



Introduction

As the Government continues to make announcements about pension changes, we wanted to provide all Environment Agency Pension Fund (EAPF) members with an update on what has been happening. This newsletter provides updates on the Government's plans for changes to public sector pensions including the Local Government Pension Scheme (LGPS), a recent announcement by the Government about the planned change to the state pension age and some news about the pensions website.

Background

The EAPF is a statutory member of the LGPS, which is the largest funded public sector pension scheme (funded schemes invest employer and employee contributions in a fund, from which pensions are paid). Regulation of the LGPS is sponsored by the Department for Communities and Local Government (DCLG).

If you are a contributing member of the Active Pension Fund, you currently pay between 5.5% and 7.5% of your pensionable pay towards the cost of providing your pension benefits with the remainder paid by the Environment Agency. At 31 March 2011 the Active Fund's funding level was a healthy 96%. The Environment Agency will continue to make payments into the Fund equivalent to 16.5% of your salary until 31 March 2014, when the employer contribution rate will be reviewed again. This is a valuable employee benefit.

Proposals for changes to the LGPS are unlikely to have an impact on deferred members or members already receiving their pensions.

Reform of Public Sector Pensions

Following recommendations made by Lord Hutton's Public Service Pension Commission, the Government is looking to reform the Local Government Pension Scheme (LGPS), along with other public sector schemes. With people living longer, and so drawing pension for longer, the Government wants to change the LGPS to create a fairer balance between what employees pay and the cost to employers and taxpayers, and ensure that the cost of providing public sector pensions is affordable, not just now but in the decades to come.

In the short term, in the period up to 2015, the Government is proposing that public sector workers, including those in the LGPS, should pay more towards their pensions. DCLG are consulting on a number of options including a proposal from the Local Government Association which would offer employees choice i.e. the choice to pay a bit more now or have a change to the level at which the pension in the scheme builds up in the future.

The Pensions Committee is assessing the proposals and will be submitting a response before the closing date of 6 January 2012. DCLG aim to assess responses and have amended LGPS Regulations laid in Parliament in time for changes to be implemented in April 2012.

In the meantime we would like to emphasise that:

- the Government has confirmed that pension benefits already built up will be protected;
- no changes to the LGPS can take place before Regulations are laid in Parliament;
- current contribution rate percentages of between 5.5% and 7.5% set in 2008 remain fixed until April 2012; and
- the Pensions Committee will act in the best interests of the EAPF and its members.

As we receive firm news of changes to the LGPS Regulations affecting EAPF members contributions or benefits, we will inform you as quickly as possible via "Your pension" newsletters and/or updates to www.eapf.org.uk.

In the longer term, and in response to the recommendations made in Lord Hutton's report, the Government is proposing to redesign public sector pension schemes. Final decisions about your pension scheme from 2015 onwards will be made by the Government although consultations with union and employer representatives will be an important part of that process.

It is reassuring, however, that the Government says it is committed to retaining a defined benefit scheme, with full protection for benefits built up to the date the new scheme is introduced, and that public sector pensions will remain among the very best available. The Government has made an additional commitment that low and middle earners working a full public sector career will receive broadly the same pension at normal pension age as they do under their current public sector pension scheme.

So, whilst we know that there will be changes to the LGPS, we do not yet know exactly what these will be. You may hear various views on what might happen but nothing has been decided yet. Consultations and negotiations are taking place between the Government, Trades Unions and other interested parties around the future shape and cost of the LGPS and how those costs should be shared between contributing members and employers.

Remember – the LGPS is still a good quality pension scheme

While the Government's discussions and consultations are going on, it is important to remember that not only do you have access to a good quality pension scheme now, but you will continue to do so in the future, with a scheme that provides you with a guaranteed level of income in retirement and is not affected by stock market fluctuations.

The current benefits of being a member of the LGPS also include life cover and family benefits in the event of your death. There is also cover for early retirement on the grounds of permanent ill-health, redundancy or business efficiency. As a member of the LGPS you have the security of these benefits at a relatively low cost to you and you get tax relief on your contributions and you pay a lower rate of National Insurance.

The LGPS allows you to save while you are working in order to enjoy a pension once you retire. The Environment Agency pays part of the cost of this excellent range of benefits, so it is a valuable part of your employment package. If you choose not to join or are thinking of opting out of the LGPS you are, effectively, voluntarily giving up part of your pay package.

Change to State Pension age

Under the current rules, the State Pension age for women is in the process of rising from 60 to 65 to equalise with men; and then State Pension age for both men and women was due to increase from 65 to 66 between 2024 and 2026. The Government's Pensions Bill is bringing forward the timing of equalisation and the rise in the State Pension age from 65 to 66 for both men and women. Under the new legislation, women's State Pension age will reach 65 by November 2018. New proposals mean the rise from 65 to 66 for both men and women will happen more slowly than the Government had originally planned and will be complete by October 2020. This will mean that no woman will have an increase in her State Pension age, against the current timetable, of more than 18 months. More detail is available at http://www.direct.gov.uk/en/NI1/Newsroom/SpendingReview/DG_192159.

Pension website developments

We have been working on a number of improvements to www.eapf.org.uk. We have added a number of short guides, covering a range of useful topics, to the publications pages. In the coming months you will also see an easier to navigate structure with more useful links and an improved glossary of pension terms.

Work on interactive services that will enable you to look at your own benefits and do some modelling to aid your pension planning is well underway and we anticipate making this available to you in the new year. We will tell you more closer to the launch date.

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.

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
Telephone: 0800 121 6593
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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,
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