

# Your pension - issue 3

Spring 2010

## No change to the pay bands used to determine contribution rates for 2010/11

Pay ranges for the contribution bands change each year in line with the Pensions Increase Act 1971. The Department for Communities and Local Government has advised that for tax-year 2010/11, starting on 6 April, no increases will be applied to public sector occupational pensions. This, in turn, means that the pay bands that determine employee contribution rates for each year will not change from the 2009/10 levels. Your contribution rate to the LGPS for the tax-year 2010/11 will be determined by the band in the table below that your assessed pensionable pay falls into. You will be notified of any changes to your contribution rate following the 2010 pay award via your payslip.

Band	Pay range	Contribution rate
1	£0 - £12,600	5.5%
2	£12,601 - £14,700	5.8%
3	£14,701 - £18,900	5.9%
4	£18,901 - £31,500	6.5%
5	£31,501 - £42,000	6.8%
6	£42,001 - £78,700	7.2%
7	More than £78,700	7.5%

Remember, if you are a member of the Operations Delivery workforce and you were paying less than 6% prior to 1 April 2008 your contribution rates will not be fully harmonised with those above until 1 April 2011. We have arranged for you to receive a separate briefing note via your team leaders to explain the remainder of the harmonisation.

## New AVC provider and changes to our AVC provision

To increase your options for supplementing your LGPS pension benefits, we have appointed Prudential as a new additional voluntary contribution (AVC) provider alongside Standard Life. We decided to appoint Prudential because our advisors considered them to be the strongest AVC provider for the LGPS. We have also increased the range of funds in which you can choose to invest your money. We have decided to close an existing Clerical Medical AVC arrangement to any new contributors because they are less dominant in the LGPS marketplace. We also have a legacy AVC arrangement with Equitable Life, which has been closed to new members for some years. If you are already contributing to one of these old arrangements you do not need to take any action if you wish to continue.

We have produced a booklet called "Topping up your LGPS pension" which will provide you with information about paying AVCs with Prudential and Standard Life, together with some basic information about the other ways you can top up your pension, which is available on the website at [www.eapf.org.uk](http://www.eapf.org.uk) or on request from Capita Hartshead.

### **Member website facility**

We would like to remind you that the web-site [www.eapf.org.uk](http://www.eapf.org.uk) is available to all scheme members.

The web-site is intended as a guide to the valuable range of benefits to which you are entitled, and to give you an understanding of how your pension scheme works. You can access various member guides and useful forms such as the Expression of Wish form and the Nominated Co-habiting Partner form. We encourage all members of the scheme to visit the web-site and make use of its facilities. We also welcome any feedback about the site and any ideas you have about how we could improve it.

### **Increase in the Earliest Retirement Age from April 2010**

We would like to remind you that the Government's change to the earliest retirement age becomes effective for all members of the LGPS 1 April 2010. If you were a member on 31 March 2008 the earliest age at which you may have retired, providing the Environment Agency had consented was age 50. From 1 April 2010, due to changes in pensions law, this rises to age 55 in line with the changes made to the scheme on 1 April 2008. This age restriction does not apply in cases of ill health retirement.

### **Change to the definition of Final Pay: Reductions (Benefit Regulation 10)**

Normally when you retire your benefits will be calculated on your final year's pensionable pay, however, you can choose for your benefits to be calculated using one of the two previous years' pay if better. Under certain circumstances, such as where you choose to take a lower graded job and your pay is reduced, in your last 10 years of continuous employment with the Environment Agency, you could have the option to have your benefits based on the average of any 3 consecutive years in the last 13 years (ending on a 31 March). This is called *Final pay: reductions* and may also be referred to as Benefit Regulation 10.

A recent amendment to the LGPS regulations, widened the circumstances when *Final Pay: Reductions* may be used. The changes have been backdated to 1 April 2008 and if this option applies to you, the Environment Agency will send you a letter advising you of any such change.

### **Purchase of Additional Survivor Benefits (known as ASBCs)**

Since 1 April 2008, you have been able to nominate an eligible co-habiting partner to receive survivor benefits in the event of your death (providing you were an active member of the EAPF on or after that date). However, your partner's benefits will only be calculated on the membership you have accrued in the scheme on and after 6 April 1988. Under the LGPS Regulations, any membership you have in the scheme prior to 6 April 1988 will be ignored for the purpose of this calculation.

***For a limited time only***, the LGPS has introduced a new facility that will allow you to purchase all or part of your membership accrued before to 6 April 1988, to count towards your nominated co-habiting partner's benefits. Please note that you must have already nominated a co-habiting partner to be eligible for this provision. ***An election to purchase this membership must be made by no later than 31 March 2011.*** Capita Hartshead can provide you with further information.

To nominate a co-habiting partner for the payment of a survivor pension you have to meet conditions laid down by the LGPS. If you wish to make a nomination you can get a form from the pensions website [www.eapf.org.uk](http://www.eapf.org.uk) or from Capita Hartshead.

