
Deferred member briefing 2017

David Williams (EAPF) & Martyn Slaughter (Capita)



Agenda

Our Pension Funds

Summary of Pension Benefits & Options

Topical Changes

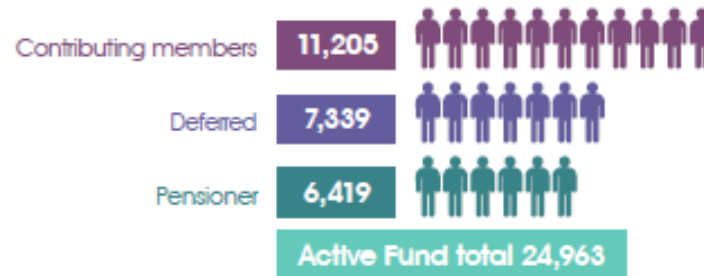
Death benefits

Communications

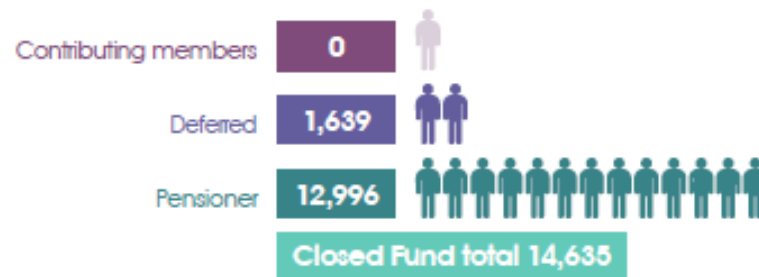
Our Pension Funds

Membership

Active Fund - as at 31 March 2017

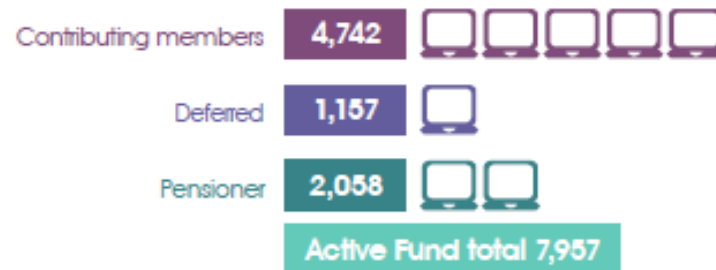


Closed Fund - as at 31 March 2017

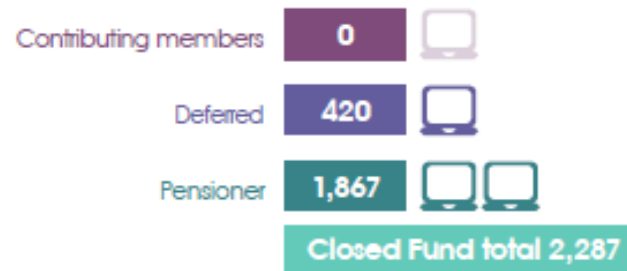


EAPF Online registered users

Active Fund - as at 31 March 2017



Closed Fund - as at 31 March 2017



Governance

The Pensions Committee principal aim is to consider pension matters and safeguard the interests of all pension fund members.

The Committee has 14 members:



The Pension Board has 10 members:



Membership of the Pension Board will be the members of the Pensions Committee less the 2 Executive Directors members of the Environment Agency and 2 Active Scheme Members, so the Pension Board will normally be 10 remaining Pensions Committee Members.

