

Pensionews

TfL Pension Fund

March 2014

Issue 10

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Chairman's Message

Welcome to the tenth edition of Pensionews. The TfL Pension Fund had a very busy 2013 with the conclusion of the 2012 Actuarial Valuation of the Fund. No more are Pensions seen as a static area - every year we see Government announcements which if relevant for the TfL Fund we have to implement.

This edition brings you the latest news on issues currently facing the Fund, including:

- Auto Enrolment
- Funds' Investments
- Additional Voluntary Contributions
- Government Announcements
- Pension Increases
- PCC Election Results
- National Fraud Initiative
- Trustee Update

Over the past year there have been a number of changes to the Trustee Board and the membership of the various Trustee Board sub committees (see page 9). I would like to thank those Trustees who have stepped down for their contribution and welcome our new Trustees. Being a Trustee involves a significant

time commitment and I know none of our Trustees take their responsibilities lightly.

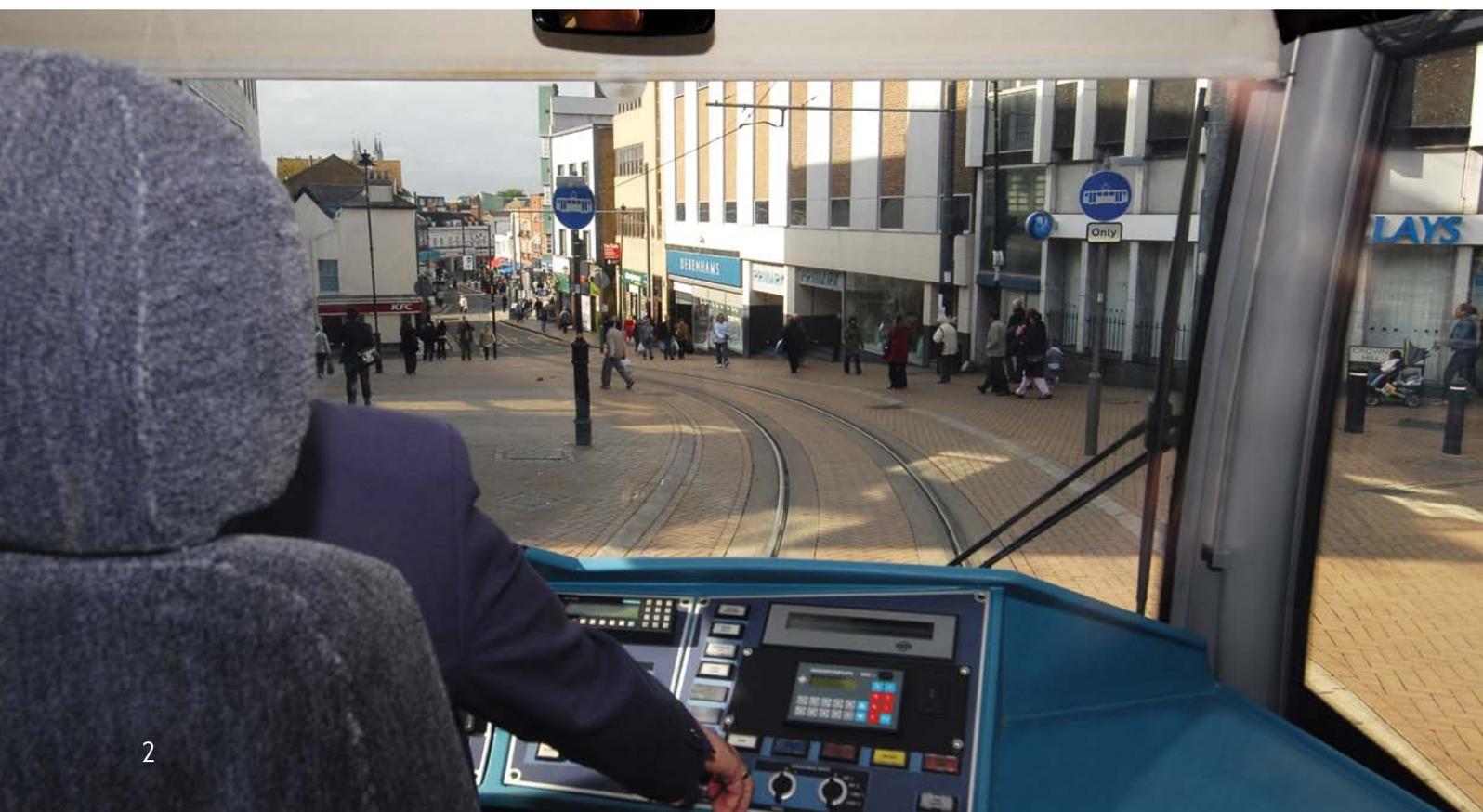
I specifically would like to thank our Scheme Actuary Richard Williams who retired after 10 years of supporting the Fund. I am delighted that Gareth Oxtoby has taken over this role; he brings many years of experience with him and I know will be a tremendous asset to us.

