

Pensionews

TfL Pension Fund

April 2009

Issue 5



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The Fund Office back cover



Message from the Chairman

Welcome to the fifth edition of Pensionews. In addition to our regular items on pension increases, the Annual Members' Meeting and Trustee Board updates, in this issue we bring you:

- a look at the impact of the instability in the current markets on our funding position (page 3)
- news on the formal valuation process being undertaken (page 3), and
- updates on Additional Voluntary Contributions (AVCs) held with Equitable Life and Standard Life (page 9).

We are very pleased to announce the launch of our Member Self-Service online facility. This new service allows you to view some of the information we hold, make some changes to your personal data and run retirement calculations. More information about this service can be found on page 4.

This is also an opportunity to introduce a number of new Trustees and extend a welcome to our new Pensions Manager, Tim Handley. You can read more about Tim on page 7.

We always welcome your feedback, so if you have any comments or suggestions about Pensionews, or any other Fund communication, please let us know – the Fund Office contact details are shown on the back cover.

Stephen Critchley
Chairman of the TfL Pension Fund Trustees

In the headlines

Weathering instability

The global 'credit crunch' and the subsequent financial and economic downturn have been dominating the news headlines for some time now. The impact this situation is having on pension funds has also had frequent mention.

Like most pension schemes, the Fund has suffered falls in the value of its investments. However, it remains in good shape due to the strength of the TFL covenant (funding agreements with participating employers).

The Fund invests your money with a long-term goal in mind, so a short-term market downturn is not hugely significant. Equity markets have fallen before (we saw negative returns for successive years earlier in the decade) but over the long term they have provided a superior return to bonds and cash.

With the Fund open to new members, the money it receives in contributions from both members and participating employers more than covers the expenditure requirements in the settlement of pension benefits. This cash positive position is expected to continue for the foreseeable future. Only in the long term is it expected that the Fund will become a net seller of assets. So, unlike some investors whose forced sales have compounded their losses, there is no need for the Fund to succumb to being short-termist in the current market environment.

Controlling the risk

The Trustees, with advice from their investment advisers, keep the Fund's investments under constant review to ensure there are appropriate risk controls and that they are targeted to deliver the required return over the long term. They have appointed seven specialist managers to implement investment strategy and make day-to-day decisions.

The Fund's assets are also diversified across a wide range of investments to seek different sources of expected return. This has helped to spread risk and its exposure to falls in any particular market or sectors. In the current climate, we do expect a recovery – but we just do not know when or to what level. Clearly, it will be some time after the date of the actuarial valuation which is due as at 31 March 2009.

The triennial valuation process

Formal valuations take place every three years and in the last one (as at 31 March 2006), the Fund had assets of £4,343 million and liabilities of £4,596 million. So, there was a shortfall of £253 million, and as a result, a recovery plan was agreed to eliminate this shortfall over time.

The Trustees monitor the situation between valuations and, given today's market conditions, it is likely that the 2009 valuation will also show a considerable shortfall. In this case, the contributions of TFL and the other participating employers will be set at an appropriate level to eliminate the shortfall over time.

We expect to have the final results of the valuation available by the middle of next year. The Trustees will decide the best way of communicating the results to members.

