Pensionews

TfL Pension Fund

March 2012
Issue 8

Contents

MAYOR OF LONDON

Transport for London

Chairman's message

Welcome to the eighth edition of Pensionews. Following on from my introductory message last year, the world of Pensions continues to be the focus of media attention and legislative change. 2012 will once again be a busy year for both the Trustee and the supporting team at the Fund Office with the commencement of the 2012 triennial valuation. This edition brings you updates on the following:

- Annual Members' Meeting
- National Fraud Initiative
- Additional Voluntary Contributions
- PCC and Election Results
- Government Announcements
- Tax changes affecting Pensions
- Self Service
- Pension Increases
- Save Money & Go Green
- Trustee update
- Other Fund Matters

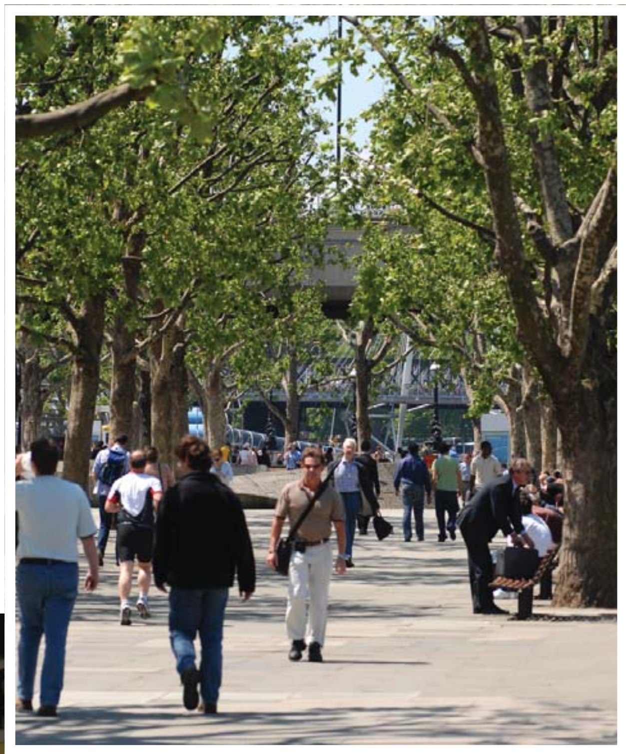
Over the past year there have been a number of changes to the membership of the various Trustee Board committees.
(see page 10)

We are pleased to announce that at the Engaged Investor Trustee Awards in July 2011, the TfL Pension Fund was highly commended in the category for 'Trustee Board of the Year' and Stephen Field was named 'Pensions Manager of the Year'.

As usual we have provided in this issue of Pensionews a communications timetable for 2012 which includes the details of this year's Annual Members' Meeting for your diary. (see page 4)

If you have any comments about this issue of Pensionews or any of the other Fund publications, we always welcome your feedback and you can let us know by contacting the Fund Office at the address on the back page.

Maria Antoniou
Chairman of the TfL Pension Fund Trustees



Annual Members' Meeting

The Annual Members' Meeting held at One Great George Street on 18 October 2011 was attended by 226 Members, comprising 76 per cent pensioners, 21 per cent contributing members and 3 per cent deferred members. The meeting began with an introduction from the Chairman of Trustees, Maria Antoniou, and was followed by a review of the Fund's Report and Accounts by the Fund Secretary, Stephen Field. He reported statistics on the work carried out by the Fund Office, the income, expenditure and investment returns of the Fund, and provided an update on Equitable Life. He also referred to the member self-service facility on the Fund's website.

There were three guest speakers. Richard Williams, from Towers Watson, the Scheme Actuary, gave an overview of how the funding of the Pension Fund worked, how the actuarial valuation is performed and provided an update on the overall funding position of the Public Sector Section. Ed Francis, from Towers Watson, the Fund's investment adviser, then provided an investment update. Ed reported on the Fund's investment managers' performance as at 30 September 2011. He also spoke of the changes made to the Fund's equity portfolio and the increased weighting in the alternatives portfolio as well as providing detail about what has happened to world financial markets during 2011. Finally, Ian Pittaway, from Sackers, the Fund's legal adviser, presented on the legal outlook and the changes proposed by the Government.

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 Pension Consultative Council, the Pensioner Liaison Scheme, the Pension Service (DWP) and the Transport Friendly Society. Representatives from the Fund Office were also present.

