

Pension Basics

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Today's session

What we'll be covering:

- How much does it cost?
- Your benefits
- Calculating your benefits
- Pension breaks
- Saving more or less
- Taking your pension
- Next stages



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How much does it cost?

- Pensionable earnings determine your 'band' & the % you pay
 - Bandings revalued each year in line with inflation (CPI)
 - The % you pay **may** change over time
- Your employer pays into the Scheme, too

Band	Main Section contribution rate 1/49th accrual	50:50 Section contribution rate 1/98th accrual*	Pensionable pay range from 1 April 2019 based on the assessed pensionable pay you receive
Band 1	5.5%	2.75%	Up to £14,400
Band 2	5.8%	2.9%	£14,401 to £22,500
Band 3	6.5%	3.25%	£22,501 to £36,500
Band 4	6.8%	3.4%	£36,501 to £46,200
Band 5	8.5%	4.25%	£46,201 to £64,600
Band 6	9.9%	4.95%	£64,601 to £91,500
Band 7	10.5%	5.25%	£91,501 to £107,700
Band 8	11.4%	5.7%	£107,700 to £161,500
Band 9	12.5%	6.25%	£161,501 or more

*50:50 Section contribution rates only apply if you've chosen to be in the 50:50 section instead of the Main Section.

Contributing vs. not contributing

Example

- Holly earns £24,000 pa (£2,000 pm)
- Normal cont. rate for Holly = 6.5%

Not contributing	
Monthly pay	Deductions
£2,000	£191.60 (tax)
	£153.72 (NI)
Take home pay = £1,654.68	

Main Section – 6.5%	
Monthly pay	Deductions
£2,000	£130 (pension)
	£165.60 (tax)
	£153.72 (NI)
Take home pay = £1,550.68 (-£104)	

If you don't contribute...
...your employer doesn't either

Your benefits

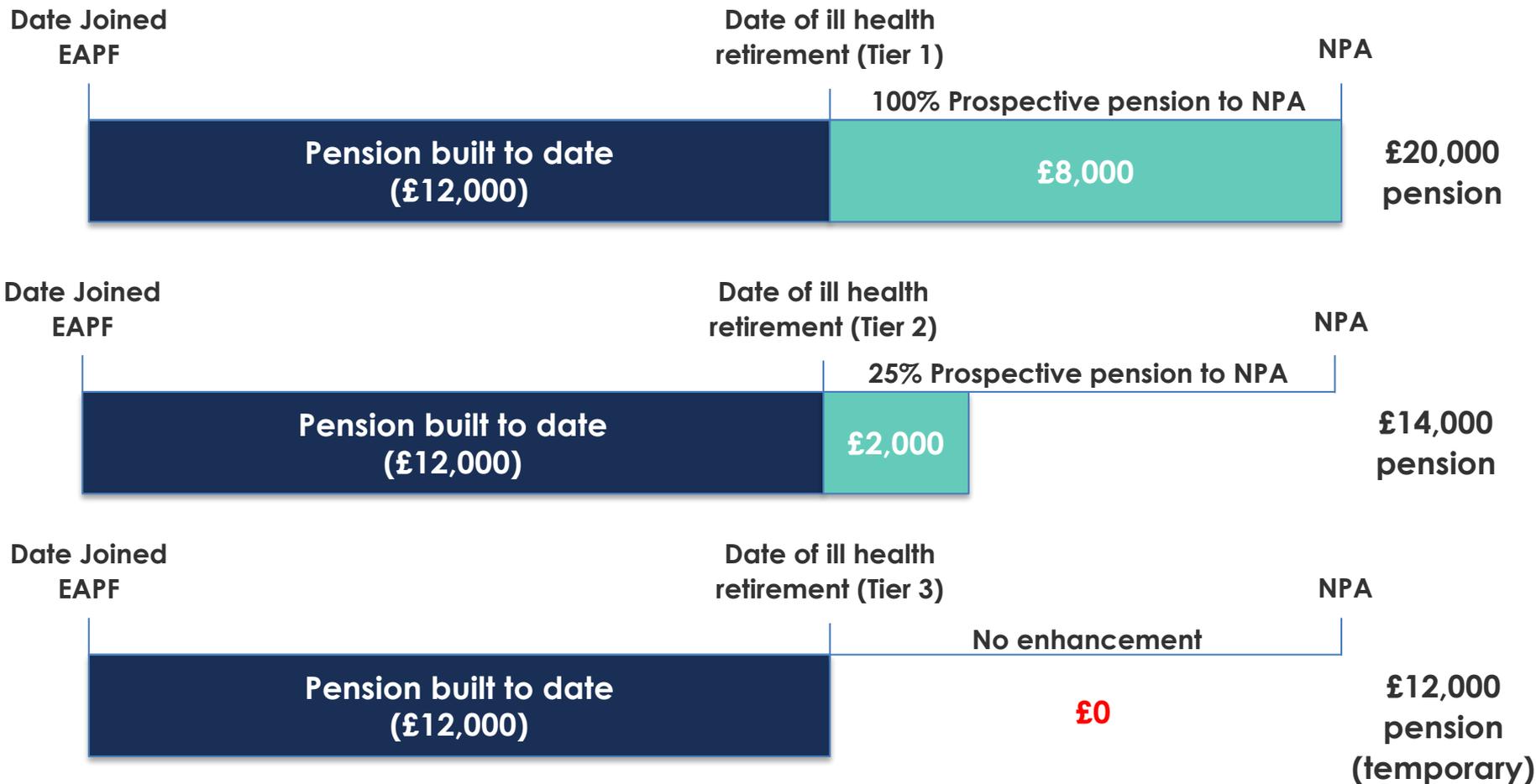
- Statutory pension scheme, backed by the Government
 - Pension revalued in line with inflation (CPI)
 - Exchange part of your pension to receive a (or increase your existing) tax free lump sum on retirement
 - Ill health protection before retirement
 - Protection for your family before & during retirement
 - Pay less tax
-