Your pension

Member Self-Service

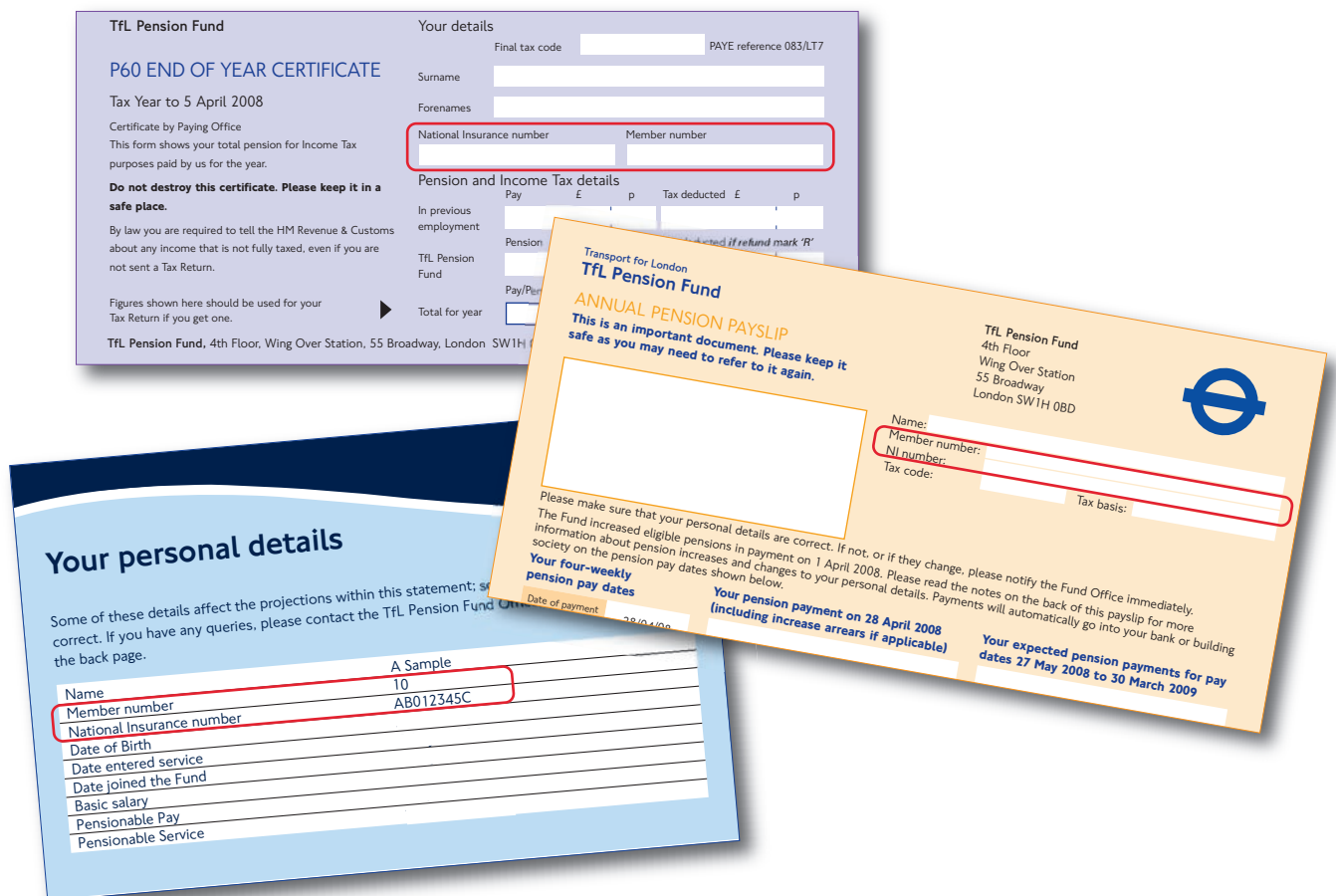
If you have ever wanted to take more interest in your pension planning, and have more control over it, now is the time. The Tfl Pension Fund has launched Member Self-Service, an online facility that enables members to view certain pension details and perform their own 'what if' retirement illustrations.

The site itself is protected by a secure login and password system. Features include:

- interactive online access to personal pensions information for Fund members
- a facility to forecast pensions via an interactive pensions and AVC modeller
- the ability to view your last annual benefit statement
- for pensioners, the ability to view payslips and P60s
- for pensioners and deferred members, the opportunity to keep their contact details up to date.

In order to use this new service, you will need to register via the Fund's website www.tflpensionfund.co.uk

To register, you should have the following details to hand: Your Pension Fund member number (this can be found on previous correspondence you have received from the Pension Fund such as your annual benefit statement) and your National Insurance number. Once registered, your username and password will be sent, separately, to your home address.



If you experience difficulties registering, please email helpdesk@tflpensionfund.co.uk including your contact details.

Pension increase 2009

The April 2009 pension increase is based on the rise in the Retail Prices Index (RPI) over the 12 months to September 2008.

