

Pensioner member briefing 2018

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Agenda

Our Pension Funds

Summary of Pension Benefits

Trivial Commutation & 'De Minimis' Payments

Personal allowance & Income tax

Death benefits

Topical Changes

Communications

Our Pension Funds

Membership

Active Fund - as at 31 March 2018



Closed Fund - as at 31 March 2018



EAPF Online registered users

Active Fund - as at 31 March 2018



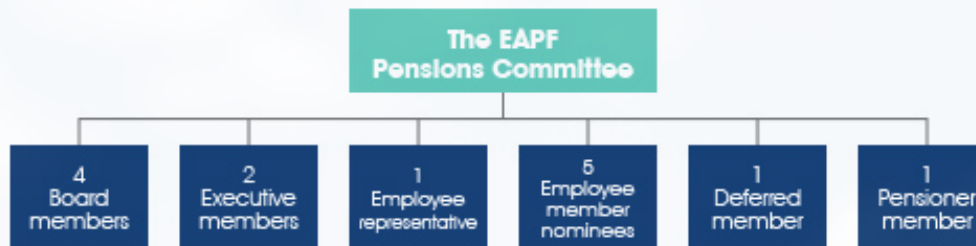
Closed Fund - as at 31 March 2018



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

- 2017-18 has been a successful year with 4.4% absolute return. This outperformed our benchmark by 1.9%
- The Fund achieved 8.5% investment returns over the last 3 years which was 1.1% above benchmark

The total return of the Fund over the year and over three years to 31 March 2018 is as follows:

| Financial Performance | 2018 % | 2017 % |
|----------------------------------|-----------|-----------|
| 1 year | | |
| Fund performance | +4.4 | +19.6 |
| Benchmark performance | +2.5 | +21.2 |
| Active fund relative performance | +1.9 | -1.6 |
| 3 year (annualized) | | |
| Fund performance | +8.5 | +12.1 |
| Benchmark performance | +7.4 | +11.6 |
| Active fund relative performance | +1.1 | +0.5 |

Brunel Pension Partnership

- The Government introduced regulations that require Local Government Pension Scheme (or LGPS) funds to pool investments to improve efficiency.
- The Brunel Pension Partnership (consisting of 10 LGPS Funds largely based in the South West) was formally created on 18 July 2017, with the EAPF being one of its founding members.
- As part of Brunel Pension Partnership, we will have greater scale to negotiate fee reductions or concessions with investment managers.
- More info at www.brunelpensionpartnership.org



'Brunel' in the news

Brunel Pension Partnership to save £13m asset management costs
News | By Funds Europe | Sep 14, 2016


Meanwhile, Brunel Pension Partnership, has become the first LGPS pool to sign up to the Principles for Responsible Investment.

Events ▾ Pensions Library ▾ Log in to account


PROFESSIONAL PENSIONS

Admin/Tech Benefits Buzz DB DC Diversity Investment Law & regulation Risk reduction All sectors

Investment **Brunel gets FCA authorisation ahead of LGPS pooling deadline**



Stephanie Baxter
@StephBaxter_PP
21 March 2016





MOST READ

-  TPR to prosecute brewery for failing to provide financial information
-  Capita to merge HR businesses into single division as part of transformation plan
-  Revealed: The top 5 third-party administrators and software providers
-  Have your say: Which type

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
 - Though benefits **could be reduced** on re-entering employment
-

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 2018

CPI

- Period assessed = October 2016 – September 2017
- CPI = 3%
- Applied in April 2018

Impact on contributing members

- Career average benefits revalued by 3%

Impact on deferred & pensioner members

- Benefits revalued by 3%
-

Pensions Increase & GMP

Met SPA before 6 April 2016

- Pre 88 GMP = no revaluation (paid by the state)
- Post 88 GMP = revalued in line with PI, up to 3% (excess paid by state)
- Pension in excess of GMP = revaluation paid by EAPF

Meet SPA between 6 April 2016 & 5 April 2021

- **All** revaluation paid for by EAPF

Meet SPA after 5 April 2021

- Consultation underway – watch this space!
-

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 £164.34 pw (2018/19 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 £164.34 pw?