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

The 2012 Annual Members' Meeting will take place on Tuesday 9 October at 11:00 am 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 at the exhibition, which will be open from 10:30 am to 12:45 pm. Once the meeting has formally concluded in the Telford Theatre, there will be an opportunity to meet the Trustees and their advisers. Fund Office staff will also be present and refreshments will be provided.

National Fraud Initiative (NFI)

The Audit Commission has developed a data matching exercise which detects and helps to prevent 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.

As a direct result of our participation in 2010, overpayments totalling £81,085 have so far been recovered and further inappropriate payments were prevented. The Fund Office is still pursuing some overpayments identified by the 2010 NFI exercise.

audit commission

Additional Voluntary Contributions

EQUITABLE LIFE With Profits Fund

The Government has confirmed that it made the first compensation payments at the end of June 2011 in respect of those policyholders that were identified as priority.

The Government plans to write to all eligible policyholders by mid June 2012 confirming whether a payment will be made, the amount and when it will be paid. However, in the case of group schemes such as ours, contact may not be until later.

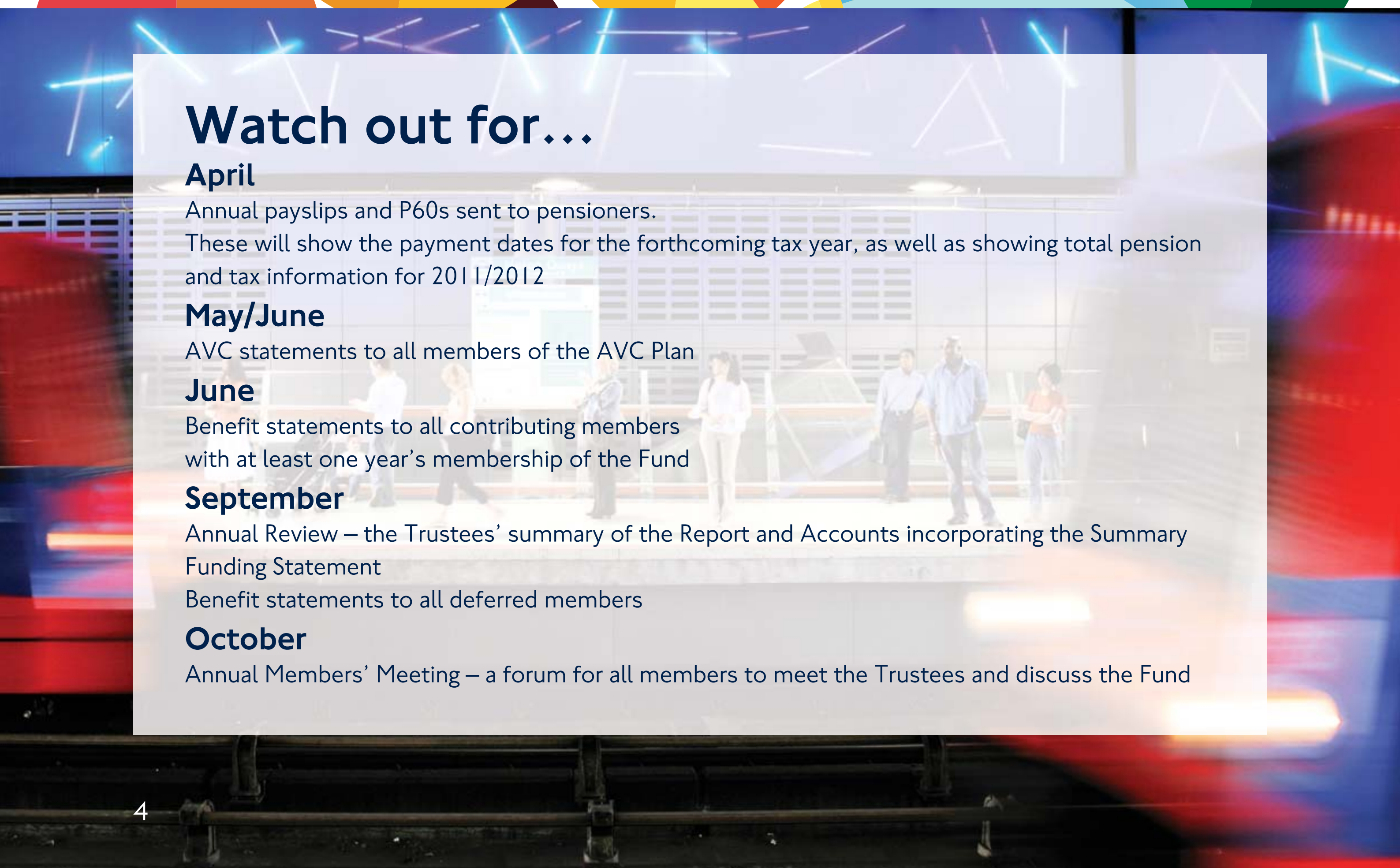
All policyholders should receive any compensation due by mid 2015.

