

# Leaving the EAPF

David Williams – Pension Communication Specialist



---

# Summary

- Leaving before age 55
  - Normal Pension Age (NPA) aligned with State Pension Age (SPA) at point of payment
  - Early retirement
  - Late retirement
  - Employer consent
    - Flexible retirement
    - Ill health
    - Voluntary early release Scheme (VERS) & Compulsory redundancy
  - State pension
  - Tax relief on pension savings
-

## Leaving before age 55

**If you leave your job before retirement and have 2 or more years of service you will have built up an entitlement to a pension, and you have two options:**

Keep your benefits with the LGPS, they will increase each year in line with the cost of

living and you can claim the benefits at retirement. These are known as deferred benefits

**Or**

You may be able to transfer your deferred benefits to another pension arrangement

**If you leave your job before reaching your normal retirement age and you do not have 2 years of service you have three options:**

Take a refund, less a deduction for tax and national insurance

Transfer your benefits to a new pension arrangement

Delay the decision to transfer for up to 5 years, in case you rejoin the LGPS

---

## Normal Pension Age (NPA) aligned to State Pension Age (SPA) at the point of payment

- Removal of Scheme normal pension age (NRA) - previously age 65, some protections may apply
  - Normal Pension Age = is now your own SPA (minimum age 65) for benefits built up from 1 April 2014
  - SPA is assessed at the point of payment of your benefits
  - Under current legislation, SPA is planned to increase to:
    - Age 66 if you were born between April 1954 and April 1961
    - Age 67 if you were born between April 1961 and April 1978
    - Age 68 if you were born after April 1978
  - Regular reviews will take place in line with rising longevity
-

## Normal Pension Age: Calculating LGPS benefits

Date joined	Pension	Lump sum
To 31 March 2008	1/80 <sup>th</sup> annual pension	3/80 <sup>th</sup> lump sum
1 April 2008 to 31 March 2014	1/60 <sup>th</sup> annual pension	No automatic lump sum Commute 25% of capital value of total pension
From 1 April 2014	1/49 <sup>th</sup> annual pension + revaluation	No automatic lump sum Commute 25% of capital value of total pension

- All pensions built up before 1 April 2014 are protected and the previous normal retirement age is retained
- Existing Rule of 85 protections are also carried forward for eligible members for pre 2014 benefits
- Statutory Underpin protection for those within 10 years of age 65 at 1 April 2012 who retire with immediate entitlement to benefits, to ensure members close to retirement are no worse off in the new scheme

---

## Normal Retirement Age: Maximum lump sum

- Automatic entitlement to tax free lump sum stopped in 2008
  - The maximum amount of lump sum you can take is 25% of the capital value of your total pension, and this includes any automatic lump sum you have already built up
  - Or you can choose a pension or lump sum figure in between the minimum and maximum
  - For every £1 of pension you give up, you can have £12 tax free lump sum.
-

---

## Early retirement

- From age 55 (previously from age 60)
  - Reductions will apply
  - 85 year rule protection applies for qualifying members from the age of 60
  - Employer can waive reductions or switch on the 85 year rule from 55 to 60, but only in exceptional circumstances
-

# Early retirement: 85 year rule protections

## **Qualifying Criteria**

Scheme member before 1 October 2006

Add age and years of service = 85 or higher

Members 55+ can retire without employer consent - benefits will be reduced

Members 60+ have unreduced benefits if 85 year rule met

---



## Early retirement: Reduction table

No. Of years paid early	Pensions reduction Men	Pensions reduction Women
0	0%	0%
1	6%	5%
2	11%	11%
3	16%	15%
4	20%	20%
5	25%	24%
6	29%	27%
7	32%	31%
8	36%	34%
9	39%	37%
10	42%	40%

# Example of member leaving with pre and post 2014 service

## Factors

- Date of leaving = 31 March 2034
- Male - age at leaving = 60 (SPA = 67)
- Total membership = 30 years
- Salary on 1 April 2014 = £38k
- Salary increases pa = 2%
- Final Pay = £55,359
- Revaluation increases = 2.5%
- Doesn't meet criteria for 2014 CARE underpin