Valuation Results

- Our assets have grown to around £3.5 billion and we achieved a funding ratio of 103% at our latest March 2016 Active Fund valuation, which is an excellent result. We will have amongst the highest funding level across the Local Government Pension Scheme (LGPS)
 - Funding levels at the previous Fund valuation in 2013 was 90%
-

Investment Performance

- We have seen a challenging but highly successful 2016-17
- 8.7% investment returns over the last 5 years

The total return of the Fund over the year and over three years to 31 March 2016 is as follows:

Financial Performance	2017 %	2016 %
1 year		
Fund performance	+19.6	+2.3
Benchmark performance	+21.2	-0.3
Active fund relative performance	-1.6	+2.6
3 year (annualized)		
Fund performance	+12.1	+8.3
Benchmark performance	+11.6	+6.0
Active fund relative performance	+0.5	+2.3

Brunel Pension Partnership

- The Government has introduced regulations that require LGPS Funds to pool investments to improve efficiency. The EAPF has for many years collaborated with other South West funds, and it was natural to start looking at pooling together. Oxfordshire and Buckinghamshire have also joined this proposed pool of 10 Funds, which is called the 'Brunel Pension Partnership'.
- The Pension Committee and EA Board have given approval to continue developing the proposal on condition that members' pensions are not put at risk, there are long term financial benefits to the Fund, and that our approach to Responsible Investment continues.
- More info at www.brunelpensionpartnership.org



'Brunel' in the news

London CIV and Brunel Pension Partnership receive pooling green light

BY COLIN MARRS IN LGPSI — 4 JAN, 2017

Five out of eight LGPS pools have now received letters of approval from central government to continue with their plans.



Two more groups of local authority pension funds have been given the go-ahead to progress their plans to pool assets.

bfinance appointed by Brunel Pension Partnership to provide investment advice on pooling strategy for 10 south west pension funds

Brunel Pension Partnership to save £13m asset management costs

News | By Funds Europe | Sep 14, 2016

Summary of Pension Benefits

Summary of pension benefits

- Pension for life, revalued in line with cost of living
 - Optional lump sum at retirement
 - Automatic lump sum if you were a member before 1 April 2008
 - Pension for dependants
 - All the benefits that you have built up are protected by the Government
-

Cost of living revaluation

LGPS pension and deferred lump sum

- Pension revalued by Pensions Increase (Review) Orders (currently CPI)

Guaranteed Minimum Pension (GMP)

- Revalued as above, shared between EAPF and State pension
- Changes currently taking place as to who picks up the 'tab'

State pension

- Higher of Pension Increase (Review) Orders (currently CPI), average earnings or 2.5%
 - 'Triple lock guarantee'
-

Cost of living revaluation – April 2017

CPI

- Period assessed = October 2015 – September 2016
- CPI = 1%
- Applied in April 2017

Impact on contributing members

- Career average benefits revalued by 1%

Impact on deferred & pensioner members

- Benefits revalued by 1%
-

Options for deferred members

- Taking your pension benefits
 - Payable from Normal pension age (NPA)
 - Can be paid earlier or later than NPA
 - Re-joining the LGPS
 - Transferring out
 - Exchanging your pension rights for a 'one off' lump sum
 - Trivial Commutation & 'De Minimis' payments
-

Normal Pension Age (NPA)

Date of leaving	NPA
After 31 March 2014	Later of 65 or State Pension Age
Between 1 October 2006 & 31 March 2014	Age 65
Before 1 October 2006	Between age 60 and 65, depending on date of joining

Early payment of benefits

Type	Age	Former employer's consent required
Early payment – left before 1 April 2014	55 to 59	Yes
	60 to NPA	No
Early payment – left after 31 March 2014	55 to NPA	No
Ill health	Any age	Yes

If you take up new employment you must tell the Pension Fund, however your pension will not usually be affected

Deferring payment – ‘late’ retirement

- Option for those, where:
 - EAPF pension hasn't come into payment yet, and
 - They don't want to receive their EAPF pension on reaching NPA
 - Leavers after 5 April 2006 only
 - To defer payment beyond NPA, must elect to do so
 - Pre 6 April 2006 leavers – benefits will be payable on reaching NPA
 - Where benefits deferred beyond NPA
 - Pension & lump sum increased for each day of deferment
 - Must be in payment by age 75
-