The full-year increase is 5 per cent, and will be paid to eligible pensioners on 27 April 2009. If you have been receiving your pension for less than a year, you may receive a pro-rated increase.

Further details about how your pension is increased can be found on the Pension Fund website www.tflpensionfund.co.uk

What happens to my pension if we experience deflation?

The annual RPI increase under the Fund cannot fall below zero. The pension increase will be determined over the relevant 12 months. If there is no increase in the RPI, your pension will remain unchanged for that year.

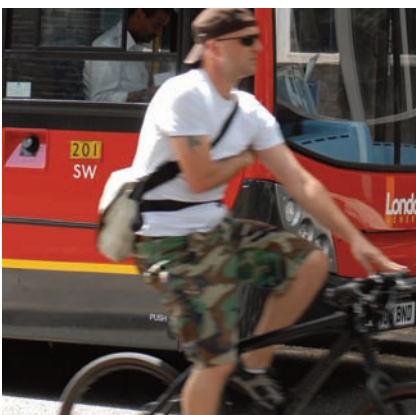
Benefit statements and combined pension forecasts for active members

If you have been a member of the Fund for 12 months or more on 31 March 2009, you will receive a statement at the end of June 2009 outlining your benefits.

Your statement will include information about the benefits you have earned to the statement date of 31 March 2009 and the benefits you might receive if you stay in service as a contributing member until your 60th and 65th birthdays. You will also find important information about benefits that are payable to your eligible dependants in the event of your death.

In addition, the Department for Work and Pensions (DWP) has confirmed that it is able to provide a forecast of your State Pension for inclusion in your statement this year (unless you have advised us in writing that you do not wish to take advantage of this facility). If, for any reason, the DWP cannot provide you with a State Pension forecast, we will let you know.

If you would like more information about State Pensions, please visit 'The Pension Service' website at www.thepensionsservice.gov.uk Enquiries about your benefit statement should be directed to the Fund Office (our contact details are on the back cover).



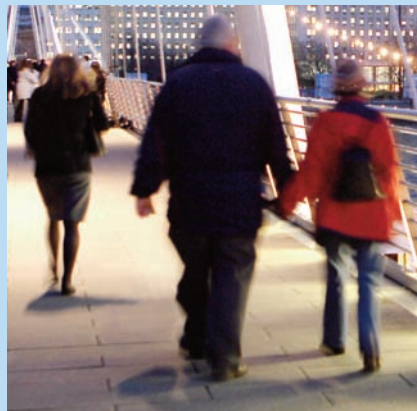
Looking after the Fund

The Trustee Board and its committees

The Trustee Board decides all policy matters. However, specialist committees are formed to help carry out all of its functions efficiently. The Trustee Board has set up five committees to supervise different aspects of the Fund. These committees comprise either four, six or eight Directors of the Trustee Board, half of whom are TfL nominated Directors and half of whom are non-TfL nominated Directors.

Membership of each Committee is shown below.

Committees	TfL Nominated	Non TfL Nominated
Investment	Howard Collins Stephen Critchley Gerry Duffy Peter Regan	Tom Chinnery Chris Miller Paul Murphy John Timbrell
Operations	Maria Antoniou Andrew Cleaves Jane Hart Clare Kavanagh	Linda Arwood Ian Kierans Chris Miller Pat Sikorski
Audit	Andrew Cleaves Jane Hart Steve Perry	Tom Chinnery Steve Grant Steve Gray
Appeals	Howard Collins Stephen Critchley Peter Regan	Linda Arwood Steve Grant Paul Murphy
Actuarial Valuation	Howard Collins Stephen Critchley	Chris Miller John Timbrell



Committee responsibilities

Where appropriate, the **Investment Committee** suggests changes to the investment strategy of the Fund as a whole. The committee investigates and reports on the use of new financial instruments and oversees the investment process. The Investment Committee keeps the investment managers, custodians and the Fund's investment adviser under constant review.

The **Operations Committee** monitors the service providers' performance under the Administration Agreement and Fund Rules. It also monitors cash flow and income and expenditure of the Fund. The committee is also responsible for monitoring the performance of professional Fund advisers and devising the Fund's communications strategy.

