

# Final pay changes & protections from 2014



## About this guide

The Environment Agency Pension Fund (EAPF) is part of the Local Government Pension Scheme (LGPS), which is governed by the LGPS regulations. This guide is for members of the EAPF who want to know more about:

- How the move from a 'final salary' scheme to a 'career average revalued earnings' scheme will impact the way your benefits are calculated.
- How final pay is used to calculate pension benefits under Benefit Regulation 8 (BR8) and Benefit Regulation 10 (BR10) – Final Pay reductions) that may apply to final pay in certain circumstances.

**Please note that this guide will only apply to you, if you meet any of the following criteria:**

1. You've continuous membership from before 1 April 2014.
2. You've elected to transfer another period of LGPS membership from before 1 April 2014, **and** you've elected for that membership to be treated as a final salary benefit.\*
3. You've elected to transfer in from another public service pension scheme, **and** the transfer in payment includes service before 1 April 2015 (treated as LGPS membership before 1 April 2014, so will be calculated as a final salary benefit\*).

\*For points 2 and 3, there is an additional requirement for you to have been a contributing member of a public service pension scheme (including the LGPS) at some point within the 5 year period before joining the EAPF.

The relevant LGPS regulations on final pay, and how this impacts on the calculation of your benefits, are explained below.

## What is final pay?

Before 1 April 2014, the LGPS was a 'final salary' scheme. Final pay was the pay figure used to calculate your pension benefits at the date of leaving contributing membership, and it was derived from the pensionable pay<sup>1</sup> earned during your final pay period.

On 1 April 2014, the LGPS changed from a final salary scheme to a 'career average revalued earnings' (CARE) scheme. Under CARE, your pension is calculated on a yearly basis, based on the pensionable pay you receive during each scheme year (1 April to 31 March). To make sure your pension built up each year keeps pace with the cost of living, revaluation is applied to your pension each year.

However, providing you meet any of the criteria outlined earlier, then your pre 1 April 2014 benefits will still be calculated using your final pay when you leave the scheme. This means that your pension benefits based on membership up to 31 March 2014 will be based on your final pay at date of leaving, while pension benefits built up from 1 April 2014 will be calculated on a CARE basis.

For part time employees, the final pay figure is the pensionable pay you would've earned had you worked full time during the final pay period. If you were receiving a pensionable emolument<sup>2</sup>, the amount of this emolument earned in the final pay period must be included in the calculation of final pay.

<sup>1</sup> The LGPS regulations define your pensionable pay as your salary and other payments paid to you for your own use in respect of your employment, and any other payment or benefit specified in your contract of employment as being a pensionable emolument. No sum may be taken into account in calculating pensionable pay unless income tax liability has been determined on it.

<sup>2</sup> A pensionable emolument refers to a payment or benefit which isn't classified as salary, wages or fees, but is specified in your contract of employment as being pensionable (e.g. uniform allowance). Any pensionable emoluments you receive or expect to receive must be considered when calculating your pensionable pay.

All performance related payments (PRP) for Executive Managers, and lump sum performance awards for staff paid as part of the annual pay award, are paid in arrears. However, these payments are earned in the previous financial year (1 April to 31 March). As a result, the calculation used (to determine the highest final pay) will only include the proportion of the PRP / lump sum performance award that relates to the final pay period in which it was earned.

Any reduction or suspension of your pensionable pay during the final pay period due to sickness absence is disregarded for the purposes of determining final pay.

The final pay figure used to calculate your pre 1 April 2014 benefits may differ depending on whether you're eligible and have elected to apply for BR10, at your date of leaving contributing membership.

#### **How is my final pay period determined under BR8?**

Your final pay period is either your final year (365 days) up to and including the day you leave contributing membership of the LGPS or either of the two immediately preceding years, if one of those years would produce a higher pensionable pay figure.

This is the calculation that will apply to you unless you're eligible to elect to use the BR10 protection.

#### **How is my final pay period determined if I'm eligible to elect for BR10 to apply when I leave contributing membership?**

Your final pay period may be extended to an earlier period than that described above if you're entitled to elect for BR10 to apply.

Where you're entitled to elect for BR10 to apply on leaving contributing membership, you may choose for your pension benefits to be calculated using your final pay, derived from an average of the pensionable pay earned within any 3 consecutive years, ending on 31 March falling, within the period of 13 years ending with the last day you were a contributing member.

