

# Pensionews

## TfL Pension Fund

April 2017

Issue 13

### Contents

Chairman's Message	2
Pensions Self Service	3
The importance of taking advice	3
Tax Legislation	4
Transferring Benefits	4
Additional Voluntary Contributions	5
Retirement Options	5
Investment News	6
Annual Members' Meeting	7
Pension Increases	7
Annual Payslips	7
Communications Timetable	8
National Fraud Initiative	8
TfL Pension Consultative Council	9
Trustee Update	10
Other Fund Matters	11
Contacting us	Back page

### 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](mailto:helpdesk@tflpensionfund.co.uk)





# Chairman's Message

Once again it has been a year of significant activity for the Fund:

- Membership had increased to 25,152 active members at 31 December 2016 and new entrants since then have taken the total to almost 26,500
- Fund assets increased to £9.3bn (at 31 December 2016)

In this edition we bring you the latest news on issues currently facing the Fund, including:

- Pension Self Service
- Importance of taking advice
- Annual Members' Meeting
- Investment News
- National Fraud Initiative
- Pension Increases
- PCC Election Results
- Trustee update

In the last year there have been a number of changes to members of the various Trustee Board sub committees (see page 10).

As usual we provide a communications timetable for 2017 which includes the details of this year's Annual Members' Meeting for your diary. The Fund Office have been busy over the last year working on the implementation of a new administration system; if you are a self service user please see page 3 for details about how to register to use the new service.

We have included on pages 4 and 5 details of various situations where you may need to take independent financial advice, please take the time to read this important information.

If you have any comments about this issue of Pensionews or any other Fund publication, 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**

Chair of the TfL Pension Fund Trustees

**COMING SOON**

## Pensions Self Service

Over the last 18 months the pensions team have been busy working on the implementation of a new administration and payroll system. The new system has been launched and member self service will be available soon. Please visit the TfL Pension Fund website at [www.tfl.gov.uk/pensions](http://www.tfl.gov.uk/pensions) to check for updates. We hope you will find the new site easier to access and use, in particular the ability to have a more memorable username and password.

Once the new system is available, to use it you will need to register for access (your old username and password are no longer needed), and once you have access you will be able to:

- View payslips
- View P60s
- View benefit statements
- Run retirement calculations
- Submit and track the progress of general enquiries to the Fund Office

Once available, to register for self service you will need the following:

- Your **e-mail address**, your **Member number** and your **National Insurance number**, you will also need to key in other details about yourself such as your name and date of birth
- A unique username, you can choose your own username – between 8 and 20 characters long
- A password, you set your own password – between 8 and 256 characters long and contain at least one upper case, one lower case, one number and one symbol
- A memorable word – this must be between 8 and 20 characters long and contain at least one uppercase and one lowercase letter and at least one number

You then need to select five questions from the following and provide an answer, please note that answers need to be between 3 and 50 characters in length:

- Which secondary school did you attend?
- What country was your first holiday in?
- What was your first car?
- What is your favourite food?
- What was the name of your first pet?
- What was your childhood nickname?
- What is the name of your favourite childhood friend?
- What street did you grow up on?
- What was your childhood phone number including area code?
- In which city does your nearest sibling live?

## The importance of taking advice

Pensions are a complex area with members having decisions to make at various stages throughout their time as a member. In addition members have to take into account the tax implications of any decisions they are making.

While the Pension Fund Office provide members with information they cannot provide members with advice, so for this reason we recommend that members seek appropriate independent financial advice when making important decisions about their pension. We have included further details on the next two pages of scenarios where you may need to obtain independent financial advice.



# Tax Legislation

Tax legislation impacts pensions in a number of areas.

Members receive tax relief on their contributions and have the option to take part of their benefits on retirement as a tax free cash sum.

However, there are limits to the amount members can save towards their retirement without a tax consequence arising. The Lifetime Allowance (LTA) limits the value of pension savings to £1m. While this may sound a lot, your TfL pension is valued for LTA purposes as 20 x your pension. You then need to add the value of any other pension savings you may have, including Additional Voluntary Contributions (AVCs), pensions with a former employer or under a personal pension arrangement, and any pension already in payment. Where the total pension savings exceed the LTA, the excess is subject to a tax charge at 55 per cent.