Ill health protection

- Benefits can be paid from **any** age on ill health grounds
- Benefits paid on ill health are unreduced
 - May be enhanced, depending on how severe your condition is
- 3 levels of ill health that **could** be awarded:
 - **Tier 1 - Pension built to date + 100% of prospective pension to NPA***
 - **Tier 2 - Pension built to date + 25% of prospective pension to NPA***
 - **Tier 3 - Pension built to date – Temporary pension (up to 3 years), no enhancement**

*NPA = normal pension age (same as state pension age)

Ill health Protection - examples



Protection for your family

The Scheme covers your loved ones should the worst happen, with pensions for your dependants and a life cover lump sum.

Dependants' pensions are payable to:

Partners

- Spouse (including same sex marriages)
- Civil Partners
- Cohabiting Partners

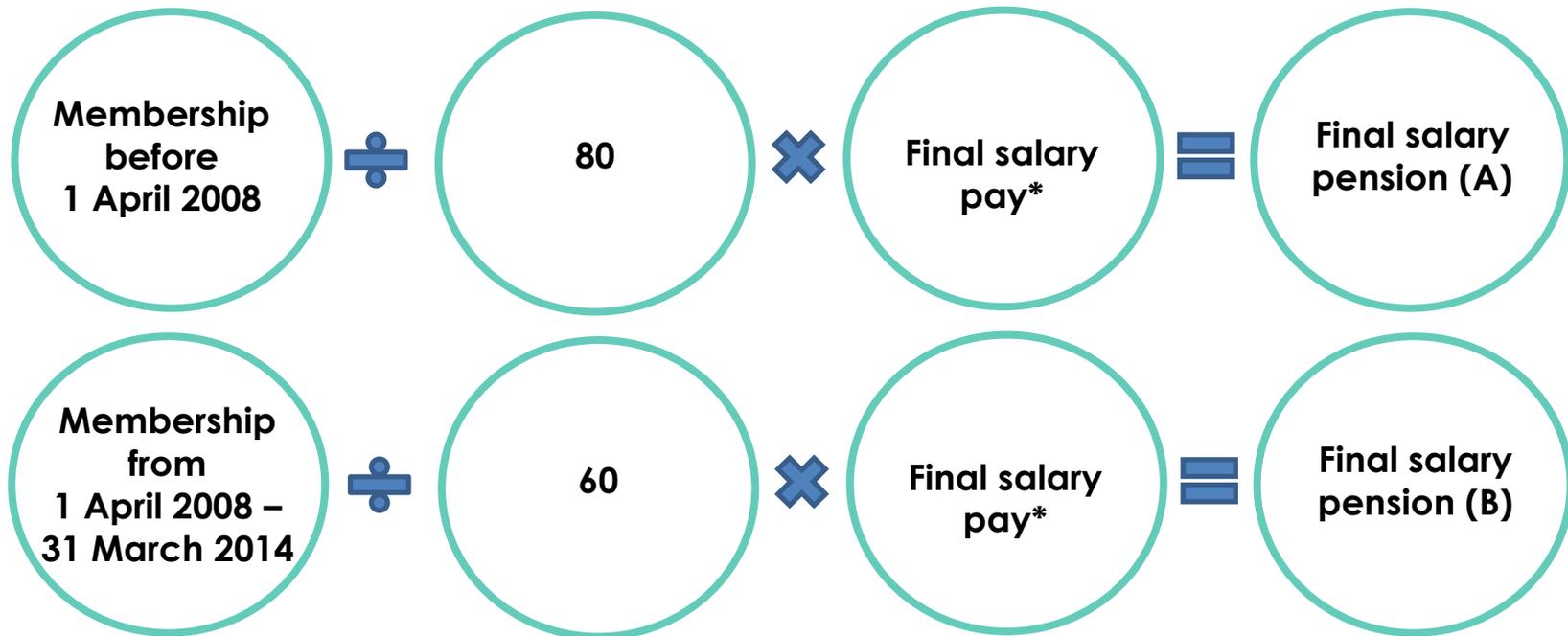
Children

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



Calculating your benefits

Final salary benefits – built up to 31 March 2014



$A + B =$ **Total final salary pension**

$3 \times A =$ **Automatic lump sum**

PLUS – there's the career average pension, you've built up, too!

*Linked to final salary on leaving contributing membership

Calculating your benefits

Career average pension – built up from 1 April 2014

Pensionable Pay for Scheme Year 1 / 49 = Annual Pension

Pensionable Pay	Divided by	Annual pension	Total in account @ end of year 1
£23,000	49	£469	£469

Pensionable Pay for Scheme Year 2 / 49 = Annual Pension

Plus, Revalued Annual Pension for Year 1

Pensionable Pay	Divided by	Annual pension	Revalue previous year(s)	Previous year(s) revalued pension	Total in account @ end of year 2
£23,500	49	£480			
			£469 + 1.2% =	£475	£955

Continues to retirement
Revalued in line with CPI



Calculating your benefits

Example

Emma, who joined the EAPF on 1 April 2000, leaves the EA's employment on 30 September 2019.

Final salary pension

Pre 1 April 2008 pension:	8 years / 80 x £25,800	= £2,580
