

# Pensionews

## TfL Pension Fund

March 2015

Issue 11

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# Chairman's Message

Welcome to the eleventh edition of Pensionews. Once again it has been a busy year in the world of pensions, and for the TfL Pension Fund in particular.

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

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

Over the past year there have been a number of changes to members of the various Trustee Board sub committees (see page 9).

As usual we provide a communications timetable for the year 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 24 October 2014 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. 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, Pension Protection Fund levies and the role and duties of a Trustee as well as Trustee changes, he also highlighted all of the member communications published in the last year.

There were three guest speakers on the day. Gareth Oxtoby, Scheme Actuary, Towers Watson, gave an update on developments in the financial position of the Fund, Budget changes for occupational pensions and the Actuary's role in determining the terms for member options. Ed Francis, from Towers Watson, the Fund's investment adviser, then provided an investment update which included the Trustee's role in relation to the Fund's assets. Ed reported on the Fund's investment managers' performance as at 30 June 2014. He also spoke of the changes made to the Fund's investment portfolio and noted key events that took place during the year which had an impact on world financial markets. Finally, Ian Pittaway, from Sackers, the Fund's legal adviser, presented on the Trustee's roles and responsibilities for the Fund.

Alongside the presentations there was a variety of exhibitors, including Dial-A-Ride, The Friends of the London Transport Museum, the Transport Benevolent Fund, The Pension Consultative Council, the Pensioner Liaison Scheme, The Pension Service (DWP) 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.tflpensionfund.co.uk](http://www.tflpensionfund.co.uk)

The 2015 Annual Members' Meeting will take place on Tuesday 2 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's data matching exercise detects, and helps to prevent, fraudulent and erroneous payments 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 2014 exercise.

The results of the 2014 NFI exercise are expected shortly and an update will be provided in the next issue of Pensionews.



# Government Announcements on Pensions: Roundup

## Pension Taxation

Most attention over the year has been on the defined contribution ("DC") pension scheme flexibilities and these mostly apply from April 2015. However it is up to individual pension schemes as to whether they choose to adopt them. Basically, instead of having to use most of a DC fund to purchase an annuity at retirement, members would be able to withdraw their fund wholly as cash (paying tax on this, except for the first 25 per cent which is currently tax-free)

For these purposes Additional Voluntary Contributions (AVCs) in defined benefit schemes, such as the TfL Pension Fund, are included as part of the DC flexibilities. As nearly all members can in practice use the whole of their AVC fund as part of their tax-free cash at retirement, the Trustees are not considering making any changes as a result of these new DC flexibilities.

A guidance service called Pension Wise has been launched to help people with DC funds understand the various choices and how they work. The service is available at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) Free phone or face-to-face guidance will also be offered to DC scheme members before they take their funds.

The guidance service may be relevant to you if you have AVC funds, or if you are a member of any other DC scheme.

Members can also currently transfer all or part of their AVC fund to another pension arrangement while keeping their main scheme benefit with the TfL Pension Fund.

You may have thought about transferring your Defined Benefit pension to an individual DC arrangement to take advantage of the new options. If you have left service and have a deferred pension under the Fund, you can request to transfer your benefits to another pension arrangement. However, if you wish to transfer to a DC arrangement you are now required to take advice from an independent financial adviser before a transfer can go ahead.

There have been no further changes made to the Annual Allowance (maximum amount of tax exempt pension savings that can be built up in one tax year) which was reduced from £50,000 a year to £40,000 a year from April 2014. 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 also unchanged having been reduced from £1.5m to £1.25m from 6 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 Lifetime Allowance is exceeded.

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

If the value of a member's pension benefits at 5 April 2014 was over £1.25 million then an application can be made to HM Revenue and Customs ("HMRC") for 'Individual Protection'. This means that the value of the pensions savings (up to a maximum of £1.5 million) 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.

You will have up to 5 April 2017 to submit your application for Individual Protection to HMRC.

Your annual Benefit Statement shows the capital value of your accrued pension for comparison with the Lifetime Allowance. If you have any AVCs or other benefits in other pension arrangements, the value of these 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 the upper limit is 25 per cent of the Lifetime Allowance.





## Single-Tier State Pension

The new single-tier pension will come into payment with effect from 6 April 2016 and will affect those who reach State Pension Age on or after that date.