On top of the LTA there is an Annual Allowance (AA) limiting the amount you may save towards your pension while receiving tax relief. The AA is £40,000 but for those with higher incomes (over £110,000) this allowance is reduced and depending on the level of income can be reduced to £10,000. For AA purposes the change in the amount of TfL pension you have built up over the tax year is multiplied by 16, plus AVCs and any other pension savings you have made are added to that value.

If your pension savings exceed the AA the excess may be subject to tax, so it is important to take appropriate independent financial advice when making additional pension savings to ensure that you are fully aware of the implications.

## Transferring In Benefits

This is an important decision as once made the decision cannot be reversed. Many members look to transfer their benefits from a former employers pension scheme or from a personal pension arrangement. In return for the payment of a transfer value the TfL Pension Fund offers a service credit; the credit is based on various factors and takes into account assumptions about future investment returns and salary growth. While a service credit may offer some degree of certainty, members should look very carefully at the option and compare the pension they are giving up with the pension being offered by the TfL Pension Fund. Different pension schemes value benefits in different ways depending on the type of scheme and also the schemes assumptions. For this reason it does not always follow that proceeding with a transfer is in the member's best interest.

You should seek appropriate independent advice when looking at a transfer as factors such as your overall financial situation and your longer terms plans for retirement generally need to be taken into account.

## Transferring Benefits Out

This is the opposite of transferring benefits into the Fund; you need to compare the benefits you are giving up with the benefits that you will receive on transfer. While some arrangements may offer more flexibility in the timing and method of drawing your pension, this flexibility needs to be balanced against the certainty you are giving up. For this reason legislation requires that most members transferring from a defined benefit pension scheme such as the TfL Pension Fund to a defined contribution arrangement to have sought appropriate independent advice from an FCA registered advisor and we cannot pay a transfer without having received evidence that members have received such advice.



# Additional Voluntary Contributions (AVCs)

Members have the option to pay AVCs. This is a way to save more towards your retirement and may give you greater flexibility as to when you can retire. A decision to pay AVCs and your AVC investment fund selections may have significant financial implications. Therefore if you are in any doubt about whether AVCs are appropriate or suitable for you, then you should consider taking appropriate independent financial advice.



## Late Retirement Option

Existing\* Members at age 60 and age 65, and New\*\* members at age 65 who are still contributing members of the Fund, have the option to stop paying contributions to the Fund and instead receive a late retirement increase to the pension they have built up. You need to carefully consider whether the option to stop paying contributions is better for you. This will depend on how much pension you have already built up as well as your longer term plans for retirement. Again if you are not sure which is the best option for you, you should seek appropriate independent financial advice.

\*Existing Members are those who joined the Fund on 1 April 1989 either through automatic entry or as a result of the merger of the London Transport Pension Fund and the 1970 Superannuation Fund.

\*\*New Members are those who have joined the Fund since 1 April 1989.

## Retirement Options

When you reach retirement, you will have various options depending on your age, these may include

- The option to take a tax free cash sum with a lower ongoing pension
- The option to have a higher pension until State Pension Age with a lower pension from State Pension Age (often referred to as the Variable Pension Option in TfL Pension Fund literature)

These options have an impact on your long term pension income as well as an impact on limits for the Lifetime Allowance and Annual Allowance, so again if you are not sure which is the best option for you, you should seek appropriate independent financial advice.

# Investment News

## **TfL Pension Fund updates its Investment Beliefs to cover sustainability and becomes a signatory of the United Nations Principles of Responsible Investment**

The Trustees recognise the Fund's responsibility as an active and long term institutional investor to support and encourage good corporate practices in the companies in which it invests. In the stewardship of assets this means paying due regard to relevant environmental social and governance, (ESG) considerations when considering the purchase, retention or sale of investments. Following the Trustees' review of their investment beliefs that underpin the approach to investment strategy, in addition to the existing belief that active corporate governance can add value, they have included as a new belief that investment return and sustainability are not conflicting objectives.