**Benefits @ 60 before reductions**

Total Pension	Total L/Sum
<b>£32,575</b>	<b>£8,304</b>

**Benefits @ 60 after reductions**

Total Pension	Total L/Sum
<b>£23,424</b>	<b>£8,304</b>

**01/4/2014 – 31/03/2034**

**Age 67**  
CARE Pension  
£24,271

less 32%  
for early  
payment

**01/4/2014 – 31/03/2034**

CARE Pension  
£16,504

**01/04/2008 – 31/03/2014 (60<sup>th</sup>)**

**Age 65**  
Pension  
£5,536

Less 25%  
for early  
payment

**01/04/2008 – 31/03/2014 (60<sup>th</sup>)**

Pension  
£4,152

**01/04/2004 – 31/03/2008 (80<sup>th</sup>)**

**Rule of 85 applies (age 60)**

Pension	Lump Sum (3 x pension)
<b>£2,768</b>	<b>£8,304</b>

No  
reduction  
– 85 year  
rule  
protectio  
n

**01/04/2004 – 31/03/2008 (80<sup>th</sup>)**

Pension	Lump Sum (3 x pension)
<b>£2,768</b>	<b>£8,304</b>

## Late retirement

- Continue to build up pension benefits
  - You have to take your pension the day before your 75th birthday
  - We will actuarially increase your pension because we are paying it for a shorter time
-

## Employer consent: Flexible retirement

If you reduce your hours or move to a less senior position at or after age 55 you can, provided your employer agrees, draw some or all of the benefits you have already built up, helping you ease into retirement, although your benefits may be reduced for early payment.

### You can choose to draw some or all of your benefits as follows:

You must draw all	Pre April 2008 benefits
All, none or some	April 2008 to March 2014 benefits
All, none or some	From April 2014

Please refer to the flexible retirement policy on Easinet

## Employer consent: Ill health retirement

Tier	Enhancement
Tier 1	100% of prospective pension to normal pension age
Tier 2	25% of prospective pension to normal pension age
Tier 3	No enhancement but benefits accumulated to date are paid without reduction 18 month review or earlier if gainfully employed Payments could cease at 3 year review or earlier if gainfully employed Or could be increased to tier 2 by employer having obtained an updated report from Independent Registered Medical Practitioner (IRMP)

- Decision made by your employer having obtained a report from IRMP
- If you have to leave work due to illness, your pension benefits are paid regardless of age
- You must have 2 years qualifying service

---

## Employer consent: Voluntary early release

If you are aged 55 or over, your main benefits are payable immediately without any early retirement reductions if you are retired on the grounds of business efficiency

If you pay Additional Pension Contributions or Shared Cost Additional Pension Contributions then they will be paid at a reduced rate if you access these benefits before Normal Pension Age

Your employer has a Voluntary Early Release Scheme available on Easinet

## Compulsory Redundancy

If you are aged 55 or over, your active benefits are payable immediately without any early retirement reductions if your employer makes you redundant

---

# State pension

Current Basic State Pension	Future State Pension
£113.10 weekly with full NI contribution £5,881 per annum with full NI contribution	£148.40 a week in today's money £7,717 per annum with full NI contribution Confirmed in Autumn 2015
Pension Centre helpline 0845 3000 168 <a href="http://www.gov.uk/calculate-state-pension">www.gov.uk/calculate-state-pension</a>	Flat rate from 2016 35 qualifying years of NI contributions If you reach State pension age from 6 April 2016



---

## Tax relief on pension savings

- You benefit from tax relief on your contributions at your marginal rate of tax
  - This means that, in addition to the contributions you make to the LGPS, you will also receive tax relief on your contributions to your AVCs or APCs
  - A pension is the most tax efficient form of savings in the U.K. but there are restrictions on how and when you get your money
  - As these benefits are generous, HMRC apply two tests to limit the amount of tax relief you receive:
    - Annual allowance
    - Lifetime allowance
-

## Tax relief on pension savings: Lifetime allowance

- A lifetime allowance test values your benefits on exiting the Fund, and the current threshold is £1.25 million for 2014/15, Individuals will pay tax on amounts over and above this threshold
- Very few individuals will be affected by this potential charge and there are various protections available. The Fund will monitor and write out to affected individuals.

### Example calculation (assuming 10k pension and 30k lump sum)

20 x pension + lump sum + AVC* = Total / 1.25 million =		% of used LTA
		<b>18.4% used LTA</b>
	20 x 10,000 + 30,000 =	230,000
	Maximum HMRC tax free cash allowance	57,500
	Less existing lump sum	- 30,000
	Remaining tax free cash allowance	<b>27,500</b>

**The remaining tax free cash allowance can only be used if the members pension scheme rules allow**

## Next steps

- ✓ You can download slides directly from this Live meeting facility
  - ✓ Up to date information and guides available through [www.eapf.org.uk](http://www.eapf.org.uk) and you can register to access information on your own personal pension account
  - ✓ Contact us if you have any queries at [pensions.team@environment-agency.gov.uk](mailto:pensions.team@environment-agency.gov.uk)
-

Any questions?

---