The **Audit Committee** is responsible for financial and corporate governance matters. It ensures rules are properly applied and that financial affairs are conducted in accordance with best practice. The committee ensures the Fund complies with all relevant internal procedures and all legislation, including the Articles of Association and the Trust Deed and Fund Rules.

The **Appeals Committee** is the second-stage adjudicator for appeals under the Internal Dispute Resolution Procedure.

The purpose of the **Actuarial Valuation Committee** is to ensure that actuarial methods and assumptions, which are used to determine funding, are being applied appropriately.

Welcoming new and returning faces to the Fund

Trustee Board updates

The 2008 Annual Review, issued in September 2008, included members of the Trustee Board as at 31 March 2008. Since then, the following changes have been made to the Trustee Board:

- Paul Murphy, nominated by Section Three of the PCC, was appointed to replace John Robson on 12 June 2008
- Tom Chinnery, nominated by Unite the Union, was appointed to replace John Griffiths on 2 October 2008
- Linda Arwood, nominated by Section One of the PCC, was appointed to replace Michael Swiggs on 2 October 2008
- Ian Kierans, nominated by Section Two of the PCC, was appointed to replace Chris Godbold on 24 March 2009.

A new Pensions Manager



A warm welcome to Tim Handley, who joined us in August 2008 as Pensions Manager, following Garry Wake's departure at the beginning of 2008. Tim has worked in pensions for over 20 years. Most recently, he was the Pensions Manager for the AA/Saga. Prior to this, he held various posts at Kingfisher.

Tim says:

“ This is a great opportunity, offering exciting challenges for the future. The TfL Fund Office team is established, hard-working and experienced and I am looking forward to leading the team to meet the challenges ahead.”

Annual Members' Meeting

Once again, the Annual Members' Meeting, held at One Great George Street on 7 October 2008, was a great success.

The meeting began with an introduction from the Chairman of the Trustees, Stephen Critchley, and was followed by the Fund Secretary Stephen Field's review of the Fund's Report and Accounts. The guest speaker for the day was Howard Collins, Chief Operating Officer for London Underground. Howard spoke on the transformation of the tube and its reliance on staff. He referred to the importance of pensions as a key staff retention benefit. The Fund's investment adviser, Andrew Kirton, provided an overview of the Fund's investment activities over the past year. He explained the potential impact of the current financial climate on the pensions industry.

Alongside the presentations there was a variety of exhibitors, including The National Trust, The Friends of the London Transport Museum, the Transport Benevolent Fund, The Life Academy, Diabetes UK, the TfL Pensioner Liaison Scheme and The Pension Service (DWP). Representatives from the Fund Office were also present.

The meeting concluded with a question and answer session which can be found on the Fund's website at www.tflpensionfund.co.uk

The 2009 Annual Members' Meeting will take place on Tuesday 13 October at 11:00 in the Telford Theatre, One Great George Street. There will again be an exhibition in the Great Hall so, if you are unable to attend the meeting, you are welcome to drop in to the exhibition, which is open from 10:30 to 12:45. After the exhibition, there is an opportunity to meet the Trustees and their advisers. Fund Office staff will also be present and refreshments will be provided.

Watch out for...

April

- Annual payslips and P60s sent to pensioners. These will show this year's pension increase and payment dates for the forthcoming tax year, as well as total pension and tax information for 2008/2009

May

- AVC statements sent to all members of the AVC Plan

June

- Benefit statements sent to all contributing members

September

- Annual Review – the Trustees' summary of the Report and Accounts incorporating the Summary Funding Statement – showing how the Fund's invested assets compare with the liabilities to pay benefits

- Benefit statements sent to all deferred members

October

- Annual Members' Meeting – a forum for all members to meet the Trustees and discuss the Fund

Updates on Additional Voluntary Contributions (AVCs)

Equitable Life

Equitable Life is a former provider of AVCs for the Fund but is now closed to new members. On 15 January, the Government responded to the Parliamentary Ombudsman's report accepting that there was some maladministration and regulatory failures by public bodies in particular areas. However, the Government believes that the former management of Equitable Life was primarily to blame for member losses.

