

# 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 might 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 were a contributing member of the Scheme at some point between 1 April 1998 and 30 September 2006 (or you've combined other LGPS membership that falls within this period with your EAPF membership), you'll be entitled to protection under the '85 year rule', meaning your benefits may be payable earlier than your NPA with a lesser 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/resources/publications](http://www.eapf.org.uk/resources/publications) to read 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 worked out using:

- Your 'final pay', which is usually your final year's pensionable pay at the point that you stop contributing to the Scheme (known as 'final pay'). More information on how your final pay is determined and the final pay protections that may apply can be found in our 'How is final pay calculated' factsheet at [www.eapf.org.uk/resources/publications](http://www.eapf.org.uk/resources/publications).
- 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 80<sup>th</sup> pension**
  - **From 1 April 2008 to 31 March 2014** – your pension is calculated as **(Membership / 60) x final pay**

## 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/resources/publications](http://www.eapf.org.uk/resources/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 date.

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.

## Impact of the McCloud Judgment

In addition to your normal scheme benefits, it's possible that, as a result of the McCloud Judgment, you may be entitled to a final salary 'underpin' on your CARE pension between 1 April 2014 and 31 March 2022; however, in order for the underpin to 'bite', it would need to be greater than the CARE pension you've built up over that period.

Your eligibility for the underpin (and whether it 'bites') is determined automatically, so there's nothing you'll need to do.

For more information on the McCloud Judgment, how it works, and whether you're eligible for an underpin, please visit [www.eapf.org.uk](http://www.eapf.org.uk) and view our article on the 'McCloud Judgment'.

## How much of my pay is pensionable?

Generally, pensionable pay is the amount of pay on which you pay contributions. For 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/resources/publications](http://www.eapf.org.uk/resources/publications) and read our 'How is final pay calculated' 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/resources/publications](http://www.eapf.org.uk/resources/publications) to read 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

Our example below uses previous tax years for simplicity, so making it easier to show you how the old final salary scheme and current CARE scheme work together.

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 after revaluation' 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 after revaluation' 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	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 £3,416.67 (£41,667 pa) & 8 months of £3,500 (£42,000 pa):

Membership	Divided by	Multiplied by final pay	Final salary pension (80 <sup>th</sup> & 60 <sup>th</sup> )	Automatic lump sum (3 x 80 <sup>th</sup> 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 apply if the member elected to take early payment of their benefits.

\* (£2,232.62 + £5,208.38 + £4,166.70)

## What if I have any questions?

### 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**  
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