Re-joining the LGPS

- Build up a new pension
 - Separate deferred pension
 - Option to aggregate (combine) deferred and 'new' LGPS benefits
- Benefits acquired on aggregation determined by:
 - 'Make up' of the deferred benefit; and
 - Any 'Disqualifying breaks' between leaving and re-joining LGPS
- If deferred benefit contains final salary benefits and :
 - **There isn't a disqualifying break** – deferred benefit linked to final salary in new employment
 - **There is a disqualifying break** – no final salary link, deferred benefit re-shaped and transferred across as a fixed amount of pension

Transferring out of the LGPS

- May transfer to:
 - Another public sector scheme (final salary link still possible)
 - A private sector scheme
 - A HMRC approved overseas pension scheme
- HMRC restrictions on transferring out
 - Also, new scheme may impose time limits on transferring in
- Financial advice **required** (which **you** must pay for) if:
 - Transferring to a money purchase scheme; and
 - Transfer value is **more** than £30k

Beware of the potential risks and scams associated with transferring out!

Trivial Commutation

Member may give up pension entitlement for a one off lump sum

- This applies to new & existing pensioners
- Strict eligibility criteria applies
- Capital value of LGPS and other pension rights must be £30,000 or less

Eligibility criteria

- Age 55+ (must be over 'GMP age' if benefits contain GMP)
 - If <55, must meet ill-health conditions
 - Must have some lifetime allowance available
 - Must extinguish all entitlement within the LGPS
 - A trivial commutation lump sum must not have been paid by another scheme, **but**
 - If one has already been paid, there is a 12-month window to commute all remaining benefits
-

Trivial Commutation - Example

Female, age 60 – Early payment of pension

- £750 annual pension (female, age 60 factor = 19.83)
- £2,250 automatic tax-free lump sum
- £375 spouse's pension (female, age 60 factor = 1.17)

Capital value of LGPS & other pension rights = £29,000

Trivial commutation lump sum payment **can be made**

- $(£750 \times 19.83) + (£375 \times 1.17) + £2,250 = \mathbf{£17,561.25}$
- **25% paid tax free**, remainder subject to tax



De Minimis Payments

De minimis payment must be £10,000 or less

- Only LGPS rights need to be considered
- Strict eligibility criteria applies

Eligibility criteria

- Stopped contributing after 31 March 2008
 - Age 55+ (must be over 'GMP age' if benefits contain GMP)
 - Must not be a controlling director/sponsoring LGPS employer (or connected to such a person)
 - Must extinguish all entitlement within the LGPS
 - Must not have transferred out of LGPS within last 3 years
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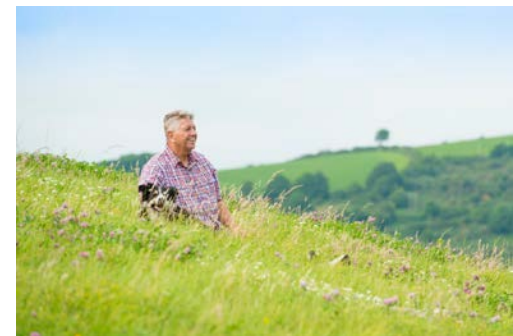
De Minimis Payment - Example

Male, age 65 – reached NPA

- £400 annual pension (male, age 65 factor = 16.47)
- £1,200 automatic tax-free lump sum
- £200 spouse's pension (male, age 65 factor = 3.28)

Meets de minimis criteria

- $(£400 \times 16.47) + (£200 \times 3.28) + £1,200 = \mathbf{£8,444}$
- De minimis payment **can be made** (less than £10,000)
- **25% paid tax free**, remainder subject to tax



Topical Changes

Your State Pension

Before 6 April 2016 – existing State pensioners

- State pension made up of:
 - 'Basic' state pension
 - 'Additional' state pension

