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# Deferred member briefing 2018

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# Agenda

Our Pension Funds

Summary of Pension Benefits & Options

Death benefits

Topical Changes

Communications

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# Our Pension Funds

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# 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%
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# 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 %
<b>1 year</b>		
Fund performance	+4.4	+19.6
Benchmark performance	+2.5	+21.2
Active fund relative performance	+1.9	-1.6
<b>3 year (annualized)</b>		
Fund performance	+8.5	+12.1
Benchmark performance	+7.4	+11.6
Active fund relative performance	+1.1	+0.5



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# 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](http://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

## 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 & Options

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# 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
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# 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'
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# 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%
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# 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
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# 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 between 1 April 1998 & 31 March 2014	55 to <60	No <b>(NEW)</b>
	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

**What about 'early payment' for members who left before 1 April 1998?**

# Early payment of benefits - 'pre 98' leavers

## Intended result of the changes

Type	Age	Former employer's consent required
Early payment – left before 1 April 1998	55 to <60	No <b>(NEW)</b>
	60 to NPA	No

## Actual result of the changes

Type	Age	Former employer's consent required
Early payment – left before 1 April 1998	<b>At 55<sup>th</sup> birthday</b>	No <b>(NEW)</b>
	>55 to <60	Yes <b>(UNINTENDED)</b>
	60 to NPA	Yes <b>(NEW &amp; UNINTENDED)</b>

**Corrected Amendment Regulations are expected soon!**

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# 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
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# 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!**

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# 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
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# 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
  - If pension not in payment = 25% paid tax-free
- **Any survivors'/dependants' pensions are forfeit**



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# 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
  - If pension not in payment = 25% paid tax-free



# Death Benefits

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# 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
<b>Pensioner members</b>	
01/04/1974 to 31/03/1998	Dependant on: <ul style="list-style-type: none"> <li>• Period of membership</li> <li>• Reason for retirement</li> <li>• Age at date of retirement</li> <li>• Pay at leaving</li> </ul> <b>But not always payable</b>
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](http://www.eapf.org.uk)
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# 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
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# 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

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# 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!**





# Elmes vs. Essex county council

- Under current LGPS rules, there's no need to nominate a cohabiting partner to receive a survivor's pension on a member's death
  - However, nomination **required** if member died **before** April 2014
- Cohabiting partner case
  - Member died **before** April 2014;
  - Had **not** nominated cohabiting partner to receive a survivor's pension
  - Due to lack of nomination, Essex county council **refused** to pay a survivor's pension
- Case taken to High Court
  - Judge ruled that Essex's decision was **unlawful**
  - Similar judgement had been made previously on a similar case in Northern Ireland ('Brewster judgement')



**Result = Cohabiting partner nomination NOT required under any circumstances**

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# LGPS Regulations amended

- New Amendment Regulations (SI 2018/493) published on 19 April 2018
    - Most changes effective from 14 May 2018
  
  - Main changes affecting deferred members:
    1. **Members who left the scheme before 1 April 2014 can now take their pension benefits before age 60, **without** their former employer's consent.**
      - **Not the case for all pre 1 April 1998 leavers**
      - Reductions for early payment may still apply
  
    2. **Members who:**
      - contributed towards an in-house AVC before 1 April 2014; and
      - leave/have left the scheme, but take their pension benefits from a later date**can now use their deferred in-house AVC funds to buy additional pension on retirement.**
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# 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

# Communications

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# 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](mailto:info@eapf.org.uk) and we'll be in touch
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# 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](http://www.eapf.org.uk/privacy-policy)

# Deferred member 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](http://www.eapf.org.uk)



Emailing  
[info@eapf.org.uk](mailto:info@eapf.org.uk)



Calling  
**0800 1216593**



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

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