Post 31 March 2008 pension:	6 years / 60 x £25,800	= £2,580
		= £5,160

Automatic lump sum (before reductions)

Pre 1 April 2008 lump sum (only):	£2,580 x 3	= £7,740
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Career average pension

Let's take a look overleaf...

Calculating your benefits

Career average (CARE) pension – built up from 1 April 2014

Scheme year (1 April – 31 March)	Pens. Pay received in year	Divide by (accrual rate)	CARE pension built up in year	Inflation applied to CARE pension on 1 April each year				
				2015 (1.2%)	2016 (-0.1%)	2017 (1%)	2018 (3%)	2019 (2.4%)
2014/15	£23,000	49	£469.59	£475.02	£474.55	£479.29	£493.67	£505.52
2015/16	£23,500	49	£479.59		£479.11	£483.90	£498.42	£510.38
2016/17	£24,000	49	£489.80			£494.69	£509.53	£521.76
2017/18	£24,600	49	£502.04				£517.10	£529.51
2018/19	£25,300	49	£516.53					£528.72
2019/20	£12,850*	49	£262.24					

*Leaves on 30 September 2019

Total CARE pension = £2,858.13

Calculating your benefits

Example (continued)

Emma, who joined the EAPF on 1 April 2000, leaves the EA's employment on 30 September 2019.

Final salary pension

Pre 1 April 2008 pension:	8 years / 80 x £25,800	= £2,580
Post 31 March 2008 pension:	6 years / 60 x £25,800	= £2,580
		= £5,160

Automatic lump sum (before reductions)

Pre 1 April 2008 lump sum (only):	£2,580 x 3	= £7,740
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Career average pension

14/15 pension:	(£23,000 / 49) + inflation	= £505.52
15/16 pension:	(£23,500 / 49) + inflation	= £510.38
16/17 pension:	(£24,000 / 49) + inflation	= £521.76
17/18 pension:	(£24,600 / 49) + inflation	= £529.51
18/19 pension:	(£25,300 / 49) + inflation	= £528.72
19/20 pension:	(£12,850 / 49)	= £262.24
		= £2,858.13

Total annual pension (before reductions):		= £8,018.13
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Calculating your benefits

Example – part-time member

Emma, who joined the EAPF on 1 April 2000, leaves the EA's employment on 30 September 2019.