As usual we provide a communications timetable for 2014 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 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 22 October 2013 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 year by the Fund Secretary, Stephen Field. Stephen gave an account on the work carried out by the Fund Office, the income, expenditure and investment returns of the Fund. He also provided an update on Equitable Life and Trustee changes as well as highlighting all of the member communications published in the last year.

There were three guest speakers on the day. Gareth Oxtoby, the Scheme Actuary from Towers Watson, gave an update on developments in the UK pension schemes market, the 2012 Valuation of the Fund and the financial progress of the Fund over the year. Ed Francis, from Towers Watson, the Fund's investment adviser, provided an investment update. Ed reported on the Fund's investment managers' performance as at 31 March 2013. He also spoke of the changes made to the Fund's investment portfolio and the increased position in alternative investments as well as providing detail about what has happened to the world financial market during 2012/13. 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 Pensions 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 which can be found on the Fund's website at www.tflpensionfund.co.uk

The 2014 Annual Members' Meeting will take place on Friday 24 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 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 has again submitted data for the 2012 exercise.

As a direct result of our participation in 2012 overpayments have been recovered and further inappropriate payments have been stopped. The Fund Office is still pursuing some overpayments identified by this exercise.



Government Announcements on Pensions: Roundup

The last issue of Pensionews featured a number of government announcements and here is a recap and update of these.

Pension Tax changes which were first announced in the Chancellor's 2012 Autumn Statement will take effect from 6 April 2014. These are the reduction in the Annual Allowance and Lifetime Allowance.

The Annual Allowance (maximum amount of tax exempt pension savings that can be built up in one tax year) is being reduced from £50,000 a year to £40,000 a year. This allowance can be carried forward so that if an individual exceeds this in one year, any unused amounts can be utilised from the previous three years.

The value of the increase in a defined benefit pension over the year is not measured by contributions but by 16 times the increase in the accrued pension, after allowing for inflation. So, after allowing for inflation, an increase in pension accrued by £1,000 will be worth £16,000 for annual allowance purposes.

Any additional voluntary contributions (AVCs) paid would be added to this figure. Information is provided on the value of the accrued Fund benefit for annual allowance purposes for active members in their annual benefit statement.

Any annual allowance tax charge payable is at the individual's marginal rate. In certain circumstances the tax can be paid by the individual's pension scheme and they would have their pension reduced instead.

Pension benefits for former employees (so-called deferred pensioners) are 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) is being reduced from £1.5m to £1.25m from April 2014. For defined benefits the factor for valuing the lifetime allowance remains at 20, so an annual pension of over £62,500 would be required before the allowance from 6 April 2014 was exceeded.

The determination of whether a Lifetime Allowance charge is payable is made when the benefits are taken.

Through applying to HM Revenue and Customs (HMRC) for 'Fixed Protection' by 5 April 2014 members can retain the £1.5m limit. However such protection will be lost if there are further contributions made into a pension scheme.

Alternatively members can apply for Individual Protection. If the value of pension benefits at 5 April 2014 was over £1.25m, then this value (up to a maximum of £1.5m) could be retained as the member's personal Lifetime Allowance. Members who apply for Individual Protection can continue to contribute to a pension scheme. However, any value of their pension savings above their personal Lifetime Allowance will be subject to a tax charge when they take their pension.

Individual Protection will become law as part of the Finance Act 2014. Although the protection will apply from 6 April 2014, it will not be possible to make an application to HMRC until August 2014. Members will have up to 5 April 2017 to submit an application for Individual Protection to HMRC.

Members may apply for both Fixed Protection and Individual Protection. Fixed Protection will take precedence, but if they were to lose it then Individual Protection would still be available.

The annual member pension benefit statement shows the capital value of members accrued pension for comparison with the Lifetime Allowance. The value of any AVCs or other benefits in other pension arrangements should also be taken into account.

These pension tax changes do not have any impact on the pension lump sum which continues to be payable in full without tax as currently, except that for those with pension benefits exceeding the Lifetime Allowance where the upper limit would be 25 per cent of the Lifetime Allowance.