Therefore a voluntary payment scheme will be established for members who have been 'disproportionately' affected, rather than a compensation scheme. Consequently, not all Equitable Life members will be eligible for a payment. The Government believes that this form of help is fair to both policyholders and taxpayers.

A former Appeal Court judge has been appointed to resolve the issue; however, it is complex and no reporting date has been set. The former judge will act to determine the amount of losses which are attributable to the Government's maladministration of the public bodies, and to identify the members who have suffered unduly.

Standard Life

Standard Life is our current AVC provider. Included within the range of different funds offered to members is the Sterling Fund. Due to a reassessment of the assets held by the Sterling Fund at the beginning of this year, their value fell by around 5 per cent. Unfortunately, as a result, members also suffered a 5 per cent drop in their personal investment in this fund. You may be aware of the media interest surrounding this topic, as Standard Life agreed to restore the original value of the Sterling Fund, at a cost to them of over £100 million. The decision was made following industry comments that members were not given enough information to fully understand what they were purchasing. This action is good news for all Sterling Fund investors as it puts them back into the position that they were in before the original announcement.

Why the fall in value?

The Sterling Fund is invested in a wide range of different financial instruments. The investments include assets which are not readily traded, such as asset-backed securities. These assets are normally expected to deliver returns in excess of that expected from cash; however, due to the recent financial conditions, this approach has not been so successful.

Other options

Standard Life has made an alternative cash fund available, which the Trustees have decided to open to members of the Fund. The Managed Cash Fund is a lower risk alternative to the Sterling Fund, offering preservation and liquidity as its priorities, with investment return as a secondary consideration. As a result, returns on this Fund may be lower than the Sterling Fund in the long term, but are expected to remain positive.

All members investing in the Sterling Fund have been individually written to, informing them of the events summarised above. Members have been given the option to switch to the Managed Cash Fund. This Fund has the same annual management charge as the other Standard Life funds (0.6 per cent) and there is no charge for switches between funds. As mentioned above, the Managed Cash Fund is available to all members as part of the AVC range.

Annual payslips

Your annual payslip, which will include your P60 for the 2008/2009 tax year, is due to be issued on 22 April 2009.

We understand that you may need confirmation of your pension before this date in relation to claiming State benefits, and benefits agencies may accept other forms of confirmation, such as bank statements. If you experience any problems, please contact the Fund Office for help.

Expression of Wish

Under the Fund Rules, lump sum death benefits are payable on the death of active and deferred members and may, in certain limited circumstances, be payable on the death of a pensioner.

Lump sum death benefits, when paid directly to the beneficiary at the Trustees' discretion, are currently free of inheritance tax. Although your wishes are not binding on the Trustees, they will always be taken into consideration.

Please make sure that the Trustees know your wishes by completing an Expression of Wish form. It is important that you update your Expression of Wish if your circumstances change – for example, if you marry or enter a civil partnership, have children, or divorce.

If you have a Will that sets out how you would like the Fund's benefits to be distributed, please indicate this on your Expression of Wish form. However, bear in mind that if you wish the Trustees to consider making any payment to a charity, this must be notified specifically on an Expression of Wish form.

You can obtain a form from the Fund Office (our contact details are on the back cover) or from the Fund's website at www.tflpensionfund.co.uk

National Fraud Initiative (NFI)

The Audit Commission has developed a data matching exercise which detects and prevents fraudulent and erroneous payments from being made from the public purse. The NFI analyses and cross-checks electronic data from audited public bodies participating in the exercise. To date, an estimated £450 million of fraud and overpayments have been identified from this work and the initiative has attracted international recognition. The Fund participated in both the 2004 and 2006 exercises, and has again provided data for 2008.

As a direct result of the Fund's participation in 2006, overpayments totalling £95,492 have been recovered and further erroneous payments were also prevented. The results of the 2008 exercise are currently being analysed and details will be published in the next edition of Pensionews.