Analysis of ESG factors may serve to highlight exposures that could harm a company over the longer term while companies which positively engage with ESG issues may achieve greater long-term value when compared with those which do not. Through delegation to its investment managers the Trustees communicate with companies and exercise the rights attaching to its investments through shareholder voting. In order to build on this investor activism, the Fund has become a signatory of the United Nations Principles of Responsible Investment (PRI) which require the Fund to:

- ***Incorporate ESG issues into investment analysis and decision-making processes***
- ***Be an active owner and incorporate ESG issues into ownership policies and practices***
- ***Seek appropriate disclosure on ESG issues by the entities in which it invests***
- ***Promote acceptance and implementation of the Principles within the investment industry***
- ***Work together to enhance our effectiveness in implementing the Principles***
- ***Report on activities and progress towards implementing the Principles***

Through this association with the PRI the Fund will gain support in developing its engagement with ESG issues and through the PRI reporting framework provide information on its activities and be able to assess progress. There are over 1,600 PRI signatories worldwide comprising asset owners, such as the TfL Pension Fund, investment managers and service providers, representing over \$60 trillion in assets.

Signatories are not expected to achieve instant compliance, but they are required to start to incorporate the PRI into investment decision-making and ownership practices and report on their implementation. The Fund will be working on its compliance with the PRI using its existing resources and this will determine the scale and pace of the Fund's engagement.

The update to the Fund's investment beliefs and its becoming a signatory to UK PRI will be included in its revised Statement of Investment Principles. This is due for review by the Trustee Board at its meeting at the end of March and the final version will be posted on the Fund website.

# Annual Members' Meeting

The Annual Members' Meeting was held at One Great George Street on 14 October 2016. The meeting began with an introduction from the Chair of Trustees, Maria Antoniou, and was followed by a review of the year by the Fund Secretary, Stephen Field. He provided a summary of the Trustee structure and work undertaken by the six standing committees of the Trustee Board. An update was given on lifting the suspension on transfers in and changes to the Fund Rules. He also provided an overview of the Fund's investment managers, focussing on responsible investments and the Fund's income, expenditure and investment returns. Mr Field concluded his report with a summary of the reported statistics of the work carried out by the Fund Office as well as a membership review for the year.

There were three guest speakers on the day. Gareth Oxtoby, Scheme Actuary, from Willis Towers Watson, presented the results of the Actuarial valuation as at 31 March 2015 which included the purpose of the valuation, the process and methodology to set assumptions and the discount rate applied, the importance of the Fund's investment strategy and employer covenant. Ian Pittaway, from Sackers, the Fund's legal adviser, gave a presentation on the challenges faced by trustees of pension schemes during the year. Finally, Ed Francis from Willis Towers Watson, the Fund's investment adviser, provided an investment update which included the importance of the Fund's assets and the Trustee's role to safeguard these assets, diversifying manager risk, considering historical and recent events, the economic outlook and market view. He concluded by reporting on the active involvement and changes made by the Trustees through reviewing and adjusting the Fund's investment strategy.

Alongside the presentations there were a variety of exhibitors, including the Pensioner Liaison Scheme, The Pension Consultative Council, The Friends of the London Transport Museum and Tax Help for Older People. 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.tfl.gov.uk/pensions](http://www.tfl.gov.uk/pensions)

The 2017 Annual Members' Meeting will take place on Friday 27 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 at the exhibition, which will be open from 10:30 to 12:45. Once the meeting has formally concluded in the Telford Theatre, there is an opportunity to meet the Trustees and their advisers. Fund Office Staff will also be present and refreshments will be provided.

## Pension Increases

The April 2017 pension increase is based on the rise in the Retail Prices Index (RPI) over the 12 months to September 2016.

The full year increase is 2 per cent, and will be paid to all eligible pensioners on 17 April 2017.

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.tfl.gov.uk/pensions](http://www.tfl.gov.uk/pensions)

Depending on the period of membership of the TfL Pension Fund, your pension may comprise various components, some of which are not increased by the Fund at the above rate, but may be increased by the State.

## Annual Payslips

Your annual payslip, which will include your P60 for the 2016/2017 tax year, is due to be issued on 28 April 2017. The pay dates for 2017/18 are:

18/04/2017	04/09/2017	22/01/2018
15/05/2017	02/10/2017	19/02/2018
12/06/2017	30/10/2017	19/03/2018
10/07/2017	27/11/2017	
07/08/2017	27/12/2017	

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.



# Communications Timetable

<b>April</b>	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 2016/2017
<b>May/June</b>	AVC statements to all members of the AVC Plan
<b>September</b>	Annual Review – the Trustees’ summary of the Report and Accounts incorporating the Summary Funding Statement – how the Fund’s invested assets compare with the liabilities to pay benefits Benefit statements to all contributing members (with at least one year’s membership of the Fund) Benefit statements to all Deferred members
<b>October</b>	Annual Members’ Meeting – a forum for all members to meet the Trustees and discuss the Fund – details will be included in the Annual Review

As well as the documents listed above which are issued to various categories of Members, the following documents will also be published on the Fund’s website where you can view or download them.