Final salary pension

Pre 1 April 2008 pension:	4 years / 80 x £25,800	= £1,290
Post 31 March 2008 pension:	3 years / 60 x £25,800	= £1,290
		= £2,580

Automatic lump sum (before reductions)

Pre 1 April 2008 lump sum (only):	£1,290 x 3	= £3,870
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Career average pension

14/15 pension:	(£11,500 / 49) + inflation	= £252.76
15/16 pension:	(£11,750 / 49) + inflation	= £255.19
16/17 pension:	(£12,000 / 49) + inflation	= £260.88
17/18 pension:	(£12,300 / 49) + inflation	= £264.76
18/19 pension:	(£12,650 / 49) + inflation	= £264.36
19/20 pension:	£6,425 / 49	= £131.12
		= £1,429.07

Total annual pension (before reductions):		= £4,009.07
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Exchanging pension for lump sum

- Exchange rate is £1 pension = £12 lump sum
 - Maximum lump sum subject to HMRC limits
 - Up to 25% of the 'capital value' can be taken as a lump sum
 - All lump sums within HMRC limits = tax free!
 - Can use in-house AVCs to provide additional lump sum
 - In some cases, up to 100% of AVC fund can be paid as a (tax free) lump sum
-

Exchanging pension for lump sum

Example

Zachary's pension benefits at retirement:

Annual Pension = £10,000

Automatic lump sum = £15,000

Maximum lump sum = £48,214.29 (+£33,214.29)

Residual pension = £7,232.14 (-£2,767.86)

Zachary has the option to receive:

- A pension of between £7,232.14 & £10,000; **and**
- A tax free lump sum of between £15,000 & £48,214.29



Pension breaks

- Breaks in pension will occur if you:
 - Are on 'additional' child related leave and receiving no pay
 - Take a period of authorised unpaid leave
 - Take a period of unauthorised unpaid leave
 - Go on strike
 - Any 'lost' pension can be bought back with Additional Pension Contributions (APCs):
 - Up to the amount of pension 'lost' during the absence
 - Counts towards total APC limit
 - In some cases, your employer will pay 2/3rd of the cost
 - APC calculator - www.lgpsmember.org/more/apc/index.php
-

Paying in more or less

Pay in more = get more out!

	AVC	APC (extra)	APC (lost)
What you'll get	Value of contributions paid & investments	Guaranteed pension	Guaranteed pension
What are the good points?	<ul style="list-style-type: none"> • Flexible contributions • Different ways of using it (inc. 100% tax free cash) 	<ul style="list-style-type: none"> • Additional pension • Inflation proofed • Ill health cover 	<ul style="list-style-type: none"> • ER contributes 2/3rds • Additional pension • Inflation proofed • Ill health cover
What are the bad points?	<ul style="list-style-type: none"> • Few guarantees 	<ul style="list-style-type: none"> • Can be expensive • Once started, not flexible • Reduced if taken early 	<ul style="list-style-type: none"> • Once started, not flexible • Reduced if taken early
Limits on what you can you buy/pay?	100% gross pay	£7,026 extra pension	Amount of lost pension (falls within £7,026 limit)

Paying in more or less

Pay in less: the 50:50 option

- You can **choose** to pay $\frac{1}{2}$ your contribution rate to get $\frac{1}{2}$ the benefit
 - Life cover & ill health benefits aren't affected
 - You can **choose** to go back into the Main section from the 1st of the next month
 - However, you'll be put back into the Main Section **automatically** if:
 - You pass your employer's re-enrolment date
 - You're on sick or child-related leave, and your pay is reduced to nil
-

Main Section vs 50:50 Section

Example – coming back to Holly...

- Holly earns £24,000 pa (£2,000 pm)
- Normal cont. rate for Holly = 6.5%

Not contributing

Monthly pay	Deductions
£2,000	£191.60 (tax)
	£153.72 (NI)
Take home pay = £1,654.68	

Main Section – 6.5%

Monthly pay	Deductions
£2,000	£130 (pension)
	£165.60 (tax)
	£153.72 (NI)
Take home pay = £1,550.68 (-£104)	

50:50 Section – 3.25%

Monthly pay	Deductions
£2,000	£65 (pension)
	£178.60 (tax)
	£153.72 (NI)
Take home pay = £1,602.68 (-£52)	

Do you know when you can retire?