The introduction of the single-tier State Pension will mean schemes such as the TfL Pension Fund will no longer be able to "contract out", so there will be higher National Insurance Contributions (NICs) for both employee and employer from 6 April 2016.

Contracted-out scheme members and employees currently pay reduced NICs. The rebate is 1.4 per cent of relevant earnings (earnings between £112 and £770 per week) for employees and 3.4 per cent for employers. Once contracting out ceases net 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 currently pay £338 extra NICs and TfL an extra £822.

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 for the time you have been a member of the TfL Pension Fund you will not qualify for credits towards the higher flat-rate pension; whether you have earned any credits for

employment before you joined the TfL Pension Fund will depend upon whether you were previously in contracted out employment. However qualifying years from 6 April 2016 will count towards the new State Pension.

The government has legislated to provide a statutory override to help employers make adjustments to their schemes to take account of their loss of the NICs rebate. Employers will be able to increase member contributions or reduce benefits, but any such changes would be subject to consultation with employees. Also, the government has proposed that these options will not be available in respect of "protected persons". This covers those members of TfL Pension Fund who transferred to Metronet, Tube Lines and other private sector companies at the time that the Public Private Partnerships were established.

The regulations covering the ending of contracting out have not yet been finalised and the transitional provisions towards reaching the "simplicity" of the new system are likely to be complex. Trustees and their advisers will be monitoring developments and consulting with the Principal Employer concerning its proposals and arranging communications, where appropriate, once details become known.

# Pension Increases

The April 2015 pension increase is based on the rise in the Retail Prices Index (RPI) over the 12 months to September 2014.

The full year increase is 2.3 per cent, and will be paid to all eligible pensioners on 20 April 2015.

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.tfpensionfund.co.uk](http://www.tfpensionfund.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 annual payslip.

# 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.tfpensionfund.co.uk](http://www.tfpensionfund.co.uk) and 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)
- Forecast pensions via an interactive pensions and AVC modeller
- View your past annual Benefit Statements
- View payslips and P60s (Pensioners only)
- Maintain your address details (Pensioners and Deferred Members)

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](mailto:helpdesk@tflpensionfund.co.uk) including your contact details and Member number.

# Annual Payslips

Your annual payslip, which will include your P60 for the 2014/2015 tax year, is due to be issued on 27 April 2015.

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

<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 2014/2015
<b>May/June</b>	AVC statements to all members of the AVC Plan
<b>June/July</b>	Benefit statements to all contributing members (with at least one year's membership of the Fund)
<b>August</b>	Annual Review – the Trustee's 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
<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 Updated Member Guides
<b>August</b>	Annual Report & Accounts at 31 March 2015 – the Annual Review which is issued in August is a summary version of the full Report & Accounts

In addition to these planned communications, we continually review the content of the Fund's 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 on 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**



# TfL Pension Consultative Council (PCC)

The PCC discusses 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 TfL Pension Fund to represent these groups. The PCC constitution is available on the Fund's website at [www.tflpensionfund.co.uk](http://www.tflpensionfund.co.uk)

## Election results 2014

The longest serving quarter of the TfL Pension Consultative Council (PCC) retired from office as usual on 30 November. The term of office for the new appointments, detailed below, started on 1 December 2014 and will end on 30 November 2018.

In Section One (representing pensioners and deferred pensioners), David Biggs and Keith Goldsworthy retired. This Section received two valid nominations. David Biggs was re-elected together with new member Beverley Milner-Simonds.

In Section Two (representing TfL and its subsidiaries or contractors, excluding London Underground Limited), Stephen Ellaby retired and was re-elected.

In Section Three (representing London Underground Limited and its subsidiaries and Tube Lines Limited), Jackie Darby and Gilly Leonard-Ross both retired. Four nominations were received and a postal ballot was held. Gilly Leonard-Ross was re-elected together with new member Steve Connolly.

For more information about the PCC please visit the TfL Pension Fund website at [www.tflpensionfund.co.uk](http://www.tflpensionfund.co.uk) 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 the Annual Review issued in September 2014, the changes are:

Paul Kilius-Smith, nominated by the Pension Consultative Council, was appointed on 29 March 2014 to replace Linda Arwood who retired as a Trustee on 28 March 2014.