Before 6 April 2016

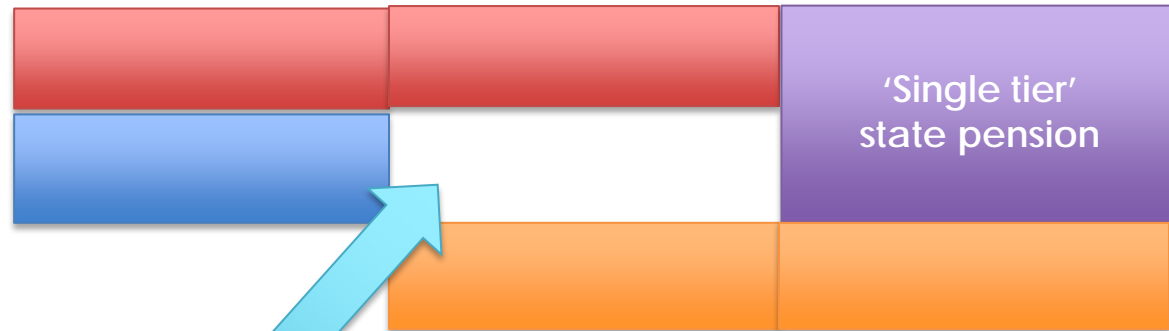
Joins contracted
out Scheme

From 6 April 2016 –
'single tier' pension

Basic State pension

Add. State pension

Contracted out
pension scheme
(e.g. LGPS)



£164.34 pw **reduced** to
take into account
missing NI conts. here

Re-entering employment

- If, having taken your LGPS pension, you enter:
 - **Non-LGPS employment** – no issue
 - **LGPS employment** – you **must** tell the EAPF
- Re-entering LGPS employment – if you stopped contributing:
 - **Before 1 April 1998** – your LGPS benefits **may** be affected
 - **After 31 March 1998** – your LGPS benefits **won't** be affected*, **unless** you:
 - Retired on Tier 3 ill health; or
 - Were awarded Compensatory Added Years on retirement

*If you receive a LGPS pension from another fund, their policy may be different

Trivial Commutation & 'De Minimis' Payments

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 63 – already in receipt of pension

- £750 annual pension (female, age 63 factor = 18.64)
- £375 spouse's pension (female, age 63 factor = 1.18)

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

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

- $(£750 \times 18.64) + (£375 \times 1.18) = \mathbf{£14,422.50}$
- Full amount subject to tax
- **Any survivors'/dependants' pensions are forfeit**



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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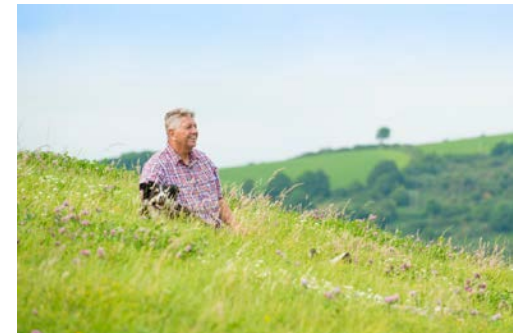
De Minimis Payment - Example

Male, age 65 – already in receipt of pension

- £500 annual pension (male, age 65 factor = 16.47)
- £250 spouse's pension (male, age 65 factor = 3.28)

Meets de minimis criteria

- $(£500 \times 16.47) + (£250 \times 3.28) = \mathbf{£9,055.00}$
- De minimis payment **can be made** (less than £10,000)
- Full amount subject to tax



Personal Allowances & Income Tax

Income Tax

All income is taxable including:

- State pension
- Occupational or personal pension
- Employment income
- Interest on savings above £5,000, etc.