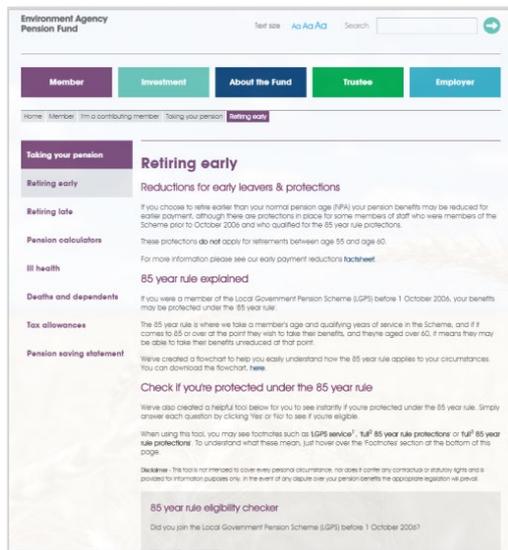


Normal pension age = Later of 65 or state pension age (www.gov.uk/new-state-pension)

Protection for retiring early

85 year rule protections

- [Checker tool available online](#), to see instantly if you're protected under the 85 year rule
- '85 Year rule explained' flowchart at www.eapf.org.uk/publications



The screenshot shows the Environment Agency Pension Fund website. The main navigation bar includes 'Member', 'Investment', 'About the Fund', 'Trustee', and 'Employer'. The 'Retiring early' section is highlighted in the left-hand menu. The main content area is titled 'Retiring early' and contains the following text:

Reductions for early leavers & protections

If you choose to retire earlier than your normal pension age (NPA) your pension benefits may be reduced for earlier payment, although there are protections in place for some members of staff who were members of the Scheme prior to October 2006 and who qualified for the 85 year rule protections.

Retiring late

These protections do not apply for retirement between age 55 and age 60.

Pension calculators

For more information please see our early payment reductions [leaflet](#).

Ill health

85 year rule explained

If you were a member of the Local Government Pension Scheme (LGPS) before 1 October 2006, your benefits may be protected under the 85 year rule.

Death and dependants

The 85 year rule is where we take a member's age and qualifying years of service in the Scheme, and if it comes to 85 or over at the point they wish to take their benefits, and they're aged over 60, it means they may be able to take their benefits unreduced at that point.

Tax allowances

We've created a flowchart to help you easily understand how the 85 year rule applies to your circumstances. You can download the flowchart, [here](#).

Pension saving statement

Check if you're protected under the 85 year rule

We've also created a helpful tool below for you to see instantly if you're protected under the 85 year rule. Simply answer each question by clicking 'Yes' or 'No' to see if you're eligible.

*When using this tool, you may see footnotes such as 'LGPS service', 'full 85 year rule protection' or 'full 85 year rule protection'. To understand what these mean, just hover over the 'Footnotes' section at the bottom of this page.

Disclaimer: This tool is not intended to cover every personal circumstance, nor does it confer any contractual or statutory rights and is provided for information purposes only. In the event of any dispute over your pension benefits the appropriate legislation will prevail.

85 year rule eligibility checker

Did you join the Local Government Pension Scheme (LGPS) before 1 October 2006?



The screenshot shows a grey box titled '85 year rule eligibility checker'. Below the title is the question: 'Did you join the Local Government Pension Scheme (LGPS) before 1 October 2006?'. At the bottom of the box are two buttons: 'Yes' and 'No'.

Keeping your savings on track

Top things to check:

- Pension statement
- Register EAPF Online
- Retirement illustrator
- Nominations
- Pay used to work out benefits

The image displays two screenshots from the Environment Agency Pension Fund website. The top-left screenshot shows a 'Your pension statement' page with sections for 'Summary of your pension benefits', 'About you', and 'Your benefits of normal pension age'. The top-right screenshot shows another 'Your pension statement' page with sections for 'How we calculate your benefits' and 'Your benefits in detail'. The bottom screenshot shows the 'Retirement illustrator' page, which includes personal details, pension information, and a calculator for estimating annual pension and lump sum amounts.

Retirement illustrator Personal details:

Name	M T N Redgunt
National insurance number	U2646964C
Date of birth	03 Jul 1955
Normal Pension Age	02 Jul 2020

My pension:

Your retirement illustrator lets you estimate the pension and lump sum you could receive if you remain a contributing member of the Scheme. You can model different retirement ages, and the illustrator will calculate any potential reductions, or increases to your pension, based on the date you want to retire. It also takes into account any 55 year rule protections that apply to you.

