LGPS, you'll have a pension account for each employment that you hold and each account will hold the pension you've built up in that employment.

Does my CARE pension increase?

Every April, your CARE pension is adjusted in line with an order issued by HM Treasury. Treasury orders are currently based on the Consumer Price Index (CPI), which is a Government indicator of price inflation. The adjustment is based on the level of CPI in the September before the April revaluation.

You're not guaranteed to have an increase every year, as it will depend on whether there's been a rise or a fall in price inflation. If there's a fall in price inflation, HM Treasury can issue an order that means we must apply negative revaluation for that year.

This doesn't affect the benefits that you've built up before 1 April 2014.

How much of my pay is pensionable?

Generally, pensionable pay is the amount of pay on which you pay contributions. For your pension built up from 1 April 2014, it includes any overtime and additional hours worked in excess of your contractual hours. For information on how to determine the pensionable pay used to calculate your pension built up before 1 April 2014, please visit **www.eapf.org.uk/publications** and view our 'A guide to final pay & protections from 2014' factsheet.

Additional lump sums

On retirement, you've the option to exchange part of your annual pension to increase your automatic lump sum, or, if you weren't a contributing member of the Scheme before 1 April 2008, to receive a lump sum. For every £1 of pension you give up, you'll get £12 of tax free lump sum (subject to HM Revenue and Customs limits). For more information on lump sums please visit **www.eapf.org.uk/publications** to view our 'Thinking about or approaching retirement?' factsheet.

Doing the sums

An example of how to calculate your pension (both final salary and CARE benefits) **is shown overleaf**.

Doing the sums

An example is shown below using a pensionable pay of £40,000 and a CPI rate of 1.2% in 2014/15:

Pensionable Pay	Divided by	Total pension before revaluation	Rate your pension is revalued by on next 1 April	Total pension after revaluation =
£40,000	49	£816.32	1.2%	£826.12

In the following year, the pensionable pay increases to £41,000 and the CPI rate is negative in 2015/16:

Pensionable Pay	Divided by	Amount added to 'Total pension' built up in 2014/15	Total pension before revaluation	Rate your pension is revalued by on next 1 April	Total pension after revaluation
£41,000	49	£836.73	£1,662.85	-0.1%	£1,661.19

In the following year, the member leaves contributing membership on 30 November 2016; although their pensionable pay increased to £42,000 on 1 April 2016, they only received 8 months of this (8 x £3,500 per month = £28,000 from 1 April 2016 to 30 November 2016):

Pensionable Pay	Divided by	Amount added to 'Total pension' built up in 2014/15 & 2015/16	Total pension before revaluation	Rate your pension is revalued by on next 1 April	Total pension after revaluation
£28,000	49	£571.43	£2,232.62	A part year's revaluation will be applied on 1 April 2017	Unknown at date of leaving

In addition, the member also has 16 years final salary membership before 1 April 2014, with a final pay on leaving of £41,667 (4 months of £41,000 & 8 months of £42,000):

Membership	Divided by	Multiplied by final pay	Final salary pension (80th & 60th)	Automatic lump sum (3 x 80th pension)
10 years	80	£41,667	£5,208.38	£15,625.13
6 years	60	£41,667	£4,166.70	

On leaving, the member would have a **total pension of £11,607.70*, together with an automatic lump sum of £15,625.13**. Please note that these figures do not take into account any early retirement reductions that may also apply.

*(£2,232.62 + £5,208.38 + £4,166.70)

What if I have any questions?

Contact details

Capita look after the day to day administration of the EAPF and will be your main point of contact for any questions you have about your benefits. You can contact them by:

- Using the '**contact us**' button on the website at **www.eapf.org.uk**
- Emailing **info@eapf.org.uk**
- Calling **0800 1216593**
- Sending your query to: **Capita, 11b Lingfield Point, Darlington DL1 1AX**

Disclaimer - This guide is not intended to cover every personal circumstance, nor does it confer any contractual or statutory rights and is provided for information purposes only. In the event of any dispute over your pension benefits the appropriate legislation will prevail.