

# Pensionews

## TfL Pension Fund

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Issue 7

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# Chairman's message

Welcome to the seventh edition of Pensionews. Following on from my introductory message last year, a lot has been happening in the world of Pensions. This edition brings you the latest news on issues currently facing the Fund, including:

- AVCs
- Government Announcements
- Pension Increases
- PCC Election Results
- National Fraud Initiative
- Trustee update

Over the past year there have been changes to the Trustee Board and we thank retiring Trustees and welcome new members to the Board. (See page 10)

We are pleased to announce that the TfL Pension Fund was highly commended in the category for Best Scheme Governance (Public Sector) and, for the second year running, won the award for best use of IT at the Professional Pensions 2010 Pension Scheme of the Year Awards.

Head of Pensions and Fund Secretary, Stephen Field was named "Pensions Manager of the Year" at the Engaged Investor Trustee Awards in July 2010 and "Scheme Manager of the Year" in the Pensions Week Scheme of the Year Awards.

As usual we provide a communications timetable for 2011 which includes the details of this year's Annual Members' Meeting for your diary.



If you have any comments about this issue of Pensionews or any other Fund publication, we always welcome your feedback so please let us know by contacting the Fund Office; details are on the back page.

**Maria Antoniou**

Chairman of the TfL Pension Fund Trustees



# The Annual Members' Meeting

The Annual Members' Meeting held at One Great George Street on 12 October 2010 was another well attended event. 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 completion of the 2009 Actuarial Valuation of the Fund, and provided an update on Equitable Life and recent Government announcements on pensions. He also referred to the success of the member self-service facility on the Fund's website.

There were three guest speakers on the day. Richard Williams, Scheme Actuary, Towers Watson, reported on the results of the 2009 Actuarial Valuation and provided an update on the funding position of the Public Sector Section. Patrick Race, from Mercer, the Fund's investment adviser, provided an investment update. Patrick reported on the Fund's investment managers' performance as at 30 September 2010. He also spoke of the changes made to the Fund's equity portfolio and the increased position in the alternatives portfolio. Finally, Ian Pittaway, from Sackers, the Fund's legal adviser, presented on the legal outlook and the forthcoming 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; details can be found on the Fund's website at [www.tflpensionfund.co.uk](http://www.tflpensionfund.co.uk)

The 2011 Annual Members' Meeting will take place on Tuesday 18 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.



## 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. The Fund participated in 2004, 2006 and 2008, and has again provided data for the 2010 exercise.

The results of the 2010 NFI exercise are expected shortly and an update will be provided in the next issue of Pensionews.

# Government Announcements

There have been a number of Government announcements affecting pensions since the last issue of Pensionews.

The State Pension Age (SPA) will be increased from 65 to 66 between December 2018 and April 2020 for both men and women.

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

This change will not affect the normal retirement age in TfL Pension Fund which remains at 65. However, for those who have already retired and chosen the variable pension option this pension element will still cease at the SPA in force at the date of retirement even though the State Pension will now come into payment later. If you are affected by this change the Fund Office will write to you as soon as the legislation comes into force.

As people are generally living longer, the Government has confirmed it will remove 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). From that date, employers will need to objectively justify having a compulsory retirement age for their workforce. The Fund 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 is consulting on the potential switch from RPI to CPI in schemes

governed by trust deeds, such as ours. Indications are that no changes will be made that impact the TfL Pension Fund, so pension increases will remain linked to RPI.

Lord Hutton's Public Service Pension Commission published its interim report on public service pensions in October 2010. The report distinguishes 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 were the BBC, Transport for London, the Bank of England and the Royal Mail.

The report's specific recommendation of an increase in contributions is 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 recommendations are made in the final report regarding these areas for public service pension schemes, they are likely to be seen as having relevance for the wider public sector too.

Also the review appears to be seeking to establish a reform in public service pensions, a new benchmark for the private sector to aim towards e.g.

- adequate level of retirement income with reasonable degree of certainty
- ability to adjust to changes in circumstances such as longevity
- effective benefits from membership being more equally distributed than in the final salary model

So an implication may be that the wider public sector would also be encouraged to adopt that benchmark too, once it has been established.

At the time of going to print, Lord Hutton's final report had just been published; updates on the impact of the recommendations will be included in future publications.

# Tax Changes

Pension Tax changes are being introduced from April 2011. The Annual Allowance (maximum amount of tax exempt pension savings that can be built up in one tax year) reduces 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 2008/9, 2009/10 and 2010/11.

The value of the increase in a defined benefit pension over the year will not be measured by contributions but be 16 times the increase in the pension built up, after allowing for indexing the pension at the start of year in line with inflation. So an increase in pension built up by £1,000 will be worth £16,000 for annual allowance purposes. Any Additional Voluntary Contributions paid would be added to this figure.