The amount you can earn before you pay tax is shown on the following slides.

Personal Allowances & Income Tax – Thresholds (E & W)

| Personal allowance | 2018/19 | Income limit |
|---|---------|--------------------|
| Basic* | £11,850 | £100,000 |
| *Applies to everyone, whatever your date of birth | | |
| Income Tax | Rate | 2018/19 |
| Basic rate | 20% | £0 – £34,500 |
| Higher rate | 40% | £34,501 - £150,000 |
| Additional rate | 45% | Over £150,000 |

Personal Allowances & Income Tax – Thresholds (Scotland)

| Personal allowance | 2018/19 | Income limit |
|---|---------|--------------------|
| Basic* | £11,850 | £100,000 |
| *Applies to everyone, whatever your date of birth | | |
| Income Tax | Rate | 2018/19 |
| Starter rate | 19% | £11,850 – £13,850 |
| Basic rate | 20% | £13,850 – £24,000 |
| Intermediate rate | 21% | £24,000 - £43,430 |
| Higher rate | 41% | £43,430 - £150,000 |
| Additional rate | 46% | Over £150,000 |

Death Benefits

Death Grants

| Date of Leaving | 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 <p>But not always payable</p> |
| 01/04/1998 to 31/03/2008 | 5 x pension, less any pension already paid |
| After 31/03/2008 | 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
- 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**

Topical Changes

LGPS vs. Pension Protection Fund (PPF)

- PPF has featured heavily in recent news
- PPF 'rescues' seriously underfunded final salary/career average schemes when a **private sector** employer becomes insolvent
 - Scheme members may see their pension benefits **reduced**
- LGPS is a **statutory** scheme
 - Backed by government promise
 - **No PPF involvement**

LGPS benefits are fully protected!



Potential changes to survivors' pensions

- Supreme court ruling
 - Walker vs Innospec
- Same-sex survivor's pensions should be **no less** than a similarly-placed survivor of an opposite-sex marriage
- Some public service pension schemes have confirmed they will comply
 - LGPS still considering whether any changes are required to their Regulations

LGPS issue...

- **Male** member, marries a **woman** after leaving the scheme
 - Member dies, survivor entitled to **post 5 April 1978** membership
- **Male** member, marries a **man** after leaving the scheme
 - Member dies, survivor entitled to **post 5 April 1988** membership

Communication

Web Portal

- EAPF Online is being 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 August 2018
 - We're looking for volunteers to test it so please contact us at info@eapf.org.uk and we'll be in touch
-

Protecting personal data

General Data Protection Regulation (GDPR)

- New data protection regulations came into force from 25 May 2018.
- Changed how organisations process and handle data
 - Key aim = giving greater protection and rights to individuals.
- EAPF is a Data Controller under the General Data Protection Regulations
 - We store, hold and manage your personal data in line with statutory requirements
 - Enables us to provide you with pension administration services.
- We are required to share your information with certain bodies, but will only do so in limited circumstances.

You can find out more about how we hold your data, who we share it with and what rights you have to request information from the Fund, by visiting www.eapf.org.uk/privacy-policy

Pensioner newsletter

- Newsletter sent to our retired members in April
- It has important information on new data protection and privacy
- We would like to hear your suggestions for content or how we can improve?



Communications Award

- EAPF won best 'Pension Scheme Communications' at the 2018 Pension Age Awards.
- Judges were impressed with the fund's
 - broad range of communication options for members;
 - innovation, dedication and hard work in this all important area of pensions.
- Fund ranked at number 2 in the World Index as part of the Global Climate 500 report
 - AAA rating has been retained for 4 years in a row.
- Fund also recognised for providing leadership in Environmental Social Governance (ESG) concerns, both for the LGPS, and for the wider investment community.



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 1216593



Sending your query to
Capita
Hartshead House
2 Cutlers Gate
Sheffield
S4 7TL

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 24 May 2018. 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 adviser.