To be eligible, policyholders would have needed to be invested at some time between 1 January 1993 and 31 December 2000.

The Government is basing compensation on 'relative loss', which is the difference between what policyholders received from their policy and what they would have received if invested in certain comparator companies. Eligible policyholders should receive 22.4 per cent of their relative loss, provided it exceeds £10.

The Government has said that about one third of policyholders have not suffered a relative loss and a further third have relative losses of less than £500. A relative loss of £500 would result in a payment of £112.

The Trustees and their advisers continue to monitor developments. Once full details confirming the compensation position and, if applicable, the payment arrangements have been received by the Fund, the Trustees will provide details to the affected members.



Watch out for…

April

Annual payslips and P60s sent to pensioners.
These will show the payment dates for the forthcoming tax year, as well as showing total pension and tax information for 2011/2012

May/June

AVC statements to all members of the AVC Plan

June

Benefit statements to all contributing members with at least one year's membership of the Fund

September

Annual Review – the Trustees' summary of the Report and Accounts incorporating the Summary Funding Statement
Benefit statements to all deferred members

October

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

Pension Consultative Council (PCC)

The PCC discusses any issues relating to the operation of the TfL Pension Fund (but not individual entitlements). PCC members are elected from three sections representing pensioners and deferred pensioners, employees of London Underground and Tube Lines, and TfL employees other than LU. The PCC has a role in nominating Trustees to the Pension Fund to represent these groups. The PCC constitution can be found on the Fund's website at **www.tflpensionfund.co.uk**

Election results 2011

The longest serving quarter of the TfL Pension Consultative Council (PCC) retired from office on 30 November 2011. The term of office for the new appointments, detailed below, started on 1 December 2011 and will end on 30 November 2015.

In Section One (pensioners and deferred pensioners) Christopher Sullivan and Alan Taylor retired. Christopher Sullivan was the only nominee for the vacancies and was therefore re-elected; Christopher has served on Section One since December 2003.

In Section Two (TfL and its subsidiaries or contractors, excluding London Underground Limited) Duncan Delvin retired and Paul Rutland was elected following a postal ballot of the Section Two members of the TfL Pension Fund.

In Section Three (London Underground Limited and its subsidiaries and Tube Lines Limited) Paul Murphy and Paul O'Brien retired and were re-elected following a postal ballot of the Section Three members of the TfL Pension Fund. Paul Murphy has served on the PCC since December 2001 originally representing Section One and since February 2007 has represented Section Three. Paul O'Brien has served on Section Three since December 2007.

For more information about the PCC please visit the TfL Pension Fund website at **www.tflpensionfund.co.uk** or contact Julian Collins, PCC Secretary, on 020 7918 3789 or by email to **juliancollins@tflpensionfund.co.uk**

Government Announcements

The last issue of Pensionews featured a number of government announcements. Here is a recap and update of them.

The **State Pension Age** (SPA) was to be increased from 65 to 66 between December 2018 and April 2020 for both men and women. However, late amendments to legislation extended the transition period by six months to October 2020.

For women, whose SPA is currently being increased from 60 to 65, the rate of increase will accelerate from April 2016 so that it reaches age 65 in November 2018.

Further changes are also expected to the dates for the planned increases in SPA to ages 67 and 68. Further details about the changes as well as a calculator to find out your own SPA can be found on the Directgov website **www.direct.gov.uk**

This change will not affect the normal retirement age in the TfL Pension Fund which remains at 65 but has had an impact on the calculation of the variable pension option (VPO) for those who will reach age 65 after December 2018. In the meantime, we have amended our communications to make it clear that the VPO ceases at the SPA applicable at the date the member retired.