Single Tier State Pension

The Pensions Bill which is expected to become law at Easter 2014 includes the introduction of a higher flat-rate pension, replacing the Basic State Pension and earnings-related State Second Pension. The new pension will apply only to those who reach State Pension Age after the implementation date, which is now set for 6 April 2016 (a year earlier than had been expected when Pensionews was published in March 2013).

The proposals include the ending of 'contracting out', which will affect schemes such as the Tfl Pension Fund and mean higher National Insurance contributions (NICs) for both the employee and employer.

Contracted-out scheme members and employers currently pay reduced NICs. The rebate is 1.4 per cent of relevant earnings (earnings between £109 and £770 per week) for employees and 3.4 per cent for employers. Once contracting out ceases take home pay will reduce and Tfl's costs will increase, because these rebates will be lost. For example, a member earning £30,000 a year would pay £339 extra NICs and Tfl an extra £824 a year.

As contracting out involved the provision of an equivalent benefit as part of overall Fund benefits instead of through the State Second Pension, this

means that members will not qualify for credits towards the higher flat-rate pension, except for any period during which they were not contracted out.

The proposals in the Pensions Bill have yet to be finalised and enacted and the transitional provisions towards reaching the 'simplicity' of the new system are likely to be complex. The Bill currently also provides for an override for employers to offset their increased National Insurance costs through an increase in member pension contributions or a reduction in pension benefits.

The Trustees and their advisers will be monitoring the Pension Bill's progress and provide updates to members as the details are finalised.

Variable Pension Option

Members who retire before their State Pension Age can elect to receive a higher pension at retirement, which is then reduced when their State Pension commences.

Following the enactment of the Finance Act 2013, it has been possible to amend the Fund Rules so that those whose State Pension Age has changed since they retired can now take advantage of the option to extend the variable pension to their new State Pension Age.

Pension Increases

The April 2014 pension increase is based on the rise in the Retail Prices Index (RPI) over the 12 months to September 2013.

The full year increase is 3.2 per cent, and will be paid to all eligible pensioners on 22 April 2014.

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 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.

Self Service Update

Following feedback from members we have made some changes to our self service website, to allow you to:

- ✓ Change your username
- ✓ Change your password
- ✓ Request your username if you have forgotten it
- ✓ Request your password if you have forgotten it

In addition we have changed the way in which you can view past benefit statements. You can now view the full version of all past benefit statements since 2009.

If you have not yet registered for self service, why not do so today? See page 11 for more details.

Annual Payslips

Your annual payslip, which will include your P60 for the 2013/2014 tax year, is due to be issued on 25 April 2014.

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.

Remember that if you have registered for self service you will be able to view your P60 details online from 6 April.



Communications Timetable

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 2013/2014
May/June	AVC statements to all members of the AVC Plan
June/July	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 – 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.

April	Statement of Investment Principles – this is the Trustee statement of the principles governing investment decisions
August	Annual Report & Accounts at 31 March 2014 – the Annual Review which is issued in September is a summary version of the full Report & Accounts



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, 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 is on the Fund's website at www.tflpensionfund.co.uk

Election results 2013

The longest serving quarter of the PCC retired from office on 30 November 2013. The term of office for the new appointments, detailed below, started on 1 December 2013 and will end on 30 November 2017.

In Section One (pensioners and deferred pensioners) Linda Arwood and David Porter retired. Linda Arwood and Peter Amos were elected following a postal ballot of the Section One members of the TfL Pension Fund.

In Section Two (TfL and its subsidiaries or contractors, excluding London Underground Limited) there were two vacancies. Carole Davies and Steve Poole were elected following a postal ballot of the Section Two members of the TfL Pension Fund.

In Section Three (London Underground Limited and its subsidiaries) Mark Harding and Linda Martin retired. Mark Harding and Ray Carey were the only nominees for the vacancies and were therefore elected.

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



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 changes are:

Emanuela Cernoia-Russo, nominated by TfL, was appointed on 24 September 2013 to replace Stuart Munro who retired as a Trustee on 31 May 2013.