#### **How does the final pay period interact with cost of living rises?**

Cost of living rises are applied to your pension benefits from the day after you stop contributing membership, or, if a higher earlier year's pay is being used, the day after the last day of that final pay period.

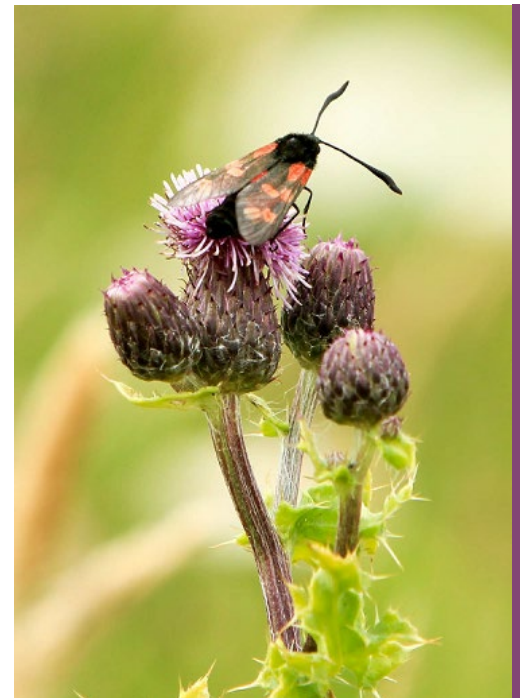
#### **What is the statutory underpin?**

As part of the public sector pension reforms brought about by the Public Service Pension Schemes Act 2013, you may qualify for an additional protection to your pension which ensures you don't lose out through the changes made to the LGPS.

If you:

- Were a contributing member on 31 March 2012.
- Were age 55 or over on 1 April 2012.
- On stopping contributing membership, you'd have an entitlement to receive immediate payment of your benefits.
- Would've been better off if the final salary scheme had continued after 31 March 2014 until you stopped contributing membership,

then your CARE benefits will be increased to the level of the final salary scheme pension.



## What is a final pay protection?

### Benefit regulation 10 – final pay reductions (BR10)

If your pensionable pay has been reduced or restricted on or after 1 April 2008:

- Because you choose to be employed by your employer at a lower grade or with less responsibility.
- For the purposes of achieving equal pay in relation to other employees of your employer.
- As a result of a job evaluation exercise.
- Because of a change in your contract of employment resulting in the cessation of or reduction in payments or benefits specified in your contract of employment as being pensionable emoluments.
- Because the rate at which your pay may be increased is restricted in such a way that it is likely that the rate of your retirement pension will be adversely affected.

You may choose, up to one month before you leave contributing membership, for BR10 to be applied provided your leaving date is within 10 years from the date of the reduction or restriction.

The final pay period that produces the highest pension benefits, after taking into account cost of living rises that would be applied to your pension benefits after leaving active membership, may be used to calculate your pre 1 April 2014 pension benefits.

#### **BR10 doesn't apply if your employment on reduced or restricted pensionable pay:**

- Started more than 10 years before your last day as a contributing member.
- Immediately follows a period in which you occupy a post on a temporary basis at a higher rate of pay.
- Because you chose to be employed at a lower grade, in order to take partial retirement.



## How do I elect to apply my final pay protection on leaving contributing membership?

When you leave contributing membership you'll be issued with a leaving service pack.

Within your leaving service pack, you'll be informed about the final pay period that has been used to calculate your benefits and we'll ask you to sign a form to confirm your agreement to this BR10 pay protection being used.

## What if I have questions?

Capita looks 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 us using the details shown below.

### Contact details

If you have any questions regarding your pension entitlement you can contact our pension administrator, Capita, by:

-  Using the **'Ask us a question'** form on our website at **[www.eapf.org.uk](http://www.eapf.org.uk)**
-  Emailing **[info@eapf.org.uk](mailto:info@eapf.org.uk)**
-  Following on Twitter  
**@EAPensionFund**
-  Calling **0800 121 6593**  
**+44 114 452 5008 (overseas)**
-  Sending your query to  
**Capita**  
**11b Lingfield Point**  
**Darlington, DL1 1AX**

Disclaimer - This guide isn't 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.