

Pension revaluation – a guide for pensioner 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 the amount of pension we pay you from the Local Government Pension Scheme (LGPS) may be revalued. It is intended for any Scheme member who is receiving a retirement pension, survivor's pension or pension credit.

What is revaluation?

We apply up to two different types of revaluation.

The first type is a Treasury order which is applied to your benefits built up after 31 March 2014. We'll only apply a Treasury order if you were a contributing member during a scheme year. The Treasury order is applied on 1 April each year.

The second type is a Pensions Increase (PI) order, which is applied to all of your pension in payment on the first Monday following 5 April each year.

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.

So, if there is a fall in price inflation, HM Treasury can issue an order that means we must apply negative revaluation to the pension accounts for contributing members; this means that, as a pensioner member, your pension won't increase or decrease for that year.

Please note that the CPI rate up to 30 September 2017 was recorded as a 3% increase; this means that your pension benefits would've also increased by 3% on 9 April 2018.

What happens if I stop contributing and receive immediate payment of my retirement benefits?

If you retired from contributing service during the scheme year, the career average element of your pension will receive the **full** CPI revaluation; however, the way in which this is applied -depends on the date your contributing membership ended. This is because 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 revalued by a partial PI order in the April following the date your contributing membership ended.



Who is eligible to receive an increase to their pension?

You'll receive an increase if:

- HM Treasury have issued an order to apply an increase to your pension
- You're aged 55 years or over, or
- You're receiving a widow's, widower's or child's pension, or

- You've retired (at any age) from contributing membership on ill health grounds; or
- You're under age 55 but have been granted early payment of your deferred pension on ill health grounds and were certified as 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.

When is the increase to my pension paid?

Your main Scheme pension will be increased from the first Monday after 5 April each year, so it will always fall between 6 April and 12 April. This means your pension each April will include a part month's increase and you'll see the full month's increase on your May payslip.

When is my guaranteed minimum pension (GMP) increase paid?

Any increases that are applied to your GMP will be applied from 6 April each year. More information on GMP and how GMP increases work is explained later on.

Who works out my pension revaluation rate?

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

This means that we'll use the annual change in CPI to each September to determine if the amount of pension we pay you 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 pension from the following April.

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 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

How is my pensions increase calculated?

The first pensions increase we apply to your pension will normally only be a proportion of the year's increase depending on how many months your pension has been in payment. The number of months used in the calculation is rounded up or down to the nearest number of full months.

However, if we calculated your pension using a pensionable pay figure that was earlier than your final year (i.e. higher of the last 3 years or best 3 year average from the last 13 years) we'll apply a full year's increase.

Subsequent increases will always be the full percentage amount.

In the example overleaf, we show you how we apply the pensions increase payable each year.

Example 1

- Your pension is paid from 1 January and in the following April the full pension increase is 1.2%
- As your pension started to be paid 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 in payment 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. The Additional State Pension was originally part of the State Graduated Pension Scheme changing to the State Earnings Related Pension Scheme (SERPS) in 1978 and then in April 2002 to the State Second Pension (S2P).

How is my state pension increased each year?

State pensions are increased on the first Monday after 5 April each year, at the same time as your LGPS pension. Any increases that the State may pay towards your GMP are explained on the next page.

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 7310175 (local rates apply)
+44 191 218 3600 if calling from outside the UK
0800 7310176 for textphone.



What is Guaranteed Minimum Pension (GMP)?

As a contributing member of the LGPS, you were contracted out of the State Additional Pension. This means that while you were contributing to the LGPS, you paid lower National Insurance contributions and did not build up Additional State Pension benefits. Instead, under the contracting out rules, the LGPS will pay you a pension which is at least the same as you would have received had you not been contracted out (and is usually much greater).

For service before April 1997, this is known as a GMP because it's a minimum amount of pension that the EAPF must pay you. This GMP is paid as part of your EAPF pension (and not in addition to it).

Over time, the rules applying to GMPs have changed and a GMP built up before April 1988 is treated differently from that built up from April 1988 to April 1997.

You stopped building up GMP from 6 April 1997. From this date schemes like the LGPS, instead of guaranteeing to pay a minimum amount of pension, had to provide scheme benefits that are broadly equivalent to or are better than a set of criteria set by the Government.

Contracting out stopped on 6 April 2016 and from this date you've started to build 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).