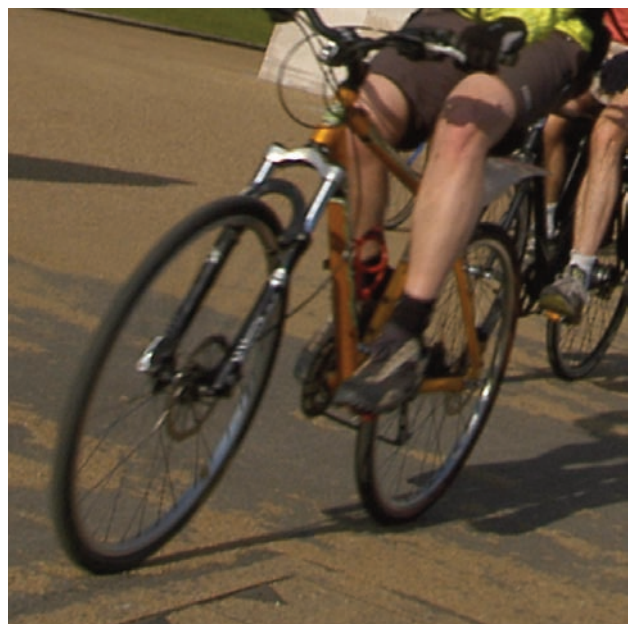
TfL Pension Consultative Council Elections 2008

The Pension Consultative Council (PCC) is made up of 20 Fund members (active, deferred and pensioner), who are elected by the members themselves. It meets at least four times a year to discuss Fund issues and is in regular contact with the Trustees and TfL about issues relating to pensions.

Each year on 30 November, the longest serving quarter of councillors must retire. The councillors, having completed their four-year term of office, can stand for re-election if they wish. This year, there were more nominees than vacancies, and postal ballots were held for each section. The elected councillors are as follows:

- Chris Miller and Michael Swiggs were re-elected for Section One (pensioners, including dependants, and deferred pensioners)
- Luke Howard replaced Chris Godbold for Section Two (TfL and its subsidiaries (other than LUL) or contractors)
- Brian Valentine was re-elected, and Richard Head replaced Peter Moffatt for Section Three (London Underground Limited and its subsidiaries or contractors).

For more information about the PCC, including the names of all serving councillors and their respective sections, please visit the TfL Pension Fund website at www.tflpensionfund.co.uk Alternatively, contact Sarah Pascall, PCC Secretary, by telephone on 020 7918 3018, or email sarahpascall@tflpensionfund.co.uk



TfL Pension Fund Office

The staff in the Fund Office will be pleased to answer any queries you may have. They cannot give financial advice or deal with tax matters but will be able to advise you who to contact for the assistance you need.

They can be contacted at:

TfL Pension Fund

4th Floor
Wing over Station
55 Broadway
London
SW1H 0BD

Email at:

helpdesk@tflpensionfund.co.uk

If you have access to the internet, you can access Member Self-Service and find lots of information, including forms and Fund documents, on the Fund's website at www.tflpensionfund.co.uk

Telephone numbers

Contributing members

Your surname begins with	Telephone number
A-K	020 7918 4735 (internal 44735)
L-Z	020 7918 3797 (internal 43797)

Pensioners

Your surname begins with	Telephone number
A-G	020 7918 3322 (internal 43322)
H-O	020 7918 4720 (internal 44720)
P-Z	020 7918 3648 (internal 43648)

Deferred members and members who have recently left or will be leaving service

Your surname begins with	Telephone number
A or B	020 7918 4897 (internal 44897)
C	020 7918 4785 (internal 44785)
D-F	020 7918 4784 (internal 44784)
G-I	020 7918 4864 (internal 44864)
J-L	020 7918 4176 (internal 44176)
M-N	020 7918 4828 (internal 44828)
O-R	020 7918 4879 (internal 44879)
S	020 7918 4895 (internal 44895)
T-Z	020 7918 3549 (internal 43549)

Notice for the visually impaired

Copies of this newsletter in large type and in a text-only format are available from the Fund Office. Please write to: TfL Pension Fund, 4th Floor, Wing over Station, 55 Broadway, London SW1H 0BD, or email the Fund Office at helpdesk@tflpensionfund.co.uk