In a measure inspired by increasing longevity, the Government removed the **Default Retirement Age** of 65 from legislation on 6 April 2011 (allowing a transitional period for retirements already in train until 1 October 2011). Employers now need to justify objectively having a compulsory retirement age for their workforce. The Fund's rules already cater for pensionable service beyond age 65 and there is no change to that being its normal retirement age.

Following its earlier decision for the **Consumer Prices Index** (CPI) to be used for statutory pension increases instead of the **Retail Prices Index** (RPI), the Government consulted on the potential switch from RPI to CPI in schemes governed by trust deeds, such as ours. However it was decided not to provide any legislation which over-rides our rules, therefore increases will continue to be based upon the RPI index with a 5% cap for ***New Members***, refer to page 8 for details of the 2011 pension increase.

Lord Hutton's **Public Service Pension Commission** produced its final report in March 2011 and discussions have continued on the implementation of its recommendations. The report distinguished between public service pension schemes (i.e. those authorised by statute where Ministers make the rules) and public sector pension schemes which comprise both public service pension schemes and other schemes in the wider public sector ('where the organisation concerned makes the rules of the scheme'). The examples provided in the final report of the wider public sector were the BBC, Transport for London, the Bank of England and the Royal Mail.

The report's specific recommendation of an increase in contributions was directed at 'public service employees' and not to 'public sector employees'. However there are also general references made about pension schemes in the public sector regarding their sustainability, the fairness between private and public sector and mobility between these sectors. So to the extent that the recommendations are implemented for public service pension schemes, they are likely to be seen as having relevance for the wider public sector too.

Auto-enrolment

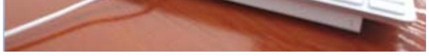
Following the Pensions Act 2008 and modifications included in the Pensions Act 2011, there are to be new duties for employers to provide pension arrangements for their employees where these currently do not exist and a duty to enrol automatically all eligible workers into a qualifying workplace pension scheme.

These duties are being phased in starting from 1 October 2012 with the largest employers. TfL must be compliant by 1 February 2013. TfL already auto-enrols almost all new employees into the TfL Pension Fund, so much of the new legislation will not affect it or its employees.

TfL has been reviewing the existing legislation and will study the new regulations and guidance to identify those changes that will be needed to its pension arrangements or the processes around them to ensure compliance from 1 February 2013. This may involve discussions with the Trustees of the TfL Pension Fund regarding possible rule changes, such as an extension of the current eligibility ages for new joiners which are currently from age 18 to age 63.

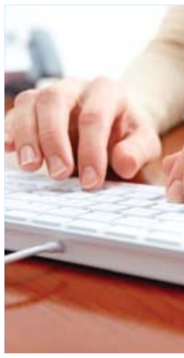
A communication to employees confirming they are members of a qualifying pension scheme under the new legislation will be issued before February 2013.



Tax Changes Affecting Pensions




Tax changes were introduced from April 2011.

Annual Allowance, this is the maximum amount of tax exempt pension savings that can be built up in one tax year. It was reduced from £255,000 a year to £50,000 a year from April 2011. The £50,000 allowance can be carried forward so that if an individual exceeds this in one year, then any unused amounts can be utilised from the previous three years, starting with tax years 2008/09, 2009/10 and 2010/11; pension savings above this are taxable at the individual's marginal rate.

The value of the increase in a defined benefit pension over the year will not be measured by contributions but will be calculated as 16 times the increase in the accrued pension, after allowing for indexation of the pension at the start of year in line with the Consumer Prices Index (CPI). So an increase in pension accrued of £1,000 will be worth £16,000 for annual allowance purposes. Any additional voluntary contributions paid would be added to this figure. The annual benefit statements issued to active members include details of the value of benefits accrued under the Fund for annual allowance purposes.

In certain circumstances the tax can be paid by the individual's pension scheme and they will then ultimately receive a reduced pension instead. Details of this facility will be provided to those members of the Fund who have taxable pension savings under the Fund.

Pension benefits for deferred pensioners are exempt from the annual allowance regime.

Lifetime Allowance, this is the overall maximum capital amount of tax exempt pension savings that an individual can build up in all their pension arrangements over their lifetime. It will reduce from £1.8m to £1.5m from April 2012. For defined benefit schemes such as the TfL Pension Fund, the factor for valuing the lifetime allowance remains at 20 times pension, so an annual pension of over £75,000 would be required before the allowance was exceeded. If you have benefits under a defined contribution scheme such as the TfL AVC scheme, it is the value of the accumulated fund that counts towards the lifetime allowance and needs to be added to the value of any defined benefits. Transitional protection of the £1.8m is available, but those applying must cease to accrue further pension benefits and must apply to HMRC for this 'fixed protection' approval by 5 April 2012. TfL wrote to those employees likely to be affected in January 2012.