<b>April</b>	Statement of Investment Principles – this is the Trustee statement of the principles governing investment decisions
<b>September</b>	Annual Report & Accounts at 31 March 2017 – the Annual Review which is issued in September is a summary version of the full Report & Accounts

In addition to these planned communications, we continually review the content of the Funds website; during the last year we have introduced individual help sheets covering various topics and will continue to add to these in the future. The following help sheets are currently available from the website:

- The State pension is changing**
- Working part time**
- Pension choices from age 60**
- Planning your retirement**
- Pension impact of a non consolidated pay award**

## 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, which is run every two years. The Fund has participated since 2004 and submitted data for the 2016 exercise.

The results of the 2016 NFI exercise are expected shortly and an update will be provided in the next issue of Pensionews.





# TfL 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 (LU), and TfL employees other than LU. The PCC has a role in nominating Trustees to the Pension Fund on behalf of the three sections that constitute the PCC. The PCC constitution is on the Fund's website at [www.tfl.gov.uk/pensions](http://www.tfl.gov.uk/pensions)

## Election results 2016

The longest serving quarter of the PCC retired from office as usual on 30 November 2016. The term of office for the new appointments, detailed below, started on 1 December 2016 and will end on 30 November 2020.

In Section One (representing pensioners and deferred pensioners) Paul Kilius-Smith and Christopher Miller retired. This Section received two valid nominations meaning no postal ballot was required. Mr Kilius-Smith and Mr Miller were duly re-elected with both Paul and Chris having served on Section One since December 2012 and December 1997 respectively.

In Section Two (representing TfL and its subsidiaries or contractors, excluding London Underground

Limited) Luke Howard retired. In addition Stephen Ellaby retired from the PCC and as their nominated Trustee in order to take up the position of the TSSA Union nominated Trustee on the TfL Pension Fund Board. Two valid nominations were received and Mr Howard was re-elected. Luke has served on Section Two since December 2008. The PCC also ratified the appointment of new Councillor Samuel Laidler to take up the casual vacancy left by Mr Ellaby.

In Section Three (representing London Underground Limited and its subsidiaries and Tube Lines Limited), Eddie Darroch, Richard Head and Roy Carey all retired. Two valid nominations were received from Mr Darroch and Mr Head and they were both duly re-elected, leaving a casual vacancy in this Section. Eddie and Richard have both served on Section Three since July 2011 and December 2008 respectively. The PCC also ratified the appointment of new Councillor Joan McAllister to take up the casual vacancy left by Mr Carey.

For more information about the PCC please visit the TfL Pension Fund website at [www.tfl.gov.uk/pensions](http://www.tfl.gov.uk/pensions) or contact Julian Collins, PCC Secretary, on 020 7918 3789 or by email to [juliancollins@tflpensionfund.co.uk](mailto:juliancollins@tflpensionfund.co.uk)



# 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.

There have been a few changes to the Trustee Board and the Committees on which the Trustees sit since we issued the Annual Review last September, the main changes are:

Stephen Ellaby, nominated by TSSA, was appointed on 11 June 2016 to replace John Knowles who retired as a Trustee on 11 December 2015, and effective from this date Mr Ellaby stepped down from the Pension Consultative Council (PCC). The PCC nominated Carole Davies as a Section 2 councillor representative of the PCC with effect from 9 December 2016.

Nicola Cox, nominated by TfL, was appointed on 9 December 2016 to replace Angela Back who retired as a Trustee on 30 September 2016.

Tanya Coff, nominated by TfL, was appointed on 9 December 2016 to replace Mike Weston who resigned as a Trustee on 30 September 2016.

Tricia Ashton, nominated by TfL, was appointed on 9 December 2016 to replace Dave O'Brien who resigned as a Trustee on 30 September 2016.