What this calculator will and won't do:

It will	It won't
<ul style="list-style-type: none"> • Include reductions and/or enhancements • Calculate 55 year rule protection • Include a proportional amount of added years contracts bought • Include a proportional amount of AVC contracts bought 	<ul style="list-style-type: none"> • Calculate under age 55 • Calculate BR10 protections • Calculate any AVC contracts • Calculate any AVC contracts

Basic Pension and Lump Sum:

You could receive an estimated annual pension of:	£ 4,207.08
Together with an estimated tax free lump sum of:	£ 4,647.58

You can choose to increase the tax free lump sum you receive by giving up some of your pension. For each £1 of pension you give up you can increase your tax free lump sum by £12. On retirement you will be able to choose to take the basic lump sum or any amount up to the maximum lump sum.

Using our Retirement illustrator lets you have an estimate instantly online.

Visit our website at www.eapf.org.uk to log in or register.

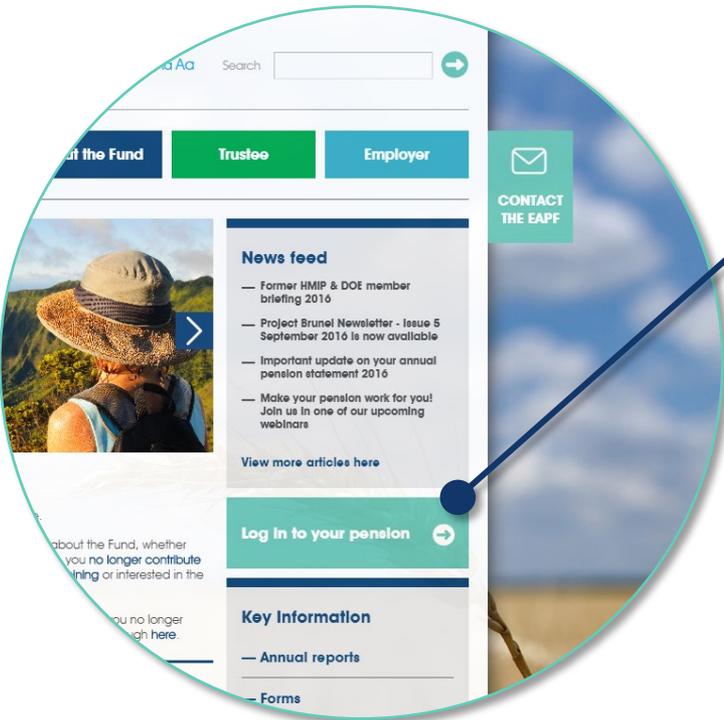
Registering for EAPF Online

If you haven't registered for EAPF Online, don't worry it's easy!

All you need to do is go to our pension website at www.eapf.org.uk

Click
Register

Click
'Log in
to your
pension'



Registering for EAPF Online

Be 8 or more characters long

- Must contain number(s)
- Must contain lower case letter(s)
- Must contain an upper case letter OR punctuation
- It is strongly advised you do not enter a Password that is the same as your Email address



Refresh

Please enter the Security Code shown above

Security Code:

Repeat security code here

Enter personal details

Personal Details

Login Name

Password

Confirm Password

Security Question

Security Answer

Contact Details

Email address

Resources to find out more

- Visit www.eapf.org.uk to check out our helpful tools and [videos](#)
- [Publications](#) available online:
 - Explanatory guides & presentations
 - 85 year rule click tool
 - Scheme guides & factsheets

The screenshot displays the Environment Agency Pension Fund website. At the top, there is a navigation bar with tabs for 'Member', 'Investment', 'About the Fund', and 'Trustee'. Below this, a 'News feed' section lists several articles, including 'Who is looking after your financial future?' and 'Important update to no-deal Brexit guidance for pensions'. A 'Publications' section is also visible, featuring a list of documents such as 'Scheme Guide for members', 'A brief guide to the Local Government Pension Scheme (LGPS)', and 'A guide for members who joined from 2014'. The website layout is clean and professional, with a focus on providing clear information and easy access to resources.

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

Following on twitter
[@EAPensionFund](https://twitter.com/EAPensionFund)

Calling **0800 121 6593**

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

Thank you

Regulatory Statement

- The information contained within this presentation does not constitute financial advice.
- The information provided is based on Capita's understanding of current law and LGPS Regulations, as at 14 October 2019.
- HMRC policy, practice, and legislation may change in the future.

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