Mike Weston, nominated by TfL, was appointed on 3 December 2013 to replace Clare Kavanagh who retired as a Trustee on 24 September 2013

The current membership of the committees is shown below:

Committee	TfL nominated	Non TfL nominated
Investment	Angela Back Mike Binnington Emanuela Cernoia-Russo Gerry Duffy	Lewis Brown Chris Miller Paul Murphy John Timbrell*
Operations	Jane Hart Dave O'Brien Andrew Pollins Mike Weston	Linda Arwood* Lewis Brown Stephen Hedley Paul Murphy
Audit	Jane Hart Dave O'Brien Andrew Pollins*	Lewis Brown Graham Dean John Knowles
Appeals	Maria Antoniou* Angela Back Andrew Pollins	Linda Arwood Graham Dean Paul Murphy
Actuarial Valuation	Maria Antoniou* Emanuela Cernoia-Russo	Stephen Ellaby Chris Miller
Alternatives & Liability Hedging	Mike Binnington Emanuela Cernoia-Russo	Chris Miller John Timbrell*

* Chairman

Additional Voluntary Contributions

Equitable Life With Profits Fund

The Trustees have been advised that payments have been made to those eligible for compensation under the Equitable Life Payment Scheme.

Addresses were provided through a secure portal to Atos (who have been administering the Scheme for the Government) for the members they had identified as eligible.

To be eligible, policyholders would have needed to have invested at some time between 1 January 1993 and 31 December 2000. The Government has previously stated that eligible policyholders should receive 22.4 per cent of their relative loss.

Members may contact the Fund office if they wish to check if their name was included on the list provided by Atos.

Pensions Liberation

The Pensions Regulator and other Government agencies are becoming increasingly concerned about a practice known as 'pension liberation', also known as 'pension loans' and 'pension scams'.

This is a transfer of a scheme member's pension savings to an arrangement that will allow them to access their funds before age 55. Members who joined the Fund before 6 April 2006 already have the option to retire from age 50.

Converting a pension into cash might sound very attractive to people who urgently need money. However, if something sounds too good to be true, it invariably is.

Members are not informed, or are misled, as to the consequences of entering into one of these schemes. *You could face a tax bill of more than half your pension savings*, and those being targeted are usually not being told about the potential tax implications. In addition to this there may be unexpectedly high fees, typically 20 to 30 per cent for entering into one of these arrangements, and high risk investments for the remaining funds.

Members are advised to be vigilant. The Pensions Regulator in conjunction with the Pensions Advisory Service has highlighted some of the warning signs to look out for which include:

- Unsolicited text message or call
- Targeting people with poor credit histories
- Requests for personal information
- The offer of 'cash bonus'
- Loans from scheme to members
- Access to pension before age 55
- Transfers overseas
- No copy documentation – you should always be provided with the paperwork relating to the transfer, including full details of how your pension will be paid on retirement
- Member encouraged to speed up transfer – use of couriers or cash incentives to move quickly
- The organisation is not registered or newly registered with HM Revenue & Customs (HMRC).

If a member wishes to transfer out of the Fund, the TfL Pension Fund will take all reasonable steps to ensure that the receiving scheme is a registered pension scheme in the UK. We will not allow a transfer to a scheme that is not registered (or deemed registered) with HMRC. If there is any doubt as to whether it is a legitimate arrangement, the TfL Pension Fund will consult with HMRC for confirmation, and may delay the transfer.

Further information is available online via the following link:

www.pensionsadvisoryservice.org.uk/media/826600/members_leaflet.pdf

If you are concerned that you may have been targeted by pension liberation fraud, contact Action Fraud on 0300 123 2040.



Other Fund Matters

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 last summer when we issued benefit statements. However the significant majority of members failed to take action, so we still have approximately 11,500 Active and 11,250 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 do not hold an Expression of Wish form 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. The worst case scenario is that you have no blood relatives and 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.

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 £32,300. This latter figure is increased annually by earnings inflation.

Self Service

If you want to take more interest and control of your pension planning, why not register for Member self-service today, via the Fund's website 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 past annual Benefit Statements
- 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 under separate cover.

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

We cannot give financial advice or deal with tax matters, but will be able to advise you who you need 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 the nature of your enquiry.

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

**Your surname
begins with**

Telephone number

A to D

020 7918 3026

E to I

020 7918 4726

J to N

020 7918 4735

O to T

020 7918 4926

U to Z

020 7918 3027

For all other enquiries, contact

**Your surname
begins with**

Telephone number

A or D

020 7918 4697

B or E

020 7918 4897

C or F

020 7918 4784

G, J or L

020 7918 4895

H or K

020 7918 4864

I, M or N

020 7918 4720

O, S, U, V, X, Y or Z

020 7918 3797

P, Q or T

020 7918 4828

R or W

020 7918 3322

**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, 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.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