### **Increase in the provision of Civil Partner's benefits**

Since 5 December 2005 the LGPS has provided for civil partner's benefits in the event of your death, however, the membership used to calculate those benefits was limited to that built up since 6 April 1988 (even if you had joined the LGPS prior to that date). In the latest changes to the LGPS this provision has now extended to include the membership you built up before 6 April 1988, at no extra cost to you.

## Changes to restrict tax relief on pension savings

### Annual update to the Annual and Lifetime Allowance

The amount of tax-approved pension contributions you can make in any one year increases annually each April. There are two applicable thresholds – the Annual Allowance and the Lifetime Allowance (only considered in the tax-year of your retirement)

- The **Annual Allowance** for the 2010/11 tax-year rises to £255,000. You can make tax-approved retirement savings up to the lesser of this amount and your salary (or £3,600 if this is greater than your salary). But caution, if your income exceeds £130,000 please see below for details on the Special Annual Allowance Tax charge.
- The **Lifetime Allowance** for the 2010/11 tax-year rises to £1,800,000. This is the total amount of tax-approved retirement savings you can build up throughout your working lifetime.

The Government has confirmed that the Annual Allowance and Lifetime Allowance will remain at these levels up to and including the 2015/16 tax year.

### Changes for high earners

The Government has announced some changes affecting high earners which are set out in brief below in the order they become effective. Most of the changes require you, as a high earner to complete a self assessment tax return (SATR). If you think you may be affected by any of the changes and you have any further questions, you should seek Independent Financial Advice ([www.unbiased.co.uk](http://www.unbiased.co.uk)) and/or visit HM Revenue and Customs (HMRC) website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

If you require any figures about your LGPS benefits, to assist you with the completion of your tax-return, then please do not hesitate to contact Capita Hartshead. We recommend that you allow at least two months between the date of your request to Capita Hartshead and the deadline for filing your tax-return with HMRC. This will ensure you have time to resolve any queries without missing your deadline.

### The position from 22 April 2009 until 5 April 2011

#### The Special Annual Allowance

Up to 21 April 2009, it was possible for all higher rate tax payers to obtain tax relief at their marginal rate of tax in respect of all contributions/benefits accrued. On 22 April 2009 (Budget Day), the Government announced plans to restrict tax relief on pension savings for higher earners and initially introduced the anti-forestalling measures - namely the Special Annual Allowance (SAA) to prevent high earners from maximising their pension savings prior to 2011. The SAA acts to restrict the amount of tax relief you can obtain on pension savings.

A high earner is broadly defined as a person with total income, from all sources, exceeding £150,000 per annum in any tax year from 6 April 2007 to 5 April 2011. This would incorporate all gross taxable income and the member's pension contributions. In the Pre-Budget Report (PBR) published on 9 December 2009, the Government confirmed it was reducing the income level at which the SAA applies to £130,000 from that date onwards. You will only be affected if you meet the relevant income test, your input to all registered pension schemes is valued at more than the SAA in either tax year 2009/10 or 2010/11, and your pension savings in a tax year increase beyond regular savings/accrual already in place.

The SAA is £20,000 but there is the potential to be increased to £30,000 if you have a history of contribution payments to a money purchase arrangement (eg AVCs) on a less than quarterly basis for the three tax years prior to 2009/10. Any pension savings prior to 22 April 2009 will not be affected. In defined benefit schemes such as the LGPS, the value of benefits accrued in a tax year has to be assessed.

If you are a high earner with pension savings in a tax year of more than the SAA then you are responsible for assessing how much, if any, of your savings are protected from the SAA charge. If you are subject to the SAA charge, you must notify HMRC via your SATR.

### The position from 6 April 2011

- **Restriction to pensions tax relief**

From 6 April 2011, there will be a restriction to the tax relief available for pension savings where you have gross income (which includes the value of all pension savings including the employer funded element) of more than £150,000. The tax relief on all pension savings (including those funded by the Environment Agency) will be tapered downwards for income above £150,000 so that for those earning over £180,000 the relief will be worth 20% (i.e. the same rate as that for a basic rate tax-payer). The Government has recently issued its response to their consultation regarding certain aspects of these restrictions and will press ahead with implementing this policy via legislation to be effective from 6 April 2011. Further information will be issued when the legislation is passed and HMRC guidance has been finalised.

### Contact Details

If you have any questions regarding this newsletter, your pension entitlement or about the scheme in general, please contact either Capita Hartshead or the Environment Agency as appropriate: -

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

Environment Agency Pensions Team  
Capita Hartshead  
Hartshead House  
2 Cutlers Gate  
Sheffield  
S4 7TL

info@eapf.org.uk  
Telephone: 0114 273 7331  
Fax: 0114 273 0299

Enquiries about Environment Agency employment issues should be addressed to:

The Benefits Team  
Environment Agency  
Rio House, Waterside Drive  
Aztec West, Almondsbury  
Bristol  
BS32 4UD

pensions.team@environment-agency.gov.uk  
Telephone: 01454 624445

### Acknowledgement and Disclaimer

The content of this issue of Your Pension is based on the Environment Agency and Capita Hartshead understanding of the legislation and events as at March 2010. Nothing in this newsletter can override legislation. It is not intended to constitute advice and should not be considered as a substitute for specific advice in relation to individual circumstances.