Stephen White, nominated by TfL, was appointed on 6 June 2014 to replace Gerry Duffy who retired as a Trustee on 16 May 2014.

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

Committee	TfL nominated	Non TfL nominated
<b>Investment</b>	Angela Back Mike Binnington Emanuela Cernoia-Russo Stephen White	Lewis Brown Paul Kilius-Smith Paul Murphy John Timbrell*
<b>Operations</b>	Jane Hart Dave O'Brien Andrew Pollins* Mike Weston	Lewis Brown Graham Dean Stephen Hedley Paul Murphy
<b>Audit</b>	Jane Hart Dave O'Brien Andrew Pollins*	Lewis Brown Graham Dean John Knowles
<b>Appeals</b>	Maria Antoniou* Angela Back Andrew Pollins	Graham Dean Stephen Ellaby Paul Kilius-Smith
<b>Actuarial Valuation</b>	Maria Antoniou* Mike Weston	Stephen Ellaby Chris Miller
<b>Alternatives &amp; Liability Hedging</b>	Mike Binnington Emanuela Cernoia-Russo	Paul Murphy John Timbrell*

\* Chairman

# Additional Voluntary Contributions (AVCs)

## Equitable Life and Clerical Medical AVCs

The Trustees undertake regular reviews of the AVC providers and as a result of the 2014 review have decided that from the end of the current tax year no further contributions will be invested with either Equitable Life or Clerical Medical, as the funds offered are no longer recommended.

If you were paying AVCs to Equitable Life or Clerical Medical, you should have already received a letter from the Fund Office advising you of this change. At the same time details were provided of the funds available so that you can continue to pay AVCs and have them invested through Standard Life. If you are currently paying AVCs to Equitable Life or Clerical Medical and have not heard from the Fund Office, please contact them (see back page for contact details).

## Standard Life AVCs

As a result of the Trustees review of AVCs, some of the Standard Life funds are to be removed from the funds available for investment. If you are impacted by the removal of these Funds, the Fund Office will write to you explaining what happens next.

## AVC Guide

An AVC guide is currently being produced providing an overview of the TfL AVC plan, this will be available on the Fund's website and will also be available to members in hard copy on request.

In addition, details of the quarterly Standard Life updates will be published on the website for each of the funds available under the TfL AVC plan.

# Pension 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, and 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' or 'mention of legal loopholes'
- 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 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 HM Revenue & Customs (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 block the transfer.

Further information is available online via the following link:

[www.pensionsadvisoryservice.org.uk/  
media/826600/members\\_leaflet.pdf](http://www.pensionsadvisoryservice.org.uk/media/826600/members_leaflet.pdf)

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



## 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 2012 the Fund had overall assets of £6,026 million and liabilities of £6,762 million resulting in a deficit of £736 million. As a result, a recovery plan was agreed to eliminate this shortfall over time through additional employer contributions for those sections where there was a deficit.

Full information on the Technical Provisions and Recovery Plan has been shared with the Pensions Regulator and dialogue continues.

The Trustees monitor the position between valuations and although there has been some improvement in asset values, because of the increase in the value of liabilities it is likely that the 2015 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. There will also be consultation with the employers on the contribution level required to fund ongoing pension benefits.

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

### 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 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 Trustees know how you would like this to be paid.** Forms are available from the Fund Office or 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 £32,600. This latter figure is increased annually by earnings inflation.



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 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

	Telephone number
A to F	020 7918 4726
G to M	020 7918 4735
N to S	020 7918 4926
T to Z	020 7918 3027

#### For all other enquiries, contact

#### Your surname begins with

	Telephone number
A or D	020 7918 3021
B or E	020 7918 4897
C or F	020 7918 4697
G, J or L	020 7918 4720
H or K	020 7918 4864
I, M or N	020 7918 4895
O or S	020 7918 3797
P, Q, T, U, V, X, Y or Z	020 7918 4784
R or W	020 7918 3322

### 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.tflpensionfund.co.uk](http://www.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 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](http://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, email the Fund Office at [helpdesk@tflpensionfund.co.uk](mailto:helpdesk@tflpensionfund.co.uk) or call us on 020 7918 3733.



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