Since 6 April 2016 – new State pensioners

- State pension is a flat rate 'single tier' pension of £159.55 pw (2017 rate)
- Need 35 qualifying years for a full pension
- Applies to:
 - Women born after 5 April 1953
 - Men born after 5 April 1951

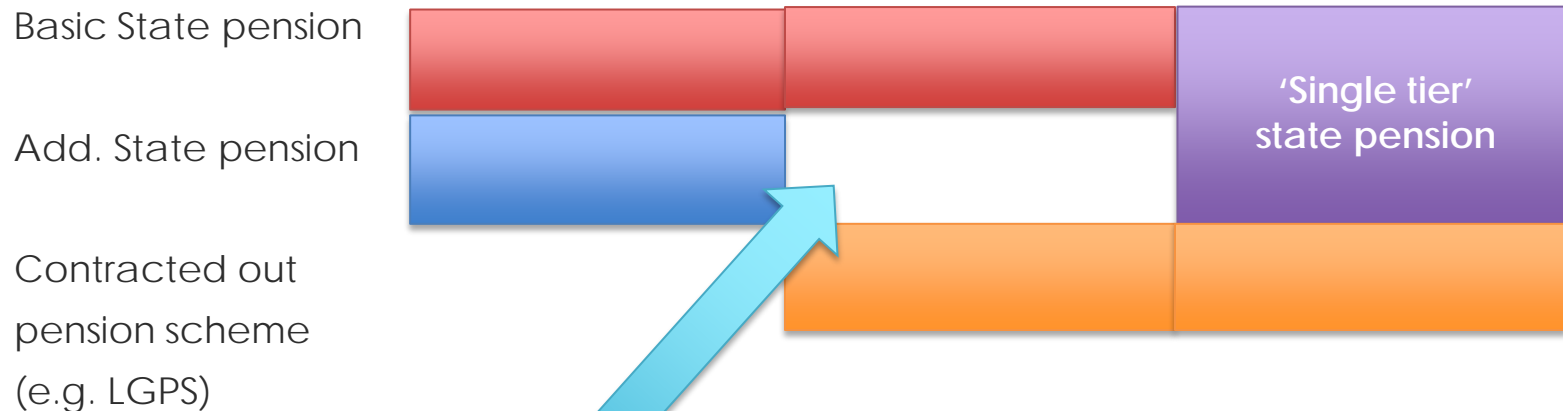
To calculate or forecast your State pension, contact www.gov.uk/check-state-pension

State pensioners after 5 April 2016 – Why don't I get the full £159.55 pw?

Before 6 April 2016

Joins contracted
out Scheme

From 6 April 2016 –
'single tier' pension



£159.55 pw **reduced** to
take into account
missing NI conts. here

Government Report on the State Pension

- Independent review carried out on the future of state pensions
 - Report published in March 2017
- The report's **3 main recommendations** were:
 1. **Abolishing** the 'triple lock' guarantee
 2. Bringing **forward** the SPA to 68 between 2037 & 2038 (9 years earlier than planned)
 3. Only reviewing the SPA **once every 10 years***
- Next steps
 - Await the Government's response to the report

*unless exceptional circumstances dictate otherwise

Death Benefits

Death Grants

Date of Leaving	Deferred members
01/04/1974 to 31/03/2008	Equivalent to scheme lump sum (usually 3 x deferred annual pension)
01/04/2008 or after	5 x deferred annual pension
Pensioner members	
01/04/1974 to 31/03/1998	Dependant on: <ul style="list-style-type: none"> • Period of membership • Reason for retirement • Age at date of retirement • Pay at leaving But not always payable
01/04/1998 to 31/03/2008	5 x pension less any pension already paid
On or after 01/04/2008	10 x pension less any pension already paid

DEATH GRANTS CANNOT BE PAID AFTER AGE 75

Nominating Beneficiaries

- Nominate who you wish to receive a death grant in the event of your death
 - Not legally binding, but the Environment Agency Pensions Committee will endeavour to abide by your wishes
 - **May** enable payment to be made to your loved ones more quickly
 - Payments made in this manner are not subject to inheritance tax
 - Forms available at www.eapf.org.uk
-