Pension benefits for former employees (so-called deferred pensioners) will be exempt from the annual allowance regime

The Lifetime Allowance (overall maximum capital amount of tax exempt pension savings that an individual can build up in all their pension arrangements over their lifetime) reduces from £1.8m to £1.5m from April 2012. For defined benefits the factor for valuing the lifetime allowance remains at 20, so an annual pension of less than £75,000 would be within the limits of the allowance. Some transitional protection will be offered to those exceeding the limit, although the details of this have not yet been finalised.

Our annual benefit statements currently show how much of the Lifetime Allowance has been used. From 2011 the benefit statement will also include details of Annual Allowance usage. We also take this opportunity to confirm to members that the Pension Input Period (PIP) over which pension savings is measured in the Fund is the same as for the scheme accounting year i.e 1 April to 31 March. Although the PIP has been in existence since 6 April 2006, it may have greater significance for some members from 6 April 2011 with the reduction in Annual Allowance. So the value of increase in pension built up plus any Additional Voluntary Contributions paid into the scheme from 1 April 2011 to 31 March 2012 will be the pension input amount for the 2011/12 tax year.

Any tax charge payable would be at the individual's marginal rate. The Government is consulting on the options to give individuals and schemes more flexibility over the payment of tax charges. They do intend to allow tax to be paid by the individual's pension scheme and have the pension reduced instead - the exact mechanism is subject to the consultation.

These changes from April 2011 do not have any impact on the pension lump sum which continues to be payable in full without tax as currently.



# 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](http://www.tflpensionfund.co.uk) then you too can 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, by post in two separate letters for security reasons.

If you experience difficulties registering, please email [helpdesk@tflpensionfund.co.uk](mailto:helpdesk@tflpensionfund.co.uk) including your contact details and Member number.

## Pension Increases

The April 2011 pension increase is based on the rise in the Retail Prices Index (RPI) over the 12 months to September 2010.

The full year increase is 4.6 per cent, and will be paid to eligible pensioners on 26 April 2011.

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](http://www.tflpensionfund.co.uk)

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. All the components of your pension are shown on your payslips.

## Annual payslips

If you are in receipt of a pension your annual payslip, which will include your P60 for the 2010/2011 tax year, is due to be issued by 28 April 2011.

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.



## Why not try something new?

With smartphones and other similar devices becoming more popular by the day, the Pension Fund is using the opportunities this technology brings to make access to online content easier; and in doing so have become one of the first areas within TfL to make use of a QR code (the shaded box on the right provides some details about QR codes and how they work).

You will start to see the QR code published in Pension Fund related documents to offer an alternative channel to access specific online content; this is the first such document.

If you want to try it now, and have a smartphone with a QR code reader, the code on the back cover will take you to this newsletter.

You can access the registration page for e-comms direct by scanning the QR code printed at the bottom of the box on the right.

**What's a QR code?** It's the equivalent of a barcode that you can scan if you have a QR code reader app on your smartphone.

**What does it do?** It will take you direct to internet content to which the code relates without you having to type in the website address or having to navigate your way through the site.

**How do I get a QR reader?**  
You just need to download an app (there are lots of free ones).



## Save money and go green

In order to do our part to help reduce greenhouse emissions as well as reduce costs, we introduced e-comms so you can 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.

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!



## Register Today

### For your chance to help save money

Visit the Fund's website [www.tflpensionfund.co.uk](http://www.tflpensionfund.co.uk) and click the 'save money and go green' link on the home page, all you need to enter is 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.

# Missing Periods of Pensionable Service

Transport for London (TfL) have identified that some 7,800 members may not have been entered into the TfL Pension Fund as soon as they became eligible and, as a consequence, have a missing period of pensionable service.

TfL have written to all potentially affected members offering them the opportunity to pay an amount which represents their contribution for the missing period and have their pension entitlement increased to take account of this. Around 2,900 people have successfully applied for this additional pension. If you have not received a letter you are not affected and need take no further action. If you think it might apply to you and you have not received a letter, please contact the Fund Office. However, if you did receive the invitation but chose not to follow it up, the offer remains open.



## 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 2010/2011

### 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 – how the Fund's invested assets compare with the liabilities to pay benefits

Benefit statements to all deferred members

### October

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

# 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 Limited (LUL) and Tube Lines (TL), and TfL employees other than LUL and TL. The PCC nominates four of the nine non-employer-nominated Trustees to the Pension Fund to represent these groups.

## Election results 2010

The longest serving quarter of the TfL Pension Consultative Council (PCC) retired from office as usual on 30 November this year. The term of office for the new appointments, detailed below, started on 1 December 2010 and will end on 30 November 2014.

In Section One (pensioners and deferred pensioners) David Biggs and John Howie retired and were both re-elected following a postal ballot of the Section One members of the TfL Pension Fund. David has served on Section One since November 2005 and John since December 2006.

In Section Two (TfL and its subsidiaries or contractors, excluding LUL and TL) Stephen Ellaby retired and was re-elected following a postal ballot of the Section Two members of the TfL Pension Fund. Stephen has served on Section Two since December 2006.