The annual member pension benefit statements show how much of the Lifetime Allowance has been used through their membership of the Fund. It does not include any AVCs you may have paid under the Fund, so you would need to add the value of your AVCs to the figures in the statement.

These changes do not have any impact on the pension lump sum which continues to be payable tax free.

National Insurance rebates

As a member of the TfL Pension Fund you are contracted out of the State Second Pension and as a result if you would normally pay the full rate of National Insurance (NI), you pay a lower rate of NI. This reduction in NI is referred to as the National Insurance rebate and is intended to reflect the level of State Second Pension that employees give up when they are members of a 'contracted out' scheme such as the TfL Pension Fund. For the tax years 2012 to 2017 the Government has confirmed that the contracting out rebate for defined benefit schemes will reduce from 5.3 per cent to 4.8 per cent. The reduced rebate will be split 3.4 per cent for employers and 1.4 per cent for employees (a reduction from 3.7 per cent and 1.6 per cent respectively).

The rebate and reduction only apply to earnings from the lower earnings limit (£107 per week for 2012/13) up to the upper accrual point (£770 per week). So the reduction in rebate will mean a weekly increase of up to £1.32 in NI contributions.

Member Self-Service

If you want to take more control of your pension planning, why not register for member self-service today via the Fund's website **www.tflpensionfund.co.uk** You will then be able to make use of the member self-service facilities:

- Interactive online access to personal pensions information for Fund Members including Pensioners and Deferred Members (former employees with benefits under the Fund)
- The ability 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 ability to maintain their address details

To register you will need the following details to hand:

- **Your Member number** (this can be found on previous correspondence you have received from the Fund such as your annual benefit statement)
- **Your Date of Birth** (must be entered in the format DD/MM/YYYY)
- **Your National Insurance number**

Once registered, you will be issued with a username and password each sent to you separately by post.

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

Pension Increases for Pensioners

The April 2012 pension increase is based on the rise in the Retail Prices Index (RPI) over the 12 months to September 2011.

Members of the fund fall into one of two categories; ***Existing Members*** are those who joined the Fund when it was formed on 1 April 1989 and ***New Members*** are those who joined on or after 2 April 1989. For the part of your pension that is increased by the Fund, there is a 'cap' of 5 per cent for ***New Members***.

The full year's increase for ***Existing Members*** is 5.6 per cent while for ***New Members*** it is 5 per cent, and will be paid to eligible pensioners on and from 23 April 2012.

If you have been receiving your pension for less than a year you may receive a pro rata increase and details can be found on the TfL Pension Fund website at **www.tflpensionfund.co.uk**

Depending on the period of membership of the TfL Pension Fund, your pension may have several components, some of which are not increased by the Fund at the above rate, but may be increased by the State. All the components of your pension are shown on your payslips.

Annual payslips

Your annual Pension payslip, which will include your P60 for the 2011/2012 tax year, is due to be issued on 27 April 2012.

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

Save money and go green

About this newsletter:

- We produce and issue approximately 80,000 copies of this newsletter
- It costs 50 pence per copy to print and post to you
- It takes 4,600 kilos of paper to produce, excluding packaging
- It is available to view online at the Pension Fund website

In order to do our part to help reduce greenhouse emissions, we have introduced an electronic communications service. This allows you to register to opt out of receiving a paper copy of this newsletter and some of the other Fund publications that we issue. Instead, you can choose to view them on our website or download your own copy to keep.

How you benefit:

- Enjoy quicker access to Fund publications
- View Fund publications online anytime
- Lower mailing and printing costs for the Fund
- Help the environment: save paper and reduce waste!

We will still issue certain documents to you in paper form, including those we are required to by legislation.

Register Today

Visit the Fund's website **www.tflpensionfund.co.uk** and click the 'save money and go green' link on the home page. All you need to do is enter your name and member or employee number.

If at any time in the future you want to start receiving paper communications again, just contact the Fund Office.