Survivor's Pensions

Payable to your

- Spouse (including same-sex marriages)
- Civil Partner
- Cohabiting Partner
 - Leavers after 31 March 2008 only

Eligible children

- Up to age 18, or age 23 if in full-time education
 - Any age, if unable to work due to permanent incapacity or impairment
-

Survivor's Pensions

Spouse / partner

Normally

- 50% of your pension built up to 31/03/2008*
- 37.5% of your pension built up between 01/04/2008 & 31/03/2014
- 30.625% of your pension built up after 31/03/2014**
- Payable for life
- Cost of living increases (Currently CPI)

Children

Normally

- ½ spouse / partner's pension
- Higher if no spouse
- Cost of living increases (Currently CPI)

***Survivor's benefits may not be based on all of your membership**

****Assuming you're in the 'Main' Section**

Communication

Web Portal

- EAPF Online will be enhanced
 - Changes will include improvements to the overall look and feel of the self-service site
 - 22 functionality improvement including:
 - Service history
 - Beneficiaries
 - Launching in December
-

Deferred member newsletter

- Standalone newsletter issued for the first time
- Suggestions for improvement?
- Tell us what you think



Celebrating success

- Our team has received recognition from a number of quarters in 2016-17
- The Fund is ranked at number 2 in the World Index as part of the Global Climate 500 report and we have maintained our AAA rating for 4 years in a row
- The French Ministry of Environment and 2° investing initiative awarded the EAPF, the best reporting award for the assessment of climate risks and saw the Fund shortlisted at the Pension Age awards for Best Pension Scheme Communication
- The Fund also won 'Best approach to Responsible Investment' at the LGC Awards, maintaining its leadership in this area



Customer Service Excellence

- We have successfully retained our accreditation to Customer Service Excellence (CSE)
- The assessor noted a number of categories that received a 'compliance plus' accreditation
- We will continue to work on providing an excellent service to members in our day to day work



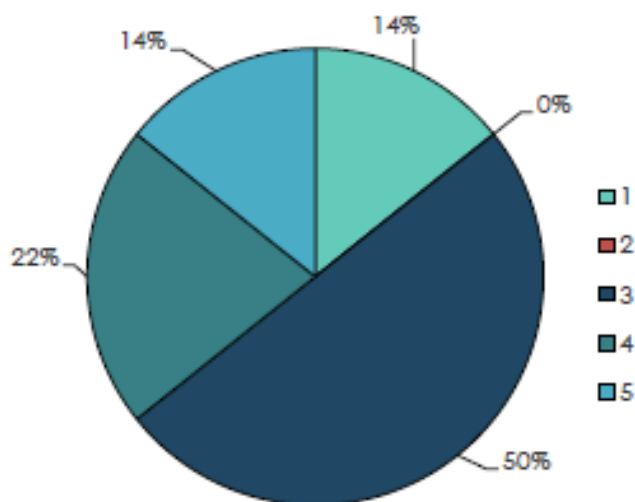
CUSTOMER
SERVICE
EXCELLENCE®

Our customer service

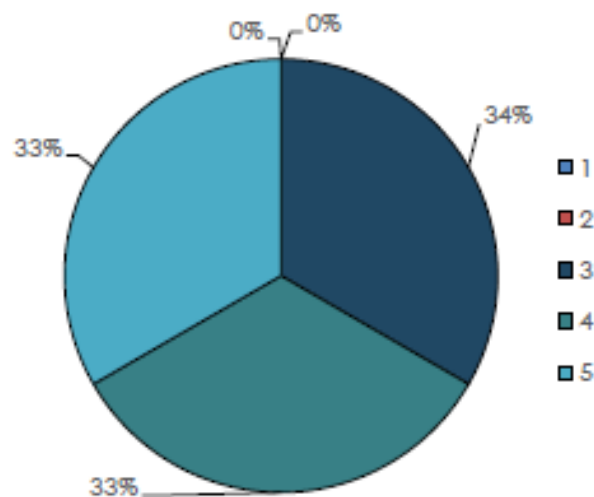
We asked members how they rated the service provided on a scale of 1-5 when contacting Capita by phone or email.