In Section Three (LUL, its subsidiaries and TL) Jackie Darby and Thandi Davis retired. Jackie Darby was re-elected and Gilly Leonard-Ross elected following a postal ballot of the Section Three members of the TfL Pension Fund. Jackie has served on Section Three since December 2006.

For more information about the PCC or to obtain a copy of the constitution please visit the TfL Pension Fund website at [www.tflpensionfund.co.uk](http://www.tflpensionfund.co.uk) or contact Sarah Pascall, PCC Secretary, on 020-7918-3018 or by email to [sarahpascall@tflpensionfund.co.uk](mailto:sarahpascall@tflpensionfund.co.uk)



## Your address

The Fund Office is aiming to complete a data cleanse of the addresses we hold for pensioners and deferred members by checking our address records against the Post Office data base; so you may find that minor changes are made to your address to bring it into line and enable efficient delivery of your mail from us.



## Trustee Update

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 changes are:

- Dave O’Brien, nominated by TfL, was appointed to replace Fergus O’Connell on 29 September 2010
- Lewis Brown, nominated by Unite the Union, was appointed to replace Tom Chinnery on 7 December 2010
- Mike Binnington, Nominated by TfL, was appointed to replace Peter Regan on 16 March 2011

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 2010, the Trustee Board agreed to the creation of a new committee called the Alternatives & Liability Hedging Committee, which covers investment matters concerning alternative assets and liability hedging, including strategy, the appointment and monitoring of investment managers and monitoring the overall benchmark for the Fund’s portfolio.

**The current membership of the committees is shown below:**

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

# Additional Voluntary Contributions

## Equitable Life

In July 2010 the Government published the independent advice from Sir John Chadwick on the financial losses sustained as a result of Government maladministration in the regulation of Equitable Life. Having considered this report, along with representations from other interested parties, a full response, including confirmation of funding of £1.5 billion for the Equitable Life Payments Scheme, was provided within the Comprehensive Spending Review the Chancellor announced in October 2010.

The Trustees made representations to both the Treasury and Prime Minister on Equitable Life. These were in respect of the compensation scheme and were seeking to ensure that Government takes account



that a “per policy” basis would disadvantage members in a group policy such as ours.

In November, the Equitable Life (Payments) Bill was debated and passed through Parliament, receiving Royal Assent in December. Passage of this legislation was an important step in bringing forward a resolution for policyholders as it enables payments to be made to Equitable Life policyholders in the future.

The Government had stated that it had sought to strike a balance between the interests of the policy holders and those of the taxpayers. Also due to the current economic climate and the drive to contain public spending, pay outs would focus on those who were deemed particularly vulnerable e.g. policy holders who were not able to move their funds elsewhere or compensate losses through employment. The Government has confirmed that priority will be given to those 37,000 policy holders with “trapped annuities” who suffered an average loss of around £16,500 and would be fully compensated from the £1.5 billion being made available, leaving £775 million for other policyholders.

In late January 2011, the Independent Commission on Equitable Life Payments reported to the Government

on how to allocate payments for the £775 million. The Commission has advised that there should be a pro rata allocation of the available money. This means that each individual policyholder or individual member in a group policy would receive 22.4% of their relative loss. It is expected that 50% of members in group policies may receive £100 or less with a further 20% receiving up to £250 with the remaining 30% of members receiving more than £250. We do not know yet how TfL Pension Fund’s group policy position compares with this average analysis.

The Government will incorporate the Commission’s recommendations into the design of the scheme, which will then be scrutinised by Parliament in the spring. It is the Government’s ambition to make the first payments by the middle of 2011. While the oldest policyholders are being given priority, this will not apply to members in group policies such as the TfL Pension Fund’s who are unlikely to receive any payments until year 2 or year 3.

Together with the Trustees’ advisers we will be monitoring these developments with a view to communicating with members, when there is any further relevant information to report.

# Contacting us



The staff in the Fund Office are always pleased to help with any enquiries you may have. To make it easier for you to get through to the right member of the team faster, we have listed below which team member you should contact along with their direct dial numbers.

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.

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](http://www.tflpensionfund.co.uk)

## If you are receiving your pension

Your surname	Contact	Telephone number
A-G	Alan Baxter	020 7918 3322
H-O	Lee Dowden	020 7918 4720
P-Z	Kevan Tiley	020 7918 3648

## If you are still working

Your surname	Contact	Telephone number
A-K	Beverly McLeod	020 7918 4735
L-Z	Hazel Gray	020 7918 3797

## If you are thinking of leaving, retiring or drawing your deferred pension

Your surname	Contact	Telephone number
A C E or I	Asmita Punater	020 7918 4784
B or D	Wendy Collins	020 7918 4895
F G J or K	Gavin Fennell	020 7918 4828
H L or T	Shahid Iqbal	020 7918 4176
N O P or Q	Sofia Lecky	020 7918 4864
M U V W or X	Barbara Twena	020 7918 3549
R S Y or Z	Marcus Green	020 7918 4897

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