Trustee Update

The Trustee Board decides all policy matters; however the Trustee Board has established six committees to supervise different aspects of the Fund and report back to the full Trustee Board.

During the last year there have been no changes to Trustee Directors, however the following Directors have moved between committees.

Paul Murphy joined the Operations Committee in place of Stephen Ellaby.

Stephen Ellaby joined the Actuarial Valuation Committee in place of John Timbrell.

The current membership of the committees is shown below:

Committee	TfL nominated	Non TfL nominated
Investment	Mike Binnington Howard Collins Stephen Critchley* Gerry Duffy	Lewis Brown Chris Miller Paul Murphy John Timbrell
Operations	Jane Hart Clare Kavanagh Stuart Munro Dave O'Brien	Linda Arwood Chris Miller* Paul Murphy Pat Sikorski
Audit	Jane Hart Stuart Munro* Dave O'Brien	Lewis Brown Steve Grant John Knowles
Appeals	Maria Antoniou Howard Collins Stephen Critchley*	Linda Arwood Steve Grant Paul Murphy
Actuarial Valuation	Maria Antoniou* Stuart Munro	Stephen Ellaby Chris Miller
Alternatives & Liability Hedging	Mike Binnington Stephen Critchley*	Chris Miller John Timbrell

* Chairman

Other Fund Matters

The triennial valuation process

Formal valuations of the Fund take place every three years. When the last one was carried out as at 31 March 2009 the Fund had assets of £3,829m and liabilities of £5,258m resulting in a shortfall of £1,429m. As a result, a recovery plan was agreed to eliminate this shortfall over time through higher employer contributions.

The Trustees monitor the situation between valuations and although there has been some improvement in asset values, given today's market conditions it is likely that the 2012 valuation will also show a shortfall. If this is the case, the contributions of TfL and the other participating employers will be set at appropriate levels to eliminate the shortfall over time.

We expect to have the final results of the valuation available by the middle of next year.

Ill-health pensions in payment

If you are in receipt of an ill-health pension, the Fund requires you to tell us if the total of your current earnings (if any) when added to your pension exceeds the greater of 1½ times your current pension or £31,150. This latter figure is increased annually by earnings inflation.

Annual benefit statements for active members

The Department for Work and Pensions (DWP) has advised that they are unable to provide the Fund Office with a forecast of your state pension which we normally include in your annual benefit statement.

This is because the Pensions Act 2011, which received royal assent in November 2011, introduced changes to the State Pension Age. The DWP is currently updating its computer systems to reflect these changes. The statements for 2012 will therefore just show details of the benefits payable from the Fund.

If you would like more information about the changes to state pensions please visit the DWP's website at **www.thepensionservice.gov.uk**

We cannot give financial advice or deal with tax matters, but will be able to advise you who to contact for the help you need.

Contacting us

The staff in the Fund Office are always pleased to help with any enquiries you may have. Contact details depend on your surname and nature of your enquiry.

If you are receiving your pension

Your surname begins with	Contact	Telephone number
A to K	Lee Dowden	020 7918 4720 (internal 44720)
L to Z	Kevan Tiley	020 7918 3648 (internal 43648)

If you have questions about Additional Voluntary Contributions

Your surname begins with	Contact	Telephone number
A to K	Jenny Pierrepont	020 7918 4726 (internal 44726)
L to Z	Gavin Fennell	020 7918 4735 (internal 44735)

For all other enquiries

Your surname begins with	Contact	Telephone number
A, B or E	Wendy Collins	020 7918 4895 (internal 44895)
C, D or F	Asmita Punater	020 7918 4784 (internal 44784)
G, H, I or L	Hitesh Vakharia	020 7918 4864 (internal 44864)
J, K, M or N	Marcus Green	020 7918 4897 (internal 44897)
O, Q, R or S	Hazel Gray	020 7918 3797 (internal 43797)
P, T, U to Z	Alan Baxter	020 7918 3322 (internal 43322)

Our postal and email addresses are:

TfL Pension Fund, 4th Floor, Wing over Station, 55 Broadway, London, SW1H 0BD Email at: helpdesk@tflpensionfund.co.uk

Fund Office Appointments

If you need to visit the Fund Office to talk to a member of the team, please call in advance to arrange an appointment. This will save you having to wait and also means that we can be prepared to deal with your enquiry.

You can also access Member self-service and find lots of information, including forms and Fund documents, on our website at **www.tflpensionfund.co.uk**

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

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