How GMP increase works

The increase that's applied to GMPs is linked to CPI though the way it's paid is different from your main Scheme pension. How we apply increases to your GMP depends on when you reach State Pension age. If you're under your State Pension age we'll treat your GMP as if it were your main Scheme pension.

The following normally applies to the GMP we pay on or after your State Pension age.

If you reached State Pension age before 6 April 2016:

- We'll apply any GMP increases on 6 April of each year to the GMP you built up after 5 April 1988, up to a maximum of 3% per year. If the pensions increase is above 3%, we'll pay a GMP increase of 3% and the rest of the increase will be paid with your state pension.
- We don't increase the GMP you built up before 6 April 1988. Any increases due on this benefit will be paid with your state pension.
- We'll give a full year's GMP increase even if your pension started part way through the year.
- See Example 2 overleaf

If you reach State Pension age after 5 April 2016, but before 5 April 2021:

- We'll treat the GMP you built up before 6 April 1988 as your main Scheme pension and pay full pensions increase.
- We'll also apply any GMP increases to the GMP you built up after April 1988 up to a maximum of 3% per year. If the pensions increase is above 3%, we'll pay a GMP increase of 3% and will also pay an amount equal to the difference between the pensions increase and GMP increase on this part of your GMP.
- We'll give the equivalent of a full year's GMP increase, even if your pension started part-way through the year.

If you reach State Pension age after 6 April 2021, the way in which the GMP will be treated is currently unknown, as the Government is consulting about how increases to your GMP should be paid.

Example 2

A male pensioner retired on 1 January 2016 at age 65 (assume state pension age is also 65). His pension is £508 per month.

His GMP has been notified by HM Revenue & Customs as £2.00 per week pre 88 GMP and £2.00 per week post 88 GMP.

Monthly LGPS pension made up as follows		EAPF monthly payslip will show	
Basic pension	£300.00	Basic pension	£508.00
Pre 88 GMP (£2.00 x 52)	£104.00		
Post 88 GMP (£2.00 x 52)	£104.00		
TOTAL monthly pension	£508.00		£508.00

HM Treasury has notified that the increase payable from the April following is retirement will be 3.1%.

The pension will increase as follows:

Monthly LGPS pension made up as follows		EAPF monthly payslip will show	
Basic pension	£300.00	Basic pension	£508.00
Pre 88 GMP	£104.00		
Post 88 GMP	£104.00		
Pension Increase on basic pension	£ 2.33*	Pensions increase	£ 5.45
Post 88 GMP increase	£ 3.12		
TOTAL monthly pension	£513.45	TOTAL monthly pension	£513.45

*As the member left part-way through the year, the first increase applied to the basic pension will only be for a part year ($3/12 \times 3.1\% = 0.775\%$)

If the increase from April of the following year is 5% the pension will increase as follows:

Monthly LGPS pension made up as follows		EAPF monthly payslip will show	
Basic pension	£300.00	Basic pension	£508.00
Pre 88 GMP	£104.00		
Post 88 GMP	£104.00		
Pension increase on basic pension (£300+£2.33)	£ 17.45	Pensions increase	£ 23.78
Post 88 GMP increase (£104+£3.12)	£ 6.33		
TOTAL monthly pension	£531.78	TOTAL monthly pension	£531.78

It's important to remember:

The April pension payments **don't** include a full month of increase. The pension paid in May each year will show the full monthly change, as we've explained earlier in this guide.

You'll receive the full pensions increase on your entire pension until you reach State Pension Age (unless your increase is only due for part of the year).

If you don't receive the full increase in your EAPF pension because you've reached State Pension age before 6 April 2016, the difference should be added to your state pension (unless your increase is only due for part of the year).

We'll always show the starting pension amount on your payslip with all increases shown as a separate cumulative amount so you can see how your pension is growing.

EAPF Online

EAPF Online provides secure access to your EAPF pension record so you can check your pension details at any time. A large number of our pension members have already registered and can now view their monthly payslips and annual P60s online.

If you have access to the internet and haven't registered for this service yet, just go to www.eapf.org.uk and click the 'Log into your pension' button on the right hand side of the screen. Then simply click 'Register' at the top and follow the simple instructions.

What if I have any questions?

Contact details

Capita look after the day to day administration of 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.