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## Pension Fund newsletter

Dear Member

Welcome to this special newsletter that tells you about a number of changes that are coming up. These changes affect both your Fund and pensions in general.

Firstly, from April this year, we are delighted to announce that there will be a new name and a new look for your Pension Fund. Following the transfer of the Fund's Principal Employer to Transport for London in July 2003, we are now changing the name to the TfL Pension Fund. At the same time the Trustee company name will change to the TfL Trustee Company Limited, of which the Pension Fund Trustees are Directors.

To reflect this new name the world famous 'roundel' logo will be adopted for our pensions communications material, and this will be phased in across all communications over the coming months.

The new name underlines TfL's commitment to the Fund -

something that it has already demonstrated financially. Everything else will be business as usual; the Fund Office can be contacted in the same way and staff will continue to provide the same high level of service.

Nothing seems to stand still in pensions for very long. As you may know the Government has undertaken a far-reaching review of company pensions, and many changes are on the way. Most are aimed at making pensions simpler and more secure. Much of the detail is unknown, but we have summarised the position as far as it is known for you in this newsletter.

We are always interested to hear your views so if you have any comments on this newsletter or questions about the changes, please do get in touch. Our contact details are on the back page.

**Stephen Critchley**  
Chairman of the Trustees

# Government pension changes

In last year's Annual Review, we told you about some of the changes that are coming in over the next year or so. Since then, there have been a lot of developments so we thought we'd take this opportunity to update you. There are a number of areas where full details are not known so we cannot yet be sure of the full implications. The Trustees continue to keep a close eye on developments and will communicate as appropriate once the information becomes available. In the meantime, please remember that the main objective of these changes is to make members' benefits more secure.

As you will see, many of these changes will introduce new requirements, which the Fund already meets or exceeds.

## From April 2005

### The Pension Protection Fund (PPF)

- The PPF will take responsibility for helping to fund the pension benefits of members of underfunded schemes, where the employer is insolvent. This will be funded by a levy on private sector defined benefit schemes.
- In the case of your Fund, it is uncertain to what extent the PPF will apply. The outcome will depend on whether TFL is classified wholly, or partly, as a public sector organisation

(which cannot become insolvent). While we fully support added protection for members' benefits, understandably we do not want to pay for something that is irrelevant for us.

### A new Pensions Regulator

- The new Pensions Regulator will take over the role of the current Occupational Pensions Regulatory Authority, but will have more extensive powers. Some key powers will include ensuring employers honour their commitment to their pension schemes and processing claims against the PPF.

### State pensions

- Currently it is possible to delay payment of State pensions for up to five years from State pension age. Under the new rules this time limit will be removed.
- If the pension has been deferred for at least 12 months, people will be able to choose between receiving a higher rate of pension and taking a lump sum plus their original State pension.
- While payment of a State pension is deferred, that pension will increase by 10.4% a year (previously 7.5%).

### Dispute resolution

- All pension schemes are required to have a formal

process for resolving disputes with members. The current legal requirements are complicated and long-winded so new guidelines are expected.

### Pension increases

- The annual increase that schemes must guarantee for pensions in payment will be the increase in the retail prices index up to a maximum of 2.5% (currently 5%). This will only apply to pensions earned in respect of service from 6 April 2006, and pension schemes will continue to be able to award higher increases.
- Pension increases paid by the Fund are written into the Trust Deed and Rules and there are currently no plans to change these.

### Benefit statements

- A legal requirement to automatically issue benefit statements to active members is expected. We have been doing this for a very long time, as well as providing benefit statements to deferred members.

## From September 2005

### Scheme specific fund requirement

- Currently pension schemes are required to check the funding position against a prescribed test. From this autumn, schemes will be required to

have 'sufficient and appropriate' assets to cover their liabilities to pay benefits. This will require the Trustees, our advisers and the employers to work together to agree a funding plan to meet this objective.

- The Trustees will also be required to issue a statement of how we intend to meet this requirement and set out the assumptions made when determining the level of contributions and investment returns required, and how any funding shortfall will be dealt with.
- While these requirements are new, the Trustees have always devised our funding plan to meet the benefits that we have to pay now and for many years to come.

### From April 2006

#### Trustee knowledge and understanding

- There will be a new code of practice setting out standards for pension scheme trustees. The details of this code are not yet known but we are confident that the Fund's Trustees already meet the required standard through regular training and expert advice.

#### Benefits for early leavers

- All members who leave their pension scheme having completed at least three

months' pensionable service will have the choice of a transfer value or a refund of their contributions. The Fund already offers this choice.

#### Changes to maximum benefits

- The current Inland Revenue limits on pension contributions and benefits will be abolished. Much simpler Annual and Lifetime Allowances will replace them.
- There will also be a change to the way maximum tax-free lump sums on retirement are calculated. Once the full details are available the Trustees will consider them carefully before deciding the best approach for members.
- Fund members will be allowed to pay into other pension arrangements, such as a personal or stakeholder pension, at the same time as contributing to the Fund. The total contributions cannot exceed the new Annual Allowance.

#### Partial retirement

- Where their employer agrees, employees will be allowed to take all or part of their pension while continuing to work for the same employer.

#### Early retirement

- There will be an increase in the minimum early retirement age to 55, rather than age 50 as

now. This comes into force from 2010. Ill-health retirement will still be permitted at any age.

#### Death benefits

- Pension schemes will be allowed to pay some death benefits as a lump sum rather than a pension.

#### Additional Voluntary Contributions (AVCs)

- Pension schemes can choose not to offer AVC facilities to members in the future. The Fund's Trustees will consider carefully before deciding whether to make any change to the current arrangements.

#### Member consultation

- Pension schemes will be required to consult with members before making certain rule changes. The Trustees will look closely at the details once they are available. However, as we already consult with members through various forums, such as the Pensions Consultative Council and the Trades Unions, we expect to be a long way towards complying with the new rules.

#### Member nominated Trustees (MNTs)

- The current rules about the election and representation of MNTs on a Trustee board are being revised. We will let you know more when full details are available.

## Your team

The staff in the Fund Office are happy to answer any questions 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 help you need. They can be contacted at:

TfL Pension Fund  
3rd Floor  
Wing Over Station  
55 Broadway  
London  
SW1H 0BD

### Telephone

External: 020 7918 3733  
Internal: 1288

### Website

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

If you have access to the Internet you can find plenty of information on the Fund's website. There are also a number of on-line forms to use, for example to change address or bank details, or to submit an AVC enquiry. If you are a contributing member, or a non-member who is thinking of joining the Fund at a later date, try our interactive modeller, which shows you what you might receive when you retire.

## Communications timetable 2005

### Ongoing

- Maximum benefits: the Fund Office will be writing over the coming months to all members who may be affected by the changes to maximum benefits.
- Legislative changes: the Trustees will continue to communicate as appropriate as more detail is known.

### April

- Annual payslips and P60s sent to pensioners. These will show this year's pension increase and payment dates for the forthcoming Tax Year, as well as showing total pension and tax information for 2004/05.

### June

- Benefit statements and AVC statements to all contributing members.

### July

- Benefit statements and AVC statements to all deferred members.

### September

- Annual Review - the Trustees' summary of the Full Report and Accounts.

### October

- Annual Members' Meeting. A forum for all members to meet the Trustees and discuss the Fund will be held on 4 October at the following venue:

**Assembly Hall  
Church House  
Dean's Yard  
Westminster**

