

## Pension contribution rates and pay bands

Unlike some of the other public sector pension schemes, there will be **no changes** in 2012 to the contribution rates payable by members of the Environment Agency Pension Fund (part of the Local Government Pension Scheme (LGPS)). Your contribution rate depends on what your full time equivalent assessed pensionable pay is and you pay between 5.5% and 7.5% of your pensionable pay.

On 1 April each year the pay bands for employee contributions increase by the same percentage as pension increases, which are linked to the annual change in the Consumer Price Index. This April the increase is 5.2% and old and new bands are below. Some of you may find that your pay now falls into a lower contribution band so check your April payslip. For more information see the Contribution policy on the Easinet pension pages.

Band	Contribution rate	Pensionable pay range until 31/3/2012	Pensionable pay range from 1/4/2012
Band 1	5.5%	Up to £12900	Up to £13500
Band 2	5.8%	£12901 - £15100	£13501 - £15800
Band 3	5.9%	£15101 - £19400	£15801 - £20400
Band 4	6.5%	£19401 - £32400	£20401 - £34000
Band 5	6.8%	£32401 - £43300	£34001 - £45500
Band 6	7.2%	£43301 - £81100	£45501 - £85300
Band 7	7.5%	More than £81100	More than £85300

## Reform of public sector pensions – timing of changes to the LGPS

As we told you in Your pension 7, following recommendations made by Lord Hutton's Public Service Pension Commission, the Government is looking to reform the LGPS, along with other public sector schemes. Initially the proposal for the LGPS was to make some short term changes including increasing contribution rates in 2012 and then to agree a new scheme for implementation in 2015.

Following talks between the Government, employers' representatives and the Trades Unions, the proposed contribution increases for 2012 are not happening and the longer term changes will be brought forward to April 2014. So, subject to the LGPS negotiations between the Local Government Association (LGA), Trades Unions and Department for Communities & Local Government (DCLG) continuing, it looks like the LGPS (last reformed in 2008) will continue largely as it is now for the next two years to 2014.

This means the LGPS will be the first public sector pension scheme to implement the strategic reforms proposed by Lord Hutton. Two years sounds like a long time but the LGA, Trades Unions and DCLG have a lot of detailed work to do and there will be a number of statutory consultations in order to get new LGPS regulations in place by April 2014. To keep up with the latest information follow the link under latest fund news at [www.eapf.org.uk](http://www.eapf.org.uk).

## Tax relief changes - reduction in the Annual Allowance (AA)

The AA sets a limit on the amount by which the total value of all of your pension arrangements can increase in each year without incurring an additional tax charge. From 6 April 2011 it was reduced from £255,000 to £50,000.

In practice, the change will only affect high earners in the EAPF but may affect you if:

- You receive a substantial increase in pensionable pay in any year;
- You pay a large amount of additional contributions in Additional Voluntary Contributions (AVCs) or Additional Regular Contributions (ARCs) in a single year;
- You are awarded additional pension or scheme membership by the Environment Agency;
- You receive an increase to your scheme membership due to retiring on ill health (unless you meet the criteria for severe ill health); or
- There is any other large increase to your pension benefits.

If you are affected, you can carry over any unused annual allowance from the last 3 years (based on a notional £50,000 allowance) and use this to offset any excess in the current year. Where a tax charge is payable, it is calculated at your normal tax rate. There is a facility for any charge over £2,000 to be paid by the pension fund in which it arose and offset against your benefits on retirement.

There is a fact sheet on the publications page at [www.eapf.org.uk](http://www.eapf.org.uk) which provides more information.

### **Prudential AVCs**

The Prudential has announced that it will introduce a charge on fund withdrawals where contributions have been paid into an in-house AVC fund for less than five years.

The charge will not be applied to withdrawals from:

- existing funds; or
- funds where the first payment is received before 19 August 2012; or
- funds where the first payment was received after 19 August 2012 that have been invested for at least five years from the date of the first payment

If you are thinking about making short term savings into our in-house AVC arrangement with Prudential you may wish to consider the date you start to pay contributions. The latest start date to enable contributions to commence before 19 August 2012 would be a deduction from your July pay. Prudential has told us that, allowing for processing time and communication of your request to payroll, they would need to have all of your details by 8 June. For more information about the changes or to start payments you can contact Prudential 0845 607 0077.

This does not affect withdrawals from in-house AVC funds invested with Standard Life.

There is more information about AVCs and other options for topping up your LGPS pension in our Topping Up guide that you will find on the publications page at [www.eapf.org.uk](http://www.eapf.org.uk).

### **Equitable Life Payments Scheme update**

In May 2010 the Government pledged to “implement the Parliamentary and Health Ombudsman’s recommendation to make fair and transparent payments to Equitable Life policy holders, through an independent payment scheme, for their relative loss as a consequence of regulatory failure.”

The Government established the Equitable Life Payment Scheme (ELPS) and announced in October 2010, as part of the Spending Review, that £1.5 billion would be made available to the Scheme for distribution to around 1 million eligible policyholders.

We understand that in the coming months ELPS will be starting to contact the Group Schemes to facilitate the transfer of policyholder address data, and remains on track to begin payments to Group Scheme members in the second year of the Scheme.

The ELPS website at <http://equitablelifepaymentscheme.independent.gov.uk/index.htm> has more information, including the latest progress report.

### **Contact details**

If you have any questions regarding your pension entitlement or about the Fund in general, please contact either Capita Hartshead or the Environment Agency as appropriate.

Please note that a Welsh version of this newsletter is available at [www.eapf.org.uk](http://www.eapf.org.uk).

Enquiries about the Environment Agency Pension Fund or entitlement to your benefits:

EAPF  
Capita Hartshead  
Hartshead House  
2 Cutlers Gate  
Sheffield  
S4 7TL

Email: [info@eapf.org.uk](mailto:info@eapf.org.uk)  
Telephone: 0800 121 6593

Enquiries about the management of the Environment Agency Pension Fund should be addressed to:

Head of Environmental Finance and Pension Fund Management  
Environment Agency  
Horizon House  
Deanery Road  
Bristol, BS1 5QH

Email: [info@eapf.org.uk](mailto:info@eapf.org.uk)  
Telephone: 0117 934 5094

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