A number of Trustees have also switched committees and the current membership of the committees is shown below:

<b>Committee</b>	<b>TfL nominated</b>	<b>Non TfL nominated</b>
<b>Investment</b>	Mike Binnington Emanuela Cernoia-Russo Nicola Cox Stephen White	Lewis Brown Paul Kilius-Smith Paul Murphy John Timbrell*
<b>Operations</b>	Tricia Ashton Jill Collis Nicola Cox Rachel Kerry	Lewis Brown Carole Davies Graham Dean Paul Murphy*
<b>Audit</b>	Tanya Coff Jill Collis Stephen White	Lewis Brown* Graham Dean Stephen Hedley
<b>Appeals</b>	Tricia Ashton Tanya Coff Rachel Kerry	Graham Dean* Stephen Ellaby Paul Kilius-Smith
<b>Actuarial Valuation</b>	Maria Antoniou* Rachel Kerry	Stephen Ellaby Chris Miller
<b>Alternatives &amp; Liability Hedging</b>	Mike Binnington Emanuela Cernoia-Russo	Paul Murphy John Timbrell*

\* Chair

# IMPORTANT INFORMATION

## Expression of Wish Forms

The Fund provides important benefits for your family, offering security and peace of mind for you and your dependants. If you are an Active or Deferred member, or have very recently retired there may be a lump sum payable on death.

We reminded all Active and Deferred members to do this in the benefit statements, however the significant majority of members failed to take action, so we still have about 40 per cent of Active and 60 per cent of Deferred members who have still not completed a form.

Where a lump sum is payable following your death, the Trustee has absolute discretion to pay it to one person or more and in any way they decide is appropriate, however the Trustee will take account of your wishes.

If we don't hold one for you, and the worst happens, it could lead to hardship for your loved ones or those dealing with your affairs; this has been brought home to us by the many cases we have seen where an Expression of Wish form was not completed. The Pension Fund is not always able to pay out the lump sum until those dealing with your affairs apply for Letters of Administration (if there is no Will) or Grant of Probate of the Will, which can take time. Worst case scenarios are that you have no blood relatives, then without a Will we cannot pay out at all or payment is made but not to the person(s) you would have hoped.

**It is therefore important that you complete and keep up to date an Expression of Wish form to let the trustee know how you would like this to be paid.** Forms are available from the Fund Office or can be downloaded from the Fund's website.

## Other Fund Matters

### 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 150 per cent of your current pension or £33,400. This latter figure is increased annually by earnings inflation.

### Clive Hodson CBE

We sadly report the passing of former Chair of Trustees Clive Hodson who died on 3 October 2016. Mr Hodson joined London Transport's Finance department in March 1974. He became the Director of Finance in 1980 and then the Managing Director of Buses in 1989.

Mr Hodson was also appointed as a Trustee of the London Regional Transport (LRT) Pension Fund in November 1989 and subsequently became Chair of Trustees in September 1998 until he retired in July 2003.

## Save Money and Go Green



In order to do our part to help reduce greenhouse emissions as well as reduce costs, we introduced ecomms so you can register to opt out of receiving paper copies of some of the publications that we issue. Instead you can choose to view them on our website or download your own copy to keep.

We will still issue certain documents to you in paper form, including those we are required to by legislation. So if you are keen to do your bit to help the environment and save the Fund money, read on to see the benefits and how to register.

### 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!



OXFORD CIRCUS



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

## Contacting us

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.

### Telephone numbers

If you are looking to start, change or stop Additional Voluntary Contributions, contact

#### Your surname begins with

A to D  
E to K  
L to Q  
R to Z

#### Telephone number

020 7918 4498  
020 7918 4726  
020 7918 4926  
020 7918 3027

### For all other enquiries, contact

#### Your surname begins with

A, F or V  
B  
C or Z  
D or E  
G or L  
H  
I, O or W  
J, K or N  
M  
P  
Q, S, U or X  
R, T or Y

#### Telephone number

020 7918 3797  
020 7918 4895  
020 7918 4176  
020 7918 3322  
020 7918 4864  
020 7918 4828  
020 7918 3021  
020 7918 4784  
020 7918 4720  
020 7918 4897  
020 7918 4697  
020 7918 3026

If you are calling the Fund Office internally, the auto number is the last 4 digits of the full number preceded by a 4.

### They can be contacted at:

**TfL Pension Fund**, 4th Floor,  
Wing over Station, 55 Broadway,  
London, SW1H 0BD Email at:  
[helpdesk@tflpensionfund.co.uk](mailto: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.tfl.gov.uk/pensions](http://www.tfl.gov.uk/pensions)

### 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, it will save you having to wait and also mean 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.tfl.gov.uk/pensions](http://www.tfl.gov.uk/pensions)