15 out of 128 people answered, scoring a rating average of 3.36 by email and a rating of 4 by telephone.

Contacted by telephone



Contacted by email



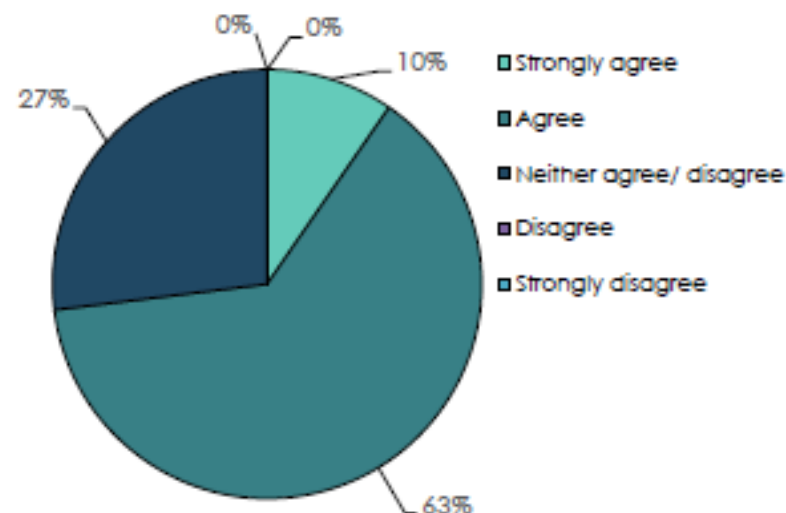
CSE



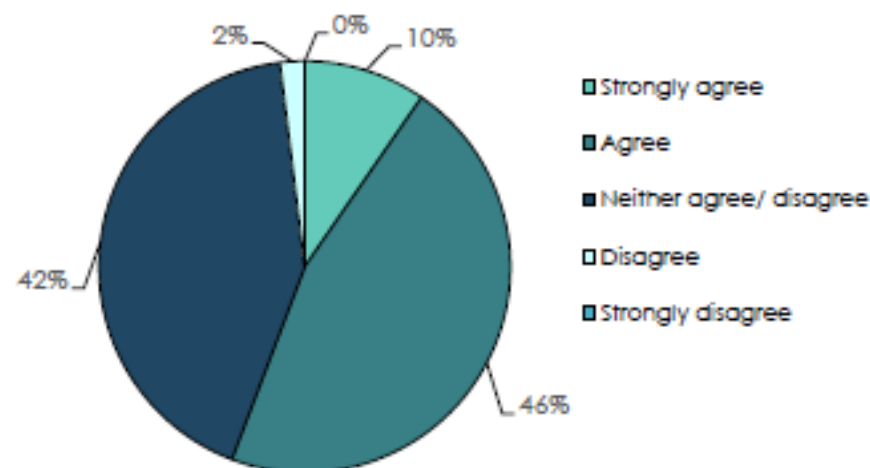
CUSTOMER SERVICE
PENSION FUND

We asked how you felt about the following statements....

