

Pension revaluation - a guide for deferred members



About this guide

The Environment Agency Pension Fund (EAPF) is governed by the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

This guide will help you to understand when your LGPS pension is revalued and how we apply revaluation to the different parts of your pension. It is intended for any scheme member who holds a deferred, deferred pensioner or pension credit pension account. Throughout this factsheet we'll use 'deferred benefit' to refer to the benefits held in a deferred, deferred pensioner or pension credit pension account.

What is revaluation?

We apply up to two different types of revaluation.

The first type is a Treasury order which is applied on 1 April. We'll only apply a Treasury order if you were a contributing member and you left or opted out of the EAPF during a scheme year with entitlement to a deferred benefit.

The second type is a Pensions Increase (PI) order which is applied on the first Monday following 5 April to work out the revaluation for the benefits you've left in the scheme.

Where we apply both the last Treasury and the first PI orders, these are known as partial orders, as we only apply the part of the order that is relevant to the period of contributing service and time remaining in the scheme year to 31 March. Partial orders only apply in the year in which a contributing member leaves the scheme and after that we'll apply full PI orders.

Both Treasury orders and PI orders are currently in line with the Consumer Price Index (CPI), which is a Government indicator of price inflation. The revaluation is based on the level of CPI in the September before the April revaluation (e.g. the rate of CPI in September 2017 is the revaluation applied in April 2018). However, unlike Treasury orders, PI orders cannot be negative.

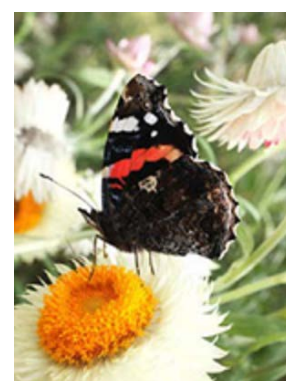
The CPI for the year to September 2017 increased by 3%; this means that, in April 2018, both the Treasury order for contributing members and PI orders for deferred members was 3%.

Who is eligible to receive Treasury order revaluation?

Only the career average element of your pension (this being benefits built up from 1 April 2014) are revalued by Treasury orders, as benefits built up before this date were calculated in line with your final pay and are revalued after you leave the scheme in line with PI orders (see 'who is eligible to receive PI revaluation' for more information).

For deferred members, the career average element of your deferred pension will receive the **full** CPI revaluation; however, the manner in which this is applied will depend on the date your contributing membership ended, as the career average element of your pension is revalued by both a partial Treasury order and a partial PI order (reverting to simply PI orders for every April thereafter).

The final salary element of your pension (including any automatic lump sum you've built up) is, in the April following the date your contributing membership ended, revalued by a partial PI order.



Who is eligible to receive PI revaluation?

All LGPS deferred, deferred pensioner, pension credit and pensioner accounts are revalued by PI.

PI comes into payment when you take your retirement pension and:

- You're aged 55 years or over, or
- You're under age 55 and have been granted early payment of your deferred pension on ill health grounds and were certified as being permanently unable to undertake any regular full time employment

However, if you're under age 55 and haven't retired on ill health grounds, the cumulative PI revaluation will only be applied from your 55th birthday, with no backdating.

How are PI orders decided?

From April 2011, the Government changed the rate of revaluation used by HM Treasury for PI orders from the Retail Prices Index (RPI) to CPI.

As mentioned in the section 'What is revaluation' CPI is a government indicator of price inflation. We'll use the annual change in CPI to each September to determine if your deferred pension should be increased in the following April. For example, if CPI increased by 1.2% in the 12 months to September, this will be the increase we'll add to your deferred pension from the following April.

If the change in CPI is negative, we will not apply a decrease because PI orders cannot be negative and this means your deferred pension will remain at the same rate.

Please note that LGPS funds like the EAPF have absolutely no powers or discretion to vary the increase that can be applied.

The rate at which LGPS deferred pensions have been revalued by PI orders since 2007 is as follows:

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Increase %	3.6	3.9	5.0	0.0	3.1	5.2	2.2	2.7	1.2	0.0	1.0	3.0

When is my pension account revalued by PI?

PI orders are effective from the first Monday after 5 April each year, so it will always fall between 6 April and 12 April.

The first increase to your pension account after you become entitled to a deferred benefit will normally only be a proportion of the year's increase, depending on how many months your benefit has been deferred. The number of months used in the calculation is rounded up or down to the nearest number of full months.

However, if your deferred benefit was calculated using a pensionable pay figure that was earlier than your final year (i.e. best of the last 3 years or best 3 year average from the last 13 years) a full year's increase will be applied.

Subsequent increases will always be the full percentage amount and we'll tell you the rate of revaluation applied to your deferred benefits each year on your annual benefit statement.

Example:

- You became entitled to deferred benefits on 1 January and in the following April the full pension increase is 1.2%.
- As you became entitled to a deferred pension part way through the tax year we'll apply a proportion of the increase.
- The increase will be 0.3% ($3/12 \times 1.2\%$) to reflect that your pension has only been deferred for 3 months of the previous year.
- In following years, the full increase for the year will be paid.

What about my state pension?

Until 5 April 2016, the State Pension was split into two parts, the Basic State Pension (BSP) and the Additional State Pension (ASP). The ASP was originally part of the State Graduated Pension Scheme and changed to the State Earnings Related Pension Scheme (SERPS) in 1978 and in April 2002 to the State Second Pension (S2P). If you were a contributing member of the LGPS before 6 April 2016, you wouldn't have paid into the ASP for the same period, and would, instead, have paid reduced National Insurance contributions; this is called 'contracting out' of the ASP.

Since contracting out stopped on 6 April 2016, you've started to build up qualifying years towards the single tier State Pension. If you build up less than 35 qualifying years (the minimum amount required to get the full single tier State Pension), you may be entitled to a lower amount based on the number of qualifying years you've gained (subject to a minimum of 10 years).

When is my state pension increased?

State pensions are increased on the first Monday after 5 April each year, at the same time as your LGPS pension.

The State Pension increases each year by the highest of the following, known as the 'triple lock':

- Earnings – the average percentage increase in UK wages
- Prices – the percentage increase in the cost of living (CPI)
- 2.5%



Where can I get more information about my state pension?

You can find out more about the state pension, check your state pension age and get a forecast online by following the links at: www.gov.uk/state-pension

Alternatively you can contact:

The Future Pension Centre
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

or telephone:

0800 731 0175 (local rates apply)
+44 191 218 3600 if calling from outside the UK
0800 731 0176 for textphone

What if I have any questions?

Contact details

Capita look after the day to day administration the Scheme 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. The EAPF is part of the Local Government Pension Scheme (LGPS) which is governed by the LGPS regulations.