“The Environment Agency Pension Fund is 100% responsibly managed”

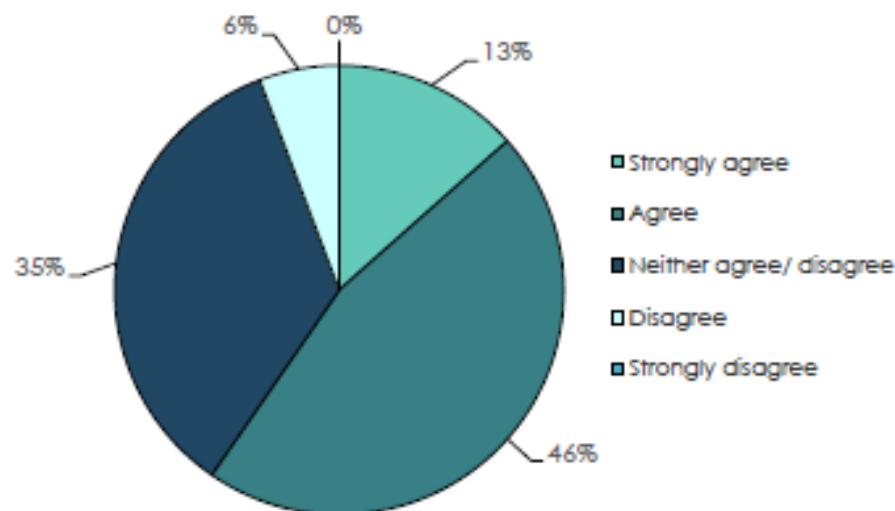


“The way the fund invests is open and transparent”

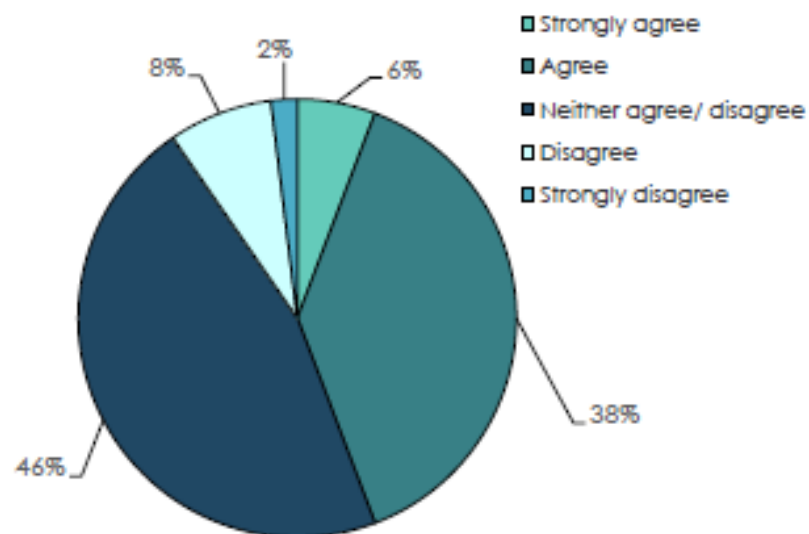


We asked how you felt about the following statements....

“Climate change is an important risk for the Fund to consider”



“I have a clearer understanding of the way that the Fund invests”



Contact us

Please contact us if you:

- Move house
- Change your bank account
- Have a change in circumstances such as marriage/divorce or enter/dissolution a civil partnership

Please make sure your dependents/carer know they should contact Capita with details of:

- Your death – they should provide original/certified copy of death certificate
- You becoming incapable of looking after your own affairs – they should provide copy of Enduring Power of Attorney

Contact details

If you have any questions regarding your pension entitlement you can contact our pension administrator, Capita, by:



Using the '**Contact the EAPF**' button on the website at www.eapf.org.uk



Emailing info@eapf.org.uk



Calling **0800 121 6593**



Sending your query to **Capita**
11b Lingfield Point
Darlington, DL1 1AX

Disclaimer

This briefing has been compiled by Capita, unless stated otherwise on individual slides and is based on our understanding of legislation and events on 17 July 2017. The figures and situations quoted in all of the slides are merely examples and are not intended to constitute advice, nor should they be considered a substitute for specific advice in relation to your individual circumstances. Capita accepts no liability for errors or omissions.

If you require advice on this subject you should contact an independent financial advisor.